

ORIGINAL

COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION

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:
AT&T Communications of PA, Inc. v. :
Verizon North, Incorporated. Verizon :
North's Intrastate Carrier Access :
Rates are unjust and unreasonable, and :
seek an immediate reduction to no more :
than the rates charged by Verizon :
Pennsylvania. :

Docket No.
C-20027195

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU
AUG 28 2003

Initial Hearing.
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Pages 45 through 244

Hearing Room No. 2
Commonwealth Keystone Building
Harrisburg, Pennsylvania

DOCUMENT
FOLDER

Monday, August 25, 2003

Met, pursuant to adjournment, at 10:06 a.m.

BEFORE:

CYNTHIA WILLIAMS FORDHAM, Administrative Law Judge

APPEARANCES:

KENNETH L. MICKENS, Esquire
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, Pennsylvania 17105-3265
(For Office of Trial Staff)

JULIA A. CONOVER, Esquire
SUZAN DeBUSK PAIVA, Esquire
1717 Arch Street, 32 N.W.
Philadelphia, Pennsylvania 19129
(For Verizon Pennsylvania, Inc. and Verizon North,
Inc.)

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SEP 02 2003

Commonwealth Reporting Company, Inc.
700 Lisburn Road
Camp Hill, Pennsylvania 17011

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APPEARANCES (Continued):

ROBERT C. BARBER, Esquire
3033 Chain Bridge Road
Room 3-D
Oakton, Virginia 22185-0001
(For AT&T Communications of Pennsylvania, Inc.)

MICHELLE PAINTER, Esquire
1133 19th Street, N.W.
Washington, D.C. 20036
(For MCI WorldCom Network Services, Inc.)

KATHLEEN MISTURAK-GINGRICH, Esquire
Eckert, Seamans, Cherin & Mellott, LLC
213 Market Street, Eighth Floor
Harrisburg, Pennsylvania 17101
(For MCI WorldCom Network Services, Inc.)

JOHN F. POVILAITIS, Esquire
Ryan, Russell, Ogden & Seltzer, LLP
800 North Third Street
Suite 101
Harrisburg, Pennsylvania 17102-2025
(For Qwest Communication Corporation)

JOEL H. CHESKIS, Esquire
SHAUN A. SPARKS, Esquire
555 Walnut Street
Forum Place, Fifth Floor
Harrisburg, Pennsylvania 17101-1923
(For Office of Consumer Advocate)

ANGELA T. JONES, Esquire
300 North Second Street
Suite 1102, Commerce Building
Harrisburg, Pennsylvania 17101
(For Office of Small Business Advocate)

PATRICIA ARMSTRONG, Esquire
Thomas, Thomas, Armstrong & Niesen
212 Locust Street, Suite 500
P.O. Box 9500
Harrisburg, Pennsylvania 17108
(For Rural Telephone Company Coalition)

Commonwealth Reporting Company, Inc.

700 Lisburn Road
Camp Hill, Pennsylvania 17011

APPEARANCES (Continued):

KRISTEN L. SMITH, Esquire
1801 California, Suite 4900
Denver, Colorado 80202
(For Qwest Communication Corporation)

Commonwealth Reporting Company, Inc.

700 Lisburn Road
Camp Hill, Pennsylvania 17011

(717) 761-7150

1-800-334-1063

WITNESS INDEX1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25WITNESSESDIRECT CROSS REDIRECT RECROSS

Debra M. Berry				
Michael J. Wirl				
By Ms. Paiva	57	---	167	---
By Mr. Barber	---	62	---	176
By Mr. Sparks	---	92	---	---
By Ms. Misturak-Gingrich	---	109	---	---
By Ms. Smith	---	133	---	---
By Ms. Jones	---	142	---	---
By Mr. Mickens	---	150	---	---
Ann A. Dean				
Gary Sanford				
By Ms. Paiva	182	---	---	---
By Mr. Barber	---	185	---	---
By Ms. Painter	---	197	---	---
By Mr. Sparks	---	204	---	---
William E. Taylor				
By Ms. Conover	205	---	235	---
	---	---	241	---
By Mr. Barber	---	207	---	239
By Ms. Painter	---	224	---	---
By Mr. Mickens	---	225	---	---
By Ms. Smith	---	233	---	---

EXHIBIT INDEXNUMBER FOR IDENTIFICATION IN EVIDENCEVerizon PA, Inc. and Verizon North, Inc. Statements

1.0	(Berry/Wirl Direct) ✓ Proprietary/Expurgated	58	182
1.1	(Berry/Wirl Surrebuttal) ✓ Proprietary/Expurgated ✓	58	182
2.0	(Dean/Sanford Direct) ✓ Proprietary/Expurgated ✓	183	207
2.1	✓ (Dean/Sanford Surrebuttal) Proprietary/Expurgated ✓	183	207
3.0	(Taylor Surrebuttal) ✓ Proprietary/Expurgated ✓	206	242

