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BEFORE THE ARIZONA CORPORATI

IN THE MATTER OF INVESTIGATION) DOCKET NO.
 INTO QWEST CORPORATION'S) T-00000A-00-0194
 COMPLIANCE WITH CERTAIN WHOLESALE)
 PRICING REQUIREMENTS FOR)
 UNBUNDLED NETWORK ELEMENTS AND) PHASE II
 RESALE DISCOUNTS.) COST DOCKET
)

At: Phoenix, Arizona
 Date: July 17, 2001
 Filed: July 18, 2001

REPORTERS' TRANSCRIPT OF PROCEEDINGS
 VOLUME II
 (Pages 259 through 534)

ARIZONA REPORTING SERVICE, INC.
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 Suite Three
 2627 North Third Street
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 By: CAROLYN T. SULLIVAN, RPR
 CCR No. 50528
 LISA A. HUMBEUTEL, RPR
 CCR No. 50599

Prepared for:

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1 BE IT REMEMBERED that the above-entitled and
2 numbered matter came on regularly to be heard before
3 the Arizona Corporation Commission, 1200 West
4 Washington Street, Phoenix, Arizona, commencing at
5 9:05 a.m., on July 1, 2001.

6

7 BEFORE: MARC SPITZER, Commissioner
8 LYN FARMER
Chief Administrative Law Judge
9 DWIGHT D. NODES
Administrative Law Judge

10

11

APPEARANCES:

12

For Qwest Corporation:

13

FENNEMORE CRAIG, P.C.
14 Mr. Timothy Berg
3003 North Central Avenue
15 Suite 2600
Phoenix, Arizona 85012-2913

16

PERKINS COIE, LLP
17 Mr. John M. Devaney
607 Fourteenth Street, N.W.
18 Washington, D.C. 20005-2011

19

For AT&T Communications of the Mountain States, Inc.,
20 and XO Arizona:

21

DAVIS WRIGHT TREMAINE, LLP
22 Ms. Mary Steele
2600 Century Square
1505 Fourth Avenue
23 Seattle, Washington 98101-1688

24

25

1 APPEARANCES:
2 For WorldCom, Inc.:
3 LEWIS AND ROCA, LLP
4 Mr. Thomas H. Campbell
5 40 North Central Avenue
6 Phoenix, Arizona 85004-4429
7
8 Mr. Thomas Dixon, Jr.
9 707 17th Street, Suite 3400
10 Denver, Colorado 80202
11
12 For Cox Arizona Telcom, Inc.; Z-Tel Communications,
13 Inc.; and McLeodUSA Telecommunications Services, Inc.:
14
15 ROSHKA HEYMAN & DEWULF, PLC
16 Mr. Michael W. Patten
17 Two Arizona Center
18 400 North 5th Street, Suite 100
19 Phoenix, Arizona 85004
20
21 For Sprint Communications Co., L.P.:
22 Mr. Eric Heath
23 100 Spear Street, Suite 930
24 San Francisco, California 94105
25
26 For Commission Staff:
27
28 Ms. Maureen A. Scott
29 Staff Attorney, Legal Division
30 1200 West Washington Street
31 Phoenix, Arizona 85007
32
33 CAROLYN T. SULLIVAN, RPR
34 CCR No. 50528
35 LISA A. HUMBEUTEL, RPR
36 CCR No.

1 CALJ FARMER: Is Qwest ready to call your
2 next witness?

3 MR. BERG: Yes, we are. We call Mr. Jeff
4 Hubbard.

5

6

JEFF HUBBARD,
7 called as a witness on behalf of Applicant, having
8 been first duly sworn by the Certified Court Reporter,
9 was examined and testified as follows:

10

11

DIRECT EXAMINATION

12

13 Q. (BY MR. BERG) Mr. Hubbard, would you please
14 state your full name for the record.

15 A. Yes. My full name is Robert J. Hubbard.

16 Q. And by whom are you employed and in what
17 capacity?

18 A. I'm employed by Qwest Communications, and my
19 title is director in the technical regulatory
20 interconnection planning group.

21 Q. And, Mr. Hubbard, do you have before you what
22 have been marked as Qwest Exhibits 5, 6, and 7?

23 A. Yes, I do.

24 Q. And could you identify those exhibits for the
25 record, please.

1 A. Yes.

2 Qwest-5 is the direct testimony filed by
3 Robert F. Kennedy on March 15th, 2001.

4 Qwest-6 is the supplemental direct testimony
5 of Robert F. Kennedy filed April 16th, 2001.

6 And Qwest-7 is the rebuttal testimony of
7 Robert F. Kennedy filed on June 27, 2001.

8 Q. And, Mr. Hubbard, is your purpose today to
9 adopt that testimony as a witness?

10 A. Yes, it is.

11 Q. And if I asked you the questions set forth in
12 Qwest Exhibits 5, 6, and 7, would your answers be the
13 same?

14 A. Yes, they would.

15 MR. BERG: We move the admission of Qwest
16 Exhibits 5, 6, and 7.

17 CALJ FARMER: Any objection to those
18 exhibits?

19 (No response.)

20 CALJ FARMER: Hearing none, Qwest-5, 6, and 7
21 are admitted.

22 Q. (BY MR. BERG) Mr. Hubbard, do you have a
23 summary you'd like to give?

24 A. Yes, I do.

25 I'd like to open by giving you a brief

1 overview of my experience in the telephone business.

2 I have approximately 34 years in the telecom
3 industry. Of that, almost 30 years with two different
4 RBOCs.

5 At the start of my career, I spent 11 years
6 as an outside technician, both as a cable splicer and
7 a cable repairman. I was involved in the splicing and
8 repair of cables in aerial, the buried, and
9 underground plant of our system.

10 I then moved into the engineering side of the
11 business, where I've been a design engineer involved
12 in the actual design of aerial, buried, and
13 underground cables, and as a tactical planner, which
14 analyzes a network and plans for future growth. I
15 have designed and placed copper cables, fiber cables,
16 and digital carrier systems.

17 In 1991, I took about a five-year break from
18 working for an RBOC. At that time I was the owner and
19 operator of a construction firm involved in the
20 placement of both buried drops and buried cables.

21 Since my return to the company, I've been
22 involved in the technical regulatory side of the
23 house, which is involved in the interconnection of
24 Qwest network and co-providers' networks.

25 A lot of my time in interconnection has been

1 with the design of collocation elements within a Qwest
2 central office and especially with the design of line
3 sharing. Lately, though, most of my time has been
4 spent in the 271 workshop process. The 271 workshop
5 is a process where Qwest and the co-providers, through
6 sometimes lengthy negotiations, has led to a general
7 agreement about the nature of many of Qwest's products
8 and service offerings. And these are filed in the
9 SGAT.

10 The testimony that I'm adopting is in several
11 broad categories and identifies the elements of the
12 products and services of Qwest offerings. The
13 categories include:

14 Local interconnection services, which are
15 referred to as LIS. LIS is a trunk side service
16 provided between the point of interconnection of a
17 CLEC network and the Qwest network.

18 Also, collocation, which allows for the
19 placement of telecom equipment within a Qwest premise.
20 And I address the elements involved in each type of
21 collocation.

22 I also discuss CLEC-to-CLEC connections,
23 which allow for two or more CLECs to connect to each
24 other within a Qwest central offices.

25 Under another category, I discuss UNEs,

1 including loops, subloop unbundling, intrabuilding
2 cable, and field connection points.

3 I also address other miscellaneous services,
4 including BFR and access to poles, ducts, conduits and
5 rights-of-way.

6 I would like to conclude by stating that
7 these products and service offerings are consistent
8 with the section 271 workshop agreements and the
9 requirements of the FCC.

10 Thank you.

11 MR. BERG: Mr. Hubbard is available for
12 cross-examination.

13 CALJ FARMER: Thank you.

14 Did the CLECs work out amongst themselves the
15 order for this witness?

16 MR. CAMPBELL: I will go first if that's okay
17 with the chair.

18 CALJ FARMER: That's fine.

19

20 CROSS-EXAMINATION

21

22 Q. (BY MR. CAMPBELL) Mr. Hubbard, good morning.
23 My name is Tom Campbell, and I'm here representing
24 WorldCom.

25 I'm primarily going to talk to you about

1 collocation, which sounds like a topic you have
2 extensive experience.

3 A. Okay.

4 Q. And I want to start by handing you what's
5 been marked as WorldCom Exhibit No. 1. And it's a --
6 I will hand it to you in a second, but for the record,
7 it is rebuttal Exhibit MA-1R2. And it is the list of
8 Arizona rates proposed attached to Ms. Arnold's
9 testimony.

10 MR. CAMPBELL: And my understanding,
11 Mr. Berg, is that this is a slight revision of the
12 Arizona rates that were proposed in Ms. Arnold's June
13 27th testimony.

14 MR. BERG: That is correct. There are a few
15 items that were left off of that list that have been
16 added back onto this one.

17 Q. (BY MR. CAMPBELL) Have you had a chance to
18 look through that, Mr. Hubbard?

19 A. Yes.

20 MR. CAMPBELL: I told Mr. Berg beforehand, I
21 found it somewhat ironic that I get to move the
22 admission of the Qwest revised price list, but I would
23 move the admission of this revised price list.

24 CALJ FARMER: Are there any objections to
25 that?

1 MR. BERG: No objection.

2 CALJ FARMER: WorldCom Exhibit 1 is admitted.

3 Q. (BY MR. BERG) And, Mr. Hubbard, what I'd
4 particularly like you to do is turn to page 2 of that
5 Arizona rate list, which is the section 8.0 dealing
6 with collocation. Are you there?

7 A. Yes.

8 Q. And you'll see in the right-hand column under
9 witness, it listed Mr. Kennedy for what appears to be
10 all the collocation prices over the next -- it's page
11 2, page 3, and page 4 are the collocation prices. And
12 Mr. Kennedy is listed as the witness. Do you see
13 that?

14 A. Yes, I do.

15 Q. And you're standing in for Mr. Kennedy this
16 morning?

17 A. Yes, I am.

18 Q. And my question is just to understand the
19 scope of your testimony and who I should ask certain
20 questions to. And my question is: What role did you
21 play in actually establishing the rates that are
22 listed on this sheet?

23 A. Actually, that is done out at the costing
24 group, and I believe the rates will be addressed by
25 Ms. Million.

1 Q. So if I have questions about specific rates
2 or the support for those rates and collocation, I
3 should address those to Ms. Million and not you; is
4 that correct?

5 A. Yes.

6 Q. I'd still like you to keep this handy,
7 though, because I may refer back to it just as an
8 organizing principle.

9 A. That's fine.

10 Q. And then I would also like to hand you what
11 has been premarked as WorldCom Exhibit No. 2. It is a
12 chart of several pages of -- chart of collocation
13 facilities that I got from I believe Ms. Million's
14 collocation cost model.

15 I would like you to look at it, and then I'm
16 going to ask you a few questions about it. I'll give
17 you a couple minutes to look at it.

18 MR. CAMPBELL: And, Tim, this was from the
19 collocation cost study, which I believe was
20 confidential. I don't think this chart you'll want to
21 consider confidential, but I won't ask any questions
22 until you've had a chance to look at it and decide.

23 Q. (BY MR. CAMPBELL) Have you had a chance to
24 flip through this chart yet, Mr. Hubbard?

25 A. I'm doing that right now.

1 MR. CAMPBELL: And, Tim, whenever you've had
2 a chance, let me know if this is something that you
3 want to treat as confidential or not.

4 MR. BERG: It doesn't need to be treated as
5 confidential.

6 MR. CAMPBELL: And just for the record, I
7 believe this is actually several pages from the
8 collocation cost study sponsored by Ms. Million that
9 we printed off the CD that you provided to us.

10 THE WITNESS: I've glanced through it.

11 Q. (BY MR. CAMPBELL) Mr. Hubbard, it appears
12 that the first page is kind of an overall design of
13 the components or at least the major components of a
14 collocation operation with the entrance facilities on
15 the left and then the CLEC space in the middle. The
16 power plant up above. And then what's called X
17 connect to the right. And then each of the following
18 pages appears to be a little more detailed drawing of
19 each of those components; is that correct?

20 A. I would agree with that. That's what it
21 seems to be, yes.

22 Q. Now, like I said, this was provided by Ms.
23 Million. Is it a fair representation, at least for
24 purposes of our discussion about collocation elements?

25 A. I think it's a fair representation, yes.

1 MR. CAMPBELL: I would move admission of
2 WorldCom-2.

3 MR. BERG: No objection.

4 CALJ FARMER: WorldCom-2 is admitted.

5 Q. (BY MR. CAMPBELL) And, again, if I could
6 just hold this in front of you, we'll refer back to it
7 on several occasions as we talk about different
8 elements.

9 A. Okay.

10 Q. However, the first element I would like to
11 talk about is the quote preparation fee. The
12 collocation quote preparation fee. And just to
13 identify it for the other parties, on the rate list,
14 WorldCom-1, that I handed you, there is a quote
15 preparation fee listed in 8.2.1 under virtual
16 collocation --

17 A. Yes.

18 Q. -- of about \$4,399. And then 8.3.1, there's
19 a quote preparation fee for the same amount for
20 cageless collocation.

21 And then in 8.4.1, there's a quote
22 preparation fee for a slightly higher amount for caged
23 physical collocation. Do you see those three?

24 A. Yes. And the caged is just a few hundred
25 dollars more.

1 Q. And those are the quote preparation fees that
2 I want to talk with you about for a minute. And just
3 to confirm, to the extent I have questions about how
4 those figures were designed, it appears that
5 Mr. Fleming would be the appropriate witness for those
6 questions.

7 A. I think Mr. Fleming has the breakdown of each
8 of the elements, yes.

9 Q. Do you also have a copy with you of your
10 testimony?

11 A. Yes, I do.

12 Q. I would like you, then, to turn to page 7 of
13 your rebuttal testimony, June 27th. I think we marked
14 it probably as Qwest-7.

15 A. Page 7?

16 Q. Page 7 of your June 27 rebuttal testimony, or
17 rather the rebuttal testimony of Mr. Kennedy.

18 A. I have that.

19 Q. And you say there on line 9: The quote
20 preparation fee is intended to recover the cost
21 associated with the preparation of a bid by Qwest for
22 collocation work that is requested and then
23 subsequently canceled by the CLEC. The quote
24 preparation fee ensures that Qwest will be compensated
25 for the work associated with preparing a quote.

1 Do you see that testimony?

2 A. Yes, I do.

3 Q. And then you go on to talk later on in the
4 page about 73 collocation cancellations in Arizona.

5 Do you see that testimony?

6 A. Yes, I do.

7 Q. My question is: In how many of those 73
8 cancellations did Qwest lose money?

9 A. I don't know. I don't have the information
10 in front of me on all 73 that were canceled. I know
11 that they were in some part of either construction or
12 the work has been done up front before construction
13 started. So there were prices or costs that Qwest
14 incurred up front to develop these quotes.

15 Q. But you've always been collecting quote
16 preparation fees, haven't you?

17 A. Yes.

18 Q. You just don't know whether in any of those
19 73 cases you lost money or whether the quote
20 preparation fee covered your cost?

21 A. I don't know for sure. I would say the quote
22 preparation fee covered the cost of the initial
23 development of a quote.

24 Q. And I assume, were all those cancellations
25 that you talk about in the 73 cancellations,

1 cancellations that occurred before you started
2 construction?

3 A. Like I said, I don't have all of the
4 information in front of me on all the 73. I would say
5 some of them were probably in some form of
6 construction.

7 Q. And before you start construction, you
8 collect an additional fee, don't you, other than the
9 quote preparation fee?

10 A. I believe so, yes.

11 Q. So when you testified that the quote
12 preparation fee and those cancellations covered the
13 preparation of the quote, you probably refer to the
14 activities prior to construction. Is that a fair
15 statement?

16 A. I would say that's fair, yes.

17 Q. Are you familiar with a data request that
18 AT&T sent out that asked a series of questions about
19 the nature of these cancellations?

20 A. I'm vaguely familiar with it. I believe it
21 was sent out as soon as last week.

22 Q. I think that's right.

23 A. Yeah. And I believe that we did object to
24 that because of the time frame involved to research
25 all of these jobs to have the information available.

1 Q. And so no information was provided on those
2 73 cancellations in response to that data request as
3 far as you know; is that correct?

4 A. As far as I know, that is correct.

5 Q. Let me turn now to -- in your discussion of
6 space construction. And, again, just for purposes of
7 focus, what I'm talking about there is found on the
8 rate list, WorldCom-1, at section 8.3.2 under cageless
9 where it says space construction. And it has an
10 initial nonrecurring charge there of slightly under
11 \$30,000. And also in 8.4.2, which is caged physical
12 collocation under 8.4.2, and if you look across under
13 space construction, there's a charge of a little under
14 \$52,000, at least on the first line.

15 Mr. Kennedy -- and I can turn you to his
16 testimony. In fact, let's do that just so we can look
17 at it exactly. If you look at his testimony March 15
18 on page 18, I believe. His March 15 testimony I think
19 is Qwest No. 5.

20 A. That is Kennedy's direct, yes.

21 Q. And on page 18, line 12, he defines what I'll
22 call the elements of space construction. Do you see
23 that testimony?

24 A. Yes.

25 Q. My question there is: What is site

1 preparation? What's involved in site preparation,
2 which is apparently included in the space construction
3 charge? It's on line 13, the phrase I'm looking at.

4 A. The site preparation is a part of the space
5 construction which is actually provided, the space
6 within the central office to be prepared for the
7 construction of facilities there.

8 Q. Can you give me a little more specifics on
9 what kind of things have to be done based on your
10 experience to prepare a site for collocation?

11 A. I don't know whether Mr. Fleming would be
12 more appropriate to ask everything that goes into that
13 or the hours involved in that, if you will. But the
14 site preparation is required, like I said, to prepare
15 space available whether it's to move not exactly
16 equipment, but if it's an administrative area that is
17 being prepared, it's to move cabinets, such as that,
18 to prepare the space that is completely clear of
19 anything that is around that site so the construction
20 can begin.

21 Q. Now, in terms of selecting collocation space,
22 that decision is made in terms of where you're going
23 to put collocators, that decision is made by Qwest; is
24 that correct?

25 A. That is correct.

1 Q. So what you're saying is that if you select a
2 space that has a lot of desk and file cabinets
3 currently in it, you need to move those, and that's
4 what the site preparation charge is?

5 A. That could be part of it, yes.

6 Q. Is there the same site preparation for
7 cageless as caged physical collocation?

8 A. There most certainly could be, yes.

9 Q. And if you were today to build a modern
10 central office knowing that you were going to have
11 collocators, is it fair to say that such a new central
12 office would probably be built with available empty
13 space, so to speak, for collocators?

14 A. Well, that's kind of a tricky one to answer
15 because we have to deal with central offices that are
16 existing in a real world. We don't necessarily have
17 what you just referred to, forward-looking central
18 office. We deal with reality. Reality is that
19 there's equipment there, there's administration space
20 that's there that has to be reconditioned to allow for
21 collocation within a central office.

22 Q. Mr. Hubbard, I understand and appreciate it's
23 been a pretty consistent theme of Qwest throughout the
24 hearing so far that you're dealing with your current
25 facilities, and you may require site preparation for

1 that. My question was a little different. And that
2 is: Is it fair to say that if you were building a
3 central office today and you know you have to have
4 collocators there, wouldn't it be fair to say that you
5 would have -- that would be built with available open
6 space for collocation?

7 A. If you look at some of our existing buildings
8 that we've had to add on space or put a second floor
9 on, we have designed those with space for collocators.
10 But I do have to go back to my original statement on
11 that that we deal with reality and the existing
12 central offices that we have.

13 Q. And I think I understand it. You're talking
14 about the prices that we see here for space
15 construction are based on going back to your current
16 older central offices that weren't built with
17 collocators in mind, and you may have some site
18 preparation there. Is that fair?

19 A. That's fair.

20 Q. Would you take a look at WorldCom-1 again for
21 just a second. And I want you to go out of
22 collocation for a second to section 9.18. And I
23 believe your name or Mr. Kennedy's name is by there.
24 It's hard to find a price. You see 9.18 of
25 construction charges?

1 A. Yes.

2 Q. My question is this: I want to understand
3 the relationship between these ICB construction
4 charges and the space construction charges in
5 collocation that we've been talking about. Is there
6 any overlap there? Are these additional charges that
7 we're going to have to pay? I just need some
8 clarification.

9 A. Give me a minute to look at this.

10 Q. Sure.

11 A. I believe looking at these, these
12 construction charges are outside of a normal built
13 type thing. And I don't believe that they are
14 additional charges to collocation. You might confirm
15 that with Ms. Million on how they set up the cost.

16 Q. With Ms. Million. Okay.

17 But as far as you know, the construction
18 charges for collocation are all embodied in the space
19 construction charge, and this is not some additional
20 charge we're going to incur?

21 A. That's -- to my knowledge looking at this, I
22 don't see a reference in here between the two.

23 Q. Thank you.

24 I'm going to talk just for a few questions
25 about grounding. And you'll notice in caged

1 collocation there's a charge for grounding on 8.4.4.

2 Do you see that?

3 A. Yes.

4 Q. My question is this: Well, first of all,
5 perhaps you can explain to us, maybe even using this
6 chart if it's helpful in WorldCom-2, how grounding
7 works in a collocation situation.

8 A. Well, all equipment within a central office
9 has to go to common ground. There is actually two
10 common or two grounds that -- ground plane surrounding
11 the central office. One is the main ground for the
12 switch only. There's a second ground that all
13 equipment within the central office is grounded to.

14 Q. And just to stop for you a second. And when
15 you say all equipment, would that be all collocator
16 equipment and all Qwest equipment would go to the same
17 second ground?

18 A. Yes.

19 Q. Please continue.

20 A. I think I was almost done there.

21 Q. Okay. Can we see the grounding wire on these
22 charts that I've handed you? Are they listed
23 anywhere? If not, can you kind of point out where the
24 grounding wire would come from and go to.

25 A. If you look at the third drawing, space

1 construction, they have the grounding listed in there.
2 I'm not sure if it's one of the elements that's drawn
3 on here, but they do have grounding listed in the
4 nonrecurring side.

5 Q. And let's picture a caged -- this is in caged
6 physical collocation, so let's picture a series of
7 CLECs have cages together in a central office. Can
8 they use the same grounding wire leaving that caged
9 area to go to what you're calling the ground?

10 A. I'm drawing a mental picture here.

11 Q. Sure, take your time.

12 A. Basically, there will be -- I should start
13 out by saying no, and then I'll clarify. There will
14 be one main grounding bar located in a proximity that
15 CLECs can access. Each CLEC will have to pay for
16 grounding from the main ground bar, if you will, to
17 their cage. Grounding is based on distance and on the
18 type of equipment in there for different sizes of
19 grounding cable.

20 Q. Is there just one ground bar for the whole
21 central office except for the grounding for the
22 switch?

23 A. In theory, yes. But there are different ways
24 I should say that you connect to the ground bar.
25 Ground bar is kind of in a --, a ground bar -- let's

1 take a -- let me try to clarify this. Let's take a
2 collocation area with several CLECs connected to it.
3 A ground bar there is in kind of a U shape. And where
4 that is connected to the main grounding plane that
5 wraps around the building, there are certain
6 specifications to connect to that U-shaped bar so that
7 it's always grounded in case of a break in there.

8 So can all CLECs attach to the same? In
9 theory, yes. But in reality, no, there's different
10 ways that you connect on a ground bar.

11 Q. So in theory, they could all -- the ground
12 bar we're talking about is the U-shaped bar?

13 A. Yes.

14 Q. And in theory, they could all run one
15 grounding wire to that U-shaped bar?

16 A. In theory, yes, from each site.

17 Q. And from that U-shaped bar to the -- I think
18 you called it the grounding plane --

19 A. Yes, around the central office.

20 Q. Is there just one line that runs from that?
21 Can one line run from that U-shaped bar for that
22 grounding plane?

23 A. It will probably run from different parts of
24 the central office to a main grounding bar then that
25 is connected to the outside.

1 Q. And what I'm trying to get at is if we have
2 individual lines running from each collocator for this
3 U-shaped bar, are they then kind of combined and you
4 just have one grounding wire that runs from the
5 U-shaped bar to wherever the next location is?

6 A. Yes. And all the CLEC is assessed for is
7 from their collocation site to the first -- we'll call
8 it the U-shaped bar. Qwest provides the main
9 grounding bar in proximity to the CLEC cage.

10 Q. And do the collocators pay for the U-shaped
11 bar?

12 A. They pay for the connection to it and the
13 grounding cable.

14 Q. Let's talk for a minute about entrance
15 facilities. And I think if we look at WorldCom-2
16 maybe on page 2, that would be the best chart to look
17 at for this.

18 MH0 stands for manhole, does it not?

19 A. MH is manhole, yes.

20 Q. And I don't know if you've had a chance to
21 review Mr. Fleming's testimony, but he's said that --
22 if I understand it correctly, 90 percent of the time,
23 Qwest and the collocators would probably just share
24 that manhole, and 10 percent of the time, they'll need
25 to dedicate a separate manhole for the collocators.

1 Did you review Mr. Fleming's testimony or does that
2 ring a bell?

3 A. It rings a bell, but I did not review
4 Mr. Fleming's.

5 Q. Well, subject to check, just go with me on
6 this.

7 A. Subject to check, I'll go with you.

8 Q. And my question is: If we're in a
9 collocation situation where we just have the one
10 manhole, MH0, there's -- the dotted lines are then
11 what, Mr. Hubbard? Is that conduit? Is that a
12 conduit or duct of some sort?

13 A. There would be conduit, yes.

14 Q. And then I take it what looks like an
15 orange-ish line is a cable?

16 A. Yes.

17 Q. And my question is: Assuming we just had
18 this one manhole, I take it that Qwest and collocators
19 could share that conduit; is that correct?

20 A. Okay. You're referring from where to where?

21 Q. From MH0 to FDF. Could Qwest and collocators
22 share the same conduit?

23 A. Well, there are different conduits in there
24 for innerduct and entrance facilities. Most of these
25 entrance facilities are fiber. And the collocator's

1 fiber or the shared entrance for collocators would be
2 its own innerduct because that's all that you can pull
3 in there. There's one cable.

4 Q. So that there would be a separator duct for
5 each collocator or a separate innerduct for
6 collocators in general?

7 A. There would be -- like I said, you can only
8 get one cable in innerduct. So there would be -- if
9 you had two CLECs each placing -- or each wanting a
10 direct fiber path in there or direct fiber cable, they
11 would each take a separate innerduct or conduit. If
12 they spliced in manhole one or the POI manhole and
13 utilized a shared entrance, then they would be
14 utilizing one innerduct.

15 Q. And they'd use a shared entrance because they
16 didn't need all the individual fibers in the
17 particular fiber cable? Is that why they would share?

18 A. That's why they would share.

19 Q. And then I guess theoretically, depending on
20 need, that could be shared by Qwest, as well; is that
21 true?

22 A. Not completely, no. Qwest facilities are
23 sized and placed for either known or forecasted
24 demand. We've already allocated those facilities for
25 places out in our network. So I would say no, that

1 Qwest does not share fibers in the interest of
2 something like that with the CLEC.

3 Q. I understand your answer, but I'm trying to
4 think of a forward-looking competitive market, and it
5 just seems to me that at least in theory, there may be
6 a situation where it makes economic sense for Qwest to
7 share a cable just like it makes sense for CLECs in a
8 competitive market to share a cable.

9 A. And being an engineer, unfortunately, I have
10 to deal with a lot of reality. And the reality is
11 that we would probably not be placing facilities that
12 we would share, especially fiber cables.

13 Q. I understand your perception of reality. I
14 guess my question is just, is there any reason that at
15 least in theory, the reason CLECs can share a cable
16 could not also apply to Qwest?

17 A. Well, if you take the --

18 Q. And just to make sure I'm clear, your
19 position is very clear, and I understand Qwest's
20 position. I just want to see from your standpoint as
21 an engineer if it's theoretically possible or if
22 you're just telling me it's technically feasible for
23 that ever to happen.

24 A. As an engineer, you can build a lot of
25 things.

1 Q. I think you've answered my question.

2 COM. SPITZER: Ms. Hearing Officer and
3 Mr. Campbell, if you could indulge me, may I pose some
4 questions as follow-up.

5 MR. CAMPBELL: That's fine.

6 COM. SPITZER: And I have another commitment,
7 so I apologize, Mr. Campbell.

8 MR. CAMPBELL: That's fine.

9

10 EXAMINATION

11

12 Q. (BY COM. SPITZER) As a follow-up question to
13 that posed by Mr. Campbell, this had to do with the
14 quote preparation fee and the site preparation fee and
15 the costs associated with accommodating CLEC
16 collocation in an existing facility.

17 Mr. Campbell questioned whether in new
18 construction the CLEC collocation could be
19 accommodated and eliminate some costs. And your reply
20 was that you're in the real world, and you have to
21 upgrade existing facilities. And, therefore, you felt
22 that the cost set forth in the exhibits were
23 appropriate. Is that a fair summary?

24 A. I think that's a fair -- what you just said,
25 yes.

1 Q. And I'm going back to this conundrum among a
2 forward-looking cost model and the relationship with
3 Qwest's embedded costs and the fact that we should
4 consider Arizona state-specific demographics. I
5 wanted to pose one or two questions for you.

6 I've been made aware that there's a proposal
7 by Qwest to expand substantially its Paradise Valley
8 office, Paradise Valley central office. Are you
9 familiar with that?

10 A. No.

11 Q. It's a quadrupling of the capacity of the
12 office, and the company is dealing with the Town
13 Council of Paradise Valley, which I've been told by
14 Qwest officials is a far more hostile tribunal than
15 either the Legislature or this body.

16 A. Some municipalities are.

17 Q. So you're quadrupling a facility. Would it
18 be possible, given this expansion, to accommodate CLEC
19 collocation without the necessity of either the quote
20 preparation or the site preparation fee?

21 A. You're still going to have the quote
22 preparation fee because -- and what that's for is to
23 give as close as possible or an actual bid to the
24 CLECs so they're not too surprised when they go into
25 the construction part of it. So you're going to have

1 to still do the quote prep fee to decide or design
2 overhead racking and all the other aspects, how much
3 cable it's going to take to get there, what type of
4 connections they want, the power. So you're going to
5 have to still do the quote prep fee and probably still
6 the site prep fee even on a new build within the
7 central office.