Verizon Exhibits

✓1	(Verizon's Access Proposal)	60	175
✓2	(OTS-I-6)	175	175

AT&T Communications of PA Cross-Examination Exhibits

✓1	(AT&T-I-11 and I-12)	74	91
✓2	(AT&T-I-5 and I-6) Proprietary	78	91

Office of Consumer Advocate Cross-Examination Exhibits

✓1	(NECA Study Excerpt)	94	106
✓2	(Letters to Secretary)	98	101
✓3	(Secretarial Letter)	99	101
✓4	(Non-Proprietary Data Responses)	105	243
✓5	(Proprietary Data Responses) Proprietary	105	243
✓6	(Packet of Interrogatory Responses)	203	204

EXHIBIT INDEX (Continued)

NUMBER FOR IDENTIFICATION IN EVIDENCE

MCI Network Services Cross-Examination Exhibits

1	✓1 (OCA-IV-4) Proprietary	124	131
2	✓2 (AT&T-I-17)	125	131
3	✓3 (Packet of Interrogatory Responses) PROPRIETARY	126	131
4	✓4 (Cost Study) PROPRIETARY	129	202

Qwest Communication Corporation Cross-Examination Exhibits

1	✓1 (Qwest-I-1 and I-2) Proprietary	137	141
---	------------------------------------	-----	-----

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P R O C E E D I N G S

ADMINISTRATIVE LAW JUDGE CYNTHIA WILLIAMS FORDHAM:

1
2
3 Good morning. I'm Administrative Law Judge Cynthia Williams
4 Fordham and this is the time and place for hearing in the
5 matter of A&T Communications of Pennsylvania, Inc. versus
6 Verizon North, Incorporated and Verizon-Pennsylvania, Inc.
7 at Docket C-20027195. At this time I would ask counsel to
8 enter their appearance, beginning with Mr. Barber.

9 MR. BARBER: Good morning, Your Honor, Robert Barber
10 for AT&T Communications of Pennsylvania, LLC.

11 MS. CONOVER: Julia Conover for Verizon.

12 MS. PAIVA: Susan Paiva for Verizon.

13 MR. SPARKS: Shaun Sparks for the Office of Consumer
14 Advocate.

15 MR. MICKENS: Good morning, Your Honor. Kenneth L.
16 Mickens for the Office of Trial Staff.

17 MS. JONES: Good morning, Your Honor. Angela Jones,
18 Office of Small Business Advocate.

19 MR. CHESKIS: Good morning, Your Honor. I'm Joel
20 Cheskis with the Office of Consumer Advocate.

21 MS. SMITH: Good morning. Kristen Smith for Qwest
22 Communication Corporation.

23 MR. POVILAITIS: Good morning, Your Honor. John
24 Povilaitis for Qwest Communication Corporation.

25 MS. MISTURAK-GINGRICH: Good morning, Your Honor.

1 Kathleen Misturak-Gingrich for MCI Network Services,
2 Incorporated.

3 MS. PAINTER: Michelle Painter for MCI Network
4 Services, Incorporated.

5 MS. ARMSTRONG: Patricia Armstrong for the Rural
6 Telephone Company Coalition.

7 JUDGE FORDHAM: Thank you. Let me give you a brief
8 history of the case so far. On December 30 of 2002, Verizon
9 Pennsylvania, Inc. and Verizon North, Inc. filed a separate
10 joint petition regarding the further reduction of their
11 access charges pursuant to Bell Atlantic PA's GTE merger
12 order, the Global Order of 1999, and a generic access charge
13 investigation at M-00021596. This joint proposal was
14 published January 18, 2003 at 33 Pennsylvania Bulletin 502.
15 Comments were filed by the Office of Consumer Advocate, AT&T
16 Communications of Pennsylvania, Inc., Sprint Communications
17 Company and United Telephone Company of Pennsylvania, the
18 Rural Telephone Company Coalition, the Office of Small
19 Business Advocate and Qwest Communication Corporation.

20 On March 21, 2002, AT&T filed a formal complaint
21 against Verizon North, seeking to have Verizon North access
22 charges reduced to Verizon PA's levels pursuant to the
23 requirement in the Commission's merger order at
24 A-310200F0002. The complaint was Docketed at C-20027195.

25 On April 10, 2002, the Office of Consumer Advocate

1 intervened in this proceeding. The complaint, which was
2 initially dismissed by Chief Administrative Law Judge Robert
3 Christianson, was reinstated by Commission order entered on
4 December 24, 2002. That order also bifurcated the access
5 charge investigation, so that all Verizon matters, including
6 the complaint, would be litigated at the C-20027195 docket.