8 Q. With respect to the quote prep fee, wouldn't
9 the standardization of new construction make that a
10 much less difficult, more routine undertaking than --
11 I understand to recondition an existing facility that
12 did not assume upon construction collocation would be
13 more complex than what you would think could be a
14 cookie-cutter standard process with new construction.

15 A. I can see where a person would think that,
16 but the collocation cages and the collocation
17 equipment that's going in there from the CLECs is
18 still going to have to connect to the existing network
19 and the part of the central office that exists today.
20 They still have to interconnect. You still have to
21 have overhead racking. You still have to get from
22 that site to the new site or in the new part that
23 they're building.

24 Q. The site preparation fee was a different
25 aspect in that the answers to Mr. Campbell's questions

1 was that you have administrative space that has to be
2 cleared out to accommodate CLEC collocation and filing
3 cabinets have to be moved around. Is that the
4 substance of your testimony?

5 A. That's what I said. And I think I also
6 referred back to Mr. Fleming's testimony or his
7 breakdown of what is involved in there because I don't
8 know that I remember all the aspects of that.

9 Q. Assuming that in its infinite wisdom the
10 Paradise Valley Town Council grants the request and
11 the over quadrupling of the size of the Paradise
12 Valley central office. You would presumably not incur
13 those costs. Is that true? You wouldn't have any
14 administration space to contain filing cabinets to be
15 moved.

16 A. That part of it's true, yes.

17 Q. And what would be the impact on the site
18 preparation fee of those facts?

19 A. Not remembering anything that goes into the
20 site prep fee, I may have trouble answering that
21 question.

22 Q. According to the 2000 census, we've got the
23 second fastest growing state in the union. Population
24 has more than doubled in the last 20 years. I'm
25 assuming that has an impact on new construction of

1 central offices in the state. Is that true?

2 A. I don't know if there -- or how many new
3 central offices have been added in Arizona. Most of
4 the central offices that I'm aware of are existing,
5 and they do take in areas that they're still expanding
6 in. I really don't know of any new central offices
7 that they're adding.

8 Q. So you're not familiar with any new central
9 offices constructed by Qwest in the state?

10 A. I am personally not aware, no.

11 Q. Is there someone from Qwest who would have
12 knowledge of whether Qwest in the last ten years has
13 constructed a new central office?

14 A. In the last ten years, I'm sure we have
15 constructed a new central office, but -- and I'm sure
16 there are -- I don't know who, maybe Mr. Fleming could
17 address that. We'll surely research that and find the
18 answer for you.

19 Q. My follow would be the expansion of existing
20 central offices, such as in what is being proposed for
21 Paradise Valley, you've got more than quadrupling of
22 the space being used. And so we're told a quadrupling
23 of the line capacity. That is arguably new
24 construction, is it not?

25 A. The adding of space is new construction, yes.

1 Q. And is there anything that will preclude --
2 asking this in your capacity as an engineer, is there
3 anything that would preclude in the case of the
4 Paradise Valley expansion provisioning for CLEC
5 collocation?

6 A. The central office expansions that I've seen,
7 the design has allowed for space in the expansion for
8 collocation. As far, again, as designing the
9 facilities, we need to know where a CLEC's going to
10 connect to the existing network that's in there, and
11 that's a separate -- it still has to be done.

12 Q. I understand that facet of the charge. What
13 I'm looking at is the -- from an engineering point of
14 view, the feasibility of reducing costs to CLECs by
15 planning in advance for CLEC collocation.

16 Will you have any idea -- this gets more into
17 costs than engineering -- what percent of the costs
18 from a scenario where we have an existing office being
19 reconditioned to accommodate the CLEC with the site --
20 I guess the site preparation charge is the main facet.
21 Are there any other costs that could be avoided
22 through new construction?

23 A. Thinking on that, like I said earlier, I see
24 you still have to build it. It still costs about the
25 same to build or construct a collocation site, the

1 racking and everything that's incurred. What we do in
2 the expansions is provide additional space for
3 collocation.

4 COM. SPITZER: Thank you.

5 MR. CAMPBELL: You're welcome,
6 Commissioner Spitzer. Can I follow up on your
7 question.

8

9 CROSS-EXAMINATION (Cont.)

10

11 Q. (BY MR. CAMPBELL) I think Commissioner
12 Spitzer asked if there were any other costs that could
13 be avoided if you were constructing a new central
14 office other than site preparation. And if you were
15 planning a new central office, constructing it with
16 collocators in mind, couldn't you, for instance, place
17 the collocator's space closer to that U ground bar or
18 closer to the power source or in a sense not require
19 as much cable depending on the placement? Wouldn't
20 that be theoretically possible?

21 A. Well, theoretically possible, maybe. But if
22 you look at your scenario, you'd want to place every
23 piece of equipment close to either the power plant or
24 ground bar. And in actuality, you can't get every
25 piece of equipment in a central office located close

1 to available facilities.

2 Q. I was just assuming that your example of
3 clearing out administrative space that I assume when
4 they developed the central office, the administrative
5 offices probably weren't placed close to the ground
6 bars or the power plant. And, therefore, I thought
7 there might be more efficient allocation of space.

8 But let me turn to a specific example, and
9 maybe that will make that a little easier.

10 Can we talk a little bit about regeneration.

11 A. Certainly.

12 Q. And I think regeneration is a charge that I
13 believe this is one of the reasons we have this new
14 exhibit, as I recall, because in the June 27th
15 exhibit, regeneration was not there. But now it's at
16 8.1.6 of your collocation rate sheet.

17 A. Yes.

18 Q. And just to make it clear for the record and
19 everybody else, maybe if you could just take a minute
20 and rather than have me describe it, you describe what
21 regeneration is.

22 A. Certainly. Regeneration may be required if
23 for some reason for a CLEC their signal was degraded
24 within the central office because of being placed
25 further away.

1 Now, I need to throw this in here: That if
2 it is Qwest's reasoning that they place a CLEC that
3 requires regeneration, Qwest will pay for that
4 regeneration. If the CLEC requests regeneration
5 because of their own need, this is an optional charge
6 that applies.

7 Q. Can I ask you a question about that.

8 A. Sure.

9 Q. If I understand it, you need regeneration
10 because the signal -- it's based largely on length,
11 isn't it?

12 A. Length or transmission path.

13 Q. Length or transmission path. And the length
14 and transmission -- first of all, the length is the
15 length -- what length? If we look at this chart, what
16 length are we talking about, from what component to
17 what component? Can you point that out to me here?

18 A. Well, it would be from a CLEC collocated
19 space to a point of interconnection in the network.

20 Q. To that X connect?

21 A. Yes.

22 Q. So it's that length or that path. If it's
23 longer or I take it somehow circuitous, you might have
24 to have regeneration; is that correct?

25 A. Or if a CLEC has need to regenerate their

1 optical equipment or their DSIs. Whatever they want.

2 Q. I understand that. And I thought the answer
3 was they would only need that based on the length or
4 the particular path. Are there other times they would
5 need regeneration?

6 A. If for some reason they need to boost their
7 signal themselves that is not a length reason. And
8 remember, this is an optional charge. And, like I
9 said, if for some reason that Qwest places you within
10 a central office far enough away to require
11 regeneration, Qwest will pay for that regeneration.

12 Q. So I take it, then, the CLEC will have to
13 establish that it's length that's causing the
14 regeneration need, and then Qwest will pay for it?

15 A. There are breakover points. Going by memory,
16 I believe a DS1 is 600 and some feet. DS3 is 450
17 feet, I believe.

18 Q. Can you think of -- in your experience, has
19 there been a situation where a collocation CLEC has
20 needed regeneration for reasons other than length or
21 transmission path?

22 A. Not knowing CLEC designs, I don't think that
23 they have ordered regeneration. I'm not sure that
24 we've placed regeneration.

25 Q. And isn't it true that in -- if you know, are

1 you aware that in the 1997 FCC collocation case, the
2 FCC determined that no ILEC had shown a need for
3 regeneration?

4 A. Yes, I believe that was the Second Report and
5 Order.

6 Q. And don't you agree that in a modern central
7 office design with collocators in mind that the length
8 and transmission path should probably never create a
9 need for regeneration?

10 A. Well, "never" is a pretty harsh word. In
11 central offices, it may be that we do have to place a
12 collocator in existing central office on the second
13 floor or something to get space in there. And it may
14 be that sometimes that because of length, they do need
15 regeneration. Like I said, if they do, we'll pay for
16 it if it's our fault.

17 Q. And it's your fault if you're the one who
18 determines where the collocator is placed. Is that
19 fair?

20 A. I wouldn't say fault. It's where space is
21 available. I'll change my word from fault to where
22 space is available.

23 Q. I was just using your word.

24 Let's talk a little bit about cable splicing.
25 And cable splicing is found -- if you look at

1 WorldCom-1, cable splicing is found in 8.1.2. And
2 there seem to be two elements: Fiber per set-up and
3 per fiber splice. And my questions really go to the
4 engineering components, not the pricing. I just want
5 to know, what's involved in the set-up for cable
6 splicing?

7 A. For fiber splicing?

8 Q. Yes.

9 A. There is quite a bit of set-up. First of
10 all, it's usually in a manhole. You've got to set up
11 the hole for protection. You've got to pump the water
12 out of the hole. You've got to ventilate the hole,
13 check for gas. You've got to basically pull -- the
14 fiber cables are usually pulled up because there's
15 enough slack in them up and into the splicing van to
16 prepare for the actual splicing activity and the
17 opening of the cables.

18 Q. Now, when you say secure, you're saying
19 putting kind of a little barrier around the manhole
20 when the manhole cap is off? Is that what you meant?

21 A. Yeah, and traffic control.

22 Q. And I take it this kind of operation in
23 manholes is something that Qwest repairmen do on a
24 pretty regular basis?

25 A. Yes, they do.

1 Q. When they do the splicing, it says per fiber
2 spliced. I wanted to understand, do they take a cable
3 and splice one cable to the next or do they have to
4 take each individual fiber in there and splice it to
5 an individual fiber? I'm just not sure how it works.

6 A. Sure. They open the cables, separate each
7 individual fiber. There are times you've got to clean
8 the fiber itself off, set it up for a fusion splice,
9 line it up in the fusion machine, and then cut it
10 appropriately and then fuse the cable. And then also
11 in that, there's also closing, placing the splice case
12 after you're all done and closing the splice.

13 Q. So when they talk here about a per fiber
14 splice, they're talking about opening that cable, and
15 this is the charge for each individual fiber to be
16 spliced?

17 A. Yes.

18 Q. And if I have questions about the details and
19 the cost there, I should ask those to Ms. Million; is
20 that correct?

21 A. I would say that's probably best.

22 Q. If you turn in WorldCom-1 over to page 3,
23 there is a provision under 8.1.8 for central office
24 security infrastructure. Do you see that?

25 A. Yes.

1 Q. And it's priced at an ICB. We'll talk about
2 ICB pricing in a few minutes. Can you tell me what
3 this central office security infrastructure is.

4 A. I would say that's the setting up, whether
5 it's the card readers within a central office or
6 whatever means that Qwest has to establish the
7 security for CLECs within that central office.

8 Q. The card reader. And the card reader costs
9 are not included in the access card per employee or
10 card access per employee charges?

11 A. I believe the access card is the access card
12 itself. Gary Fleming may be able to split that up
13 completely.

14 Q. Is it fair to say you're not really sure what
15 this infrastructure is or do you have more examples
16 than just the card reader?

17 A. That's my example.

18 Q. Nothing else comes to mind as possible
19 infrastructure?

20 A. Not at the moment, no.

21 Q. So what you're saying is that if -- just for
22 the possibility that some infrastructure may need to
23 be built, you've put it in there as a placeholder and
24 you're going to price it at an ICB price. Is that a
25 fair summary?

1 A. I'm not sure it's a placeholder. And when
2 you look at the security infrastructure, not only the
3 card readers, but that does path back to a main
4 testing point to know that access has been gained to
5 that central office.

6 Q. Is this a security infrastructure that would
7 also benefit Qwest? I mean, it's a central office
8 security infrastructure. Would it be infrastructure
9 that also benefits Qwest?

10 A. I would say so, yes.

11 Q. And I assume it's Qwest's position, if that's
12 true, that the costs would be shared somehow
13 appropriately between Qwest and the collocator?

14 A. If they're both used simultaneously, yes.

15 Q. And that somehow would be factored in the ICB
16 pricing?

17 A. I don't know for sure, but I would say so.
18 Maybe Mr. Fleming will address that better.

19 Q. I will save those questions, then, for
20 Mr. Fleming, or perhaps Ms. Million might know that,
21 as well.

22 A. Maybe.

23 Q. Let's talk a little bit about ICB pricing for
24 a couple of minutes.

25 We've noticed here the central office

1 security infrastructure. And then if you turn the
2 page over to page 4 and maybe the top of page 5,
3 there's some more ICB collocation pricing. 8.6, ICDF
4 collocation. Do you see that at the bottom of page 4?

5 A. Yes.

6 Q. And then adjacent and adjacent remote
7 collocation is ICB. And if you turn the page over,
8 8.8 is under development. I don't know if you
9 reviewed the earlier rate sheets. At one point that
10 was ICB, and now apparently a cost study is being
11 developed.

12 A. Yes, I see that.

13 Q. Can you explain to the judges here how ICB
14 pricing works.

15 A. Sure. Maybe I should start off by why we
16 have some ICB pricing.

17 If you take some of these elements, we have
18 agreed to these elements in the 271 workshops. We are
19 trying -- the cost models, we're trying to develop
20 costs. Take adjacent collocation. We have no history
21 to go by. This is a site outside of a Qwest central
22 office probably in a parking lot where a collocation
23 structure would have to be built. We have no CLECs
24 that have requested that. We have no history to go on
25 to establish prices.

1 As we get products or services that we've
2 agreed to in the 271 workshops and we get a few of
3 them built, we'll have a history to go on to develop
4 product prices. But in the meantime, to provide these
5 services that CLECs want, some of them do have to be
6 ICB prices because we basically haven't had the time
7 or the history to develop costs for these.

8 Q. Well, the time or the history. Let's talk
9 about history first. How much history do you need to
10 develop a price?

11 A. We need -- and, you know, I don't know. Pick
12 a number out of the air. I don't know how many. We
13 need a few of these orders ordered, whatever it is,
14 before we can develop a price.

15 Q. There's not a magic number? It's not three
16 or five, just a few?

17 A. I don't think there's a magic number, no.

18 Q. When you say you haven't had time, that
19 sounds like a separate reason. Does that mean that
20 there are some prices that could be developed, you
21 just haven't had time to put the cost studies together
22 yet?

23 A. I think there are a few that the cost people
24 are working on. I think they've done a very good job
25 to get everything identified, that they do have

1 identified with cost and product cost on these. There
2 are a few instances where we do have ICB pricing, and
3 that's because we're trying to develop everything to
4 keep up with what's agreed to in the 271 workshops.

5 Q. Do you know of any specific cost studies that
6 are being worked on for any of these items that are
7 currently ICB pricing?

8 A. I believe they're working on the ICDF collo,
9 and I thought they were working on some remote collo
10 and the space optioning since they say in here that
11 they're under development. So I would assume that
12 they're working on those.

13 Q. So you think ICDF collocation they may be
14 working on, and maybe that needs to be under
15 development rather than ICB; is that correct?

16 A. That's just my recollection. I know we've
17 talked to the cost people about this. I would assume
18 they're working on it. Maybe not.

19 Q. Let's work through the ICB process for a
20 second, then, and let's use adjacent collocation.

21 A. Okay.

22 Q. A CLEC comes to you and wants adjacent
23 collocation. Do you then present a cost study to that
24 CLEC that demonstrates the TELRIC for adjacent
25 collocation in that spot?

1 A. Well, let's take adjacent collocation. That
2 would probably be within a parking lot on Qwest's
3 property outside a central office. Qwest at this time
4 has no idea of what a CLEC would want to place there.
5 So when a CLEC comes to us with a request for
6 equipment to be built or structure to be built, at
7 that time then we can start getting with either
8 subcontractors or vendor manufacturers and start
9 getting prices from these people so that we could
10 provide prices to a CLEC. But we have nothing to go
11 by. We have no idea what a CLEC is going to want to
12 order or what kind of structure they're going to
13 place. At the time they do order it, then we can
14 start developing.

15 Q. My question is a little more specific than
16 that. I want to know how the CLEC can determine that
17 the price they've been given is based on TELRIC like
18 so many of your other prices here. Do you know how
19 that works?

20 A. Well, the cost that we could provide a CLEC
21 would be cost based. With a new build like this,
22 TELRIC is basically, from what my understanding is,
23 based on a forward-looking network. If you're
24 building something new, the cost associated with that
25 is, from my opinion, forward-looking.

1 We would provide a detailed breakdown of all
2 costs associated with that build and present that to
3 the CLEC. And if the CLEC disagrees with that, then
4 in their contract there is dispute resolutions. They
5 can argue the point.

6 Q. So in a situation like we have in the
7 arbitration before us where we don't agree on what the
8 TELRIC price is, the solution there is you ask for
9 adjacent collocation because presumably the CLEC needs
10 it. And if they don't agree with the price they're
11 given, then they have to go into an arbitration to
12 arbitrate the price ultimately. Is that basically
13 what happens?

14 A. I would say that's pretty basic, yes.

15 Q. And how do we know that that price -- how
16 does the CLEC know that that price you've been given
17 isn't discriminatory; in other words, you didn't give
18 a different price to another CLEC, for instance, for
19 virtually similar adjacent collocation?

20 A. Well, it's not our practice to inflate costs
21 from one CLEC to another. We would get basically the
22 vendor costs, there are manufacturing costs or
23 whatever is included in that, subcontractor costs.
24 Maybe a difference in price depending on area based on
25 subcontractor contracts or what it takes to build

1 that. We're not here to inflate costs. We'd give you
2 a complete breakdown of all the costs. And if you
3 determine that that's not appropriate, then there's
4 resolutions that you can take.

5 Q. And what incentive does Qwest have in this
6 ICB setting to be efficient in building out an
7 adjacent collocation?

8 A. With an adjacent collocation, I think we
9 would build basically what a CLEC requested. Like I
10 said, we would get vendor costs and manufacturing
11 costs, subcontractor costs to develop these prices.
12 I'm not sure that -- I know that we wouldn't inflate
13 those to make it unattractive. We would give you the
14 actual cost that is incurred.

15 Q. In your list of collocations here, you have
16 ICDF collocation, adjacent, adjacent remote
17 collocation and remote collocation. Isn't there
18 something called shared collocation?

19 A. I believe there is now, yes.

20 Q. Where would I find shared collocation in your
21 price list?

22 A. I'm not sure I can answer that because I
23 don't know where it is. I think shared collocation
24 was one of the new things added in the 271 workshops.

25 Q. So it may not be in this price list?

1 A. Shared collocation may not be.

2 Q. Is it Qwest's plans to include shared
3 collocation in a price list?

4 A. Well, and I don't know, I can't remember
5 exactly what was agreed to in the 271 workshop on
6 shared. But the sharing becomes between two different
7 CLECs within a space. I believe that Qwest recoups
8 their cost from the first CLEC there and the second
9 CLEC pays the first CLEC. And I could be a little bit
10 wrong on that, but I think that's the way shared
11 collocation works.

12 Q. To the best of your knowledge, Qwest is not
13 preparing a cost study or a pricing proposal for
14 shared collocation for this proceeding?

15 A. As far as I know, no.

16 Q. And I take it Ms. Million might know
17 something about that, as well?

18 A. Or Mr. Fleming, yes.

19 Q. Now, you initially -- when I say "you," I
20 mean Qwest initially in an earlier price list priced
21 remote collocation at an ICB price, as well. And they
22 now have indicated in their rebuttal testimony in
23 Mr. Kennedy's rebuttal testimony, I believe, that they
24 are doing a cost study. Why the change? Why were you
25 able to do a cost study for a remote collocation in

1 June and apparently in March were unable to?

2 A. I can't answer that.

3 Q. Ms. Million would probably be the person to
4 answer that?

5 A. Or Mr. Fleming. Mr. Fleming, probably.

6 Q. And maybe you can't answer this. You have
7 adjacent remote collocation, which you say you have to
8 do ICB. And then you have remote collocation, which
9 you say you can do a cost study. Do you know why you
10 can do a cost study in remote collocation but not
11 adjacent remote collocation?

12 A. Well, from an engineering standpoint, remote
13 collocation would be placing equipment within an
14 already-established premise, whether it's a box or
15 whatever. So we would have some idea of what would be
16 involved in placing another piece of collocation
17 equipment within there.

18 In adjacent collocation -- or adjacent remote
19 collocation, again, we have basically no idea of what
20 is going to be required, what equipment, how it's
21 going to interface.

22 Q. Can you turn to page 24 of your March --
23 Mr. Kennedy's March 15 testimony.

24 A. Okay.

25 Q. And I'm just trying to get a handle on why

1 you can do it in one case and can't do it in another.
2 Page 24, a question and answer starting on line 13 and
3 14. It says, please describe adjacent collocation.
4 And then you see the next question is please describe
5 remote collocation.

6 And one of the things I see that seems very
7 similar is on line 16 under adjacent, it says, Qwest
8 will make space available in controlled environmental
9 vaults. And on line 22, it includes controlled
10 environmental vaults again. It appears that at least
11 there's some overlap between adjacent and remote
12 collocation. And so that's why I'm struggling with
13 why you can do a cost study on one and not on the
14 other.

15 A. With adjacent collocation outside of a Qwest
16 central office, it is anticipated that -- or it's
17 possible that a CLEC can request a controlled
18 environmental vault be placed in the parking lot.
19 That's why it's mentioned in this testimony. That is
20 still a build, but we have no idea of how it's going
21 to connect with the CLEC network or really how we're
22 going to get power to it within a parking lot. So
23 that is why that part is still ICB. We've had no
24 history to go on or know how we're going to build it.

25 Q. You're talking about building a new

1 environmental vault for adjacent?

2 A. Yes.

3 Q. If the environmental -- controlled
4 environmental vault was already built and adjacent to
5 the central office, would that automatically become
6 remote collocation under your proposal?

7 A. Well, controlled environmental huts are
8 basically placed further out in the network. They're
9 not close in to the central office. They're not in
10 parking lots. We don't place them there.

11 Q. You seem to differentiate in your testimony
12 in remote collocation between environmental vaults and
13 environmental huts. You mention them separately. And
14 I was picking up on the word vaults, which is the one
15 that overlaps between adjacent and remote. So I just
16 didn't know if that made a difference.

17 A. A vault, of course, is underground, and a hut
18 would be a controlled environment above -- in a
19 structure or small building above ground. So there's
20 a little bit of difference.

21 Q. Are you aware of the fact that Verizon
22 submitted TELRIC cost studies for adjacent
23 collocation?

24 A. I guess I'm not, no.

25 Q. Let's talk about decommissioning. In your

1 June -- or Mr. Kennedy's June testimony, you attached
2 some new policies. And for purposes of today, I want
3 to focus on the decommissioning policy. There are
4 three of them, but I'm just going to talk about
5 decommissioning. Are you there? You have the
6 decommissioning policy in front of you?

7 A. Yes.

8 Q. It's part of Exhibit RFK-1. And I think it's
9 actually near the back of that June testimony.

10 This is a new policy as I understand it
11 setting forth the process by which collocators can
12 decommission a collocation site; is that correct?

13 A. That is correct. This was requested by the
14 CLECs.

15 Q. When you say it was requested by the CLECs,
16 is this policy embedded in interconnection agreements
17 with CLECs?

18 A. Could you clarify your question a little bit.

19 Q. What I'm looking at is a policy dated March
20 9, 2001, called collocation decommissioning policy,
21 which appears to be something that was promulgated by
22 Qwest. And my question is: Is it a policy that has
23 been negotiated and embedded in interconnection
24 agreements with CLECs?

25 A. To my understanding, this policy came out of

1 negotiations in the 271 workshops, and these are
2 negotiations between CLECs and Qwest.

3 Q. But you don't know if -- so has it been put
4 in the SGAT, is that what you're saying, in various
5 271 proceedings?

6 A. A couple of these new policies were mentioned
7 in the SGAT. I can't remember if decommissioning is
8 in the SGAT.

9 Q. Now, if a CLEC has an interconnection
10 agreement right now with Qwest that doesn't contain
11 this policy, is it Qwest's position that this policy
12 still controls decommissioning?

13 A. I believe so. And this policy was probably
14 provided to the CLECs through the CICMP process as far
15 as I know.

16 Q. So this policy would take precedence over an
17 interconnection agreement. Is that what you're
18 saying?

19 A. Either that or they have the option to opt
20 into this policy.

21 Q. I notice in the policy, if you turn to page
22 5, there are some prices. Payments owed to Qwest. It
23 says, rate elements charged for decommissioning. And
24 then it says, payments owed to Qwest by vacating
25 co-provider for decommissioning request. Do you see

1 that?

2 A. Yes, I do. The major headings here.

3 Q. There's a network system administrative fee,
4 labor charges, decommissioning assessment fee. Do you
5 see those?

6 A. Yes.

7 Q. Are those prices that are going to be part of
8 this proceeding?

9 A. I don't know. You might have to defer that
10 to Mr. Fleming on that.

11 Q. Do you know if cost studies are being worked
12 on to support prices for these elements?

13 A. I would say these are probably actual costs
14 that will be incurred. So if I know if a cost study
15 is being worked on, no, I do not.

16 Q. Let me show you one document that I'm going
17 to -- am I on WorldCom-3?

18 I'm going to hand you what I've premarked as
19 WorldCom-3. And it's an e-mail from somebody at Qwest
20 to a CLEC. And I just want you to take a look at it,
21 and I think I just have one question about it. You
22 may or may not be the right witness for this, but I'd
23 like you to look at it anyhow. It deals with
24 decommissioning.

25 Have you had a chance to look at this?

1 A. I'm going over it, yeah.

2 Q. When you've had a chance to finish, let me
3 know.

4 A. I'm basically done.

5 Q. On the second page, it appears that there are
6 some prices, the decommissioning assessment fee and a
7 network systems administrative fee that appear to be
8 the same kind of categories of charges that are in
9 your exhibit. Do you see that?

10 A. I see that.

11 Q. And I guess my question is: Do you know how
12 these prices were derived?

13 A. They would probably -- not completely, I
14 don't know how they were derived. I didn't put this
15 quote together. But the network systems
16 administration fee is probably the fee for the
17 engineers to remove all of the assignments that the
18 CLEC had in place for their facilities off of our
19 database. And the decommission assessment fee, I'm
20 not completely sure what that is.

21 Q. Is it fair to say it appears from this letter
22 that this policy is already in place in terms of CLECs
23 being charged prices under the policy?

24 A. Yes.

25 MR. CAMPBELL: Now, I would like to admit

1 this letter, but I know that Qwest really hasn't --
2 it's not part of discovery. They haven't seen it. I
3 can tell you it's a letter that came via e-mail from
4 someone at Qwest to someone at Time Warner Telecom.
5 And what I propose to do is just hold this for now
6 until you can check on it or whatever if you would
7 like to. Or if you're comfortable admitting it, I
8 will move for admission now.

9 MR. BERG: Why don't you let us take the
10 lunch break and see if we can find it. That way, if
11 we need to know something, we'll find it out.

12 MR. CAMPBELL: I wanted you to have a chance
13 to follow up on that. I'll try to make a note to come
14 back on WorldCom No. 3.

15 I don't know, Judge Farmer, how you would
16 like to handle this. I think I'm almost done. I'd
17 just like to flip through the testimony to make sure
18 I've covered things that I had notes on. And I know
19 in brief conversation with Mr. Dixon that Mr. Hubbard
20 has been involved in SGAT. I haven't been involved in
21 SGAT and Mr. Dixon has. That I could probably use
22 five minutes just to determine how much more, if any,
23 I have in cross-examination. And it would be much
24 more efficient if we could take a break if that's all
25 right with you.

1 CALJ FARMER: That's fine with me. Why don't
2 we take about a ten-minute break here.

3 MR. CAMPBELL: Thank you.

4 (Recess taken.)

5 CALJ FARMER: Mr. Campbell.

6 Q. (BY MR. CAMPBELL) I just have a few more
7 questions. Let's go back to regeneration for a
8 minute, Mr. Hubbard. You indicated that if the
9 regeneration was caused by Qwest actions, for
10 instance, in placing a collocator in a particular spot
11 that required regeneration, that Qwest would cover
12 that cost. Do you remember that testimony?

13 A. That's correct, yes.

14 Q. Is that commitment in the SGAT that's
15 currently being worked on in Arizona?

16 A. I can't say that for sure. I would think it
17 is, but I can't say that for sure.

18 Q. Is that something we could have checked on
19 maybe over lunch? And if it is, we'd like to see that
20 portion of the SGAT. The truth is, we're having
21 trouble finding it.

22 A. I do have a copy of the SGAT up here with me.
23 If you want to take a few minutes, I can scan it or we
24 can do it at another time. Whatever you prefer.

25 MR. CAMPBELL: Why don't we have him take a

1 look at it during a break or over lunch and follow it
2 up right after lunch.

3 Q. (BY MR. CAMPBELL) Secondly, in terms of
4 building central offices and taking into account
5 collocators' space needs, under the SGAT in the 271
6 proceeding that's going on right now, CLECs do have to
7 make forecasts to Qwest, do they not?

8 A. For collocation space, yes.

9 Q. And those forecasts presumably can help you
10 plan in building your expansion central offices?

11 A. Yes, I believe I did say that. And the ones
12 that I've seen expansions, we have dedicated space for
13 CLECs in the expansions.

14 Q. Now, the next area, we talked about this
15 decommissioning policy, which you said was negotiated
16 with the CLECs. Do you know who that was negotiated
17 with?

18 A. No. I think it was part of the 271 process.
19 And so it would have been several CLECs and Qwest is
20 my understanding of it.

21 Q. Do you know which 271 process? Are you
22 talking about the Arizona process?

23 A. It might not have been the Arizona process.
24 It could come from Colorado or the seven states that
25 we've incorporated throughout all of it, throughout

1 the whole SGAT. Am I completely sure? No, I'm not
2 completely sure.

3 Q. And you mentioned something like CICMP that
4 you thought it was negotiated. Are you sure that it
5 was negotiated there?