7 Given that there were contested material factual
8 issues, by order entered May 5, 2003, the Commission
9 referred the Verizon joint petition to the Office of
10 Administrative Law Judge for evidentiary hearings and a
11 recommended decision. The Commission consolidated the
12 Verizon joint petition for access charge reductions with the
13 AT&T Communications of Pennsylvania, Inc. and Verizon North,
14 Inc. complaint at C-200027195 regarding Verizon North access
15 charges pursuant to the Commission order of December 24,
16 2002. The case at C-20027195 will also address Verizon's
17 compliance with the merger order directive that Verizon
18 North and Verizon PA have access charges which are at parity
19 with each other in re: the joint application of Bell
20 Atlantic Corporation and GTE Corporation for approval of
21 agreement and plan of merger at Docket Nos. A-310200F0002,
22 A-311350F0002 and A-310222F0002.

23 In accordance with the Commission's order, the matter
24 was assigned to me. Prehearing memoranda were submitted. A
25 prehearing conference was held on Thursday, May 29, 2003. A

1 procedural schedule was established. The direct and
2 rebuttal and surrebuttal testimony were scheduled, hearings
3 were scheduled for August 25, 26, 27, the record to close
4 September 3, 2003, main briefs due September 16, reply
5 briefs due September 26.

6 On May 29, 2003, Thomas W. Snyder, Esquire, filed a
7 withdrawal of appearance on behalf of Qwest, and John F.
8 Povilaitis, Esquire, filed an entry of appearance on behalf
9 of Qwest. On May 29, a motion for admission pro hac vice
10 was filed on behalf of Kristen Smith; that motion was
11 granted. On June 2, 2003, a motion for admission pro hac
12 vice was filed on behalf of Michelle Painter; that motion
13 was also granted.

14 On June 9, 2003, a protective order was issued in
15 this matter. Testimony has been filed by Verizon, AT&T,
16 MCI, Qwest, OTS, OCA, OSBA. OSBA filed a motion to strike
17 and motion for judgment on the pleadings. Answers were
18 filed by OCA and Verizon. My ruling was that the motion was
19 denied.

20 I believe there are some preliminary matters before
21 we begin.

22 Starting with Verizon, do you have any preliminary
23 matters?

24 MS. PAIVA: Yes, Your Honor. Good morning.

25 JUDGE FORDHAM: Good morning.

1 MS. PAIVA: Susan Paiva for Verizon. We have one
2 preliminary point. In your e-mail message ruling on the
3 motion to strike, you mentioned the possibility of oral
4 rejoinder.

5 JUDGE FORDHAM: Yes.

6 MS. PAIVA: We would like to ask that if anybody is
7 going to do oral rejoinder, we would like to be informed by
8 the lunch break, because under the rules, as the party
9 petitioner, we have the right to go last, at least the
10 option to do that, so we would want to have our witnesses
11 present if anyone is going to do rejoinder, and our
12 witnesses have some travel constraints. Ms. Berry has to
13 leave by 3:30 tomorrow, so to the extent anyone is going to
14 do oral rejoinder, we would like to put them earlier in the
15 day. I already did confer with Ms. Jones for OSBA, and
16 she's going to let us know tomorrow morning if they'll have
17 oral rejoinder. If so, Mr. Buckalew is available to be
18 moved up earlier in the day.

19 JUDGE FORDHAM: Thank you.

20 MS. PAIVA: But if anyone else has any, we would like
21 to know, and also, if they could give us just an outline of
22 what the topics would be, that would be helpful, too.

23 JUDGE FORDHAM: Thank you.

24 Mr. Barber.

25 MR. BARBER: Nothing from AT&T, Your Honor.

1 JUDGE FORDHAM: Mr. Mickens.

2 MR. MICKENS: Nothing from OTS, Your Honor.

3 JUDGE FORDHAM: Did you want to put the information
4 on the record?

5 MR. MICKENS: No. Your Honor, we'll do that tomorrow
6 when Mr. Kubas is presented for cross-examination.

7 JUDGE FORDHAM: Okay.

8 Do you have anything, Ms. Jones?

9 MS. JONES: Yes, Your Honor. You indicated in your
10 e-mail that there will be something further as far as your
11 decision for the motion..

12 JUDGE FORDHAM: Right.

13 MS. JONES: We are looking for something in writing.

14 JUDGE FORDHAM: Right.

15 MS. JONES: When would that be available?

16 JUDGE FORDHAM: It won't be available till I get back
17 to my office, so it will be later this week.

18 MS. JONES: Okay. Thank you, Your Honor.

19 JUDGE FORDHAM: You're welcome.

20 Does anyone else have any preliminary matters?

21 (No response.)

22 JUDGE FORDHAM: We have a schedule of witnesses that
23 has been agreed to by the parties. The first witnesses are
24 a panel. I'll let Ms. Paiva proceed at this time.