6 A. CICMP is a process that would notify
7 co-providers of changes. That's why I said it would
8 probably have been sent to the collocators through the
9 CICMP process or through -- on the Web or through the
10 network disclosure.

11 Q. Is it fair to say, Mr. Hubbard, what while
12 you think it was probably negotiated, you're not sure?

13 A. I don't think we would have done it unless it
14 was negotiated.

15 Q. But you don't have any specifics for me right
16 now to tell me when it was negotiated or who it was
17 negotiated with or where it was negotiated?

18 A. No, I do not.

19 Q. Just a few questions left, and these are all
20 going to relate to your testimony, so if you could
21 have copies of your testimony in front of you.

22 Turn to page 15 of your March 15 testimony.

23 A. Page 15?

24 Q. Page 15. And look at lines 16 through 19
25 that deal with 48 volt power usage.

1 A. Okay.

2 Q. And I believe that's referenced in this price
3 list, Mr. Hubbard, at 8.1.3. Do you see that?

4 A. Yes.

5 Q. I have two questions. First of all, the
6 testimony says that this recovers the cost of
7 purchasing power from the electric company. And I
8 take it that -- is your testimony that the usage
9 charge -- you see the usage charge. There are two
10 usage charges under 8.1.3. Do you see that?

11 A. Yes.

12 Q. That that charge is just the cost of
13 purchasing power from the electric company?

14 A. I believe that's what that cost is meant to
15 be. Mr. Fleming could probably give you a better
16 breakdown of that. But total cost also includes the
17 power plant, the batteries.

18 Q. And that's a separate line, it looks like.
19 There's power plant line there, and that's the usage
20 cost.

21 A. Right.

22 Q. And the usage cost, which is I guess your way
23 to pass on the power company's charges to you, is
24 based on a per amp charge; is that correct?

25 A. Per amp, yes.

1 Q. And do you know if that is based on a per amp
2 ordered or the actual amps that were used by the CLEC?

3 A. I would have to defer to Mr. Fleming on that.

4 Q. And Ms. Million might be able to answer that,
5 as well?

6 A. I would say probably Mr. Fleming.

7 Q. If you look at page 18 and 19 of your
8 testimony, the bottom of page 18, top of page 19, line
9 22, you're talking about space construction charges
10 and cageless physical collocation. At the bottom of
11 the page, it says, if the CLEC orders additional power
12 cable, additional charges are applied.

13 A. Yes.

14 Q. And my question for you there is: Under what
15 circumstances do CLECs need to order additional power
16 cables?

17 A. I couldn't say. If they have equipment that
18 is utilizing the existing power they've ordered, then
19 they need to order another power cable, then there
20 would be a charge associated with that.

21 Q. If you take a look at 8.3.2 under space
22 construction. And you refer there to power feeds. Do
23 you see that?

24 A. Yes.

25 Q. What is a power feed, and how does it relate

1 to a power cable?

2 A. You've got to have the cable there and then
3 the amps that you ordered is the actual power feed
4 that is being supplied.

5 Q. So how many cables are in a feed?

6 A. Beg your pardon?

7 Q. How many cables are in a feed?

8 A. There is redundant A and B leads. You've got
9 to have positive and negative on each side.

10 Q. So there are two cables per feed?

11 A. Yes.

12 Q. Do CLECs sometimes order then backup cables,
13 as well?

14 A. That's what that is, is a backup cable. We
15 provide redundant feeds.

16 Q. So when you get a power feed, you get two
17 cables?

18 A. Yes, basically. Two power sources.

19 Q. Take a look at page 20 of your -- we're still
20 on your March testimony under space construction, and
21 we're now talking caged physical collocation. In the
22 list of elements, the difference between cageless and
23 caged seems to be the caged construction. Is that
24 really the only cost difference between the space
25 construction charge of caged versus the space

1 construction charge for cageless?

2 A. You've got a difference, of course, in the
3 per foot space rental fee. Basically, the same
4 designs go into both.

5 Q. The per foot space rental fee you're saying
6 is different between caged and cageless?

7 A. No, the amount of footage.

8 Q. I thought there was yet another price list I
9 was going to have to introduce here.

10 A. Absolutely not.

11 Q. Let's talk a little bit about virtual
12 collocation on page 21. In the case of virtual
13 collocation -- and, again, to reference the price
14 sheet and look at 8.2, which we have virtual
15 collocation prices. In virtual collocation, is the
16 equipment -- can the equipment be put in a Qwest
17 equipment bay?

18 A. Yes. That's one of the values of virtual.
19 Basically, the CLEC provides the equipment. Qwest
20 places it maybe in their own line-up and maintains
21 that equipment.

22 Q. It's Qwest -- it's the CLEC equipment, but
23 Qwest maintains it?

24 A. That's correct.

25 Q. Now, cageless collocation could go in a Qwest

1 equipment bay, as well, couldn't it?

2 A. Usually not. The cageless collocation, we
3 provide a bay at a time or two bays at a time. And
4 usually from what I've seen in cageless application,
5 they take up the whole bay of space because of their
6 connections and also are in there the way they access
7 the network. Remember in virtual, we're running those
8 connections and maintaining those. But in a cageless,
9 the CLEC has their own connection, so you need space
10 in there also for connections.

11 Q. So is this one of the answers where if based
12 on current central offices you just can't fit a
13 cageless collocation in a Qwest equipment bay? Is
14 that what you're saying?

15 A. Usually not in a Qwest bay that has an
16 existing equipment in it. Virtual, we can because
17 it's usually a smaller piece of equipment that we can
18 place in the same bay commingled with our equipment.
19 With cageless, it's all the CLEC equipment, and they
20 maintain it.

21 Q. And if there were space, it could
22 theoretically be done. Is that fair?

23 A. And, again, I haven't seen any instances
24 where there is much space available in cageless
25 because they do take up the whole space. Plus we

1 do -- with virtual, we maintain that equipment in our
2 line-ups with our other equipment, and we do have some
3 security around that.

4 Q. And I understand that you're saying that
5 based on your experience, it isn't done. I'm just
6 asking, as an engineer, could it be done?

7 A. As an engineer, could it be done? It's
8 possible it could be done. But like I said, we have
9 security around the circuits that we have and the
10 equipment that we have in our own line-ups.

11 Q. Take a look at virtual collocation, the list
12 there. There are a bunch of categories. 8.2.2,
13 8.2.3, 8.2.4. And it appears that what is in this
14 price list -- and, again, perhaps Ms. Million is who I
15 should ask this to. That what you've given us are the
16 hourly rates for, for instance, installation. But
17 there's no indication of how much time the
18 installation would take; is that correct?

19 A. She may be the one to speak to, but I don't
20 see how long it would take. It's per half hour
21 charge.

22 Q. So I should ask Ms. Million that.

23 You also don't see -- it looks like the
24 regular hourly rate is the hourly rate you're going to
25 pay for installation, and you pay on a half hour

1 basis, but there's no indication of how long it takes
2 to install a virtual collocation situation.

3 A. I don't see that here, no.

4 Q. Turn to page 23 of your March testimony. And
5 on -- you're talking there about training labor. And
6 starting on line 6 through line 9, it talks about in
7 the event a second CLEC selects the same equipment,
8 the second CLEC is assessed a training fee for the
9 one-half of the fee charged the first CLEC. The first
10 CLEC is refunded one-half the training fee. Do you
11 see that?

12 A. Yes, I do.

13 Q. If there's a third CLEC, is it prorated three
14 ways?

15 A. I don't believe it is. Mr. Fleming may
16 address that better, but I don't think it is.

17 Q. So your understanding, a third CLEC would pay
18 a whole new charge?

19 A. No, there would not be a training charge. If
20 it's placed in the same central office with the same
21 type of equipment, the technicians have already been
22 trained on it. They don't need to be trained again.
23 There would not be a new training fee on the third
24 CLEC.

25 Q. Can you turn to your April testimony, page 2

1 of your April testimony, which I've forgotten the
2 exhibit number, but it's the second round of
3 testimony.

4 A. That is the supplemental direct.

5 Q. Yes. And in your -- when you're talking
6 about the space option reservation, do you see that on
7 page 2? It's a question that begins on line 9.

8 A. Yes.

9 Q. And in the second sentence, it says: A
10 nonrecurring charge equal to 25 percent of the
11 proposed TELRIC-based nonrecurring collocation charge
12 will apply for the space option reservation. Do you
13 see that?

14 A. I see that.

15 Q. What TELRIC-based nonrecurring collocation
16 charge are you referring to there?

17 A. Why don't I defer that to Mr. Fleming.

18 Q. Turn to your June testimony, June 27
19 testimony, at page 5. If you'll look at line 9,
20 there's a question about Qwest developing the space
21 construction charge. And your answer is in line 12:
22 Space construction was developed in response to CLECs'
23 request to eliminate individual case basis pricing.
24 Do you see that?

25 A. Yes, I do.

1 Q. Now, it is possible, also -- let me back up.

2 In the space construction charge that we've
3 already discussed, there are multiple elements, are
4 there not?

5 A. Yes.

6 Q. I take it -- and you went from individual
7 case basis pricing to a space construction base
8 pricing where you grouped a bunch of elements. And my
9 question is: Is it possible to do something in
10 between? In other words, to break out space
11 construction and price some of those elements
12 separately?

13 A. I hate to do this again, but why don't we
14 talk to Mr. Fleming on that.

15 Q. And then turn over to page 6. Page 6, the
16 first Q and A talks about has anything occurred since
17 you've submitted your direct testimony in the cost
18 proceeding which might result in Qwest changing the
19 current space construction proposal. And in your
20 answer, you refer to the Utah collocation hearing.
21 And then the second sentence says: Although time has
22 not permitted Qwest to develop a cost study consistent
23 with that agreement, Qwest is prepared to address the
24 changes in this docket number.

25 Do you know if Qwest is in the process of

1 preparing a cost study? You refer to a cost study
2 here. And my question is: Are you in the process
3 of -- you said you haven't had time to develop a cost
4 study, but are you in the process of developing a cost
5 study?

6 A. For the location construction, I believe
7 Mr. Fleming is, yes.

8 Q. So that's in process?

9 A. Yes.

10 Q. Do you have any idea when it's going to be
11 available?

12 A. No. You'd have to talk to Mr. Fleming, the
13 modeler of the cost study.

14 MR. CAMPBELL: Thank you, Mr. Hubbard. I
15 have no further questions.

16 THE WITNESS: Thank you.

17 CALJ FARMER: Cox, do you want to go next?

18 MR. PATTEN: Sure.

19

20 CROSS-EXAMINATION

21

22 Q. (BY MR. PATTEN) Good morning, Mr. Hubbard.

23 A. Good morning.

24 MR. PATTEN: I'm going to approach my drawing
25 up on the board here.

1 Q. (BY MR. PATTEN) Were you present yesterday
2 when I drew this diagram up on the board?

3 A. Yes, I was. I don't know how much attention
4 I was paying, but I was present.

5 Q. Let me just quickly summarize what we have
6 here. It's a central office with a feeder going to an
7 SAI/FDI, distribution cable to what is an MDU complex,
8 apartment complex. This is sort of a bird's eye view.
9 It's a two-building complex. And these small lines
10 here are intended to represent the inside wire to the
11 individual units just so you have a little bit of
12 background there.

13 You indicated that you spent a lot of time in
14 the field. Am I correct in assuming that you are
15 familiar with Qwest's network as it currently exists?

16 A. Yes, I am.

17 Q. Is it fair to say that with respect to
18 apartment complexes, there are a variety of scenarios
19 in which those apartment complexes may be connected
20 into the Qwest network?

21 A. Yes, there is.

22 Q. And that may be affected by the age of the
23 complex or the size of the complex?

24 A. That's correct.

25 Q. And, for example, Qwest may own the wire all

1 the way to the individual units; is that right,
2 basically owning inside wire of the apartment complex?

3 A. Owning to the demarcation point, if you will,
4 yes.

5 Q. But there may be instances where that
6 demarcation point is on a unit-by-unit basis?

7 A. Could be, yes.

8 Q. And the location of the FDI with respect to
9 the apartment complex, it may be right next to the
10 complex or it may be quite a ways down the street?

11 A. It could very well be.

12 Q. And depending on the circumstances, there may
13 be several points between the FDI and the apartment
14 complex at which a CLEC could interconnect with that
15 distribution cable; is that right?

16 A. As far as the subloop type of element, there
17 could be different places.

18 Q. There's a lot of different scenarios out
19 there, is it fair to say?

20 A. Absolutely.

21 Q. And, again, with respect to the wire on the
22 apartment complex grounds, there may be instances
23 where the building owner owns the inside wire of the
24 individual buildings, but Qwest owns the wire from the
25 property line to the buildings; is that right?

1 A. That's correct.

2 Q. I just want to ask you some questions about
3 the products that you have identified regarding the
4 loop and the subloop.

5 First off, if you could turn to I think it's
6 WorldCom-1. And I'm looking on page 7 of 15, 9.3.3,
7 intrabuilding cable loop. And in Mr. Kennedy's
8 testimony on page 35 of his direct at line 12, it
9 defines the intrabuilding cable loop product as
10 basically Qwest-owned riser cable or inside wire to a
11 building or inside wire.

12 Would the inside wire of an individual
13 apartment complex building fall within the
14 intrabuilding cable product, assuming Qwest owned that
15 inside wire?

16 A. If Qwest owns the inside wire, it's usually
17 referred to as riser cable within a building. Then
18 that's where the intrabuilding cable charge is or
19 product.

20 Q. And I guess I'm talking about in an apartment
21 complex setting, is the intrabuilding cable loop
22 product intended, also, to cover the inside wire
23 within the apartment buildings?

24 A. It's going to include the part from where the
25 protector is in let's say the basement on Qwest-owned

1 intrabuilding cable to either a terminal on that floor
2 or to the first RJ11 jack within the apartment itself.
3 The actual inside wiring the rest of the way from the
4 first jack in the apartment is the customer property.

5 Q. So that --

6 A. There's different scenarios, of course.

7 Q. There are different scenarios.

8 So basically, what I understand from my
9 various schematic drawings is from this point where it
10 attaches to the outside of the building in the
11 building, and there are scenarios where it may
12 terminate within the building, that is an inside wire
13 that would be covered by the intrabuilding cable
14 product?

15 A. Yes.

16 Q. Let me ask you about the loop price. And I
17 just for simplicity sake, we're going to talk about
18 9.2.1, just a two-wire voice grade analog loop. And
19 assume there's a customer X right here who's a tenant
20 in an MDU. And as a CLEC, I want to buy a loop to
21 serve that customer. Just assume that we're dealing
22 with Zone 1 to keep it simple. The analog loop
23 product identified in 9.2.1.1 would include this
24 piece; is that right, the feeder piece?

25 A. Correct.

1 Q. And then the FDI; is that correct?

2 A. The cross-connects, yes.

3 Q. And the distribution up to the complex?

4 A. Yes.

5 Q. And all the way up to the building; is that
6 correct?

7 A. To the point of demarcation.

8 Q. And would I also need to buy the
9 intracable -- or intrabuilding cable product, as well,
10 or is that included in the price of a loop, assuming
11 you would own the inside wire?

12 A. That's included in the price of the loop.

13 Q. Would I also need to buy a NID or not?

14 A. That is included in the price of the loop, I
15 believe. Mr. Fleming may be able to shed some light
16 on how that's broken out, but yes.

17 Q. So basically, to buy the loop from here, and
18 my assumption here is that's Qwest-owned inside wire.
19 From here to here looking at the product that would be
20 \$16.89; is that right?

21 A. Correct.

22 Q. If you could turn now to 9.3.1, which is on
23 page 7, which is the -- a look at the two-wire analog
24 subloop product for Zone 1.

25 A. Which -- 9.3.what?

1 Q. .1. It's seven or eight lines down.

2 A. I've got it.

3 Q. The subloop product covers -- my
4 understanding is it covers -- it would cover the FDI;
5 is that right?

6 A. It would cover from the FDI the rest of the
7 way to the complex.

8 Q. The rest of the way to the complex. If I
9 wanted to use a subloop to serve this customer, again,
10 assuming Qwest-owned inside wire, would I need to buy
11 the inside wire in addition to the subloop?

12 A. No, you would not. It just depends on where
13 you access that where these charges come into play.

14 Q. And would I need to buy a NID to serve that
15 customer?

16 A. Again, you would have to ask Mr. Fleming if
17 that's broken out separate or not if you get it all
18 the way to the -- all the way as we talked about
19 before to the customer.

20 Q. And there's only one subloop product; is that
21 right? I mean, there are different zones and
22 different types of wires, but for a two-wire analog
23 voice loop, there's really only one subloop product;
24 is that right?

25 A. I would say that's true, yes.

1 Q. So basically, from this point here to here,
2 that would be -- it's \$12.12?

3 A. Correct.

4 Q. And I think you said that there may be
5 circumstances where a CLEC could actually interconnect
6 fairly close to the property line and may only need to
7 buy this particular piece of the subloop.

8 A. That is correct.

9 Q. There are circumstances where that may
10 happen; is that right?

11 A. Sure.

12 Q. And in this case, it may be that the
13 building -- the apartment complex owner actually owns
14 the inside wire in this case. And so Qwest would only
15 own the wires leading from the property line to the
16 building terminal; is that right?

17 A. In that scenario, yes.

18 Q. And is it my -- am I correct in understanding
19 that if a CLEC wanted to just buy this piece of the
20 loop that the price would be \$12.12, as well?

21 A. That's correct. We only have one basically
22 subloop price. There's two -- there's a lot of
23 different scenarios. So how would you ever bill
24 prices for every scenario. So there's a price for
25 subloop. There's a price for loop, subloop, and

1 intrabuilding cable.

2 MR. PATTEN: That's all I have.

3 CALJ FARMER: Does Sprint have any questions?

4 MR. HEATH: I just have a few questions.

5

6

CROSS-EXAMINATION

7

8 Q. (BY MR. HEATH) Mr. Hubbard, Eric Heath for
9 Sprint.

10 First of all, to follow up on your discussion
11 with Mr. Patten for Cox, he was describing the
12 multi-tenant environment situation. And you mentioned
13 that the loop price includes the NID price or the NID.

14 A. I think I deferred that to Mr. Fleming to see
15 if that's broke out separate or not.

16 Q. Because I was going to ask you to reconcile
17 the separate NID charge on the WorldCom-1 price list.

18 A. Why don't we have Mr. Fleming, if you don't
19 mind, answer that. Not being a cost person, it's hard
20 to figure out how they broke up everything in the
21 models. So I have to apologize for that part.

22 Q. All right.

23 And then, also, counsel for WorldCom was
24 asking you about some power costs and how these were
25 incorporated into the price list as well as how Qwest

1 configures power to CLECs in the central office where
2 the CLECs are collocated. And you said that you did
3 not know whether the rates for the power are for
4 fused, that is, capacity, or the usage amps; is that
5 correct?

6 A. Yeah, I said I didn't know. But after that
7 discussion, I was kind of thinking about that, and
8 there's no meters on a CLEC cage. So it has to be for
9 what they have ordered, if that makes sense.

10 Q. Yeah, that makes sense. So then if the CLEC
11 has a piece of equipment that draws a certain amount
12 of power, it gets charged for however many amps that
13 may be, regardless of whether it actually uses that
14 power. So I guess to -- I mean -- I guess maybe I
15 should rephrase that question.

16 The CLEC buys a piece of equipment to
17 collocate, puts it in the Qwest central office. This
18 piece of equipment draws X number of amps of power.
19 And so it has to buy that from Qwest. You're saying
20 that there are no meters in the central office to
21 judge or to gauge the usage, so Qwest has to charge
22 the CLEC for the -- whatever the maximum rate of --
23 maximum usage that piece of equipment will draw; is
24 that correct?

25 A. I think that's pretty much what I said. I

1 would still like to see how Mr. Fleming -- or have you
2 ask Mr. Fleming how that charge is completely broken
3 out in the study.

4 Q. Sure. And I will follow up with him.

5 I just want to ask one or two more questions
6 on that. And then to counsel for WorldCom's question
7 about the redundant power, the CLEC is -- when they
8 collocate equipment essentially buy two power feeds,
9 correct, one for the primary power source for the
10 equipment and the other is a redundant power source?

11 A. That's standard design, yes. Standard
12 industry design.

13 Q. Standard industry practice?

14 A. Yes.

15 Q. So then the CLEC would be buying the fuse
16 rate, the capacity rate for power for both the primary
17 and the redundant power feed, correct?

18 MR. BERG: I'd like to object. I think
19 Mr. Hubbard has indicated that Mr. Fleming is the
20 witness to ask about these questions, and I don't know
21 that we're going to get any further with this.
22 Mr. Fleming is the next witness, and he can be asked
23 that.

24 MR. HEATH: Withdraw that.

25 And I have no further questions.

1 CALJ FARMER: AT&T.

2

3

CROSS-EXAMINATION

4

5 Q. (BY MS. STEELE) First I want to go back to
6 the issue of regeneration which you have spoken about
7 quite a bit this morning already, but I'm a little
8 confused. And I want to focus you on your rebuttal
9 testimony.

10 Let me first ask, I think what you testified
11 is that the regeneration fee is optional with the
12 CLEC. And it's something that the CLEC purchases if
13 the CLEC decides that it needs it; is that correct?

14 A. Yes.

15 Q. Your rebuttal testimony that's dated June
16 27th, 2001, could you look at the question and answer
17 beginning on page 24 at the bottom, line 16. And just
18 take a look at that and let me know when you've
19 finished reading that.

20 A. I see it. I've read it.

21 Q. This appears to me to be stating that if a
22 CLEC is required because of limited central office
23 space to locate at a certain distance from the
24 physical collocation space that if regeneration is
25 required for that reason, the CLEC will be required to

1 pay for it; is that correct?

2 A. I think this rebuttal testimony is probably
3 not as clear on that issue as it should be. And like
4 I stated, that if it's by Qwest's design, space
5 limitations that we have to place a CLEC far enough
6 away to require regeneration, then Qwest will incur
7 those costs themselves and pay for them.

8 If, for some reason, that a CLEC would like
9 to have regeneration, then this is an optional fee
10 that's in here so you're not hit with something you
11 don't know anything about or it's not ICB.

12 Q. And to the extent that that's not presently
13 reflected in the Arizona SGAT, that would be something
14 that Qwest would be intending to put in the Arizona
15 SGAT; is that correct?

16 A. I think what I said or what was decided on is
17 we would look over lunch at the Arizona SGAT and see
18 if it's in there or not.

19 Q. Now, while we're looking at your rebuttal
20 testimony, I'm looking at testimony on page 2 where
21 you discuss the proposed nonrecurring charge
22 structures by the CLECs. And this testimony indicates
23 that Qwest has a concern that if the Commission were
24 to adopt the CLECs' proposed nonrecurring model that
25 that does not match up to the Qwest products; is that

1 correct?

2 A. Yeah, I think you -- we're putting on a
3 policy hat for a second. We're here to discuss the
4 Qwest models and the costs that they -- that we incur.
5 And it's probably not fair for us or for me, anyway,
6 to address another -- some other company's models on
7 how they establish their rates.

8 Q. It is the case that Qwest has already been
9 required to comply with the rate structure proposed by
10 the CLECs in this proceeding in Minnesota; isn't that
11 correct?

12 A. In Minnesota, I don't know.

13 Q. Now, you were discussing the situation of a
14 subloop in the multi-tenant situation with Mr. Patten
15 just a minute ago. Do you recall that?

16 A. Yes.

17 Q. And I want to focus on another aspect of
18 that. I want you to take a look at that WorldCom
19 Exhibit 1, the price list. And, again, looking at the
20 subloop section, which is 9.3, there's a price listed
21 under there for a field connection point feasibility
22 quote preparation fee of approximately \$1,600. Do you
23 see that?

24 A. I see that.

25 Q. And my understanding is that's a fee that

1 would apply if a CLEC requires access to a subloop; is
2 that correct?

3 A. Yes, to see how we're going to connect the
4 CLEC to a subloop element and the Qwest network.

5 Q. And that is a fee that would apply to a
6 request for connection to what has been referred to in
7 this document as intrabuilding cable; is that correct?

8 A. Not completely. The FCP is where --
9 basically where a CLEC is going to want to bring in a
10 cable and splice or connect into a part of Qwest's
11 network. May be possible -- or it may be required at
12 an MDU or a NID. But generally there are other
13 options that we've discussed at length in 271
14 workshops and which is basically direct access to
15 Qwest's NID or to the demarcation point, if you will.
16 So this is not assessed fee every time.

17 Q. And at one point, it was Qwest's position
18 that this was a fee that would be assessed even for
19 access to building cable within a single building; is
20 that correct?

21 A. At one point. I can't answer that. I don't
22 know what you're -- what at one point is.

23 Q. You've been involved in the 271 proceedings;
24 is that correct?

25 A. Yes.

1 Q. And Qwest's initial position in those
2 proceedings was that the CLEC should be required to
3 pay this field connection point even for access to
4 building wire in a single building; isn't that
5 correct?

6 A. Let me think back. I'm not sure that's
7 completely correct because there was many discussions
8 on -- when we started the 271 process on access to
9 MDUs or access at the NID and where the actual
10 demarcation point is.

11 The original feeling was the demarcation
12 point was at the NID. Now we've basically said that
13 the demarcation point can be at a different point than
14 where the NID is itself. There's been a lot of
15 discussions involving MDU NID access. So this may
16 have been a fee at one time to access an MDU at a
17 splice point that we thought would probably be
18 appropriate. Through lengthy discussions,
19 negotiations, we have changed our policy a little bit
20 on where CLECs can access and how they can have access
21 to our NIDs or to the demarcation point.

22 Q. And is it your position that the parties at
23 this point in Arizona have come to agreement on when
24 it will be that the field connection point will be
25 assessed?

1 A. I believe so, yes

2 COM. SPITZER: Ms. Steele, if I may
3 interject.

4

5

FURTHER EXAMINATION

6

7 Q. (BY COM. SPITZER) I heard from the listen
8 line some questions posed by Mr. Patten regarding that
9 diagram.

10 A. Yes.

11 Q. And communications are amazing, but I wasn't
12 able to see the diagram on the listen line, and I now
13 am able to.

14 And I have, I guess, two questions, if I may.
15 TELRIC's supposed to be cost-based forward-looking
16 most efficient scenario for costs; is that right?

17 A. I guess that's correct, yes, not being a cost
18 person.

19 Q. And the cost from the SAI to the property
20 line is \$12.12. That was I guess the question by
21 Mr. Patten in the diagram; is that right?

22 A. That's the subloop element. That's from the
23 FDI basically to the demarcation point where the
24 customer's wire takes over.

25 Q. And then the questioning, as I understand it,

1 was the cost would also be \$12.12 from the property
2 line to the building?

3 A. If that's a pure subloop element, yes.

4 Q. So I guess my question is: If TELRIC is
5 cost-based, surely there's some distinction between
6 the lines drawn by Mr. Patten. Why is the price the
7 same?

8 A. Well, that's probably a better question for
9 the cost modeler, but there is probably 100 or 200
10 different scenarios in a subloop element. And to
11 develop costs for each one of those would be
12 horrendous, I would think. The subloop element has
13 been developed as one cost to go all the way from
14 where they access to the point of demarcation.

15 Q. So is what you're telling me that you have
16 departed from the cost model for administrative
17 convenience? It's administratively too complex to
18 calculate the actual cost?

19 A. Like I said, that's probably better for a
20 modeler instead of me.

21 Q. Okay. Would that be Mr. Buckley or someone
22 else?

23 A. Probably Mr. Fleming could address those or
24 maybe Ms. Million.

25 Q. Just for the record, my question would be

1 we've got supposedly a cost model. And it's supposed
2 to be based on actual real world is what I've been
3 hearing from the Qwest witnesses. And if we're
4 departing from that methodology, it appears we are, at
5 least on that diagram, we'd certainly want it to be
6 reliable. And if your statement is it's
7 administrative convenience because it's too difficult
8 to ascertain what the actual costs are, I think that's
9 significant.

10 The other question I would pose, and this --
11 I'll try and stick to the more engineering aspects.
12 One of Qwest's contentions in this proceeding is that
13 the cost level must be found sufficiently high A, to
14 compensate Qwest for its real world costs; and 2, it
15 is poor public policy to create a playing field where
16 the CLEC chooses to wholesale acquire the Qwest
17 network as opposed to putting in their own facilities.
18 In other words, if the cost model is too low, you
19 disincent construction of plant equipment. Is that
20 fair?

21 A. I think that's fair.

22 Q. It seems to me under the diagram drawn by
23 Mr. Patten, by charging the same price whether the
24 cable goes from the FDI to the property line or
25 actually into the building, you're disincenting the

1 CLEC from putting plant and equipment in from building
2 that portion of the loop.

3 A. I guess I don't know.

4 COM. SPITZER: Okay. Thank you

5

6 CROSS-EXAMINATION (Cont.)

7

8 Q. (BY MS. STEELE) I just have one more line of
9 questions. I'd like to talk to you about transport
10 and the transport rate elements that are proposed in
11 this Exhibit WorldCom-1 which is in Qwest's price
12 list. And transport elements are found in a number of
13 different places in the price list; is that correct?

14 A. I'll take your word for that.

15 Q. I want to focus first on the very first page
16 under 7.3. There is a listing for direct trunk
17 transport, and that's an interconnection product; is
18 that correct?

19 A. That is correct.

20 Q. And then if you turn to page 7 of 15, there's
21 -- under 9.6, there's something called unbundled
22 dedicated interoffice transport. And that's an
23 unbundled facility; is that correct?

24 A. Yes.

25 Q. And my understanding is that the

1 interconnection facility is from a serving wire center
2 to a tandem or an end office switch; is that correct?

3 A. That's correct.

4 Q. And the UDIT, the unbundled dedicated
5 interoffice transport, would be between two Qwest wire
6 centers in the same LATA, the transmission path.

7 A. That's correct.

8 Q. And then there's a third product called
9 EUDIT, extended unbundled dedicated interoffice
10 transport, which is at page 18, 9.6.9. Do you see
11 that? And that's a transmission path between a Qwest
12 serving wire center and a CLEC wire center or an
13 interexchange carrier's point of presence; is that
14 correct?

15 A. That is correct.

16 Q. Now, the pricing for that interconnection
17 transport product and the pricing for the UDIT are
18 both based on a recurring fixed charge plus a
19 recurring per-mile charge; is that correct?