25 MS. PAIVA: Thank you, Your Honor. Verizon would

1 like to call Debra M. Berry and Michael J. Wirl, our first
2 panel.

3 (Pause.)

4 JUDGE FORDHAM: I need to swear you in. Would you
5 please stand and raise your right hands?

6 Whereupon,

7 DEBRA M. BERRY

8 and

9 MICHAEL J. WIRL

10 having been duly sworn, testified as follows:

11 JUDGE FORDHAM: You may be seated.

12 Would you state your names and addresses for the
13 record, please?

14 WITNESS BERRY: My name is Debra Berry. My work
15 address is 1717 Arch Street in Philadelphia, Pennsylvania.

16 WITNESS WIRL: My name is Mike Wirl. My work address
17 is 600 Hidden Ridge, Irving, Texas.

18 JUDGE FORDHAM: Thank you.

19 Ms. Paiva.

20 **DIRECT EXAMINATION**

21 BY MS. PAIVA:

22 Q. Good morning, Ms. Berry and Mr. Wirl. Do you
23 have before you two pieces of testimony, first, what has
24 been marked Verizon Statement 1.0, the Direct Testimony of
25 Debra M. Berry and Michael J. Wirl, dated June 25, 2003, and

1 second, what has been marked Verizon Statement 1.1, the
2 Surrebuttal Testimony of Debra M. Berry and Michael J. Wirl,
3 dated August 4, 2003?

4 (Whereupon, the documents were marked
5 as Verizon PA, Inc. and Verizon
6 North, Inc. Statements Nos. 1.0 and
7 1.1 for identification.)

8 WITNESS BERRY: Yes.

9 WITNESS WIRL: Yes.

10 BY MS. PAIVA:

11 Q. Was that testimony prepared by you or under your
12 direct supervision and control?

13 A. (Berry) Yes.

14 A. (Wirl) Yes, it was.

15 Q. Do you have any corrections or changes to make
16 to that testimony?

17 A. (Berry) I do, yes. Shall I start with the
18 direct testimony?

19 Q. Yes, please.

20 A. (Berry) On page 16, at line 20, there's a
21 typographical error in that sentence. It now says, "Verizon
22 anticipates that the effect if" and it should be "the effect
23 of."

24 On the very next page, page 17, at the top, there's
25 another typographical error. At line 1 it reads, "rates,

1 would be between approximately \$1.00," and it should be
2 "\$2.00"; there's an extra zero on the end.

3 Those are the only changes to the direct testimony.

4 Q. Do you have any changes to the surrebuttal?

5 A. (Berry) Yes, I do. In the surrebuttal
6 testimony, on page 6, there is a footnote 5 at the bottom
7 that I would like to remove. In the course of preparing for
8 being at the hearing and re-looking at the data in
9 preparation for the hearing, we find that the phrase that
10 this footnote would have removed from our original proposal
11 is actually not necessary to remove. So I would take out
12 this footnote and leave that phrase in our original
13 proposal. It is a proprietary number, but the phrase
14 indicates that the business weighted average rate would be
15 up to the same amount as the weighted average R-1 rate is
16 increased, and again, it's a proprietary number, but for
17 business it would be less than 60 cents. And so after going
18 through those calculations in preparation, taking out this
19 footnote.

20 Then lastly, again, in the surrebuttal testimony, on
21 page 21, there's a minor correction to the footnote,
22 footnote 15. It now says that the "OTS rejection of the
23 cost study is addressed on page 7 in this testimony." It
24 should read "on page 7 of the Dean/Sanford surrebuttal
25 testimony."

1 Those are all the corrections.

2 Q. Thank you, Ms. Berry. With the corrections that
3 you just discussed, are the answers contained in the
4 testimony true and correct to the best of your knowledge and
5 belief?

6 A. (Berry) Yes, they are.

7 A. (Wirl) Yes, they are.

8 Q. And if you were asked the same questions today,
9 would your answers be the same?

10 A. (Berry) Yes.

11 A. (Wirl) Yes.

12 MS. PAIVA: Your Honor, before I turn the witnesses
13 over for cross-examination, there's one housekeeping matter.
14 In our filing of December 30, 2002 that started this case,
15 we had attached to that our proposal, but I don't believe
16 our proposal is actually in the record, because it's not
17 attached to our testimony. So I'd like to mark it as
18 Verizon Exhibit 1.

19 JUDGE FORDHAM: It shall be so marked.

20 (Whereupon, the document was marked
21 as Verizon Exhibit No. 1 for
22 identification.)