20 A. I believe that's correct, yes.

21 Q. The EUDIT, on the other hand, has only a
22 recurring charge without the mileage charge; is that
23 correct?

24 A. That's correct.

25 Q. Now, the same physical facilities are used

1 for providing all of these products; isn't that
2 correct?

3 A. Basically, that's true, yes.

4 MS. STEELE: That's all I have.

5 CALJ FARMER: Staff.

6

7

CROSS-EXAMINATION

8

9 Q. (BY MS. SCOTT) Good morning, Mr. Hubbard.

10 A. Good morning.

11 Q. I'd like to follow up with you on a few lines
12 of discussion or areas of discussion that you had with
13 Mr. Campbell this morning.

14 Basically I want to focus in on ICB pricing.
15 And I want to explore a little bit further with you
16 the process for ICB pricing, and then we will look at
17 WorldCom Exhibit 1 again. And there are a few areas
18 I'd like to ask you about.

19 A. Okay.

20 Q. On page 5 of Mr. Kennedy's rebuttal, starting
21 at line 12, you talk about the space construction
22 charge which was formerly ICB, and you now converted
23 that to specified prices, correct?

24 A. Correct.

25 Q. And you go on to talk about some of the

1 benefits of having specified pricing for products,
2 including I believe you stated that it simplifies the
3 ordering process for CLECs, correct?

4 A. Also I think it eliminates surprises for
5 CLECs, yes.

6 Q. So you'd agree that there are benefits --
7 other benefits of having certain known prices for
8 services?

9 A. Where we know what the charge is or have
10 historical data to develop the charges, yes, I believe
11 that. I believe we try to do that.

12 Q. And then on page 20 of your testimony, you
13 list several items for which you are still proposing
14 ICB pricing, correct?

15 A. Page 20 of the rebuttal?

16 Q. Yes.

17 A. Yes.

18 Q. Mr. Hubbard, if I could refer you to WorldCom
19 Exhibit No. 1.

20 A. Okay.

21 Q. And this is the Qwest proposed price list.
22 And as I paged through this this morning, there is --
23 wouldn't you agree that there is actually quite a bit
24 of ICB pricing contained in this document?

25 A. I think there's a --, some ICB contained in

1 here, yes.

2 Q. And in the discussion that you had with
3 Mr. Campbell this morning, I believe you said that as
4 a general rule, Qwest uses ICB pricing when there has
5 been no history regarding the product or service, and
6 you need to develop some history on it on the cost,
7 correct?

8 A. Correct.

9 Q. And then the other instance would be where
10 you need time to develop -- you have the cost, but you
11 just need time to do the cost studies, correct?

12 A. I believe that's what I stated, yes.

13 Q. Isn't it a fair assumption that in looking
14 through WorldCom Exhibit No. 1 that where you have
15 listed in the pricing columns under development, would
16 those be the instances where Qwest actually has the
17 cost but just has not had time to develop the studies?

18 A. I think under development in part of those is
19 it -- may have some of the costs. They're trying to
20 develop all the costs and get it into the model
21 itself. So they may not have all of the costs yet,
22 but they have some of them, and they're trying to get
23 more of the costs that we would incur in building that
24 and get it into the model, yes.

25 Q. Could that same circumstance apply that you

1 have ICB listed where you do have some history on the
2 particular elements but that you just have not had
3 time to develop the particular cost study?

4 A. Yeah. If you look at the one example, the
5 ICDF collocation, I think that where it's got ICB, if
6 I'm remembering right, we do have some of the costs
7 that we would incur. And it's probably being put into
8 the model.

9 Q. Do you know when Qwest has -- or intends to
10 provide those cost studies for Commission review?

11 A. You know, I don't. Mr. Fleming or
12 Ms. Million may know when the new studies will be out,
13 if there's going to be new studies.

14 Q. With respect to the other criteria that you
15 have no costs available yet, there have been perhaps
16 no requests for the service. And that you need some
17 history then in order to develop the rate. For
18 instance, let's say that you got a request for service
19 in Minnesota but there had not been a request in
20 Arizona. Would you use the history that was -- that
21 you obtained in Minnesota or Idaho in order then to do
22 a specified rate for Arizona?

23 A. Yes, we would. We'd use the history as long
24 as it was basically building like for like, then we
25 would use that history. And, you know, we may need

1 two or three or four whatever the number is to develop
2 a real good history. But we would use those, the cost
3 to establish a base for Arizona, yes.

4 Q. And let's say you did that, and you
5 established a rate that's based upon region data or
6 other state-specific data, not Arizona-specific data.
7 Later, there are several requests made in Arizona for
8 the particular service. Do you reevaluate, then,
9 based on Arizona-specific costs whether those costs
10 are appropriate here, or do you leave the region or
11 Idaho costs in place for Arizona?

12 A. I'm not sure I know exactly what the modeler
13 would do for sure, but you do need several builds to
14 establish a rate, whether it's regionwide or -- I
15 mean, Arizona-specific rates and stuff that the
16 Commission has ordered or cost of money in Arizona
17 would factor into Arizona rates, of course. Did that
18 answer it?

19 Q. Okay. So you would -- it sounds to me from
20 your response that at some point you would do a
21 reevaluation to make sure the costs were appropriate
22 for this state.

23 A. That is my understanding. One of the
24 modelers may be able to tell you exactly.

25 Q. Is there another witness that I should --

1 could also address this question to?

2 A. Probably Mr. Fleming.

3 Q. Could I refer you now -- WorldCom Exhibit No.

4 1. Could I refer you to page 15 of 15. Let's start
5 there. Actually, let's go to -- let's start on page
6 15.

7 And let's take a look at the footnotes that
8 are down at the bottom of that page. And then if you
9 look at page 14 in conjunction with page 15, over on
10 the right-hand column under witness, you have a series
11 of 6s which, under the footnote, refers to regional
12 TELRIC-based where required. And then you also have a
13 series of 2s which states, market-based rates not
14 proposed in the Arizona cost docket.

15 Could you please explain for me what those
16 two footnotes mean.

17 A. I hate to do this to you again, but I really
18 don't know, so you'd have to ask probably Ms. Million
19 on this.

20 Q. Okay. That's fine.

21 Just a few general questions now about
22 Qwest's ICB process in general. Let's say that ICB
23 pricing is appropriate for a particular CLEC request.
24 Is it true that the process would start out by the
25 CLEC coming to you, saying that they wanted this

1 particular service, and then at that point does Qwest
2 do a proposal for the CLEC?

3 A. Basically. It depends if it's something
4 that's never been placed before. A CLEC would
5 approach Qwest with what they call a BFR, bona fide
6 request. We would then evaluate technical feasibility
7 of the equipment and whether it can be placed in a
8 Qwest network and what it's going to require to place
9 it in a Qwest network. After that, we would develop
10 ICB pricing, I believe.

11 Q. And do you know how long the process that you
12 just described takes?

13 A. Not off the top of my head, no. I know we've
14 had quite the discussion on that in the 271 workshops,
15 but I don't remember how long it takes to develop
16 that.

17 Q. So you're not sure if there's a specified
18 time period for Qwest to make its proposal to the
19 CLEC?

20 A. No, I believe we did agree that we would have
21 a proposal within a certain amount of days, but I
22 can't remember what that time frame is.

23 Q. Do you know, Mr. Hubbard, whether there's a
24 charge that's assessed by Qwest for developing the
25 proposal that's ultimately submitted to the CLEC?

1 A. On a BFR process, yes, there is a charge, I
2 believe, for technical feasibility and preparing the
3 quote.

4 Q. So are you saying that all ICB pricing
5 elements would fall under the BFR process?

6 A. No, I am not saying that. That was just an
7 example I was using that sometimes ICB pricing goes
8 along with a BFR process. There's other ways that
9 CLECs can request services from Qwest.

10 Q. What happens if the CLEC doesn't agree with
11 the rates that Qwest proposes to charge for something?

12 A. There is a dispute resolution process in the
13 interconnection agreement.

14 Q. And are you familiar with how that dispute
15 resolution process would operate?

16 A. Not completely, no.

17 Q. Is it reasonable to state that that could
18 probably extend into a lengthy period of time?

19 A. It could. But in most instances, we'll work
20 with the CLEC to develop an appropriate cost that they
21 agree to and we agree to.

22 Q. Is it your understanding that this proceeding
23 was also to address the cost and noncost provisions of
24 Qwest's SGAT?

25 A. That's my understanding, yes.

1 Q. And earlier you had some discussion with
2 Mr. Campbell regarding the CICMP process, correct?

3 A. We had a brief discussion. I thought some of
4 the notifications were probably through the CICMP
5 process or through a Web site or network disclosure.
6 I don't know how -- we were talking about, I believe,
7 the decommissioning part how a CLEC was notified of
8 this. And I said it was probably either through that
9 process or one of the others.

10 Q. Mr. Hubbard, could you please explain for
11 everyone what the CICMP process is.

12 A. It's -- I'm going by memory here. I believe
13 it's a -- it is a process where the co-providers and
14 the ILECs pass information to each other, I believe.
15 And I could be wrong on the CICMP process.

16 Q. Okay. We've also had quite a bit of
17 discussion regarding this 271 workshop process,
18 correct?

19 A. Correct.

20 Q. Is it your understanding that in the 271
21 workshop process, most of the rate issues, if not all,
22 that came up in that case were deferred to this
23 docket?

24 A. I would say most of them were deferred, if
25 not all, yes.

1 Q. And in response to a question by Mr. Campbell
2 earlier, I'm just going to ask you to clarify, it
3 isn't your testimony, is it, that if a conflict were
4 to arise through the CICMP process and a
5 carrier-specific interconnection agreement that the
6 CICMP resolution would take precedent over the
7 Commission-approved interconnection agreement?

8 A. No.

9 MR. BERG: I'm going to object. I think that
10 calls for a legal conclusion. Mr. Hubbard isn't a
11 lawyer, and I don't think he's qualified to offer that
12 conclusion.

13 CALJ FARMER: I believe he did already offer
14 an opinion on it. I'll allow him to answer the
15 question with the comment that you've made, also.

16 THE WITNESS: My answer was no. I think the
17 Commission takes precedence over the CICMP.

18 Q. (BY MS. SCOTT) And with respect to the 271
19 workshop process, is it your understanding that the
20 agreements reached in that process would not -- if
21 they were in conflict with an existing interconnection
22 agreement, would not take precedence over that
23 interconnection agreement?

24 MR. BERG: Just a second. Same objection.
25 Calls for a legal conclusion.

1 CALJ FARMER: If you know, sir, you may
2 answer.

3 THE WITNESS: I don't know for sure.

4 Q. (BY MS. SCOTT) Is it your general
5 understanding that all carriers have the ability to
6 opt into provisions of the SGAT that were agreed upon
7 in the 271 process?

8 A. That is my understanding, yes.

9 MS. SCOTT: Thank you. I have no further
10 questions.

11 COM. SPITZER: Have the docketed questions
12 been asked?

13 CALJ FARMER: No.

14

15 FURTHER EXAMINATION

16

17 Q. (BY COM. SPITZER) There were four questions
18 that I had posed to Mr. Kennedy, three regarding
19 collocation and one regarding UNE rates. I'll read
20 them verbatim.

21 Collocation. This is the October 11th, 2000,
22 testimony, page 16, line 11. In that section, you
23 discuss the recurring monthly charges for collocation
24 spaces. As applied to the recent Qwest rate
25 settlement, are those charges for space lease within

1 Basket 3? If so, what are the anticipated revenues
2 that will offset Basket 1 prices?

3 A. I think you'd be better off asking
4 Ms. Million that since I don't know what Basket 1 is
5 Basket 3 prices are.

6 Q. That's an Arizona proceeding.
7 June 27th, 2001, testimony, page 21, lines 1
8 and 2. In that section, you state that Qwest has had
9 few, if any, requests for adjacent collocation. In
10 the March 15, 2001, testimony of Mr. Fitzsimmons for
11 Qwest at page 22, lines 3 through 8, and again in his
12 rebuttal testimony at page 10, line 3, through page
13 13, line 3, he argues that Qwest is in a highly
14 competitive situation in Arizona. Mr. Fitzsimmons, in
15 fact, at page 22, lines 3 through 8 of his March 15th
16 testimony, states: As of December 31, 2000, there
17 were 32 active competitors collocated in Qwest's wire
18 centers in Arizona and 94.3 percent of Qwest's access
19 lines were in wire centers with one or more collocated
20 competitors. 80 percent of Qwest's access lines were
21 in wire centers with three or more collocated
22 competitors.

23 Simply put, which way is it? Is Qwest
24 suffering the slings and arrows of collocated
25 competitors, or is it still, as you stated at page 21,

1 line 2, of your rebuttal testimony, "no meaningful
2 data upon which to develop costs"? Has any state
3 approved an SGAT with 19 individual case basis prices?

4 A. Okay. As we referred to adjacent
5 collocation, in most instances or in all instances,
6 we've been able to provide collocation within Qwest's
7 central offices. We have not had to build adjacent
8 collocation. We've not been asked to build adjacent
9 collocation yet. We have nothing to rely on as far as
10 prices for adjacent collocation.

11 Q. So then I guess following up on that, you're
12 stating that with respect to the 32 active competitors
13 collocated in Qwest wire centers and the 94.3 percent
14 of Qwest access lines, the wire centers of one or more
15 collocated competitors, none of those are adjacent?

16 A. No, they're not.

17 Q. Then the second question. Has any state
18 approved an SGAT with 19 individual case basis prices?

19 A. Original SGATs, yes. This SGAT, there's no
20 state that has approved the SGAT yet, the 271 SGAT.

21 Q. Next question: October 11, 2000, testimony.
22 Page 18, line 17. In that section you state that a
23 call out of a maintenance technician for the
24 collocated CLEC will involve a three-hour minimum
25 charge. How does this comport with Qwest's filed

1 tariffs?

2 A. That may be another one for Ms. Million. I
3 don't know what the tariffs are in Arizona. I'm
4 sorry.

5 Q. And the final question is UNE rates. March
6 15, 2001, testimony, page 43. In that section, at
7 lines 1 through 3 and lines 20 through 22, you offer
8 the exact same defining language for UDF-Loop and
9 E-UDF. Newton's Telecom Dictionary, 17th Edition,
10 2001, contains neither term. Can you tell me if
11 UDF-Loop and E-UDF are the same term?

12 A. Yeah. I received this on Saturday. I've
13 read the testimony. It probably could have been a lot
14 clearer in there.

15 UDF, being unbundled dark fiber, has three
16 components to it:

17 UDF-Loop site, which is from a Qwest serving
18 wire center to somewhere within that wire center that
19 CLEC wants to access at.

20 UDF interoffice is unbundled dark fiber
21 between two Qwest central offices.

22 And a UDF -- or I should say E-UDF is
23 unbundled dark fiber between a Qwest central office
24 and a CLEC central office.

25 COM. SPITZER: Thank you.

1 CALJ FARMER: I see it's a little bit after
2 noon. Would you like to break now and come back for
3 any redirect or would you like to do the redirect
4 first?

5 MR. BERG: If you give us the lunch hour, we
6 may not have any redirect. We'll be able to tell you
7 when we come back. That would probably be a quicker
8 way to do it.

9 CALJ FARMER: Let's go off the record and
10 come back in an hour, which by that clock would be
11 about five after 1.

12 (The proceedings recessed at 12:05 p.m.)

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1 (The proceedings resumed at 1:20 p.m.)

2 CALJ FARMER: Let's go ahead and go back
3 on the record.

4 We've got one housekeeping item from
5 yesterday.

6 ATT/XO Exhibit 13, can the parties
7 update me where we are on that? It was offered,
8 and I believe Qwest was checking on it.

9 MR. DEVANEY: Yes, AT&T offered its
10 Exhibit 13, which was an attachment to the data
11 request response, and we expressed concern that we
12 might want the response put in along with the
13 attachment.

14 We've had an opportunity to review the
15 response, and it's not necessary to an
16 understanding of the attachment, so therefore, we
17 have no objection to the exhibit as proposed by
18 AT&T.

19 CALJ FARMER: Okay. Exhibit ATT 13 is
20 admitted for the record.

21 Was there any recross or redirect of
22 Mr. Hubbard?

23 MR. DEVANEY: There is no redirect of
24 Mr. Hubbard. Thank you.

25 CALJ FARMER: So you're ready to call

1 your next witness?

2 MR. DEVANEY: We are, and for our next
3 witness, we call Mr. Gary Fleming.

4 GARRETT FLEMING,
5 called as a witness, having been first duly sworn by
6 the Certified Court Reporter, was examined and
7 testified as follows:

8

9

DIRECT EXAMINATION

10

11 Q. (BY MR. DEVANEY) Good afternoon,
12 Mr. Fleming.

13 A Good afternoon.

14 Q Mr. Fleming, you filed rebuttal
15 testimony in this case on June 27th, is that
16 correct?

17 A Yes, I did.

18 Q Do you have any corrections that you'd
19 like to make to your testimony?

20 A Yes. On page 64 and 65, the last
21 sentence on page 64 heading into 65, I say that,
22 "Mr. Lathrop's concerns that the engineering costs
23 in the quote preparation fee are duplicative of
24 the engineering costs contained in the space
25 construction charge are identical to the potential

1 double recovery concerns of Dr. Dunkel discussed
2 above."

3 I don't know why I put it in there. I
4 didn't discuss it above, so I'm dropping the whole
5 thing.

6 Q So you're striking that sentence?

7 A Yeah, I'm striking that sentence.

8 CALJ FARMER: I'm sorry, what was the
9 beginning of the -- the one that says,
10 "Mr. Lathrop," starting on line 22?

11 THE WITNESS: Page 34, the last line on
12 34, and I understand -- I mean, 64 and ends on
13 65.

14 Q (BY MR. DEVANEY) Do you have any
15 additional corrections?

16 A Yes, I do, on page 75. The answer at
17 the top of the page, and it starts on line 3,
18 "Although Qwest has in the past, and may in the
19 future, construct additional manholes to
20 facilitate collocation, the company" -- and I'm
21 striking, "is no longer," and putting, "is only
22 seeking recovery of these costs ten percent of the
23 time in the entrance facility prices."

24 And then, in the answer -- it's right
25 below that on line 12, "Removing the manhole costs

1 from the study largely," study, "90 percent of the
2 time," and I'd like, right after "the study," put,
3 "90 percent of the time."

4 Q And, Mr. Fleming, with those
5 corrections, are the answers you've provided in
6 response to the questions in your testimony true
7 and correct to the best of your knowledge?

8 A Yes, they are.

9 MR. DEVANEY: Your Honor, we would ask
10 that Mr. Fleming's rebuttal testimony be admitted
11 into the record as Qwest Exhibit 8.

12 CALJ FARMER: Are there any objections
13 to Qwest 8?

14 (No response.)

15 CALJ FARMER: Hearing none, it will be
16 admitted.

17 MR. DEVANEY: Thank you, your Honor.

18 Q (BY MR. DEVANEY) Mr. Fleming, do you
19 have a brief summary that you would like to
20 present?

21 A Yes. However, first I'd like to --
22 Qwest has looked at the studies we filed in the
23 last case, and I would like to recommend some
24 changes to them or potential changes to them,
25 depending on what this Commission decides.

1 We said that we were going to use a
2 50/50 weighting of labor and vendor cost -- labor
3 from vendors and labor internally in our studies.

4 In the power cable and power portion of
5 the study, that 50/50 weighting was not done. We
6 would recommend that they use the 50/50 rating as
7 opposed to the 75/25 rating that's already -- that
8 currently exists in the studies.

9 On line splitting, we took the power
10 cost out of the maintenance factor for most of the
11 nonrecurring costs in our study.

12 This study was outside the primary
13 model, and it was overlooked. I would recommend
14 that the power charge, that the maintenance charge
15 in that study be changed to reflect the charge
16 that is in the other studies that eliminates the
17 power charge out of the studies.

18 On entrance facility, there is a
19 recurring rate for entrance facility. It's not
20 the nonrecurring rate, but it's the recurring
21 rate, where it was supposed to be shared with U S
22 West.

23 Our studies did not reflect the sharing,
24 which should have occurred in the study.

25 We would recommend that in determining

1 the cost for the cable racking in that study, we
2 use 80 cables for U S West, along with the three
3 cables from the CLECs.

4 On the BDFB, some parties in this
5 proceeding have said, and correctly, that the BDFB
6 is included in the power charge for both over 60
7 amp cables and under 60 amp cables.

8 Under 60 amps, they go to a BDFB, over
9 60 amps, they don't. The way we put together our
10 power charge is to weight those together.

11 In other words, assume that the BDFB
12 would be in the study 45 percent of the time --
13 required 45 percent of the time. If somebody
14 wants to break those out and have separate power
15 charges for those two configurations, we have no
16 problem with that.

17 And I've also heard people to this party
18 say that they would like to have our cost studies
19 broken apart into components as opposed to one
20 lump sum. That's different than what the product
21 management people told us.

22 We put it in one lump sum. It was not
23 in one lump sum before. We would be more than
24 happy to break it up any way this Commission
25 wants.

1 And then, in reviewing the contracts
2 that we provided to a lot of the parties in this
3 proceeding, we noticed that one of the vendors has
4 given us a ten percent, across the board reduction
5 in material cost. And it was one of the major
6 vendors that we had in the studies we looked at.
7 They supplied about 30 percent of the materials in
8 the analysis.

9 We would recommend that a three percent
10 reduction to material costs in the study be made
11 to reflect these contracts.

12 Now, should I start with my summary?

13 Q Thank you, Mr. Fleming.

14 If you would start with your summary and
15 if you would begin by just telling the Commission
16 who you are, what your job responsibilities are,
17 and then go into the substance of your summary,
18 please.

19 A My name is Gary Fleming -- I
20 apologize -- and I run the TELRIC cost
21 organization for U S West. I also run the
22 embedded cost organization for U S West.

23 U S West has provided a lot of
24 information on collocation in this case. The
25 collocation study we had was primarily based on 41

1 actual jobs.

2 We provided all the receipts for those
3 jobs, we showed how we took those receipts, and
4 developed the standard costing approaches that we
5 have.

6 All of the -- most of the material costs
7 we have in our study are results of averaging the
8 cost that we actually had in those receipts that
9 we got when we studied the 41 jobs.

10 We provided contracts. For most of --
11 for every -- we provided contracts for every
12 contract that would allow us to release the
13 contract.

14 We provided every type of -- we've tried
15 to provide as much information as we can, and
16 we've even provided some receipts for jobs that
17 were completed subsequent to our study.

18 We believe that this Commission needs to
19 set the rates based on the information that's in
20 the case and the documented information.

21 Most of the other intervenors to this
22 case have access to the exact same information we
23 have. They buy the same type of equipment. They
24 put it in the networks. They buy the same type of
25 blocks.

1 There will be solid information on which
2 to base the decision in this case, and I recommend
3 that the Commission look at all the information
4 that's provided and base those decisions on that.

5 If we have a contract that doesn't agree
6 with what's in our studies because it's been
7 updated, update the cost. That would be something
8 that I believe is perfectly legitimate and should
9 happen in a TELRIC study, because you're trying to
10 look forward. You're not trying to look back.

11 I believe history is the best way to
12 look forward, but that does not mean that our
13 studies are a look at history. They're a look at
14 history and trying to move it forward.

15 AT&T or the joint intervenors have all
16 of the information -- have access to the same
17 information we do, yet some of their witnesses are
18 making recommendations based on -- they hire
19 outside witnesses that make recommendations based
20 on "I think it should be 50 percent."

21 I think you got to look at the
22 information, and there's some solid information in
23 this case.

24 If you see that our studies are wrong,
25 correct our studies. If it looks like something's

1 out of line, correct them.

2 But I believe -- look at it item by
3 item. Don't take one item and extrapolate out to
4 the whole and say, "Well, all the studies are
5 bad."

6 I also talk about a TELRIC task, and I
7 believe Mr. Ford put in an argument that you
8 should use the least cost TELRIC.

9 Now, TELRIC is a forward-looking
10 approach to setting rates. It's not the costs we
11 are going to incur. It's the costs we would incur
12 in a replacement scenario.

13 In other words, what would happen if you
14 replaced your network, because it's got to take
15 into account all the lines in your network.

16 And so in -- and the AT&T model also
17 takes into account all the lines in the network.
18 It includes those lines that are real close to the
19 office, those lines that are far away from the
20 office.

21 And even though most of the lines are
22 really close to the offices, since all the offices
23 have been around for a long time, are already
24 built, but that decreases your costs by including
25 those lines.

1 But it is a replacement network that we
2 are trying to model here, and I think AT&T said
3 that in their brief to the Supreme Court in the
4 recent Eighth Circuit Hearing.

5 If you use a least cost TELRIC test --
6 and TELRIC was determined by the FCC because it
7 was the lowest cost, it was a reasonable,
8 forward-looking, efficient cost, and because it
9 was reasonable, forward-looking and efficient, it
10 would be the lowest reasonable cost that you could
11 come up with.

12 Now, if you take something down to the
13 lowest of the low, basically what you're going to
14 do is impact the decisions companies make.

15 When the FCC adopted TELRIC, they said
16 it was reasonable -- it was the reasonable basis
17 for looking at what a company will incur in the
18 future if it acts sufficiently. And you should
19 make sure that what we do reflects an efficient
20 operation.

21 However, they also said that if you set
22 the rates too low, you're going to impact the
23 build-buy decision. Obviously, you can set rates
24 at zero, and everyone would take our loops.
25 There's no question about that.

1 But then the question would be, "Would
2 anyone sell those loops? Would anybody build
3 their own loops?"

4 You want to encourage the right mix of
5 build or buy. Buy where it's reasonable, build
6 where it's reasonable, but if you only focus on
7 buy and try to set the prices so buy is the
8 critical decision, then what you're going to have
9 is a bunch of people sharing the same old network
10 as opposed to building a new network.

11 There was some discussion -- I also talk
12 about the 15 percent factor that Mr. Dunkel uses
13 in his analysis or shared and attributable costs
14 and overheads.

15 When you look at that 15 percent factor,
16 he got it out of the last decision -- and
17 Ms. Goode, who is with us, is going to talk more
18 about this -- but if you look at the two points in
19 that order, first they reference in that AT&T
20 study that says it's 13.25 percent for common, and
21 that is just your common overheads.

22 Those would be the things like legal,
23 executive accounting -- which would be me,
24 actually. I'm sort of public policy, too. Those
25 are the type of costs that were included in that

1 analysis that came out of the 13.2 percent.

2 It did not include items such as network
3 operations, such as the systems that everybody
4 says are so important to being an efficient
5 company.

6 Those costs also need to be built into
7 the studies because you're not going to be able to
8 efficiently build a collocation space unless you
9 have the systems to figure out what you have there
10 and how you can work around it.

11 Finally, there was some questions about
12 whether we were looking at a growth network or a
13 replacement network, and as I say, I believe that
14 TELRIC requires a replacement network.

15 If you look at the models that have been
16 produced in this case, all of them replace all the
17 lines in the area. None of them replace just the
18 growth lines.

19 Historically, I'm one of these people
20 who believe that all costs are relevant. I like
21 to look at embedded costs. I tend to like to look
22 at incremental costs of adding lines, and I tend
23 to like to look at all replacement costs. I think
24 all of them are important.

25 Because of the FCC's emphasis on TELRIC,

1 we haven't presented that type of information in
2 this case.

3 But historically, when I've looked at it
4 and add to the network cost more than a TELRIC
5 replacement of the network on a per-line basis.

6 Our studies show that a replacement of
7 the network costs somewhere between \$800 and \$900.

8 The embedded costs or book costs that
9 have been incurred over time, it's about \$970, and
10 I believe that's in Ms. Goode's testimony.

11 Those new lines that I've seen -- and
12 when I'm looking at what the construction company,
13 what the construction group is aiming for, is
14 somewhere in the range of a \$1,000 to \$1,200.

15 So TELRIC is the lowest cost that we've
16 been able to find that's a reasonable cost to base
17 prices on.

18 When I say "realistic" -- when we say
19 "realistic," we're not saying you go out and look
20 at the actual network.

21 We're saying you go out and you look at
22 what realistically you could do if you went out
23 and replaced that network, which is not a growth
24 network, and it's not an embedded cost.

25 Q Thank you, Mr. Fleming.

1 MR. DEVANEY: Your Honor, may I be
2 permitted to ask Mr. Fleming one question to wrap
3 up his summary?

4 CALJ FARMER: Yes.

5 MR. DEVANEY: Thank you.

6 Q. (BY MR. DEVANEY) Mr. Fleming, there's
7 also been discussion, and testimony, and cross today
8 about the fact that Qwest has relied, in some
9 portions of its price list, on ICB pricing.

10 And in your position as head of the
11 TELRIC embedded cost groups, can you shed some
12 light on why Qwest is relying, for ICB pricing, on
13 ICB pricing for certain services?

14 A Yes. Most of what you see is ICB
15 pricing. We do want to build standard costs.

16 What happens is when people are in
17 workshops or when people are negotiating work
18 flex, they're going to come up with new products,
19 products we haven't thought of before, products
20 that they would like to see built into our work --
21 rate sheets.

22 If you look at the AT&T model, they
23 don't have any cost for an OC12 or an OC3. Those
24 were ICB for us at one point in time. The reason
25 they don't have cost for an OC12 and OC3 is those

1 are products that have just come up.

2 We have products that come up all the
3 time, and once somebody decides they're going to
4 do a product, we have to go out and figure out
5 what the product is, how it's engineered and
6 everything else before we can possibly produce a
7 cost study.

8 In some instances, like the Jason Cowell
9 (phonetic) case, where we actually see no
10 potential demand for it, and it would be a
11 tremendously hard thing to price out because
12 you're talking about building a whole new
13 structure, we would prefer to be able to house
14 everybody in our central offices, and as long as
15 we can do that, it will save them the cost of
16 building that whole new structure.

17 So on those ones, we have been ICB,
18 because we've never had any kind of history.

19 In other ones, like field connection
20 points, we're trying to put together a field
21 connection point study right now.

22 One of the things that happened to us in
23 dealing with flex was when we put together a price
24 list that didn't include something, they said it
25 was free. They'd want something new. It wouldn't

1 be in the price list; therefore, they'd say it was
2 free.

3 Now, we're trying -- and maybe not very
4 well -- to use ICB as a place holder, if there is
5 something that comes up, until such time as we can
6 build a study.