23 MS. PAIVA: I'll pass out copies, and then I'll be
24 ready to turn the witnesses over.

25 JUDGE FORDHAM: Thank you.

1 MS. PAIVA: With that, Your Honor, the witnesses are
2 ready for cross-examination.

3 JUDGE FORDHAM: Another housekeeping matter. I did
4 mention that there was a protective order, and we do have
5 proprietary documents and testimony, so at this time I would
6 like to put on the record whether all of the parties are
7 signatories to the protective order.

8 MS. PAIVA: I believe so.

9 JUDGE FORDHAM: So all of the parties are. Are there
10 any other people in the room that we need to remove at any
11 time if we deal with proprietary information?

12 MS. PAIVA: I can tell you that all the Verizon
13 witnesses that are present have signed.

14 JUDGE FORDHAM: Okay. Thank you.

15 You may proceed, Mr. Barber.

16 MR. BARBER: Thank you, Your Honor. I guess just
17 from a housekeeping perspective relative to the proprietary
18 information, I'm going to have some proprietary cross-
19 examination. Did you want to try and sort of have that
20 consolidated in one part of the cross instead of bouncing
21 back and forth on the proprietary and public record?

22 JUDGE FORDHAM: If we don't need to remove anyone
23 from the room, then I don't have a problem with you doing it
24 either way -- let's go off the record a minute.

25 (Discussion off the record.)

1 JUDGE FORDHAM: We're back on the record.
2 Go ahead, Mr. Barber.

3 CROSS-EXAMINATION

4 BY MR. BARBER:

5 Q. Good morning, Ms. Berry.

6 A. (Berry) Good morning.

7 Q. Good morning, Mr. Wirl. Welcome to
8 Pennsylvania.

9 A. (Wirl) Thank you.

10 Q. First trip here?

11 A. (Wirl) No.

12 Q. Welcome to Harrisburg.

13 Turning to your surrebuttal testimony at page 2, at
14 lines 3 through 4, you're actually talking about the summary
15 of your testimony and you're explaining what you hope to
16 accomplish or talk about in your surrebuttal, and I was
17 struck by the line there where you indicate that the
18 surrebuttal testimony "explains why access rates should
19 continue to be priced at market levels." Now, I've been
20 through your surrebuttal testimony several times. Can you
21 point to me specifically in the surrebuttal where that
22 explanation is set forth?

23 A. (Wirl) Can you give me your quote again,
24 please?

25 Q. It's page 2, lines 3 through 4, "explains why

1 access rates should continue to be priced at market levels."

2 (Witnesses perusing documents.)

3 Q. I'm just trying to figure out where in the
4 surrebuttal testimony, in the body of the surrebuttal
5 testimony, that explanation is set forth.

6 A. (Wirl) Well, in the proposal, what we've said
7 is there are various levels that access can be charged at,
8 and certainly the OCA proposal is closer to market-driven
9 rates than the current rates that are in the tariffs today,
10 particularly when we talk about Verizon North.

11 Q. I'm looking for a specific page cite in your
12 surrebuttal where you give the explanation.

13 A. (Wirl) I'm sorry; I can't give you one right
14 now.

15 Q. But I guess one thing about that phrase that
16 you've got there, where it talks about "continue to be
17 priced at market levels," is it your testimony that the
18 intrastate access rates that Verizon Pennsylvania, for
19 example, charges today were set as a result of market
20 conditions?

21 A. (Wirl) I would say given the nature of the
22 market when the rates were set, the requirements that the
23 Commission had as far as imbedded subsidies, both implicit
24 and explicit, that were in the rates, I agree, yes, that
25 those were the market rates at the time.

1 Q. I guess maybe I need to get into your assessment
2 of a market set rate versus a Commission-established rate.
3 Is it your view that when the Commission establishes an
4 access rate, that that's in fact a market level rate?

5 A. (Wirl) I would say that's the authorized rate
6 that we're allowed to charge at that time, yes, which would
7 be the market-driven rates, given, you know, Verizon's
8 revenue requirements to support the universal service fund.

9 Q. Well, here's where I guess maybe we're talking
10 past each other, because maybe you have a -- when I hear
11 market level and I hear market conditions establishing the
12 rate, I am envisioning, perhaps wrongly, the idea that
13 supply and demand for access services are what is
14 influencing Verizon to set the rate, an intrastate access
15 rate, at a certain level. Is that your testimony as to what
16 has transpired here in Pennsylvania?

17 A. (Wirl) Not necessarily the market level but
18 what's required under the operating agreements, under the
19 tariffs, in order for Verizon to earn a rate of return for
20 that state.

21 Q. Let me maybe just cut to the chase here.

22 A. (Wirl) Okay.

23 Q. The current rate structure that Verizon
24 Pennsylvania and Verizon North operate under for intrastate
25 access was established by the Commission in the Global

1 Order; correct? So that was a Commission-directed rate
2 structure; correct?

3 A. (Wirl) Right.

4 Q. And the current level of Verizon's traffic
5 sensitive rates was established by the Commission in the
6 Global Order; correct?