7 If you look at what happened in the 271
8 applications for both Texas and New York, there
9 were significant -- in fact, at that point, they
10 hadn't even addressed the UNE remand, even though
11 the UNE remand had been ordered by the Commission,
12 and they didn't have a lot of rates for the UNE
13 remand items.

14 As long as CLECs want to have new
15 products and services, we're going to have to have
16 some process, and there's going to be a delay
17 between the time when they want it and we can
18 build an actual cost study.

19 That time is going to vary, depending on
20 the nature of the type of requests they have. If
21 we had to wait until the Commission ordered a
22 price before we provided it, we would never be
23 able to provide a lot of these things.

24 So what we tried to do is use ICB many
25 times as a place holder until such time as we

1 actually get the product up and running and can
2 get a standardized cost.

3 Q Thank you, Mr. Fleming.

4 MR. DEVANEY: Mr. Fleming is available
5 for cross.

6 CALJ FARMER: Who's scheduled to go
7 first on this witness?

8 MR. CAMPBELL: I think I'm going first
9 on this witness.

10 CALJ FARMER: Okay, Mr. Campbell.

11

12 CROSS-EXAMINATION

13

14 Q. (BY MR. CAMPBELL) Good afternoon,
15 Mr. Fleming.

16 A Good afternoon.

17 Q My name is Tom Campbell. I'm
18 representing WorldCom in these proceedings.

19 A How do you do.

20 Q I left or put back for you WorldCom
21 Exhibit 1, which is the Qwest price sheet and
22 WorldCom Exhibit 2, which is a charter map of
23 collocation.

24 Are those still in front of you?

25 A Yes, they are.

1 Q I just want to make sure they're there.
2 Occasionally during our conversation this
3 afternoon, I'll probably want to refer to those.

4 Let me start by asking you a few
5 questions about the -- I think what you summarized
6 as potential changes at the beginning of your
7 direct testimony just a few minutes ago -- to make
8 sure I understand those.

9 First of all, I think you said that
10 there was going to be a -- in the power and power
11 cable areas, a 50/50 -- did you call it -- sharing
12 ratio or use ratio?

13 A No. In our studies, we have both
14 contract labor and internal labor, and in the
15 original study, it was 75/25.

16 I recommended in my rebuttal testimony
17 that it be 50/50. This portion of the study was,
18 unfortunately, not updated.

19 Q And that was a recommendation in your
20 rebuttal, but isn't reflected -- is it reflected
21 in WorldCom Exhibit Number 1?

22 A It is not.

23 Q So we'll be getting some -- a new
24 version of this at some point, is that your plan?

25 A Well, our plan was to do it when the

1 Commission ordered.

2 What happened in the last proceeding,
3 which I thought was a pretty reasonable way to go,
4 is the Commission made a bunch of orders on a
5 bunch of different issues and then had the parties
6 go back and agree on how we implemented those
7 issues.

8 I thought that would be a reasonable way
9 to do it.

10 Q Can you tell me, in looking at the
11 collocation section, 8.0, which of those prices
12 will be affected by that change?

13 A Okay. The space construction charge
14 will be affected.

15 Q Is that both the cageless base
16 construction of 8.3.2 and the caged at 8.4.2?

17 A Yes. All of the power cables you see
18 listed below the power page, you see listed below
19 that, will also be adjusted.

20 Q Okay. Is this an adjustment that will
21 be a downward adjustment?

22 A Yes.

23 Q Will it also affect, for instance,
24 8.2.8, which refers to power cables?

25 A Yes. It will also -- the recurring

1 power charge where you have plant, it should
2 affect that.

3 Q I take it you're talking about 8.1.3
4 now?

5 A I think so, but -- it may not.

6 Q Now, on your entrance facilities change
7 that you talked about, that didn't ring a bell for
8 me in your rebuttal testimony.

9 Is that something totally new?

10 A That is something we found during the
11 workshops in Utah.

12 Q It's not anywhere in your rebuttal
13 testimony?

14 A No, it wasn't.

15 Q And again, to help me by going to
16 WorldCom 1, are you suggesting there's a recurring
17 rate, under 8.1.1, will be adjusted?

18 A Yes.

19 Q All three of those prices will be
20 adjusted?

21 A Yes, I believe so.

22 Q And that's because of a change in the
23 sharing ratio?

24 A A change in the sharing of cable racket.

25 Q And that change -- what way?

1 A It will take it down.

2 Q Take the prices down?

3 A Yes.

4 Q And that's because Qwest is going to
5 share in a little greater proportion in the cable
6 racking, is that why?

7 A It's because, on the area where we said
8 we were going to share in the cable racking, our
9 calculations didn't show us sharing on the cable
10 racking, so we believe that it should.

11 Q Now, on the BDFB point, I believe there
12 you're talking about the impact also on 8.1.3, is
13 that correct?

14 A Yes.

15 Q Let me make sure I understand.

16 In the power plant price that you have
17 under 8.1.3, that power plant includes BDFB, does
18 it not?

19 A It includes a weighting in of BDFB, yes.

20 Q And then are you proposing a change in
21 these prices, or what are you proposing precisely?

22 A What it would be is a -- what I said is
23 that this Commission wants us to disaggregate if
24 we can.

25 Power beads that are over 60 amps go all

1 the way back to the power board. They would not
2 go through a BDFB. Power beads that are under 60
3 amps would go through a BDFB.

4 We built an average rate that included
5 going through a BDFB some of the time. If they
6 wanted a rate for over 60 amps that had no BDFB,
7 and under 60 amps that had BDFB a hundred percent
8 of the time, we'd be willing to do it. It's half
9 a dozen, one --

10 Q So there would be, in other words, two
11 power plant prices under 8.1.3?

12 A Yeah, if they decided to accept that.

13 Now, that wasn't our recommendation. It
14 was a recommendation, I think, Mr. -- I'm not sure
15 if it was Mr. Lathrop or Knowles.

16 Q Is that disaggregation available in the
17 cost studies now?

18 A No, it's not.

19 Q You'd have to present something new for
20 us to see that?

21 A Yes.

22 Q With respect to space construction --
23 let me back up.

24 Your next point dealt with raking prices
25 into components, I believe?

1 A Yes.

2 Q Now, you may have said this or maybe I
3 just was assuming you were talking about the space
4 construction charges, is that correct?

5 A That would be the place where most
6 people would want it broken in pieces, and that
7 would be what I heard.

8 Q For purpose of our record, that would be
9 in 8.3.2 and 8.4.2, is that right?

10 A Yes.

11 Q And what components -- what components
12 could you separate in price within that?

13 A Power cable is in there. If you wanted
14 to, we could pull the power cable out and have
15 that separate. We could pull out the cage.
16 There's extension of HVAC. There's cable racking.
17 There's aerial support.

18 I wouldn't break it apart in those ways,
19 but any way the Commission wanted to break it
20 apart, whether we have it as one unit or broken
21 apart, would not bother me.

22 Q Is that study available in this docket,
23 or would that require a new study by Qwest?

24 A You could take the study we have and
25 break it apart pretty easily.

1 Q But if that was the choice of the
2 Commission, you would, I assume, be preparing some
3 kind of new study that would break that apart for
4 the Commission?

5 A Yes, we would, and we'd be willing to
6 let the intervenors look at our calculations to
7 make sure they agree with them.

8 Q Mr. Fleming, Mr. Hubbard, on several
9 occasions, deferred some questions to you, so let
10 me just take a couple of those, and then I'll get
11 into -- eventually, I'll get to what I had
12 planned, but let me start with some of those
13 deferrals.

14 Do you happen to have a copy of the
15 Kennedy testimony available?

16 MR. CAMPBELL: Could he have a copy of
17 the Kennedy testimony? Because a lot of those
18 were quotes where I read from Kennedy.

19 MR. DEVANEY: Direct and rebuttal?

20 MR. CAMPBELL: I'll have to go back and
21 look at my notes. I think it is direct, all three
22 of them. I think there was a deferral from each
23 of the three, I believe, John.

24 Q. (BY MR. CAMPBELL) I believe you may have
25 already answered the first deferral, but let me just

1 confirm that.

2 Do you have that in front of you yet?

3 A Yes, I do.

4 Q Let's take a look -- I'm going to work
5 backwards -- let's take a look at the June
6 testimony first, which is the rebuttal testimony,
7 and take a look at page 6.

8 A Okay.

9 Q And I'm talking about the first question
10 and answer, and it talks about a Utah collocation
11 hearing, and a separate charge for the cage, and
12 reference to a cost study, and I think I asked
13 Mr. Hubbard whether Qwest was in the process of
14 developing that cost study.

15 And frankly, it sounds very similar to
16 what we just talked about in breaking down the
17 space construction allocation.

18 A That would be the same thing, yes.

19 Q And take a look, now, at the April
20 testimony, which I think was called the
21 supplemental direct testimony of Mr. Kennedy, and
22 take a look at page 2.

23 Are you there?

24 A Yes, I am.

25 Q And I'm particularly interested in the

1 question and answer starting on lines nine --
2 starting on line nine.

3 I asked Mr. Fleming where it says that,
4 there would be a nonrecurring charge equal to
5 25 percent of the proposed TELRIC-based
6 nonrecurring collocation charge.

7 I asked him to be a little more specific
8 as to 25 percent of what particular collocation
9 charge are we talking about here.

10 MR. DEVANEY: Do you mean you asked
11 Mr. Hubbard?

12 MR. CAMPBELL: I'm sorry. I asked
13 Mr. Hubbard, and he deferred it to Mr. Fleming.

14 THE WITNESS: I wasn't very happy about
15 it. I don't know.

16 Q (BY MR. CAMPBELL) Maybe I should ask
17 Ms. Million about that?

18 A We're going to have to have somebody
19 find out, because that is something that would be
20 outside the cost organization itself. We'll try
21 to find out an answer on that.

22 I'm not sure what it is.

23 Q All right, thank you.

24 And the third one that you deferred to,
25 at least according to my notes, is in the March

1 testimony, which is the direct testimony, and it's
2 over on page 22.

3 A Yeah, I'll be right there.

4 Q Sure. On page 22 of the direct
5 testimony of Mr. Kennedy -- and another way,
6 frankly, to get at this is if you look at WorldCom
7 Exhibit Number 1, look at section 8.2. In fact,
8 this may be an actual easier way to get at it.

9 A Yes.

10 Q There are a series of labor charges
11 there.

12 Do you see that 8.2.2 through,
13 basically, 8.2.6?

14 A Yes.

15 Q Where it looks like there's a
16 nonrecurring charge which appears to be an hourly
17 rate, is that correct?

18 A Yes.

19 Q And my question for Mr. Hubbard that he
20 deflected to you was: In a virtual collocation
21 case where we want to know what the installation
22 cost is going to be, the installation of labor,
23 there isn't any reference to the amount of time.
24 We just know that's the rate.

25 We don't know how long it's going to

1 take to install, is that correct?

2 A That's true.

3 Q Is that because it's just impossible to
4 come up with an actual amount of time -- maybe I
5 should say a standard amount of time.

6 A I don't believe it would be impossible
7 to come up with a standard amount of time. No
8 one's asked us to, so we haven't.

9 Q That's why you haven't done it, because
10 no one's asked?

11 A Yes.

12 Q All people want is the rate, is that
13 correct, as far as you know?

14 A That's all product management has asked
15 us to produce.

16 Q But as a cost person, you think if you
17 were asked to produce an actual nonrecurring price
18 for any of those items, you probably could?

19 A I believe that you could, yes.

20 Q Let me turn now to your actual
21 testimony, rather than deferrals from Mr. Hubbard.

22 And I am particularly interested,
23 Mr. Fleming, in collocation issues, so that's --
24 my questions will focus there, and in your
25 testimony, you responded to several collocation

1 issues, and that's what I'd like to talk with you
2 about.

3 I want to talk first about entrance
4 facilities, and as I understand it, in your
5 rebuttal testimony, you made an adjustment in the
6 percentage of times you would need to dedicate a
7 separate manhole for CLECs in collocation
8 situations, is that correct?

9 A Yes, that's true.

10 Q And you -- and you were using, now, a
11 factor that ten percent of the time, you would
12 have a separate dedicated manhole, is that
13 correct?

14 A Yes.

15 Q What did you base that percentage on?

16 A It was an estimate based on the fact
17 that there are going to be some times when there's
18 not going to be available manholes, or there's
19 going to be too much congestion in the manholes,
20 that we will build a separate utility hole.

21 I think it was through discussions with
22 several people.

23 Q Okay. What kind of people, engineers?

24 A Engineers.

25 Q And so it's an estimate -- was it your

1 estimate -- you're responsible for that estimate,
2 is that fair to say?

3 A I'll take responsibility.

4 Q Now, prior to that, the estimate had
5 been 60 percent, as I recall, in testimony that
6 was filed in March, is that correct?

7 A Yes.

8 Q What was that estimate based on?

9 A Actual experience in the past. We have
10 built a lot of utility manholes in a lot of
11 different offices, and we were reflecting that
12 fact.

13 Q And those were all experiences in
14 collocation situations?

15 A Yes. So I think in the first jobs we
16 had, we built manholes in virtually all offices,
17 and then we started -- as the policies changed, we
18 tried to reflect the policy changes.

19 Q What was the policy change?

20 A They decided they would start trying to
21 use manhole one as opposed to manhole zero.

22 Q It turns out there was space in manhole
23 one to use?

24 A Yes.

25 Q And prior to that, the policy was,

1 "Let's build" -- and they kind of presumed they
2 would build a new one or something like that?

3 A That was the policy before, yes.

4 Q Since the policy change, do you have any
5 experience you can share with us about actually
6 how often you've had to build a separate manhole,
7 or has it been too recent?

8 A I don't have anything to share with you
9 now.

10 Q I'd like, now, to turn to quote
11 preparation fees. And we had some -- quite a bit
12 of testimony on quote preparation fees, but what
13 I'd really like to do -- I think it would be
14 helpful in talking about quote preparation fees if
15 we can look at an exhibit to your testimony, and
16 you refer to it in the testimony as Exhibit Number
17 6.

18 On my copy, it was actually labeled
19 Exhibit Number 7, but I think we may end up
20 finding the same exhibits, so we can go through
21 it.

22 It is entitled, "Nonrecurring Cost
23 Detail Summary."

24 Did you find that?

25 MR. DEVANEY: Tom, what exhibit was it?

1 MR. CAMPBELL: In my copy, it says
2 Exhibit 7 attached to the Fleming, but in his
3 testimony, he referred to it as Exhibit 6, and I
4 think it's just misnumbered in the exhibit page.
5 I think it really is Exhibit 6.

6 MR. DEVANEY: Entitled, "Nonrecurring
7 Cost Detail Summary"?

8 MR. CAMPBELL: Yes.

9 THE WITNESS: Okay. I've got it.

10 Q. (BY MR. CAMPBELL) Mr. Fleming, does yours
11 say Exhibit 7 up at the top right-hand corner as
12 well?

13 A Yes, it does.

14 Q And I believe you actually also -- your
15 CLEC power cable exhibit is also Exhibit 7, and
16 just to make the record clear, maybe as another
17 correction to the testimony, we might want to have
18 this nonrecurring cost detail summary note that
19 should be numbered Exhibit 6 as a correction to
20 your testimony.

21 Is that fair?

22 A That's fair.

23 Q So when we talk about Exhibit 6, we're
24 only talk -- we know what we're talking about.

25 Now, in the -- originally, when we --

1 when Qwest proposed their quote preparation fee --
2 and again, just to make sure we're all talking
3 about the same place, if you look on WorldCom
4 Exhibit 1, we're talking about 8.2.1, which is the
5 virtual collocation quote preparation fee of about
6 \$4,400; 8.3.1, which is the cageless quote
7 preparation fee of about \$4,400; and then 8.4.1,
8 which is a quote preparation fee of caged
9 location, which is a few hundred dollars higher.

10 A Yes.

11 Q Those are the three quote preparation
12 fees that I understand this exhibit is providing
13 the cost detail on, is that correct?

14 A Yes.

15 Q Because in this exhibit, you'll see
16 there's a quote preparation fee sheet for caged,
17 and then cageless, and then virtual.

18 There seems to be one for each of them?

19 A Yes.

20 Q And as you can tell from the prices,
21 they're very similar, so I'll probably just ask
22 Qwest about the top one, which happens to be
23 caged, and if for some reason you think it's
24 different -- your answer would be different for
25 cageless or virtual, let me know, but they appear

1 to be pretty similar.

2 A Okay.

3 Q And the other thing I would like you to
4 turn to is your testimony on page 36.

5 A Okay.

6 Q And I -- just to set the stage for our
7 discussion, let me read a couple lines and make
8 sure that we're understanding these the same.

9 On line one through three -- one through
10 four on that page, you talk about, "The
11 engineering charges included in the space
12 construction calculation include all engineering
13 costs incurred to construct a collocation
14 facility, including the preliminary engineering
15 included in the calculation of the quote
16 preparation fee."

17 Do you see that?

18 A Yes, I do.

19 Q And just, again, to make the record
20 clear, what we're talking about is that -- and
21 let's just use caged collocation for simplicity,
22 or 8.4, although I think this would be the same
23 for all three types.

24 What you're saying is that part of the
25 price that's in 8.4.1, that \$4,700 price, part of

1 the costs are also included in the price in 8.4.2?

2 A Most of them, yes.

3 Q And your proposal, then, is to credit
4 that space construction charge with a quote
5 preparation fee, is that correct?

6 A Yes. If somebody goes on with
7 collocation, that's the space quote preparation
8 fee, the way the study was put together.

9 And I believe one of the witnesses -- I
10 think it was Mr. Knowles -- acknowledged that our
11 policy is that if this study is adopted, the way
12 we put it together -- Mr. Lathrop makes a
13 different recommendation where they're separate.

14 But the way we put it together, you
15 would take the total costs of the quote
16 preparation fee and apply it against the total
17 cost of the job at the time the job is -- was paid
18 for.

19 Q And another way to do that would just be
20 to take the portion of the quote preparation fee
21 that's engineered and reduce all those prices in
22 the column below? That would do it as well,
23 wouldn't it?

24 A That would do it, too.

25 Q And later on in this -- so the way these

1 prices are stated here, they're -- you concurred
2 they're inflated slightly, and you proposed to
3 deflate them, so to speak, for this credit, is
4 that correct?

5 A No, I don't think they're inflated.

6 What I'm saying is that when we put
7 together the engineering chart, we were fully
8 aware that since we were using actual engineering
9 costs, that would have included preliminary
10 engineering costs.

11 So the preliminary charge is if you
12 don't go through with it.

13 But if you actually go through with it,
14 we realize there was a double recovery, and we
15 were always planning on crediting it. At least
16 that's the way the cost study was put together.

17 If you credit it, you not only credit
18 the engineering that's in the quote preparation
19 fee, you also credit the product management
20 expenses, which are in the quote preparation fee,
21 which are not in here.

22 So you actually get a credit that's
23 bigger than the amount that's expected.

24 Q That's a good point. Let me make sure I
25 understand that.

1 Are you crediting the entire \$4,782?

2 A That's what we recommend, yes.

3 Q So that my next question -- I think you
4 probably answered -- is I was going to go through
5 your Exhibit 6 and make sure I could find out
6 exactly which portions of this were being
7 credited, but you're actually saying the entire
8 thing is credited?

9 A The whole thing we would credit, yes.

10 Q So that, again, just to make this clear,
11 if you go down further on page 36, you use a
12 couple of numbers here, pages 23 -- lines 23
13 through 26, and you talked about, "Based on
14 revised studies, the quote preparation fee
15 includes \$2,619 in preliminary engineering costs.
16 Fully loaded, these costs would equate to \$3,630,
17 reduction in the space construction charge," but
18 you're actually proposing to reduce the space
19 construction charge by more than that, is that
20 correct?

21 A If the Commission adopts our
22 recommendation where you credit the whole thing,
23 they would get a benefit for more than \$3,630 of
24 actual engineering.

25 They would get a credit for the -- the

1 CLECs would get the benefit of the whole \$4,400.

2 Q In the case of caged, \$4,700?

3 A Yes.

4 Q I'd like, now, to go through Exhibit 6
5 and talk about a few of the line items with you,
6 and I'd also like you to turn to page 65 of your
7 testimony.

8 A Actually, on Exhibit 6, that constant is
9 in the nonrecurring model.

10 Q Right, but it was attached to your
11 testimony as an exhibit?

12 A If you want me to answer it, I'll do it.

13 Q But if this is part of Million's, I only
14 want to ask it once -- I didn't realize that, but
15 if this is Terry Million's costing, I'm happy to
16 ask her those questions.

17 A Actually, she would be the better one to
18 ask on it, but I'll answer what questions you want
19 me to.

20 Q Let me just ask one question, then,
21 about your testimony, and I will save my detailed
22 line item questions for her.

23 How's that?

24 A Okay.

25 Q You say on page 65 that the -- I'm

1 looking at line 23 -- "The QPF proposed by Qwest
2 was developed based on the time estimates of
3 company personnel involved in the processing of
4 these quotes. Each task was identified and
5 assigned time requirements."

6 Do you see that?

7 A Yes.

8 Q So that your testimony is that -- and
9 let's just take a look at the first page of your
10 Exhibit 6. That's where it says, "Review EIC
11 request," and then there's a list of activities
12 there, and, "AQ CB system, monitor request
13 progress."

14 Do you see that?

15 A Yes, I do.

16 Q Where it says, "Time minutes 105,"
17 that's based on time estimates of company
18 personnel?

19 A Yes.

20 Q That relates to your testimony, and then
21 for specific questions as to these estimates, I
22 should address those to Ms. Million?

23 A Or it also might be -- the engineering
24 people give us a lot of these quotes, so maybe
25 Rachel needs to answer some of the questions on

1 the specific engineering.

2 Q Who would that be?

3 MR. DEVANEY: Rachel Torrance.

4 Q. (BY MR. CAMPBELL) Let's go back now and
5 talk about space construction, which we've already
6 identified appears twice in your price list, and I'd
7 like, for purposes of this discussion, for you to
8 look at your Exhibit 4 to your rebuttal testimony.

9 A Yes.

10 Q Exhibit 4 to the Fleming June testimony,
11 and it's entitled, "Exhibit 4, Actual 41
12 Collocation Jobs Comparison," is that correct?

13 A Yes.

14 Q Now, as I understand it, Mr. Fleming,
15 these were the 41 collocation jobs that were used
16 in deriving the cost for space construction in
17 both 8.4.2 and 8.3.2, is that correct?

18 A Many of the costs. There were some that
19 had to be -- that were derived from other sources,
20 but a lot of the costs, yes.

21 Q Which costs were derived from other
22 sources?

23 A The ground for power cable.

24 Q I'm sorry, the what?

25 A The ground for power cable, for cage

1 collocation, was derived from another source.

2 Q You're talking about 8.4.4, the
3 grounding price element that's separately stated
4 on 8.4.4?

5 A Yes, and that only goes to cage. That
6 doesn't go to cageless. In cageless, there was a
7 ground in there, and that's been taken out of the
8 cage.

9 The HVAC extension in -- the AC
10 electrical extensions in the cage study were not
11 in these 41 jobs.

12 Q Let me back up for a second and make
13 sure I understand that.

14 The price element that's in space
15 construction for HVAC and electrical, those
16 numbers were not derived from those 41 jobs.

17 Is that what you're saying?

18 A No. These were 41 cageless jobs, and so
19 the cageless jobs have a different type of an
20 electrical distribution system than the caged, so
21 those weren't -- that was not included in the --

22 Q In the caged?

23 A In the cageless -- in the cage study, we
24 had to add those elements. We had to add the cage
25 in the caged study, I mean.

1 Q Where did you get those elements?

2 A We got those from a study that was done
3 by the real estate department and an outside
4 vendor. And then it was -- some other parts were
5 verified with receipts.

6 Q Is that a -- just to make sure that
7 we're talking about the same item, I was going to
8 use this with Million, and I probably still will,
9 but let me -- I'll probably use this as an
10 exhibit, but if I could approach the witness, I'd
11 like to show him a real estate study and see if
12 we're talking about the same. I'll show counsel,
13 too. I just want to see if that's --

14 A Yes.

15 Q Thanks.

16 And this is a confidential document that
17 I will use, I think, with Ms. Million, but just
18 for the record, it's entitled, "Central Office
19 Building Physical Collocation Rent Calculation
20 1998"?

21 A Yes.

22 Q Go ahead.

23 Is there something else you wanted to
24 say?

25 A I would probably be the witness you'd

1 want to ask questions on that study.

2 Q Oh, okay. Well, after we get off this
3 exhibit, we'll swing back to that one.

4 A Okay.

5 Q I think we were -- you were answering
6 questions about other sources for space
7 construction cost, other than these 41 collocation
8 jobs, and you identified grounding, which is a
9 separate item 8.4.4, and the HVAC and electrical,
10 which you reference the study.

11 Anything else?

12 A Entrance facility.

13 Q Entrance facility, though, is priced
14 separately, though, isn't it?

15 A It's priced separate -- well, all these
16 are priced --

17 Q I was --

18 A Were you trying to focus specifically?

19 Q Just to make -- let me ask a better
20 question.

21 On 8.4.2, there's a nonrecurring price
22 of \$51,901 and sixteen \$51,901?

23 A Yes.

24 Q My question really was: What cost
25 elements in that were not from the 41 collocation

1 jobs?

2 A Those would be the HVAC -- gravity was
3 taken out of that study from these studies because
4 these locations were put in the ground separately.
5 That would be the HVAC extension, the AC
6 electrical extension, and the cage.

7 Q Okay. You say "the cage."

8 Isn't that \$51,000 -- doesn't that
9 include the cage?

10 A Yes, but it was added.

11 Q I'm sorry, it didn't come from an actual
12 collocation --

13 A I thought that's what you were asking.

14 Q I was. I wasn't following your answer
15 correctly.

16 Now, these 41 actual collocation jobs
17 were -- as I think one of your earlier witnesses
18 had noted -- were not Arizona jobs, is that
19 correct?

20 A No, they were not.

21 Q And they were all done, I think, prior
22 to May 1999, is that correct?

23 A Yes.

24 Q And they were all cageless jobs.

25 Were these jobs all competitively bid?

1 A With the timeframes under collocation,
2 you can't competitively bid jobs because you only
3 got 45 days to construct them.

4 What we do is we go out and negotiate
5 contracts with vendors and then use the lowest
6 cost vendor available.

7 If we bid these jobs, there would be no
8 way you could hit the 45-day time line -- I think
9 it's 45 days.

10 Q And these jobs were done on existing
11 central offices, is that correct?

12 A Yes, they were.

13 Q And there's -- did you take a look at
14 this to see whether they tended to be central
15 offices that were more modern and efficient, or
16 were they older central offices, or was there just
17 no differentiation among central offices?

18 A I didn't look at that.

19 Oh, in this, you'll see terminations
20 there as a cost.

21 Q Yes, I was about to ask you about that.

22 Go ahead.

23 A Those -- the information out of these
24 studies were used to price out terminations on an
25 individual cable basis, so those would not be part

1 of the space construction.

2 Q So the \$51,000 doesn't include
3 terminations?

4 A No.

5 Q You're going to find out -- just to make
6 sure we're -- you're going to find that in 8.1.7,
7 am I not?

8 A Yes.

9 Q Now, in the section you have that's
10 entitled -- that I'm going to call "Total
11 Dedicated Shared," do you see that line, "Total
12 Dedicated Shared"?

13 And above it is "Bay construction
14 lighting, ground bar, overall arrow supporting
15 cable racking."

16 Do you see that column?

17 A Yes.

18 Q When those items -- when you say "Total
19 Dedicated Shared," what do you mean?

20 A That those items would have been shared
21 between all collocators in the area. The study
22 has taken those items and reflected that they are
23 going to be shared by more than one collocator.

24 These were the actual receipts.

25 A lot was done with this to reflect what

1 was an actual collocation. For instance, if you'd
2 look at the cost -- the cost we've actually gotten
3 in our study is significantly less than the
4 \$47,000 you see on this sheet because we take into
5 account that some of these items are going to be
6 shared between numerous collocators.

7 Q Now, could any of those items be shared
8 with Qwest?

9 A I don't believe so. They were built
10 specifically in a collocation job for a
11 collocation area, so no, I don't think they would
12 be shared by Qwest.

13 Q Do you know that -- when these jobs were
14 conducted, did Qwest or the contractor look to see
15 if there were possibilities for sharing in this
16 request?

17 A If they could have been shared with
18 Qwest, they would have grounded over -- they would
19 have already been there, and they would have
20 routed it over those lines.

21 These are additional amounts they had to
22 put in to facilitate the collocation area.

23 Q Do you know that for a fact, that on
24 these 41 jobs, that's true? Have you personally
25 investigated and looked at these 41 jobs?

1 A I haven't looked at every piece of the
2 equipment on the 41 jobs, no.

3 Q You're assuming that's what would have
4 happened?

5 A It's the costs that were charged to the
6 41 jobs and bought for the 41 jobs, so I assume
7 they related to the 41 jobs.

8 Q I just wondered if you were able to
9 determine whether in those 41 jobs they looked at
10 the question whether this could have been shared
11 with Qwest.

12 It was more a matter of what went behind
13 the data that you had to look at that particular
14 issue, and it sounds like you didn't have a chance
15 to do that.

16 A No, I didn't look behind.

17 Q And I'd like you, then, to look at
18 engineering, which appears on this sheet under
19 column D, and that's about a \$12,000 cost.

20 Do you see that?

21 A Yes.

22 Q And turn to page 69 of your testimony,
23 because I think that's where you talk about
24 engineering cost.

25 A Yes.

1 Q And this engineering cost that's
2 reflected there came from these 41 jobs, is that
3 correct?

4 A Yes, they did.

5 However, we did not use the high and the
6 low jobs, the too high and the too low, so we
7 didn't ask for the whole \$12,000.

8 We asked for ten something.

9 Q Did you do any investigation on these
10 engineering costs to make a determination that
11 these costs were efficiently incurred?

12 A I did not do any individual analysis.
13 Our contract group tries to realign -- tries to
14 make sure that people do things efficiently.

15 Q Did you determine whether these
16 engineering costs were contained in the site
17 preparation such as demolition or reconstruction
18 activities?

19 A There didn't appear to be any site
20 preparation costs related to these jobs, so I
21 assumed there was none.

22 Q How did you determine that?

23 A Looking at the receipts and all the
24 materials that were bought, they were all related
25 to one of the items that was included.