7 A. (Wirl) Correct.

8 Q. And that, again, was a Commission-directed rate.
9 Are you aware of any situation, of any instance, since the
10 Global Order in which either Verizon Pennsylvania or Verizon
11 North has reduced its intrastate carrier access charges as a
12 result of market conditions?

13 A. (Wirl) No, I am not aware of one.

14 Q. It's a fact they have not?

15 A. (Wirl) Right.

16 MR. BARBER: A moment, please?

17 (Pause.)

18 BY MR. BARBER:

19 Q. Dancing around a little bit here, again, still
20 in your surrebuttal, turning to page 15 of your surrebuttal,
21 you respond to some testimony by AT&T witnesses Mr.
22 Kirchberger and Mr. Nurse regarding the revenue effect of
23 the change that Verizon is proposing relative to its traffic
24 sensitive rates; correct?

25 A. (Wirl) All right; yes.

1 Q. And as I understand what Verizon is proposing
2 with traffic sensitive intrastate access rates is that
3 Verizon would be essentially melding the current traffic
4 sensitive rates that Verizon PA and Verizon North are
5 charging today into a common, sort of weighted average,
6 uniform rate that would apply in both of the territories; is
7 that correct?

8 A. (Wirl) That's correct.

9 Q. And as I understand the calculations, that would
10 mean, for local switching, for example, that the new rate
11 that would be established would be something like .88 cents
12 per minute for local switching?

13 A. (Wirl) Yes; that's the rate that was originally
14 proposed, not the rate under the OCA/Verizon joint proposal.

15 Q. What would be the rate under the Verizon/OCA
16 joint proposal? Is that proprietary? I don't think a rate
17 should be proprietary, but --

18 JUDGE FORDHAM: What was the answer to that? Is it
19 proprietary?

20 MR. BARBER: That's what I'm trying to find out. I
21 wouldn't assume the rate would be proprietary.

22 WITNESS WIRL: No, I don't think it's proprietary.

23 BY MR. BARBER:

24 Q. But just so I understand, under the way you
25 originally formulated the proposal, Verizon Exhibit 1, the

1 rate that would result would be approximately .88 cents per
2 minutes?

3 A. (Wirl) That is correct.

4 Q. And under your joint proposal with OCA, the
5 local switching rate would be?

6 A. (Wirl) About .69.

7 Q. And that would be the common rate for both
8 companies?

9 A. (Wirl) That is correct.

10 Q. This is helpful, because I'm trying to clarify
11 the impact of how the two proposals would work here. Under
12 your original proposal, the .88 would be in comparison --
13 for example, Verizon Pennsylvania today currently charges
14 .9.

15 A. (Wirl) Correct.

16 Q. So the new traffic sensitive local switching
17 rate for them would mark a slight decrease, from .9 to .88?

18 A. (Wirl) Right. Under the old proposal.

19 Q. This is, again, under your original proposal.

20 A. (Wirl) Correct.

21 Q. For Verizon North, their current local switching
22 rate is .6 cents per minute; correct?

23 A. (Wirl) Yes.

24 Q. So under your original proposal, if that were
25 what the Commission were to adopt, the local switching rate

1 would increase approximately 48 percent for Verizon North?

2 A. (Wirl) Okay.

3 Q. Now, I guess I'm trying to circle back now.

4 Your response to Messrs. Kirchberger and Nurse were they had
5 estimated that the revenue impact under your original
6 proposal of the melded traffic sensitive local switching
7 rate that you were proposing in Verizon Exhibit 1 would have
8 actually resulted in a revenue increase to the Verizon
9 companies of approximately \$1.75 million; correct? That was
10 their testimony?

11 A. (Wirl) that's right.

12 Q. And you were responding to that here and saying,
13 "Well, the rate would be slightly higher, and the increase
14 wouldn't be as large as the \$1.75 mil."

15 A. (Wirl) Right.

16 Q. When you are saying it wouldn't be as large as
17 the \$1.75 million, are you basing it on the revenue impact
18 from Verizon Exhibit 1, your original proposal, or the
19 revenue impact from the Verizon/OCA proposal?

20 A. (Wirl) The Verizon/OCA proposal, going from 6.6
21 to .68.

22 Q. Right. So Verizon North now would be increasing
23 only from -- I say only -- from .6 to .69, and Verizon
24 Pennsylvania now would be decreasing from .9 to .69 cents?

25 A. (Wirl) That is correct.

1 Q. Have you done any analysis to indicate what the
2 revenue impact would be? You said there would be an
3 increase, but it won't be as high as \$1.75 million.

4 A. (Wirl) Just under a million dollars for the
5 local switching rates.

6 Q. So there still would be an increase to the
7 benefit of the Verizon companies?

8 A. (Wirl) That's right, but you've also got to
9 look at the reductions in the carrier charge that are going
10 to be associated with it.