1 Q I want to show you what I'm going to
2 mark as WorldCom Exhibit 4, and for the record, it
3 is a Qwest answer to AT&T data request 104, and it
4 contains -- what I'm handing you contains just a
5 couple invoices from jobs that I believe -- but
6 I'll have you verify for us -- are sample invoices
7 from these 41 collocation jobs dealing with
8 engineering costs --

9 A Okay.

10 Q -- that you provided to us. I just,
11 frankly, picked the top two or three, and I want
12 you to verify that for me.

13 It says here that confidential
14 attachment -- it says -- "Confidential attachment
15 A is a voluminous document."

16 I will show these to your counsel first,
17 as well, to see if these particular invoices, you
18 want to treat as confidential.

19 I know they say that, and for some
20 reason, they weren't copied on yellow paper as
21 they should have been, but we'll certainly deem it
22 as confidential and treat it like that for
23 questioning if, after you look at it, that's what
24 you determine.

25 We'll make yellow copies and replace it.

1 I've handed the witness what's been
2 marked for identification as WorldCom Exhibit
3 Number 4, and my first question is whether this --
4 the attached material wants -- you want to treat
5 as confidential, in which case, we should mark it
6 as confidential in the transcript and turn the
7 listen line off.

8 MR. DEVANEY: Mr. Campbell, it is
9 confidential, so if you intend to go into numbers,
10 we ought to turn the listen line off.

11 MR. CAMPBELL: I probably won't have to
12 ask specific numbers. If that will -- if that's
13 all you're concerned about, I think I can ask
14 these.

15 MR. DEVANEY: Let me ask Mr. Fleming
16 about numbers we're concerned about in terms of
17 confidentiality.

18 THE WITNESS: Vendor numbers are
19 confidential. The U S West C numbers are not
20 confidential.

21 MR. DEVANEY: Mr. Campbell, I trust you
22 wouldn't be going into those.

23 MR. CAMPBELL: I will -- I -- if I come
24 close, I'll stop.

25 THE WITNESS: I think the combined

1 numbers are not confidential.

2 Q. (BY MR. CAMPBELL) My questions, I think,
3 probably won't impinge upon this.

4 It appears that, first of all, there's a
5 document request, and these are -- it appears to
6 be two sets of vendor information, is that
7 correct? For two vendors, two different jobs?

8 A Yes, vendor. And the first sheet on
9 each job shows vendor and U S West C, I believe,
10 or maybe it's just --

11 Q Well, I know exactly where you're
12 talking about, because it looks like the attached
13 sheet -- well, I should let you tell me.

14 MR. CAMPBELL: If I could, I think I'll
15 put a second exhibit into evidence at the same
16 time, which is confidential, but I think that will
17 help him put this in context, because it's the
18 collocation cost study that contains the actual
19 engineering charges on one of the pages.

20 THE WITNESS: Yeah, I'm just looking for
21 that. I got it right here, I think.

22 MR. CAMPBELL: Well, I'm going to put it
23 into evidence actually, so why don't we do that
24 now.

25 We'll mark this as WorldCom Exhibit 5.

1 It is the, "Collocation Model
2 Interconnection TELRIC Results, 2001 cost study."

3 It's dated June 21, 01, and it was
4 attached to Ms. Million's testimony, I believe, as
5 TM06R. I'm doing that from memory. I think
6 that's right.

7 And it is a confidential document. I
8 think if you look at page E-121, you'll -- it's
9 121 on that.

10 MR. DEVANEY: Mr. Campbell, can I ask
11 you to refresh my memory on your pending question?

12 MR. CAMPBELL: My pending question was
13 whether -- was for him to confirm that these
14 attachments were two samples of invoices
15 reflecting the engineering costs associated with
16 the 41 collocation jobs that were used on his
17 Exhibit 4.

18 MR. DEVANEY: Thank you.

19 Would it be appropriate to take a short
20 break to allow the witness to do the document
21 comparison?

22 CALJ FARMER: Sure. Why don't we take
23 about a ten-minute break here?

24 (A recess ensued.)

25

1 CALJ FARMER: Let's go back on the
2 record.

3 MR. CAMPBELL: Judge Farmer, during the
4 break, counsel for WorldCom and I have had a
5 discussion about -- excuse me, counsel for Qwest
6 and counsel for WorldCom had a discussion about
7 the engineering invoices that were attached to the
8 exhibit -- WorldCom Exhibit -- is it Number 5, up
9 there?

10 And the witness and Qwest had asked for
11 the witness to have an opportunity to look at all
12 the engineering related invoices, which are back
13 at their office, and I've agreed that's fine.

14 He will look at those tonight, and we'll
15 resume on just this line of questioning, dealing
16 with engineering, tomorrow morning, if that's okay
17 with the administrative law judges.

18 I still have a few more questions for
19 Mr. Fleming today, but that one point, we'll give
20 him an opportunity to look at all the invoices
21 before I proceed with those questions, if that's
22 agreeable?

23 CALJ FARMER: That's fine.

24 MR. DEVANEY: That is fine.

25 For the record, the invoices are

1 attached to WorldCom Exhibit 4, not 5.

2 CALJ FARMER: Okay.

3 MR. CAMPBELL: And I won't move for
4 admission of WorldCom 4 until he's had a chance to
5 look at all the invoices, and we'll deal with that
6 tomorrow.

7 Ms. Steele says she actually has all the
8 invoices in her car.

9 MR. DEVANEY: You know, I think it would
10 be much more expedient if you could just do it
11 tonight without being on the witness stand and do
12 a comparison.

13 Otherwise, we'll be up here for quite a
14 while.

15 MR. CAMPBELL: That's fine, and I would
16 move the admission of WorldCom 5, since I've
17 already handed it out as the collocation cost
18 study attached to Ms. Million's testimony.

19 MR. DEVANEY: No objection.

20 CALJ FARMER: WorldCom Exhibit 5 is
21 admitted.

22 Q. (BY MR. CAMPBELL) Mr. Fleming, we'll move
23 off the engineering and on to a couple more lines of
24 questions, and we'll go back and we'll talk about
25 the rent analysis.

1 You said you were probably the best
2 person to talk about it.

3 Let's talk a little bit about HVAC and
4 electrical charges, and if you look at pages 72
5 and 73 of your testimony, it might be helpful.

6 A Yes.

7 Q Particularly in line 16 through 21, if I
8 understand it correctly, for purposes of cost
9 allocation, there is a portion of the HVAC and
10 electrical that is assigned to space construction?

11 A Yes.

12 Q And another portion that is assigned to
13 the rent of the space leased, is that correct?

14 A Yes.

15 Q The portion that's assigned to space
16 construction, I'd like you -- and I don't know if
17 this would be helpful at all, but WorldCom Exhibit
18 2 is a chart, collocation chart.

19 It's a colored chart?

20 A Yes.

21 Q And I don't know if this is helpful or
22 not, but can you explain where what I'll call that
23 demarcation point is between the system that you
24 put in space construction and the portion of this
25 electrical and HVAC system that you put in the

1 lease?

2 A The portion that was in the space rent
3 was the common systems for the building. For
4 instance, the lighting, power, the things that
5 light up, the whole electrical system that lights
6 up the building and everything.

7 The HVAC system, it would be the actual
8 cooling system and everything else. What's
9 included in the space construction is the
10 extension of the ducts and the extension of the
11 cables out to the collocation cage, the power
12 cables.

13 Q And I take it that the size of those
14 extensions would differ from central office to
15 central office?

16 A I assume so, yes.

17 Q And did you use some kind of average,
18 then, for purposes of this allocation?

19 A I think they tried to model a typical
20 central office.

21 Q And with respect to cable length, would
22 you turn to page 79 of your testimony and the
23 question and answer that starts on line 4, runs
24 through line 12, where you provide an Exhibit 7
25 that shows actual power cable lengths for all

1 collocation jobs, and you compare that to the
2 average length for the cables in the model of
3 83 feet and 183 feet.

4 Do you see that?

5 A Yes.

6 Q Now, where did you derive that 83 and
7 183 feet figures from -- these averages?

8 A Those were, I believe, the averages for
9 the 41 jobs.

10 Q Okay. That came from -- that's -- we
11 looked at Exhibit 4.

12 There was a power cable cost, and it was
13 embedded in that figure?

14 A Yes, this is in the power cable cost for
15 the DC power, not the AC power.

16 Q And that's where those numbers came
17 from?

18 A Yes.

19 Q Turn to page 43 of your testimony.

20 A Page 43?

21 Q Page 43, yes.

22 A Yes.

23 Q In the first sentence that begins on
24 that page, up at line 1, it starts, "Similarly,
25 Qwest has no alternative use for DC power cables

1 supplying equipment located in a CLECs collocation
2 space, since these cables often terminate in an
3 area where none of Qwest's equipment is located."

4 Do you mean by that that sometimes they
5 do terminate in an area where Qwest equipment is
6 located?

7 A I would say they always terminate where
8 Qwest equipment is located.

9 Q So you'd change -- correct your
10 testimony to change from the word "often" to
11 "always"?

12 A Yes.

13 Q Turn to page 46 of your testimony and
14 beginning with line 5, and you're referring to an
15 FCC opinion there, and it says, "Instead, the FCC,
16 in its first report and order on interconnection,
17 opined that states may spread the recovery of
18 nonrecurring costs over a reasonable period of
19 time if it can be assured that any such reasonable
20 arrangement would ensure that incumbent LECs are
21 fully compensated for their nonrecurring cost."

22 Do you see that?

23 A Yes.

24 Q Is it fair to say that Mr. Lathrop --
25 what I'll call his five-year plan -- is attempting

1 to do that, albeit you disagree with the
2 effectiveness of his plan?

3 A I believe that based on the information
4 I've seen about abandonments, that a five-year
5 plan would never work, because we have a lot of
6 things that have been abandoned within the five
7 years, and they're not being reused.

8 Q And my question was getting -- and I
9 understand you don't find his plan acceptable for
10 those reasons, but I was trying to just compare
11 the structure of his plan to the structure that's
12 kind of implied here in terms of any spreading of
13 the recovery of nonrecurring cost over a
14 reasonable period of time.

15 A I don't believe Mr. Lathrop's adjustment
16 would ensure recovery so that -- you know, he may
17 argue differently, but I do not believe it would.

18 Because if you look at it, once somebody
19 moves out, you're not sure the next person's going
20 to want the same thing. You may have to tear it
21 down and build it for somebody else because they
22 want something different.

23 If you're going to go in and pay for a
24 collocation space and pay -- you have an option of
25 accepting what somebody else has or building

1 exactly what you want, you probably, since the
2 costs are the same, want to build what you want.

3 And so you may not be able to use
4 collocation spaces or -- our experience has been
5 that they haven't been reused.

6 Q And I think that's all in your
7 testimony, as I recall.

8 Let's turn now to space lease, which you
9 said you were really the appropriate person to
10 discuss that, and I will hand you what we'll mark
11 as WorldCom Exhibit 6.

12 And this is an answer to AT&T data
13 request 103 and contains a confidential attachment
14 that I mentioned before, "The central office
15 building physical collocation of rent
16 calculation."

17 Mr. Fleming, this is an exhibit I think
18 you looked at briefly before, and it was attached
19 in the record as Exhibit Number 5 to Mr. Lathrop's
20 testimony. It is on yellow paper, and it is
21 confidential.

22 I will be talking about numbers so that
23 I assume we should mark this on the record, turn
24 off the listen line, and I guess have the bench
25 check to see if everybody has signed a protective

1 agreement.

2 CALJ FARMER: We will turn off the
3 listen line.

4 Is there anybody in the room who hasn't
5 signed the confidentiality agreement?

6 (The following pages contain
7 confidential information.)

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QWEST/COST DOCKET PHASE II
T-00000A-00-0194

VOLUME II
07-17-2001

CONFIDENTIAL PAGES
BOUND UNDER SEPARATE
SEALED COVER:

428 through 442

1 (Continuation of open hearing.)

2

3 CALJ FARMER: Mr. Patten, did you have
4 any questions for the witness?

5 MR. PATTEN: Just a few.

6

7

CROSS-EXAMINATION

8

9 Q (BY MR. PATTEN) Good afternoon,
10 Mr. Fleming.

11 A Good afternoon, Mr. Patten.

12 Q I'll ask you a few questions that were
13 deferred to you by Mr. Hubbard this morning. He
14 had answers, but I felt I should double-check with
15 you to make sure his responses were accurate.

16 First off, with regard to the loop price
17 set forth in WorldCom 1, and just for simplicity
18 sake, again, do you have WorldCom 1 in front of
19 you there?

20 A Yes, I do.

21 Q Let's, just for simplicity's sake, talk
22 about a two wire voice grade analog loop,
23 basically the simplest loop.

24 So on page 5 of 15, 9.2.1, there's a
25 price for an unbundled loop two wire.

1 Do you see that?

2 A Yes.

3 Q If I were to purchase that loop to --
4 would I also need to purchase a NID?

5 A No.

6 Q The NID price is included in the loop
7 price?

8 A Yes, it is.

9 Q And is the NID price also included in
10 the subloop price, which is identified in 9.3.1?

11 A Yes, it is.

12 Q Assuming that I am purchasing a loop to
13 serve a customer who's a tenant in an apartment
14 complex where Qwest owns the inside wiring in
15 it -- the apartment complex -- is the
16 intrabuilding cable loop charge, which is 9.3.3,
17 is that included in the loop price?

18 A It is included in the loop price on a
19 weighted average for the amount of time it occurs,
20 yes.

21 In other words, there's some buildings
22 that have it, so it's included in the weighted
23 average loop price, yes.

24 Q So I wouldn't have to -- if it's a Qwest
25 owned inside wire, I wouldn't have to buy that in

1 addition to the loop?

2 A No, you would not.

3 Q And I'm assuming that the subloop price
4 also includes the inside wire in that case, is
5 that right?

6 A Yes.

7 Q Does the intrabuilding cable loop price
8 set forth in 9.3.3 include campus wire that is
9 Qwest-owned?

10 A No, it does not.

11 MR. PATTEN: That's all I have.

12 CALJ FARMER: Thank you. Sprint?

13 MR. HEATH: Thank you.

14

CROSS-EXAMINATION

15

16 Q (BY MR. HEATH) Good afternoon. Eric
17 Heath for Sprint.

18 Mr. Fleming, referring to your
19 conversation with Mr. Patten, you indicated that
20 the price for the -- and also referring to the
21 WorldCom Exhibit 1 price list from Mr. Devaney --
22 that the unbundled loop rate included the NID?

23 A Yes.

24 Q And that price, that subloop portion,
25 also included the price for the NID?

1 A Yes.

2 Q And my question to you, then, is: What
3 if the CLEC doesn't want the NID? Can it purchase
4 the -- does it get a credit for that portion of
5 the loop that was represented by the NID or --

6 A I have not seen any -- nobody's asked me
7 to price out a credit for the NID, if somebody
8 didn't want a NID.

9 The one thing about it is the loop,
10 right now, has a NID on it. If you constructed a
11 loop so it is a cost we would incur if somebody
12 decides not to use the loop, the NID, then they
13 would have to unhook our cables from our NID, and
14 I don't know where that is.

15 I haven't even thought about that.

16 Q Okay, thank you.

17 Also referring to -- again, to WorldCom
18 Exhibit 1 and the power rates, at 8.1.3 on page 2
19 of 15, you indicated that with the revisions to
20 the cost study that these rates would be revised
21 slightly as a result of the reallocation of the
22 vendor --

23 A I think the power plant might.

24 Q Oh, the power plant, okay.

25 Well, as to the usage rates, are those

1 fused amp rates or load amp rates?

2 A I was sort of hoping you'd ask me that
3 question.

4 The power rates -- if you look at them,
5 there's two power rates. There's one power rate
6 for under 60 amps. That's 370.

7 When you look at it, there's another
8 power rate for over 60 amps at 741.

9 We do it on ordered end rates. Usually
10 a power cable is going to be fused at a higher
11 amount than is ordered.

12 In other words, if you order a 40-amp
13 cable, they might fuse it at a 50-amp cable.

14 We do not charge on a fused basis,
15 although I hear some -- when you compare rates
16 between our box, it gets really hard because
17 people are charging different things for
18 differentiates.

19 There's been two issues that have come
20 up. One is: Do we do per amp ordered or per amp
21 fuse? Which would be higher?

22 We do it per amp ordered.

23 The second thing is: Do we charge for
24 the A and B feed?

25 We charge just on the A feed. We assume

1 that the second feed is being used as a backup
2 feed, which is what it's intended to do. We're
3 assuming it's not being used.

4 The reason the cost on the under 60 amp
5 is one half the cost on the over 60 amp is that on
6 over 60 amp we go back to the power board.

7 That gives us the ability to measure
8 actual usage in amps, so we try to charge actual
9 usage as opposed to the total amount ordered.

10 On under 60 amps, we have cut the cost
11 in half on the assumption that they would only use
12 half of the power that can be carried by a 40-amp
13 feed.

14 So what you're seeing is that the cost
15 is one half per amp to take into account that they
16 won't use all the amps on the first feed.

17 Was that clear?

18 MR. HEATH: That was clear to me, and I
19 have no further questions.

20 CALJ FARMER: AT&T?

21 MS. STEELE: I do have a few.

22

CROSS-EXAMINATION

23

24 Q (BY MS. STEELE) Good afternoon,

25 Mr. Fleming.

1 A How are you doing, Mary -- I'm sorry,
2 Ms. Steele.

3 Q We know each other from past
4 proceedings.

5 A I was hoping I wouldn't have to do this
6 again, but --

7 Q Because WorldCom Exhibit 6 is somewhat
8 fresh in our minds, I'd like to ask you a few
9 questions on that first.

10 A Okay.

11 Q This is the rent study, and my
12 understanding of the study is that Qwest is
13 looking at the reconstruction cost -- the cost of
14 putting a new central office in and then
15 attempting to cover capital based on new
16 construction, is that correct?

17 A We're doing a replacement cost like we
18 are on everything else, yes.

19 Q And in the real world, Qwest isn't
20 actually going out and putting all new central
21 offices in, isn't that correct?

22 A That would be true.

23 Q Now, this study applies region-wide, is
24 that correct?

25 A Yes, it does.

1 Q So there's no attempt to look at costs
2 that are Arizona-specific, is that correct?

3 A No, we did not look at costs that are
4 Arizona-specific.

5 Q And you also didn't make an attempt to
6 look at the comparable rent in Arizona, is that
7 correct?

8 A No, because, basically, a comparable
9 rent, as I understand TELRIC, it's supposed to be
10 a replacement cost, and if you're doing a
11 replacement cost, you would look at a replacement
12 cost when developing your prices.

13 Q I want to follow up on a few things you
14 said in your summary this morning about changes
15 that you would propose, and the first is -- you
16 indicated that when reviewing the contracts, for
17 purposes of this proceeding, it was noticed that
18 one of the vendors had given a ten percent
19 reduction in materials cost, is that --

20 A Yes.

21 Q And can you tell me what particular cost
22 models -- cost studies, I'm sorry -- in this
23 proceeding that would affect?

24 A That would affect -- the ten percent
25 reduction that I was looking at was in one area

1 that basically went with cage -- that went with
2 the collocation cost.

3 Q Okay. And those revisions have not been
4 reflected in the studies that are on file, is that
5 correct?

6 A We -- obviously, we don't do a lot of
7 information. We had not caught up to that change.

8 Q And then one of the other changes that
9 you were discussing was the change in the
10 weighting of assumptions regarding how much of the
11 collocation installation would be done?

12 MR. DEVANEY: Could we take five
13 minutes?

14 THE WITNESS: I'm sorry.

15 CALJ FARMER: Okay. Off the record.

16 (A recess ensued.)

17 CALJ FARMER: Let's go back on the
18 record.

19 Q. (BY MS. STEELE) We were talking about
20 some of the changes that have been proposed, and one
21 of the things that you mentioned earlier this
22 morning was a change in the percentage of time that
23 Qwest assumes its own labor force would do certain
24 tasks in collocation, is that correct?

25 A Yes.

1 Q Now, I put in front of you an exhibit
2 that's been marked ATT 30.

3 A Yes.

4 Q And this is a response by Qwest to a
5 data request from AT&T, is that correct?

6 A Yes, it is.

7 Q And this data request indicates the
8 percentage of installations that were actually
9 completed using Qwest labor versus contractor
10 labor in Arizona in the recent past, is that
11 correct?

12 A Yes.

13 Q Now, if you turn to attachment A, if I
14 wanted to know which -- what percentage of jobs
15 were done by Qwest labor, I would look at the cap
16 QTI jobs, is that correct?

17 A Yes.

18 Q What does QTI stand for, some Qwest --

19 A It's a Qwest organization that
20 constructs telephones.

21 Q I want to turn to your testimony, and
22 particularly, I want to start at page 3 where you
23 discuss another change that has occurred in the
24 studies that are now on file with the rebuttal.

25 A Yes.

1 Q And under section B, you talk about
2 "Authorized Rate of Return."

3 Do you see that?

4 A Yes.

5 Q And one of the things -- one of the
6 changes that's been made in the rebuttal testimony
7 is that Qwest has reduced the rate of return or
8 the cost of money used in its cost studies, is
9 that correct?

10 A Yes, that is.

11 Q Now, this change actually caused the
12 prices proposed for a number of the nonrecurring
13 elements in this proceeding to increase, is that
14 correct?

15 A That's true.

16 Q Now, if we look further on page 5 of
17 your rebuttal testimony, you talk about the
18 principles that we need to look at in this
19 proceeding.

20 And I'm looking particularly at line 21,
21 beginning at line 21 on page 5, where you say
22 "There can be no question that the purpose of this
23 proceeding must be to determine cost for unbundled
24 network elements using the TELRIC principles
25 adopted by the FCC in its first report on

1 interconnection."

2 Do you see that?

3 A Yes.

4 Q I want to explore for a little bit what
5 that means.

6 Now, you're aware that the FCC
7 principles are presently on appeal to the Supreme
8 Court, is that correct?

9 A Yes, they are.

10 Q In fact, you quoted from the AT&T brief
11 in that proceeding, both in your testimony and in
12 your summary this morning?

13 A Yes, I have.

14 Q Have you read the Qwest brief in that --
15 from that proceeding?

16 A No, I have not.

17 Q I'd like to show you some pages from
18 that brief.

19 And I do have the complete brief if
20 Qwest would like to take a look at that.

21 Showing you what's been marked as
22 Exhibit ATT/XO 31, the cover sheet indicates that
23 this is the Qwest brief in the Supreme Court
24 proceeding, is that correct?

25 A Yes.

1 MS. STEELE: And I would request that it
2 be admitted with the caveat that, of course, if
3 Qwest wishes to confirm that it is what it appears
4 to be and also to put in the entire document, I
5 don't have a problem with that.

6 MR. DEVANEY: I accept your
7 representation that it is what it is, and I would
8 ask that the entire document be put in.

9 Q (BY MS. STEELE) Now, looking at what's
10 marked as page -- actually begins at the bottom of
11 the second page of the document, just in from the
12 cover page, the very last line that begins, "The
13 FCC, however, determined that these prices should
14 be based on the totally theoretical cost of a
15 newly-constructed, idealized network that uses the
16 most efficient telecommunications technology
17 currently available and the lowest cost network
18 configuration."

19 Do you see that?

20 MR. DEVANEY: You know, I think,
21 Ms. Steele, if I could, he may be looking at the
22 corporate disclosure statement. That's what I
23 did, because that's the second page in.

24 I think what you mean is --

25 MS. STEELE: I actually gave him just a

1 portion of it -- very, very last line on the
2 second page.

3 MR. BERG: Could you tell us what the
4 page number is?

5 MS. STEELE: There is no page. It says,
6 "Opinion below is on the top of the page."

7 THE WITNESS: I have no doubt it's in
8 there. I just can't find it.

9 Q (BY MS. STEELE) Let me first ask you
10 this question: Is it Qwest's contention that the
11 cost studies felt in this proceeding followed the
12 TELRIC principles adopted by the FCC in its first
13 report and order on interconnection?

14 A Yes it is.

15 Q And the statement that I read to you,
16 beginning at the very bottom of the second page of
17 this exhibit, beginning, "The FCC determined these
18 prices should be based on the totally theoretical
19 cost of a newly constructed, idealized network,"
20 do you see that now?

21 A Yes.

22 Q Is it Qwest's contention in this
23 proceeding that the prices in its cost studies are
24 based on the totally theoretical cost of a newly
25 constructed, idealized network?

1 A It's based on replacement cost of the
2 network using the most efficient technology
3 currently available, and so I would say that
4 it's -- I would say that it is a replacement cost
5 based on -- and by making it a replacement cost,
6 it is, to some extent, theoretical.

7 Q And if you'll look at page 2 of your own
8 testimony, where you have a list of general issues
9 to be considered by the Commission, at the
10 beginning at line five, there's a paragraph that's
11 labeled paragraph four.

12 You say that, "The TELRIC costs adopted
13 by the Commission should reflect the actual cost a
14 company incurs to provide the service and not some
15 hypothetical cost that has no basis in reality."

16 Do you see that?

17 A Yes.

18 Q Is it Qwest's contention that the cost
19 studies that have been presented in this
20 proceeding are, in fact, reflected in the actual
21 cost that Qwest incurs to provide the service and
22 not some hypothetical cost that has no basis in
23 reality?

24 A I believe that it depends on the type of
25 cost you're looking at, where the costs were

1 incurred recently.

2 The costs we project are based on
3 adjustments from historic basis, and so we are
4 trying to reflect future costs, but we are using,
5 as our starting point, costs we incur when the
6 costs we incur are reflective of what will happen
7 in the future, where the costs, for instance, on
8 the loop -- where you've got costs that were put
9 in over a long period of time will not be
10 reflective of the future, we have modeled a
11 replacement network.

12 And I believe that's similar to what the
13 FCC said when it said that TELRIC is the cost
14 study that they find that best represents the cost
15 a company will incur to provide its goods and
16 services, and I believe that's in the first report
17 and order, and I think I got that in my testimony.

18 Q One other issue that I want to discuss
19 with you that's in your testimony, beginning, I
20 believe, at page 255. You have a discussion of
21 the FCC's TELRIC test.

22 Actually, I think it begins earlier than
23 25, but that's where I want to start.

24 A Yes.

25 Q And looking at page 26, you have a

1 comparison of loop rates. There's a table there.

2 Do you see that?

3 A Yes.

4 Q Now, the SM refers to the FCC's
5 synthesis model, is that correct?

6 A Yes, it does.

7 Q And the SM total basic local service
8 cost that's listed here, that includes more than
9 just the loop, isn't that right?

10 A That would be true.

11 Q Do you know what portion of that \$20.62
12 for Arizona that's listed in this table would be
13 the loop?

14 A A vast majority of it. There's a little
15 bit of switching and transport in it, but the vast
16 majority of it.

17 Q Well, and on the next -- I'm sorry, on
18 page 28, you have "switching cost" listed for
19 Arizona of \$2.65, is that right?

20 A Yes.

21 Q So it would at least be less \$2.65?

22 A It would be \$2.65 less, yes, the vast
23 majority.

24 Q And you'd also -- there's also transport
25 that would have to be subtracted, is that correct?

1 A I believe the transport would be
2 included in the order for switching costs, the
3 shared transport.

4 Q It would also have to be retail costs
5 subtracted, is that correct?

6 A There is some retail cost, but there
7 would be -- you'd have to put in the wholesale
8 equivalent.

9 Q Now, you've done this comparison, and
10 you indicate that the client test yields a loop
11 rate when you compare Colorado, Minnesota and
12 Washington up to \$18.21, is that correct?

13 This is at page 26, right below the --

14 A Yes, I do.

15 Q And neither -- none of the costs that
16 you reflected in this table for the other states
17 have been approved by the FCC, is that correct?

18 A That would be true.

19 Q And the statewide average blueprint that
20 Qwest is proposing in this proceeding
21 substantially exceeds \$18.21, isn't that correct?

22 A Yes, we have asked for what we believe
23 the cost will be, yes.

24 Q And that will be about \$26, is that
25 right?

1 A Yes.

2 Q And when you did this comparison for
3 states where the FCC has actually reviewed the
4 rates, what you came up with in your TELRIC test
5 was a loop price for Arizona of up to \$16.08, is
6 that correct?

7 A Yes. However, the FCC has a three-part
8 task.

9 The reason I compared them to both is
10 the FCC has a three-part task to determine who
11 they're going to compare these rates to, and what
12 they have done is -- the first part is states that
13 has FCC of 271 approval.

14 The second part is they are in the same
15 company and have similar characteristics between
16 rates and everything, and the third part is they
17 have similar rate structure, I believe -- have
18 similar geographic and then they have similar rate
19 structure.

20 We are currently in discussions with the
21 FCC, and they've asked for comparisons of both.

22 MS. STEELE: That's all I have. Thank
23 you.

24 CALJ FARMER: Staff?

25

1 CROSS-EXAMINATION

2

3 Q (BY MS. SCOTT) Good afternoon,
4 Mr. Fleming.

5 A Good afternoon.

6 Q Mr. Fleming, do you have a copy of
7 Mr. Dunkel's testimony with you?

8 A No, I do not. I could get one. I've
9 got one over in my book over here.

10 MS. STEELE: While we're doing this, I
11 can't remember whether I requested that Exhibit 30
12 be admitted.

13 CALJ FARMER: No, I don't show you
14 requesting Exhibit 30.

15 Do you have any objection to that?

16 MR. DEVANEY: No objection.

17 CALJ FARMER: That will be admitted.

18 You did request 31. Qwest wants the
19 entire document.

20 MS. STEELE: We'll provide the entire
21 document.

22 CALJ FARMER: I'll go ahead and --

23 MS. STEELE: I can provide it right now.

24 CALJ FARMER: Why don't we go ahead and
25 mark that as 31?

1 CALJ FARMER: ATT 31 is admitted.

2 Q (BY MS. SCOTT) Mr. Fleming, I'd like to
3 start off by trying to correct some contradictions
4 or apparent misunderstanding of Mr. Dunkel's
5 testimony, and maybe you could turn to Exhibit 5,
6 page 1 of 6 of your testimony.

7 Do you have that, Mr. Fleming?

8 A Actually, when they gave me my
9 testimony, that was one of the exhibits that they
10 left out, so I'm asking for it.