11 Q. Do you have any work papers associated with that
12 calculation?

13 A. (Wirl) Just a real simple change of revenue
14 versus (inaudible) minutes.

15 Q. Which minutes did you use to come up with your
16 calculation?

17 A. (Wirl) The Verizon North --

18 Q. Maybe to be a little more accurate, what year in
19 terms of minutes did you use?

20 A. (Wirl) The ones consistent in the exhibits, the
21 2002 test period.

22 Q. The 2002 annualized minutes or 2002 actual?

23 A. (Wirl) Annualized.

24 Q. Annualized.

25 A. (Wirl) That were contained in my original

1 exhibits.

2 Q. So you haven't gone back and done an analysis
3 based on actual 2002 minutes?

4 A. (Wirl) No, we have not.

5 Q. Or an analysis based on annualized 2003 minutes?

6 A. (Wirl) No.

7 Q. Now, turning to page 18 of your surrebuttal
8 testimony, -- what is Ms. Eichenlaub doing now (inaudible).

9 MS. CONOVER: She's retired.

10 MR. BARBER: She's retired. Probably thankful.

11 BY MR. BARBER:

12 Q. There's a discussion here in response to Mr.
13 Kirchberger and Mr. Nurse's testimony, as well as I think
14 this is in Mr. Oyefusi's testimony, regarding testimony that
15 a Bell Atlantic witness, Ms. Eichenlaub, had submitted to
16 this Commission back in 1995 or 1996 concerning the
17 appropriate pricing of reciprocal compensation. That's what
18 you're responding to here?

19 A. (Berry) I think that would probably be me.
20 I'll take this.

21 Q. Is this Ms. Berry?

22 A. (Berry) I think so. Yes.

23 Q. Now, I think we all agree, what Ms. Eichenlaub
24 essentially testified back in 1996 was that, from a network
25 perspective, the functionalities that are involved in access

1 call termination, as opposed to local call termination, are
2 essentially the same?

3 A. (Berry) I've read her statement, and basically
4 it does say that. That's true.

5 Q. And as I understand it, you don't have a
6 disagreement with that; correct?

7 A. (Berry) As far as it goes, no, although I've
8 been told by some network experts, of which I'm not one,
9 that there are some additional translation functions in the
10 network that would be slightly different. Again, not a
11 network expert.

12 Q. Matter of fact, I believe, Ms. Berry, you
13 sponsored a response to an AT&T data request, AT&T I-17, in
14 which you indicate, from a network perspective, the
15 termination of local and toll calls are identical; is that
16 correct?

17 A. (Berry) Right.

18 Q. The disagreement appears to be with -- well, I
19 guess to go further here, I think we also agree that what
20 Ms. Eichenlaub testified back in 1996 was that given the
21 essential identity in the network functionalities that are
22 involved in carrier access and local call termination, that
23 it made sense to price both of them at the same level;
24 correct? I think she said theoretically.

25 A. (Berry) I don't recall whether she said

1 theoretically, but I do know that she went on to say that
2 the rates did not need to be the same as far as the
3 requirements that are specified in the federal arena for
4 pricing one of those versus the other; that there is no
5 requirement -- to be more specific, that there is no
6 requirement for access rates to be set at cost.

7 Q. Right. But I also understand that one of the
8 major points you seem to be making in response to the
9 citation to Ms. Eichenlaub's testimony, or at least an
10 effort, perhaps, to differentiate her testimony at that time
11 from today, was: well, you have to remember, Ms.
12 Eichenlaub, back in 1996, was arguing that reciprocal
13 compensation should be set at access levels. Is that one of
14 the points of differentiation you're making here? For
15 example, look at page 18, lines 18 through 20.

16 A. (Berry) Right. I'm there.

17 Q. "The witness went on to aver, however, that the
18 rates for local switching and termination should be set at
19 the switched access rate level -- not the local
20 interconnection level."

21 A. (Berry) Right.

22 Q. Now, in making that point, are you basically
23 testifying that Ms. Eichenlaub was only right back in 1996
24 because she was, in fact, advocating for the establishment
25 of a higher reciprocal compensation rate than the one that

1 was ultimately established?

2 A. (Berry) Was only right back in 1996. I think
3 the major distinction that I was trying to make is that
4 while she was indicating there was a physical similarity,
5 that that didn't mean that, from a policy perspective, that
6 rates needed to be set similarly. That's my main
7 differentiation.

8 Q. Well, she was, in fact, arguing back in 1996
9 that the rates should be set at the same level; right? And
10 she was arguing that they should be set at carrier access
11 levels; correct?

12 A. (Berry) And again, the distinction that I'm
13 making is that rates for access are not required to be set
14 at TELRIC levels. That's my main point today.