11 Yes, I do have it.

12 Q I want to refer you to columns D and
13 columns E.

14 Can you please read me the titles of
15 both of those columns?

16 A "Dunkel's Partial Modifications One,"
17 and, "Dunkel's Partial Modifications Two."

18 Q Or does column E actually read,
19 "Dunkel's Total Modifications"?

20 A Oh, "Total Modifications," yes.

21 Q And can you go back now to page 6 of 6
22 and look at footnotes three and four?

23 A Yes.

24 Q Is my understanding correct that
25 footnote three would apply to column C or --

1 A Yes.

2 Q Or column --

3 A Yes, column D.

4 Q Column D, did you say?

5 A Column D.

6 Q And can you read the footnote, please?

7 A "Total direct from collocation model
8 using a hundred percent Qwest labor and \$44.89
9 block. Also, no power, land, building, and IDC
10 factors used. Finally, no HVAC nor electrical
11 inputs."

12 Q So it's your understanding that
13 Mr. Dunkel did not include any of those items in
14 his cost study?

15 A No. It's my understanding that those
16 are things that he criticized about our cost
17 study, and what I was showing was the impact of
18 pulling them all out.

19 Q But it was not Mr. Dunkel's testimony,
20 was it, that those costs be excluded?

21 A Okay. He argued against vendor labor.
22 He said that vendor labor was not an efficient use
23 of company resources.

24 So I took out all vendor labor in the
25 model.

1 Q But right now I'm referring to footnote
2 three and you said you've taken out power, land --
3 let me see, power, land, building, IDC, and you've
4 also taken out HVAC and electrical inputs based
5 upon Mr. Dunkel's testimony, is that correct?

6 A Mr. Dunkel did point out, and I think we
7 made some modifications for it, that power, land,
8 and building factors should not be used.

9 On HVAC and electrical, I've taken those
10 out of -- he showed them being put back into the
11 building lease space. I just took 'em out to show
12 what the total impact would be if you took them
13 out of our nonreferring study.

14 Q Okay. But once again, it's not
15 Mr. Dunkel's testimony that those items be
16 excluded?

17 A Electrical and HVAC, he did adjust into
18 the building rents.

19 Q So that is included?

20 A Yes.

21 Q And HVAC, that is also included,
22 correct?

23 A Yes. The last two he did adjust the
24 building rent for.

25 Q And if you -- as far as the land and the

1 buildings, if you refer to page 14 of Mr. Dunkel's
2 direct, starting at line 11, is it not correct
3 that his, Mr. Dunkel's -- I'll wait until you get
4 there -- starting at line 11, is it not correct
5 that Mr. Dunkel's testimony actually was that
6 Qwest was improperly loading the COE land and
7 building investments on top of the investment in
8 COE land and building and that was improper
9 recovery?

10 A Yes, and I think I made an adjustment to
11 our studies to take it out.

12 Q So he was actually objecting to double
13 recovery and not proposing that there be no
14 recovery of land and buildings, correct?

15 A No. We took it out, and I think our
16 proposal is we agreed with Mr. Dunkel on that
17 issue and took it out of our cost studies so we've
18 taken it out of this exhibit also.

19 Q Okay, and then if we can look at
20 footnote four which would apply to column E?

21 A Yes.

22 Q And could you read footnote four,
23 please?

24 A "Same as three, but also does not
25 include aerial support, cable racking, or

1 lighting."

2 Q Is it your understanding that
3 Mr. Dunkel's testimony proposed to exclude those
4 costs?

5 A He talked about the aspect that they
6 were not in the DSL study.

7 The purpose of this exhibit was to show
8 that if you made all the adjustments Mr. Dunkel
9 has recommended, you would not end up with the 50
10 percent reduction he's recommending overall.

11 So rather than say he might have not
12 taken this out, anything that I could find that he
13 appeared to say was wrong, I took out on the basis
14 that that would maximize the input and still show
15 that his overall reduction was still way
16 overstated, even if you took out things that he
17 might not be arguing to take all the way out.

18 Q And I think, Mr. Fleming, that's where
19 the problem lays here.

20 If you will turn to page 2 of the
21 executive summary of Mr. Dunkel -- do you have
22 that?

23 A Yes.

24 Q I believe Mr. Dunkel's executive summary
25 addresses that point, and if you look on that

1 page -- I don't have it in front of me, it should
2 be the third bullet point down.

3 He states that his analysis, "does in
4 fact include the reasonable costs for such items,
5 and by that I mean aerial support, cable racking
6 and lighting costs."

7 A Yes, I was taking 'em out. The purpose
8 of the exhibit was to show that the 50 percent
9 overall recommendation was way overstated, so to
10 be conservative and to give him the benefit of the
11 doubt, I took those out.

12 If you don't take those out, and you'll
13 notice I did it in a final step because I wasn't
14 sure whether he was recommending to take those out
15 or not -- if what you're saying is true and he is
16 recommending to keep them in, then the proper
17 comparison would be column I and column D, which
18 shows that he's not recommending -- based on his
19 specific identified issues with our study, he's
20 not recommending anywhere near two a 50 percent
21 reduction.

22 In fact, it comes out more like ten
23 percent, based on his specific recommendation.

24 Q So let's just make sure that we're clear
25 on what Mr. Dunkel's testimony actually was.

1 The numbers now that you show under
2 column C and column D, or, I'm sorry, column D and
3 E, Dunkel partial mod one and Dunkel total mod
4 two, those numbers actually are not -- you did not
5 take those from anywhere in Mr. Dunkel's
6 testimony, did you?

7 A No, I did not. It was my best
8 calculation of what he's recommended.

9 Q And you understand now after our
10 discussion that this is not his proposal?

11 A No, I didn't ever claim it was his
12 proposal.

13 Q Okay. I think we can move on. Thank
14 you.

15 I'm going to refer you now to page 52 of
16 your rebuttal testimony.

17 A I have it.

18 Q And, Mr. Fleming, you say that your
19 current study with modifications now reflects the
20 use of internal labor 50 percent of the time, is
21 that correct?

22 A I hope so, with my last correction.
23 It's supposed to.

24 Q And is it correct that moving from
25 25 percent internal labor to 50 percent internal

1 labor reduces the labor rate?

2 A Yes, it does.

3 Q Let's take a closer look, then, at your
4 assumption in your study that 50 percent of the
5 labor is internal and 50 percent is standard labor
6 for these collocation jobs.

7 Do you have before you what I have
8 marked as Staff Exhibit 11?

9 MR. DEVANEY: What is Staff Exhibit 11?

10 THE WITNESS: Yes, I do.

11 Q. (BY MS. SCOTT) I believe this is also
12 AT&T Exhibit 30, but since we had premarked this, we
13 are also going to introduce it as a Staff exhibit.
14 This, Mr. Fleming, is your response to AT&T data request 192,
15 correct?

16 A Yes, it is.

17 Q Is this a proprietary response?

18 A It appears to be. I would consider it
19 proprietary.

20 Q Okay. Let me go on with two more
21 questions and then I think we are to the
22 proprietary part of my questioning.

23 With regard to your assumption that
24 collocation jobs are 50 percent contract labor and
25 50 percent Qwest labor, would you please read the

1 first sentence to this response?

2 A "The percentage of collocation
3 installations completed using contractor labor in
4 Arizona during the months January through May 2001
5 is 17.2 percent."

6 Q And that response also refers to
7 Attachment A, correct?

8 A Yes.

9 Q Does Attachment A use the term QTI?

10 A Yes, it does.

11 Q And does the "Q" QTI stand for Qwest?

12 A Yes.

13 Q So is this Qwest's internal installation
14 group?

15 A Yes, it is.

16 Q I'm now to the proprietary part.

17 THE WITNESS: Can I make this
18 nonproprietary?

19 MR. DEVANEY: Sure. We'll go with this
20 nonproprietary.

21 CALJ FARMER: They're waiving their
22 nonproprietary claim so we'll leave the listen
23 line open.

24 Q. (BY MS. SCOTT) Okay. Let's look at
25 Attachment A then in the year 2000 column.

1 A Yes.

2 Q Would you please tell us what percent of
3 the collocation jobs installed in the year 2000
4 were installed by Qwest's internal people?

5 A 70.4. That would be a total company.

6 Q And how about in Arizona?

7 A 79.3.

8 Q So by subtraction in the year 2000, only
9 20.7 percent of the collocation jobs were done by
10 outside labor contractors?

11 A In Arizona, yes.

12 Q Okay. Let's move on to a slightly
13 different topic.

14 The various costs that your company used
15 as inputs to your various collocation studies were
16 based upon the analysis of 41 collocation jobs,
17 correct?

18 A Yes.

19 Q And on page 52 of your rebuttal
20 testimony -- I'm sorry, page 53.

21 A Yes.

22 Q You state that this study took three
23 months to compile, correct?

24 A The actual compiling of the receipts
25 took three months and putting them into the

1 spreadsheets. The study actually took a little
2 longer.

3 Q Do you know when you approximately
4 started the study and when it was completed?

5 A We started looking at collocation
6 sometime, I think, in 1998. We completed the
7 study sometime in late 1999, early 2000, I
8 believe.

9 Q Is it correct that on page 58, now, of
10 your rebuttal testimony, line one, you say that
11 all 41 of the job studies included the use of
12 contract labor?

13 A Yes, and you can see that from the
14 receipts we provided.

15 Q Is it correct that not only the labor
16 costs but the material and engineering costs were
17 also taken from what you call actual receipts from
18 those 41 jobs?

19 A The labor costs, as I said in my
20 testimony, were taken from contracts and
21 reconciled back to the actual receipts. The
22 material costs were taken off the actual receipts.

23 Q And engineering costs?

24 A Engineering costs were taken off the
25 actual receipts, plus adding any company-incurred

1 engineering.

2 Q Okay. And going back to Attachment A of
3 S-11, as we've discussed, this attachment shows
4 that there are some jobs done using outside labor
5 but also more jobs done using Qwest QTI labor, QTI
6 engineering, and QTI materials, correct?

7 A There have been in the last two years.

8 Q Okay. Let's assume in a given year that
9 there were 300 collocation jobs done by QTI, and
10 100 jobs done by your outside labor contractors,
11 okay.

12 In order to get a representative
13 analysis of the cost installing collocation,
14 wouldn't it create a great bias if you looked only
15 at the receipts from the jobs done by outside
16 vendors while ignoring the receipts from the
17 collocation jobs done by the Qwest internal
18 personnel?

19 A We didn't ignore any jobs. When we did
20 our collocation analysis, we used every cageless
21 job. We got a complete list of every cageless job
22 the company had completed.

23 So it was total universe of completed
24 jobs that we used in the study, so we didn't
25 ignore anything.

1 We used 'em all. But those were the
2 ones we had at that point in time, and then put
3 in -- at least the cageless jobs had been put in
4 by outside vendors.

5 Q So you're saying that there is no QTI
6 labor engineering or materials at all?

7 A There's a little bit of QTI engineering
8 and labor in the jobs, but most of the
9 construction on those jobs was done by outside
10 vendors, at least the early jobs we looked at,
11 yes, and we looked at all the early jobs because
12 we wanted to make sure that there was no bias in
13 the study.

14 Q But wouldn't it be more efficient to use
15 QTI labor, engineering and materials, since those
16 are the costs that would be charged to the Qwest
17 affiliate?

18 A We hadn't recognized using a lot more
19 vendor labor.

20 I believe that any time you have -- as I
21 said in my testimony, any time you have a workload
22 that fluctuates significantly, it doesn't make
23 sense to resource yourself to the peak workload,
24 and -- because if you resource yourself to the
25 peak workload, you're going to have people who are

1 idle during the nonpeak times. So I believe it's
2 best to represent a balancing of vendor and QTI
3 labor.

4 As far as engineering, there was some
5 QTI engineering and there was some vendor
6 engineering on the jobs, and you'll see that in
7 the receipts, in the backup.

8 Q You talk about a balancing of Qwest and
9 outside contractor rates. I would hardly call
10 what was done here a balancing, would you?

11 A Well, we're using 50 percent internal
12 labor, 50 percent external labor, and calculating
13 the cost for the jobs. I believe that's
14 balancing.

15 Q Just one moment, Mr. Fleming.

16 Okay. As far ago as total collocation
17 jobs, Exhibit S-11, Attachment A shows that the
18 vast majority of collocation jobs are actually
19 done by Qwest's internal contractors, not by
20 outside vendors, correct?

21 A A majority of the jobs are. At least
22 they have been over the last two and a half years.

23 Q Thank you. Let's go to page 52 of your
24 rebuttal where you talk about the company's
25 calculation that weights a vendor labor and the

1 Qwest labor 50 percent each.

2 Could I have a two-minute break here?

3 We have two exhibits that appear to be out of
4 order.

5 CALJ FARMER: Okay.

6 (A recess ensued.)

7 CALJ FARMER: Let's go back on the
8 record.

9 Q. (BY MS. SCOTT) Mr. Fleming, do you have
10 before you what's marked as S-14?

11 A Yes, I do.

12 Q Is that your company's response to Staff
13 data request 13-227?

14 A Yes.

15 Q And then do you have another document
16 that's marked Staff Exhibit 15?

17 A Yes, I do.

18 Q And that also shows it to be a portion
19 of your response again to Staff request 13-227?

20 A Yes.

21 Q And if you look at S-15, page three of
22 four, in this copy, we added the row names.

23 Do you see that? Because they weren't
24 clear on your response. If you look on the
25 right-hand side of the page, you'll see that there

1 are also some marks in the margin that we've
2 added, but otherwise it's a correct copy of page 3
3 of your response, correct?

4 A Yes.

5 Q And looking at S-15, the labor rates
6 shown on a final schedule, final column of this
7 schedule is the labor rate that would include the
8 50 percent weighting of vendor and QTI labor, is
9 that correct?

10 A I think it is.

11 Q Well, could you confirm that those are
12 the labor charges that you used for the various
13 collocation line sharing studies in this case?

14 A That's what I'm going to try to do.

15 Q Mr. Fleming, since you're coming back
16 tomorrow morning would it be easier for you to
17 verify this overnight and answer this question
18 tomorrow for us?

19 A Yeah, it would be.

20 Q Okay, that's fine. We can move on then.

21 At this time, however, I would like to
22 offer Exhibits S-11, S-14, and I will hold S-15, I
23 guess -- I guess I can go ahead and offer it.

24 CALJ FARMER: Why don't we wait to rule
25 on 15 until he's had a chance to verify the

1 numbers?

2 Are there any objections?

3 THE WITNESS: I am sure that it's a
4 labor sheet we gave out. I just can't tell if
5 it's a 25 or 50, so I would have no problem with
6 it.

7 CALJ FARMER: Are there any objections,
8 then, to S11, 14, or 15?

9 MR. DEVANEY: No, no objections.

10 CALJ FARMER: Those will be admitted.

11 For the record, S -- what was marked as
12 S-12 and 13 are not being offered, is that
13 correct?

14 MS. SCOTT: Yes. Thank you.

15 Q. (BY MS. SCOTT) Let's move on to something
16 else now -- a new subject. And you have S-16 in
17 front of you.

18 A Yes, I do.

19 Q And is S-16 Qwest's response to Staff
20 data request 2-064?

21 A Yes.

22 Q And if you look at the response here,
23 does this response show that the splitters that
24 the CLECs use handle 96 lines?

25 I believe it's your response subpart B.

1 MR. DEVANEY: Your Honor, if I may, I do
2 notice that this response was prepared by
3 Ms. Million. And --

4 THE WITNESS: I can answer.

5 MR. DEVANEY: I withdraw my objection.
6 Mr. Fleming is ready to go.

7 THE WITNESS: Yes.

8 Q. (BY MS. SCOTT) And we have a line of
9 questions which relate to the labor mix and one of
10 the placement costs contained in a collocation line
11 sharing study which I believe is also sponsored by
12 Ms. Million, and as long as I can pose all these
13 questions to her, I have no problem with deferring
14 this line of cross.

15 MR. DEVANEY: Mr. Fleming sounds eager,
16 so --

17 MS. SCOTT: All right.

18 Q. (BY MS. SCOTT) Is that correct, then,
19 that subpart B of the response shows that the
20 splitters that the CLECs use handle 96 lines?

21 A Yes, it does.

22 Q And do you have Exhibit S-17 in front of
23 you also?

24 A Yes, I do.

25 Q And this is a page from your company's

1 collocation line sharing study that your company,
2 Ms. Million filed as part of rebuttal, correct?

3 A Yes.

4 Q And you note on the attachment, which
5 is, again, a proprietary attachment, that we've
6 circled a number?

7 A Yes.

8 Q Is that correct?

9 A Yes.

10 Q Okay. On the same page, on S-17, we've
11 also circled an item for running 96 pairs or
12 virtually 100 pairs across the room and connecting
13 it to a block, is that correct?

14 A Yes.

15 Q I noticed on this page from the line
16 sharing cost study, in order to run 100 pairs to
17 this block you show the placement of four 25-pair
18 cables?

19 A Yes.

20 Q And then -- this is getting too
21 complicated -- looking back at your response to
22 our data request 13-227, I believe it's marked
23 S-15.

24 A Yes. That's the same number you have on
25 there.

1 Q Okay. Is there some different
2 combination of cables, for example, two 50-pair
3 cables or one 100-pair cable where the placement
4 cost to get to -- to get a hundred pairs across
5 the room would be less than the \$2.00, or, I'm
6 sorry, I was about to cite a proprietary number.

7 A You can cite it.

8 Q Okay. It would be less than the \$2.52
9 cents placement cost you have showing, assuming
10 the same 50/50 labor mix?

11 A I don't know that there is -- the
12 25-pair cables are the cables that are
13 specifically for handling the DSL line, so I don't
14 know if there is a better mix that could be done
15 with another type of cable.

16 It would depend on the type of cable you
17 were using.

18 Q Okay. So your answer would be no?

19 A Not that I know of.

20 MS. SCOTT: Okay. I'd like to offer
21 S-16 and S-17 at this time.

22 CALJ FARMER: Any objection to S-16 and
23 17?

24 MR. DEVANEY: No objection.

25 CALJ FARMER: Both of those will be

1 admitted.

2 Q. (BY MS. SCOTT) I have a couple more
3 areas, Mr. Fleming. On page 55 of your rebuttal --

4 A Yes.

5 Q -- you discuss a portion of Mr. Dunkel's
6 testimony again and how in his testimony he had
7 made comparisons between the Qwest cost study for
8 Qwest's own retailed XDSL service and the Qwest
9 study per line sharing for collocation, correct?

10 A Yes.

11 Q And in your response I believe you say
12 that there's a new study pertaining to Qwest
13 retail XDSL service which you allege does not have
14 the problems that Mr. Dunkel previously discussed,
15 correct?

16 A Yes.

17 Q And do you have Exhibit S-18 in front of
18 you?

19 A Yes, I do.

20 Q Is that Qwest's response to Staff data
21 request 13-232?

22 A Yes, it is.

23 Q Does this response show some of the
24 calculations of the new study pertaining to Qwest
25 retail XDSL?

1 A Yes.

2 Q Could you please turn to Attachment A
3 which, again, is a confidential exhibit.

4 A Yes.

5 Q The first column with numbers which is
6 headed "DSO," go down, first of all, to line 36.

7 Do you see the number of terminations
8 per cable?

9 A Yes, I do.

10 Q Is that number proprietary?

11 A No, it's not.

12 Q Do you want to state what the number is?

13 A One hundred.

14 Q Okay. Now, if you go to line 33, would
15 you please read the placement cost of cable per
16 foot that your company uses for placing one 100
17 pairs cable for your own retail XDSL service?

18 A 137. This is also what we used in our
19 ITP study, in this docket.

20 Q And I'm sorry, what is the ITP study
21 that you're referring to?

22 A If you look at -- in our collocation
23 study there's a page that shows the cost of an
24 inner connection tie pair. I wish this study
25 wasn't so big. I'm sorry -- interconnection tie

1 pair. It's labeled E98.

2 And if you look, the cost of the cable
3 rack per foot there is \$1.46 in the study that we
4 show in this docket for interconnection tie pairs.

5 I think this study -- when we do the DSL
6 study, we do it on a total company basis -- some
7 of these numbers will be a little larger than you
8 see in Arizona because you don't have it -- they
9 don't have a sales tax.

10 But other than the sales tax, a few
11 minor Arizona-specific items. These are exactly
12 the same numbers that you see in this attachment
13 to the DSL study.

14 Q I would like to, I guess, reserve the
15 right to look at this ITP study, and since you're
16 going to be back tomorrow, come back with any
17 questions related to that, and these exhibits, if
18 that's all right.

19 A Okay.

20 Q Okay. I have one more subject area, and
21 that's with respect to the 15 percent overhead
22 loading that has been the subject of some debate
23 between you and Mr. Dunkel, and let's see if we
24 can try to clear that up.

25 At page 59 of your rebuttal and I think

1 continuing on to page 60, you state that
2 Mr. Dunkel used a 15 percent overhead loading as
3 adopted by the Commission in the last case,
4 correct?

5 A Yes.

6 Q However, then, on page 60 you argue in
7 fact that the 15 percent was only for the 6700
8 expense accounts, correct?

9 A Yes.

10 Q And you list them, such as executive --
11 you say that, "The Commission did not intend
12 network operations to be included in the
13 15 percent factor." Is that your testimony?

14 A That is my understanding of how they
15 applied the factor because they put it into the
16 Hatfield Model.

17 Also there's two reasons I say that.
18 One is that the study underlying the 15 percent
19 did not include any network operations expense.

20 And two, the way it was applied was it
21 was put into the Hatfield Model and the Hatfield
22 Model had network operations that's been
23 separately calculated.

24 Q Well, as a point of reference, do you
25 have S-19 in front of you?

1 And this is from the collocation model
2 interconnection TELRIC results 2001 cost study
3 which was attached to Qwest witness Million's
4 testimony?

5 A Yes.

6 Q And that is -- you see the proprietary
7 attachment to that?

8 A Yes, I do.

9 Q And I'm not going to ask you about any
10 of the numbers contained on the exhibit, so I
11 don't think we'll have any problems with
12 proprietary data.

13 Looking at the bottom section of the
14 sheet, there's a category called, "Common Costs,"
15 correct?

16 A Yes.

17 Q Is it correct that every one of the
18 expenses that you listed on page 60 of your
19 testimony, starting at line 7, are properly
20 included in the 15 percent factor that are called
21 common costs?

22 A I do not believe so, because the
23 15 percent factor didn't include any calculation
24 of network operating expense.

25 So when I look at the calculation of the

1 15 percent factor and what the Commission looked
2 at which was an AT&T interrogatory, there was no
3 attributable cost or network operations included
4 in the calculation of that number.

5 Q But I'm asking you about common cause as
6 identified -- the category identified at the
7 bottom of Exhibit D.

8 A Yeah.

9 Q Do you see that listing --

10 A Yeah, I do.

11 Q Do you see that listing of common costs?

12 A Yes.

13 Q Is it correct that every one of the
14 expenses that you list would be properly called a
15 common cost?

16 A I believe so.

17 Q Okay.

18 A I believe so.

19 Q And then on page 60 at line 11 of your
20 rebuttal you state that, "Network operations costs
21 are not included in the 15 percent," and you just
22 stated that now, correct?

23 A Yes.

24 Q And then let's look back at
25 Ms. Million's exhibit on line 16, there's

1 something called, "Directly attributed," right?

2 A Yes.

3 Q And under that title network operations
4 are shown, correct?

5 A Yes.

6 Q So costs such as executive costs are
7 common costs, and network operation costs are
8 labeled attributed costs under Qwest's study,
9 correct?

10 A But not under AT&T's study.

11 Q Well, we're talking about your studies.

12 A Yes, under our studies they would be
13 labeled "attributed." There's no such designation
14 in the AT&T study which was the model that was
15 adopted.

16 Q And then refer to S-20, which you should
17 have.

18 A Yes.

19 Q And that's a copy of the relevant page
20 from the Commission's order in the last wholesale
21 pricing docket decision number 60635, correct?

22 A Yes.

23 Q And that's the order you refer to on
24 page 59 of your rebuttal?

25 A Yes, that is.

1 Q Would you please just read the second
2 sentence in the fourth paragraph, starting with,
3 "Therefore, we will adopt"?

4 A "Therefore, we will adopt an overhead
5 cost factor, including attributable joint and
6 common cost of 15 percent."

7 Q And on the same page of the Commission
8 order, at the start of that section right below
9 where it says, "Commissions, resolution," does the
10 Commission also state that the site of Commission
11 rule includes as a default percent ten percent
12 indirect cost in excess of the direct cost?

13 A Yes.

14 Q Are you familiar with the Commission's
15 rules on this point?

16 A No, I'm not.

17 Q If I told you subject to check, that
18 that requirement was contained in our 14-2-1310B1,
19 do you have any reason to dispute that?

20 In fact, I have a copy of that, if you'd
21 like to look at it.

22 A Okay.

23 Q Would you like me to give you that cite
24 again?

25 A Yes, please.

1 Q 14-2-1310B1.

2 A I see it.

3 Q Okay, thank you. I don't have any --
4 I'd like to offer S-19 and S-18, if I haven't
5 already offered that.

6 CALJ FARMER: I show you not having
7 offered 18, 19, or 20. Would you like to move all
8 of those?

9 MS. SCOTT: I'd like to offer all of
10 those.

11 CALJ FARMER: Are there any objections
12 to any of those?

13 MR. DEVANEY: Your Honor, we have no
14 objections to S18 or S-19.

15 With respect to S-20, we would ask that
16 the pages preceding this page 13 of decision
17 number 60635 that relates to the adoption of an
18 TELRIC cost factor also be included.

19 Because I think the discussion that
20 precedes the Commission's decision may be relevant
21 to the point that Mr. Fleming is trying to make.

22 MS. SCOTT: Sure that's fine.

23 MR. DEVANEY: I'm not sure which pages
24 they would be in the decision but all pages of the
25 decision that focus on the Commission's adoption

1 of a 15 percent overhead cost factor.

2 CALJ FARMER: Why don't we just go ahead
3 and admit the whole decision, and that way it will
4 all be there, whatever those pages may be.

5 MR. DEVANEY: Thank you.

6 CALJ FARMER: If you could get a copy
7 for the court reporter today sometime.

8 Exhibits S-18, 19, and 20 are admitted.

9 Q. (BY MS. SCOTT) I do have one more
10 question.

11 I just want to follow up, I believe, on
12 a response that you gave to Mr. Campbell earlier
13 regarding the rate sheet and the rates contained
14 therein, and I think the question was -- with the
15 modification that you made to your labor rates,
16 you represented that certain rates on that
17 schedule would be changed as a result, correct?

18 A Yes.

19 Q And I think you stated that Qwest did
20 not intend to change those rates at this time to
21 reflect the lower labor rates but would wait until
22 the conclusion of this case, correct?

23 A What we felt was that rather than file
24 models and have everybody worry about whether the
25 changes were made correctly, we would wait until

1 the Commission ordered, and then we would sit down
2 with the other parties and make sure that they --
3 whatever the Commission ordered was implemented
4 correctly.

5 Q Okay. With respect to the SGATs that
6 you've been filing I think you recently filed your
7 fourth revised SGAT. Are those rates attached to
8 the SGAT?

9 A I wouldn't know. I'm sorry.

10 MR. DEVANEY: We can discuss that off
11 the record, if you would like, Ms. Scott.

12 THE WITNESS: I don't think we've
13 calculated them all yet with the proposed changes,
14 so no, I don't think they would be in the SGAT.

15 MS. SCOTT: I think if we could verify
16 exactly what rates are attached to your fourth
17 revised SGAT, that would answer my question.

18 MR. DEVANEY: We'd be happy to do that.

19 MS. SCOTT: Thank you. I have no more
20 questions.

21 CALJ FARMER: I do have some questions
22 from Commissioner Spitzer.

23

24

25

1 EXAMINATION

2

3 Q. (BY CALJ FARMER) Mr. Hubbard earlier
4 today testified that there are hundreds of possible
5 subloop combinations, is that correct?

6 A Yes.

7 Q He also testified that the
8 administrative complexity of hundreds of charges
9 is too great, is that correct?

10 A I would say that if we had hundreds of
11 charges for a subloop, we would have trouble
12 building it, yes.

13 Q Are you -- could you get a copy of
14 WorldCom Exhibit Number 1, and turn to page 9?

15 A Yes.

16 Q Specifically section 9.11-4.

17 A Yes.

18 Q Can you tell me what's included in that
19 category?

20 A Features., feature cost, the cost of
21 specific features.

22 Q And how many different costs appear in
23 this section?

24 A Quite a few.

25 Do you want me to count them?

1 Q Approximately how many?

2 A I think there might be 70 or 80.

3 Q So is it Qwest's position that there are
4 different levels of what Mr. Hubbard has termed
5 administrative complexity in developing costs?

6 A I think there's a tremendous difference
7 in the administrative complexity in developing
8 costs, and part of it -- it's not necessarily the
9 development of the costs. It's also the charging.

10 What we're talking about here is
11 specific items that can be identified. In other
12 words, if somebody calls up and says, "I want call
13 drop. Do you know what call drop is," you put it
14 on their bill. They get call drop. You charge
15 them.

16 The problem with deaveraging the loop --
17 and the more you deaverage the loop -- you can
18 deaverage the loop in numerous ways, obviously.

19 You could take it to the individual
20 customer on a deaveraging of the loop, but the
21 problem is identifying the customers who would be
22 charged that rate.

23 If somebody calls up, they don't say, "I
24 want a customer who's hooked up here at this
25 point," and such and such, you know -- in this

1 little zone.

2 So the more you deaverage, the harder it
3 is.

4 If you label each terminal differently,
5 then you've got to know the exact type of terminal
6 that the person's hooking up at.

7 It's not knowing what they're hooking up
8 to, to charge them.

9 In other words, they're going to say, "I
10 want a subloop," or, "I want to a hook up at an
11 MDE, if you have an MDE," or, "I want to hook up
12 at a building terminal."

13 Well, we average out the building
14 terminals. There's different types of building
15 terminals and different configurations behind
16 them.

17 So when they hook up at a building
18 terminal, it's one terminal. If they say, "I want
19 to hook up at an SAI" -- do you want to look at
20 the document that's been drawn?

21 Q Sure.

22 A What we show in this drawing is two
23 terminals.

24 MR. DEVANEY: For the record,
25 Mr. Fleming is referring to a diagram placed on

1 the drawing board by counsel for Cox.

2 THE WITNESS: What we show in this
3 diagram is two terminals, an SAI, which is a
4 serving area interface and an MPOP on the property
5 line.

6 What we show in our model and what AT&T
7 shows in their model is these develop over time
8 sort of an embedded approach to building plant,
9 and it's one of the places that our
10 forward-looking plant doesn't look the same -- is
11 when you've got an SAI here, if we add an SAI, we
12 would not put in another terminal here.

13 Now, we have, in the past, because it
14 may be the way the building -- the network was
15 coming out, you had an SAI, you also needed
16 another terminal here. You put the terminal here
17 and you feed it through the SAI.

18 But if we were doing it again, we
19 wouldn't put two terminals. We'd put one
20 terminal, because it's less costly to have one
21 terminal than two terminals on the way to the
22 customer.

23 Our model only reflects the use of one
24 terminal, because that's a forward-looking way of
25 doing it.

1 I've seen nothing in AT&T's model that
2 says that they've got two terminals on the way to
3 customers.

4 So if we put in those two terminals and
5 start putting in all these historic configurations
6 that don't go with the least cost forward-looking
7 design, then all of a sudden you're going to be
8 really increasing your costs.

9 So we look at this as an SAI. In most
10 instances in the actual network it is going to be
11 an SAI, and so what you'll be doing is you'll be
12 connecting at the SAI and then going out to the
13 customers.

14 And that would be the SAI on this side
15 of the property line. You connect at the SAI.
16 You have the distribution at the customer. We
17 call that a DG2.

18 If it's on this side of the property
19 line, you may have the same configuration, but
20 it's over across the property line. It's no
21 longer a campus arrangement. It's just right
22 across the street. It may be feeding the same two
23 buildings.

24 How do I tell in a network that this is
25 an SAI and this is an MDU?

1 Second of all, our cost studies would
2 not reflect having two different terminals. They
3 only reflect having one.

4 AT&T, when you look at their building
5 cable, which is sort of the same way, they say
6 when you get a building that's big enough, you put
7 the SAI directly in the basement of the building.

8 So there may be two terminals, but the
9 models are not modeling two terminals because
10 that's not the least cost efficient way of doing
11 it. We only model one terminal.

12 Now, you could deaverage the MDU
13 arrangement, but then you would have to take it
14 out of the average for the other subloops.

15 Because basically, we're modeling a
16 forward-looking network that only has one terminal
17 or SAI feeding every area.

18 Q Thank you.

19 A And where you run into your problem, if
20 you price out all these things, it's hard to tell
21 what those terminals are like.

22 On building terminals, when I hear
23 engineers talk, they'll say, "There's an outside
24 building terminal, an inside building terminal, an
25 SAI in the basement of a building," we want to

1 give a price where everybody can hook up and we
2 don't have to spend all our time or have them
3 spend all their time trying to tell us what
4 terminal it is.

5 So you can deaverage it in the models,
6 but as far as identifying loops that are hooked up
7 at different types of terminals in the real world,
8 it becomes extremely cumbersome and we haven't
9 been able to track 'em.

10 CALJ FARMER: Redirect?

11 MR. DEVANEY: Your Honor, I have
12 probably 20 minutes or so of redirect.

13 Is that something we should go ahead and
14 finish tonight?

15 CALJ FARMER: Well, I think we have a
16 few outstanding questions. The witness is going
17 to come back again tomorrow. I guess we could
18 break here.

19 I believe that Mr. Campbell and Staff
20 both have some further questions for this witness,
21 is that correct?

22 MR. CAMPBELL: In the case of WorldCom,
23 I think he's going to look at some engineering
24 invoices tonight and we may have one or two
25 questions tomorrow morning. That's about it.

1 MS. SCOTT: He was going to look at the
2 labor rates contained in the one exhibit for
3 Staff.

4 THE WITNESS: Could I get a copy of that
5 exhibit?

6 MS. SCOTT: Yes, certainly.

7 CALJ FARMER: Why don't we, tomorrow,
8 come back, finish those areas, then we'll do
9 redirect.

10 MR. DEVANEY: Okay.

11 CALJ FARMER: If that's acceptable with
12 everyone.

13 MS. STEELE: I would express some
14 concern that we're going to have difficulty, I
15 think, finishing the Qwest witnesses within the
16 time allowed. We need to, at some point, start
17 going later in the day.

18 CALJ FARMER: Let's go off the record
19 here for a moment.

20 (A recess ensued.)

21 CALJ FARMER: Back on the record. We're
22 going to continue with the redirect of the
23 witness.

24

25

1

2

3

REDIRECT EXAMINATION

4

5 Q. (BY MR. DEVANEY) Thank you. Mr. Fleming,
6 let me just follow up on the line of questioning
7 that the judge just took you through, based on
8 Commissioner's Spitzer's input, and you talked about
9 the fact that a forward-looking model in models one
10 terminal, as you referred to the Cox diagram. Do
11 you recall that?

12 A Yes, I do.

13 Q During Cox's cross-examination earlier
14 today, it was -- I guess it was the
15 cross-examination of Mr. Hubbard -- there was a
16 suggestion that the \$12.12 price of the subloop
17 that runs from the FDI over to an MDU ought to be
18 less than \$12.12 when it runs from a point closer
19 to the MDU than the FDI.

20 Do you recall that?

21 A Yes, I do.

22 Q And my question for you is: Your
23 discussion of there being only one terminal in a
24 forward-looking cost model, how does that affect
25 the one terminal?

1 How does that affect suggestion that
2 there should be less than a \$12.12 price for a
3 terminal that runs from something closer to the
4 FDI?

5 A What happens is if you've got only one
6 terminal in the model and you wanted to have a
7 separate price for additional terminals, now, I
8 believe you can, and we have proposed a study
9 where you pull campus arrangements out of
10 distribution and price them separately on a
11 deaverage basis.

12 But when you only have one terminal,
13 which is the way we would usually try to do it
14 feeding a large complex -- you can't identify two
15 terminals in the model at which to disaggregate
16 the prices.

17 There are -- there's not a second
18 terminal there to do it. You're giving the
19 economies a scale of only having one terminal, but
20 you don't have the second terminal to deaverage
21 it.

22 If you wanted to put in two terminals
23 and you wanted to put in all these other terminals
24 that we talk about or different areas in the
25 historic configuration of the network where there

1 would be places where you could interconnect,
2 you'd have to take the cost of the models and
3 started adding these terminals in along the way so
4 you could reflect them, so you could reflect the
5 cost of dip intersecting with the cost of
6 interconnecting at different terminals on a
7 forward-looking network.

8 We've only modeled one terminal, and I'm
9 sure AT&T has also only modeled one terminal
10 outside of the building terminal.

11 And so to try to do it on a more
12 comprehensive basis would add significant cost to
13 the loop, I believe.

14 Q Thanks. On another subject, you had
15 discussion with Ms. Scott about Mr. Dunkel's
16 advocacy of a 15 percent overhead factor.

17 Do you recall that discussion?

18 A Yes, I do.

19 Q And you pointed out that, or Ms. Scott
20 pointed out that network operations is listed in
21 Qwest's cost study as an attributed cost.

22 Do you recall that?

23 A Yes, I do.

24 Q And you pointed out that in the AT&T
25 study, however, network operations is not labeled

1 as an attributed cost.

2 How is that point relevant to your
3 testimony that the 15 percent factor does not
4 include network operations?

5 A There's two reasons I would say the 15
6 percent factor doesn't include network operations,
7 and the one is that when you look at the AT&T
8 model, and if you listen to their testimony,
9 they're saying that they are recommending a
10 15 percent reduction to network operations.

11 The 15 percent was used in the AT&T
12 model. There was no adjustment made to take out
13 the 15 percent in that docket.

14 So network -- and one of the reasons I
15 believe is network operations on AT&T's model is
16 not labeled as an attributable cost.

17 The second reason is the 13 percent that
18 we see here is based on the AT&T study of
19 corporate overheads.

20 Now, Ms. Goode has got that study and
21 she can present it.

22 What I'm saying is that we have been
23 asked to look over and to review and to put in all
24 new cost studies in this docket because they
25 wanted to rehear all of the issues in the last

1 docket.

2 I don't think it's right to carry
3 forward a percentage or an overhead markup that
4 has no backup in this docket, when you look at the
5 backup in the other docket that doesn't relate to
6 what it says in this sentence.

7 And you can't -- but you can tell that
8 in those areas where we can identify the cost,
9 there is no network operations.

10 You can't identify that there's no
11 systems costs.

12 Nowhere in these calculation of either
13 the 13 or the 15 percent that they relied on, can
14 you identify any of the cost that I'm talking
15 about.

16 Either network operations, systems
17 cost -- and everybody has talked about how
18 critical systems are to us running our network.
19 They're not in these, so I believe that you've got
20 to look at this and say, "Okay. What was this
21 information they were looking at, and are these
22 costs covered?"

23 Because if we're going to review the
24 order, let's review -- if we're going to rehear
25 this docket on all issues, let's rehear it on this

1 one, too, because I do believe that what they
2 have -- what we have here is something that
3 follows a direct common adjustment.

4 Q Mr. Fleming, Ms. Scott also asked you
5 about the fact that Qwest uses a 50/50 labor split
6 for outside contracting and internal labor in
7 collocation space construction jobs.

8 Do you recall that line of questioning?

9 A Yes, I do.

10 Q Is the use of a 50/50 split, in some
11 respect, a matter of judgment?

12 A I think it is a matter of judgment.

13 What we did is we looked at what was
14 happening in the 41 jobs that we were able to
15 study, which were all the early cages collocation
16 jobs, and they were a hundred percent contract
17 labor.

18 We also looked at the trend, and the
19 trend was down in the number, amount of contract
20 labor that was being used, and you're seeing --
21 and I had not seen the 2001 numbers, but when we
22 talked to engineering, they said it would probably
23 go back up.

24 My personal opinion is that this
25 Commission should use the information before it.

1 We have no problem giving you the type of
2 information that you can make your own decision on
3 how much, based on our discussions with internal
4 people and actual history, they thought 50 percent
5 was reasonable.

6 If the Commission decides something else
7 is reasonable, that would be fine with us. I do
8 believe vendor labor is something that is an
9 inherently reasonable basis for handling large
10 fluctuations in workload, as I said in my
11 testimony.

12 The percentage can vary, and I don't
13 think -- we hope you have the information to make
14 the decision.

15 Q Ms. Steele took you through a line of
16 questioning that related to pages, roughly, 25
17 through 27 of your testimony, and the line of
18 questioning focused on your testimony that has
19 some calculations you performed based on what I'll
20 call the FCC's loop rate comparison test?

21 A Yes.

22 Q And my question for you is: In your
23 view, is that test that the FCC has applied in one
24 of its 271 orders a cost-based approach to TELRIC
25 establishing rates?

1 A No, it's not a cost-based approach to
2 TELRIC.

3 In fact, in several hearings where the
4 Commission saw a difference between rates that had
5 been approved and those rates that we're applying
6 for, specifically in Oklahoma. The switching rate
7 in Texas was .15 cents. In Oklahoma it was .26
8 cents.

9 But the Commission had determined that
10 the Oklahoma rate was set, using reasonable TELRIC
11 principles, and therefore, the test didn't apply.

12 The test is just a check for
13 reasonableness, to check the rate once the
14 Commission has determined -- at least this is the
15 way the Commission has used it in the past -- is
16 to check rates to see if they're reasonable if
17 TELRIC has not been followed.

18 If TELRIC has been followed and they
19 find that, they have not used the test.

20 Q Ms. Steele also asked you a question
21 relating to the fact that in Qwest revised
22 studies, a different rate of return was used.

23 Do you recall that line of questioning?

24 A Yes, I do.

25 Q And she pointed out that, in fact, using

1 a lower cost of capital, some of Qwest's
2 nonrecurring costs went up.

3 Do you recall that?

4 A Yes, I do.

5 Q Did you conduct an analysis or prepared
6 an example that demonstrates why that affect
7 occurs?

8 A Yes, I have, and I would like to say
9 that the amount it goes up is fairly minor.

10 If you look at -- earlier, we were
11 talking about --

12 Q Mr. Fleming, before you begin your
13 explanation, if I could -- let me just hand out
14 the analysis that you prepared that demonstrates
15 why that affect occurs.

16 A Sure.

17 Q Mr. Fleming, you have in front of you
18 Qwest Exhibit 9.

19 For the record, Qwest Exhibit 9 is a
20 two-page exhibit with the first page entitled,
21 "Analysis of a Change in Capital Cost and its
22 Impact on Factors - Ten Percent Rate of Return."

23 The second page is the same title except
24 the dash refers to eight percent return. And
25 although I didn't staple it -- and I apologize for

1 that -- this should be one exhibit, these two
2 pages.

3 Mr. Fleming, could you explain, using
4 this exhibit, why lowering the cost of capital has
5 the affect of increasing some nonrecurring costs?

6 A In this exhibit, what we show is -- and
7 this is a simplified version of what happens when
8 you do a factors calculation -- if you look at the
9 first line, we've got an embedded capital cost of
10 a thousand dollars for a loop.

11 And I'm modeling a company that sells
12 one loop that has one nonrecurring charge for that
13 loop of \$30.

14 So we've got an embedded cost of capital
15 for the loop of a thousand dollars and a direct
16 cost of \$30.

17 The total indirect -- direct cost
18 associated with service installation, which is
19 something that happens during the current year, is
20 \$30.

21 The total indirect cost is \$13.

22 Assuming that, for this example, that
23 that projected cost of the facility or the TELRIC
24 of the investment, if we went out and did
25 replacement costs for the loop, it would be \$900,

1 and then on a going-forward basis, we assume it
2 would be more efficient in doing the service
3 installation, and that will be \$27, and I show a
4 rate of return of ten percent.

5 We are going to apply the indirect cost
6 factor to the cost of the loop on a monthly basis,
7 which would be, in this instance, the rate of
8 return applied to the loop.

9 So when you develop your factor, what
10 you do is you say, "Okay. We've got -- the
11 indirect cost of the loop is \$13."

12 The total cost of the loop is \$1,000.
13 The direct -- the total investment in the loop is
14 \$1,000, which leads to a monthly recurring cost,
15 only taking into account the rate of return of
16 \$100 or an annual cost of \$100 for the loop.

17 So the \$1,000 times ten percent equals
18 \$100 of direct cost for the loop.

19 Now, the installation is a direct cost.
20 In other words, it's something you incur, so you
21 have no rate of return. You're just getting
22 compensated for the cost you incur.

23 So in our example, the total cost that
24 we're going to spread the \$13 over on a historic
25 basis is going to be \$100 for the loop, which is

1 the direct cost of the loop plus \$30 for the
2 installation charge, which is \$130. We divided
3 \$13 from the \$130 and we get ten percent overhead
4 loading.

5 Now, when we apply it, when we develop
6 our costs in the future, what we're going to do is
7 we're going to say, "Okay. Our future cost for
8 the loop is \$900 times a ten percent rate of
9 return, equals \$90, plus a ten percent overhead
10 equals nine dollars."

11 So the total cost of the loop is \$99.

12 The direct of \$90 plus the indirect cost
13 of nine dollars.

14 When we look at installation, there is
15 no investment or return related costs. There's
16 only the direct costs of performing the
17 installation of 27. We apply the indirect cost of
18 ten percent to it, and we get \$2970.

19 Now, if you look at it, since our
20 forward-looking costs are lower than our historic
21 cost, we are not recovering the total \$13 of cost
22 we started out with. We're recovering something
23 less.

24 What happens when you change the rate of
25 return, which is on the second page, and we are

1 recovering less cost, but we do not believe that a
2 change in a rate of return should change the
3 amount of cost that you recover.

4 In other words, just because you change
5 the rate of return doesn't mean that your
6 overheads go down. There may be other reasons
7 that your overheads go down, but you should make a
8 specific adjustment to overheads.

9 Again, I've done exactly the same
10 calculation, except I've done it with eight
11 percent.

12 Now, what we find is that the \$13 of
13 overhead is not divided by the \$100, which it was
14 in it the previous -- the \$1,000 in loop
15 investment is hit by an eighty-eight percent
16 return.

17 So now we've got a denominator that
18 includes \$80 of direct cost for the loop as
19 opposed to a hundred dollars of direct cost for
20 the loop.

21 We still have our \$30 for our
22 installation, which gives us a base of \$110 to
23 spread the \$13 over.

24 When you divide the \$13 by the \$110, you
25 get a 12 percent markup.

1 Now, we go back and do the cost
2 calculation again. We got the \$900, times
3 8 percent, equals \$72, plus an indirect cost
4 markup.

5 This is actually 12 percent. I forgot
6 to change that. You should change that. That
7 should be the twelve percent you see up above. I
8 apologize.

9 Now, you take the direct cost times 12
10 percent. You get 851 and you get 80/50.

11 Again, with the indirect cost, we do the
12 same thing. We take the \$27 times the 12 percent
13 markup and we get three eight nineteen.

14 If you look at the three nineteen, it is
15 higher than the 270 that we calculated using the
16 ten percent markup.

17 However, the eight fifty-one is
18 significantly lower than the nine dollars that was
19 used to mark out the recurring rates, and it's
20 because the base of recurring that you're applying
21 it to has gone down, because the rate of return
22 has done down.

23 However, the total of the cost that
24 we're going to recover in overhead, when you add
25 the two together, is eleven seventy.

1 So what it amounts to is since the rate
2 of return is used in calculating the denominator
3 to develop the factor, as you decrease the rate of
4 return, as you decrease the rate of return, the
5 denominator in the calculation goes down, making
6 the factor go up.

7 But the factor will just go up to
8 recover the same amount as would have been
9 recovered had you not changed the rate of return.

10 So in other words, it's not a question
11 of -- it's -- and what you see is when you've got
12 a nonrecurring cost, since the same costs are
13 being spread over a smaller base because the rate
14 of return brings down the base, more of the cost
15 will fall in those things that are not rate of
16 return related.

17 Now, I would like to say that if you
18 look at my attachment, Exhibit 5 to my testimony,
19 you'll see where there's a lot of nonrecurring
20 charges that haven't been adjusted. You'll
21 repeatedly see 100.15 percent. The increase in
22 the nonrecurring cost is .15 percent.

23 That's a natural product of the
24 calculation. Qwest isn't interested in the
25 .15 percent. If the Commission wants to stick

1 with the prices we had in the first docket, we're
2 not concerned about that.

3 We -- it's just that when you do the
4 calculation, it is an automatic byproduct of the
5 calculation that if you do not -- that if you
6 reduce the denominator upon which the factors is
7 being developed, it will increase the factor and
8 increase the cost per nonrecurring cost that don't
9 have a rate of return offset.

10 Q. (BY MR. DEVANEY) Mr. Fleming, as the head
11 of the TELRIC embedded cost study group, I would
12 like to ask you a question that Commissioner Spitzer
13 asked yesterday of Mr. Buckley, and that was: With
14 significant growth in Arizona, with new developments
15 arising quickly in Arizona, wouldn't it make sense
16 to model a growth network as opposed to a
17 replacement network?

18 And let me ask you to comment on whether
19 a TELRIC environment that would make sense and if
20 you were to model a growth network instead of a
21 replacement network, what affect that would have
22 on costs.

23 A We have measured -- we have modeled a
24 growth network, and there's certain things that
25 are higher cost than a growth network and certain

1 things that are lower costs.

2 When you look at replacement network,
3 you're talking about all the buildings straight
4 across the street from the central office, you're
5 talking about a lot of the highrise buildings that
6 are real close to the central office.

7 All of those are included in the
8 calculation of a replacement cost.

9 So when you look at the loop links in a
10 replacement cost model, because you're also
11 including all of the loops that are real close to
12 the central office, the links are less.

13 When you look at a replacement cost,
14 when you build feeder, you build one feeder, you
15 place one feeder to serve all capacity that
16 currently exists on the network.

17 When you look at a new build, you add
18 feeder to serve the additional capacity.

19 What we have found is when you take into
20 account -- and so you show tremendous economies of
21 scale in a replacement cost that would not exist
22 in a new build, and that's one of the things that
23 the FCC wanted, was to reflect the economies of
24 scale of a total replacement as opposed to adding
25 incrementally to the existing network.

1 So when you look at modeling a new line,
2 what you find is that in -- when we have done it,
3 the cost, the additional -- the diseconomies you
4 get from only adding incrementally to the feeder
5 and the links of loops that you're apt to price
6 out more than offsets the additional placement
7 cost you would incur by replacing the existing
8 facilities.

9 So our growth model has always produced
10 a higher cost than our replacement costs, which is
11 what I believe the FCC said we should use.

12 Q With respect to a potential growth model
13 in Arizona, are you aware of what percentage of
14 placements, if you were to use a growth model,
15 would actually be supported by Arizona data with
16 respect to new growth areas?

17 Do you understand that question?

18 A We did -- one of the issues that came up
19 was what was the sharing percentage, how much of
20 developer trench is actually used in Arizona.

21 And what we show is that the developer
22 trench in Arizona is approximately the same as the
23 company. In some years it's lower. In 1999 it
24 was about two percent higher.

25 I know this isn't the developer trench.

1 This is joint trench of new place facilities.

2 So that means that of what happened last
3 year in new place facilities, approximately 20
4 percent of the new place facilities were joint
5 trench, which would include all contractor trench
6 and any sharing with another utility.

7 Now, one of the reasons -- and I think
8 Commissioner Spitzer has a good question. Why
9 would that be the same for Arizona? Why would you
10 reflect something for Arizona that's similar to
11 the rest of the company?

12 When we're looking at facilities placed
13 last year, Bismarck didn't have a lot of
14 facilities placed last year, so when we look at a
15 total company result, the places where we're
16 actually showing the placement of new facilities
17 is Colorado, Arizona, and the high growth states.

18 So when you're weighting it, Arizona is
19 going to be reflective of the other high growth
20 states we have which, in high growth states, is
21 the place where you're putting in most of your
22 facilities.

23 So on the sharing, even if you went to a
24 forward-looking approach, 20 percent we have in
25 our model appears to be in line with what's

1 actually happening out there.

2 Q Mr. Hubbard testified earlier today
3 about whether CLEC's use of power in collocation
4 settings is metered by Qwest or instead whether
5 Qwest charges the maximum usage amount because
6 there are no meters.

7 Do you have a comment on whether there
8 are meters or not?

9 A Mr. Hubbard was thinking of cables under
10 60 amps. As I said, the cost of putting in the
11 meters would far exceed any type of benefit we
12 could get out of it.

13 So under 60 amps we're assuming they
14 only use half of the available power and that's
15 why the rate is one half.

16 Over 60 amps, 80 amps and up, where they
17 go to the power board, we are -- at least they're
18 telling me we're metering it and charging them the
19 actual power usage because we can measure it at
20 the power board.

21 Q Could you refer, please, to -- you have
22 it in front of you -- WorldCom Exhibit 6, which
23 was the real estate analysis underlying
24 collocation study.

25 In response to a question from I believe

1 Mr. Campbell when he took you through this
2 document, you mentioned that you wanted to point
3 to some examples on I think page 20 of this
4 exhibit, and Mr. Campbell appropriately said that
5 it was his cross-examination, and that he had
6 other questions to ask.

7 And I'd like to now give you an
8 opportunity if you'd like to refer to page 20 of
9 this exhibit, and if you'd like to point to the
10 examples you referred to earlier, please do.

11 A On page 20 -- there's two items that
12 weren't taken directly from central offices. The
13 calculation of the amounts of the -- I'm sorry --
14 of the available to use space is on page 20 and it
15 shows what the assumptions were.

16 So if you want to know where those
17 numbers came from, they were developed on the
18 prior page, and what they show is some
19 configuration and it gives you an idea of what we
20 consider a configuration.

21 And obviously the Commission can decide
22 whether they believe that's a reasonable
23 configuration or not and how we calculate the RDE
24 ratio based on those configurations.

25 Q Mr. Fleming, I'm going to stick to this

1 commitment. I have two additional questions for
2 you and then I'll be done.

3 Could you explain for the Commission how
4 Qwest selected the 41 jobs that were used for the
5 space construction study collocation, and as part
6 of your answer, explain whether in your view it's
7 significant that none of those jobs occurred in
8 Arizona.

9 A The way we -- the way we selected the 41
10 jobs was we went into cageless collocation because
11 they were using the latest -- that they were the
12 ones that were currently on, and at that point
13 everybody was starting to put in cages collocation
14 facilities.

15 We looked at every job that was
16 currently under construction, and we had a time
17 line.

18 Sometimes our receipts don't come in for
19 a long period of time so we took the total list of
20 all jobs under construction, took out those that
21 were just augments and weren't complete jobs, and
22 then we took out those jobs in which more than ten
23 percent of the receipts where the job had the been
24 received by the company.

25 So in other words, we eliminated down to

1 where we had all completed jobs and we had all the
2 receipts for them. And the reason we did that was
3 we wanted to make sure that we weren't selectively
4 looking to pick some jobs that had certain
5 characteristics.

6 We wanted an example of what all jobs
7 that were currently completed were.

8 Unfortunately, at that point in time,
9 cageless collocations were being ordered more in
10 other states than Arizona.

11 I have not seen a recommendation in this
12 proceeding that is -- except for loop where we
13 take into account differences in the
14 characteristics of the customer's setup, but on
15 any of the collocation and recommendations I've
16 seen, I haven't seen anything that really is
17 Arizona-specific.

18 You know, you can make it
19 Arizona-specific, but I think you can also look at
20 it on a total company basis. Most companies have
21 one collocation rate that goes pretty much across
22 their areas and they use similar types of models.

23 I don't think it's critical that you
24 don't use the same type of model that you use
25 different inputs and different states.

1 Q And, Mr. Fleming, my last question for
2 you is that some of the intervenors have focused
3 on the fact that the quote preparation fee that
4 Qwest is proposing in this docket is significantly
5 higher than that which was ordered by the
6 Commission in the earlier cost docket, and also is
7 higher than the QPF that Qwest proposed in the
8 earlier docket.

9 Why is Qwest proposing an increased
10 quote preparation fee?

11 A I would like to say something. QPF is
12 one link of the large nonrecurring model. If you
13 look at the nonrecurring model, there's cost in
14 there -- for instance, customer transfer charge,
15 and the original model was \$13 to \$16. Now we're
16 asking for 67 cents.

17 Most of our flow-throughs wherever we
18 can identify where we are going to flow through,
19 things have gone up. We've decreased a lot of
20 cost in this docket.

21 QPF is one that's gone up. The original
22 QPF study was done before we had any collocations
23 that I know of and there was very little activity.

24 The recent one was done after we had a
25 lot more activity. We revised it based on the

1 estimates of those people who were doing the
2 activities, and after their experience, they had
3 changed the figures.

4 MR. DEVANEY: Thank you, Mr. Fleming.
5 No further questions.

6 CALJ FARMER: Anybody have any recross?

7 MS. SCOTT: I have a little.

8 CALJ FARMER: Okay.

9

10 RE CROSS-EXAMINATION

11

12 Q. (BY MS. SCOTT) Going back, I just have
13 one question going back to 15 percent overhead
14 factor.

15 I guess two questions. And the first
16 question is: When we referred to the Commission's
17 order earlier, which is S-20, you agreed that the
18 language in that order for the 15 percent included
19 attributed costs, right?

20 A Yes.

21 Q And then when I referred you to the
22 Commission rule, R-14-2-13- 10, do you recall
23 that?

24 A Yes.

25 Q I want to clarify with you that I was

1 not attempting to imply that Qwest should have a
2 ten percent overhead or the default figures stated
3 in the rule.

4 What I wanted to demonstrate to you,
5 just for clarification purposes, is that the ten
6 percent indirect costs that are referred to -- let
7 me get the correct exhibit here -- Ms. Million's
8 testimony, S-19, that would be everything after
9 line 14, correct?

10 A I'm not sure. Somebody would have to
11 show me how the ten percent was calculated.

12 I can't say whether it would be
13 everything past 14. It could be a retail markup
14 that he could have, and I don't know what was
15 included in the calculation of the ten percent.

16 If somebody could show me that, I could
17 tell you what it included. It might be a minimum
18 markup that EPM had. It could be something else.
19 I don't know.

20 Q Okay. That's all I have on that. With
21 respect to the -- you talked again about the 50/50
22 split between --

23 A Yes.

24 Q -- labor. And I know you made the
25 comment earlier that you felt that was a

1 balanced -- you felt that was balanced now, but
2 really, when you look at S-11, which is your
3 response to AT&T data request 8192, it really
4 isn't balanced in light of that, is it?

5 A You can come to the conclusion that it
6 would be a little more -- we would have a little
7 more contract labor, yes.

8 Q My final question relates to --

9 A I mean a little more Qwest labor, sorry.

10 Q My final question relates to the
11 question regarding the SGAT, and I want to clarify
12 that what I was asking you just pertained to the
13 collocation rates contained in the price list that
14 you agreed should be reduced because of the labor
15 factor.

16 A I will -- thank you.

17 CALJ FARMER: Is there anything further
18 for this witness?

19 We'll begin tomorrow with a few
20 questions that still remain that he's checking on
21 tonight.

22 MR. CAMPBELL: Judge Farmer, I just
23 wanted to note that I have handed out the
24 summaries and also the surrebuttal testimonies for
25 Mr. Caputo and Mr. Lathrop who will be on the

1 witness stand Friday, and I wanted to make sure
2 everybody got copies of those.

3 Did you get it, John?

4 MR. DEVANEY: I probably have it right
5 here.

6 MR. CAMPBELL: I have another copy if
7 you'd like one.

8 MR. BERG: If you have another copy.

9 CALJ FARMER: Anything further that we
10 need to take up while we're on the record?

11 We'll go off the record and reconvene
12 at 9:00 tomorrow.

13 (The hearing recessed at 5:55 p.m.)
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1 STATE OF ARIZONA)
2) Ss.
3 COUNTY OF MARICOPA)
4

5 We, CAROLYN T. SULLIVAN, Certified Court
6 Reporter No. 50528 for the State of Arizona, and
7 LISA A. HUMBEUTEL, Certified Court Reporter 50599
8 for the State of Arizona, do hereby certify that
9 the foregoing printed pages constitute a full,
10 true and accurate transcript of the proceedings
11 had in the foregoing matter, all done to the best
12 of our skill and ability.

13 WITNESS our hands this 16th
14 day of July, 2001.

15

16

17

Carolyn T. Sullivan

CAROLYN T. SULLIVAN

18

CCR No. 50528

19

20

Lisa A. Humbertel

LISA A. HUMBEUTEL

21

CCR No. 50599

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