15 Q. Despite the fact that the network
16 functionalities are, again, Verizon would agree, identical?

17 A. (Berry) Despite the fact that the network
18 functionalities may, indeed, be identical. I'm not
19 disputing that; right.

20 Q. Now, it's fair to say that today, if Ms.
21 Eichenlaub were testifying, she would not be advocating to
22 set reciprocal compensation rates at access levels; correct?

23 A. (Berry) I don't know. I mean, that would be
24 speculation on my part.

25 Q. Well, is it fair to say, as a Verizon witness

1 today, you wouldn't want to see reciprocal compensation set
2 at access levels; correct?

3 A. (Berry) Might not. But again, it's just not
4 the focus of what I'm trying to do here.

5 Q. You say might not. Let's just see if we can
6 perhaps figure out why you might not want to.

7 MR. BARBER: Your Honor, may I have this marked as
8 AT&T Cross-Examination Exhibit 1?

9 JUDGE FORDHAM: It shall be so marked.

10 (Whereupon, the document was marked
11 as AT&T Cross-Examination Exhibit
12 No. 1 for identification.)

13 MR. BARBER: I have to apologize if I don't have
14 enough for everyone; I'll have to get more made.

15 BY MR. BARBER:

16 Q. Ms. Berry, you have AT&T Cross-Examination
17 Exhibit 1 before you?

18 A. (Berry) Yes, I do.

19 Q. And this is a Verizon response to AT&T Set I,
20 No. 11, and AT&T Set I, No. 12; correct?

21 A. (Berry) Yes.

22 Q. And I believe you sponsored both responses?

23 A. (Berry) Yes.

24 Q. And what was being requested here were
25 essentially minutes being exchanged from a local

1 interconnection --

2 A. (Berry) Right.

3 Q. -- between CLECs and Verizon, Verizon
4 Pennsylvania and Verizon North?

5 A. (Berry) Yes.

6 Q. And these would be minutes that would be
7 compensated at reciprocal compensation levels; correct?

8 A. (Berry) Yes.

9 Q. I believe there was a clarification in a
10 subsequent exchange with counsel for Verizon that wireless
11 minutes may not be included.

12 A. (Berry) I recall seeing that exchange of
13 e-mails; yes.

14 Q. So these would be UNE-P providers, facilities-
15 based CLECs, the like, --

16 A. (Berry) Right.

17 Q. -- as opposed to wireless providers?

18 A. (Berry) Yes.

19 Q. Fair to say, for example, looking at the year
20 2002 numbers for Verizon Pennsylvania, the response to Set
21 I, No. 11, there's a significant imbalance between the
22 minutes going out from Verizon and the minutes coming in to
23 Verizon; correct?

24 A. (Berry) Yes.

25 Q. Matter of fact, something on the order of 11

1 times as many minutes going out from Verizon Pennsylvania to
2 CLECs than are coming in from CLECs to Verizon PA?

3 A. (Berry) Yes.

4 Q. And that means that Verizon is paying out about
5 11 times more in reciprocal compensation than it's taking in
6 from CLECs; is that correct?

7 A. (Berry) Yes.

8 Q. And if that were being done at access levels as
9 opposed to reciprocal compensation levels, that would be a
10 pretty significant bill; correct?

11 A. (Berry) It would certainly be far higher, yes.

12 Q. Far higher. And it's fair to say that if we
13 were to do a similar analysis for access minutes being
14 exchanged between Verizon and CLECs, that, on a whole,
15 Verizon is receiving far more in access minutes than it is
16 sending out to IXCs; correct?

17 A. (Berry) That I don't know.

18 MS. PAIVA: Your Honor, I think I need to go on the
19 proprietary record.

20 JUDGE FORDHAM: At this time, this should be marked
21 proprietary.

22 (Whereupon, the following pages 77 through 91 were
23 designated proprietary and were sealed and bound
24 separately.)

25

1 MR. BARBER: I'll cede my chair to whoever else wants
2 to come up to the hot seat.

3 JUDGE FORDHAM: Next for cross-examination will be
4 OCA.

5 MR. BARBER: Your Honor, I'm moving out to permit
6 other counsel to come up for their cross.

7 JUDGE FORDHAM: Okay. OCA, Mr. Sparks.

8 MR. SPARKS: With your permission, I'll stay seated.

9 JUDGE FORDHAM: Okay.

10 MR. SPARKS: Thank you.

11 CROSS-EXAMINATION

12 BY MR. SPARKS:

13 Q. Ms. Berry, I'm Shaun Sparks, and I'm
14 representing the Office of Consumer Advocate.

15 A. (Berry) Good morning.

16 Q. And I'll be asking you some questions today
17 regarding loop costs.

18 A. (Berry) Regarding loop costs?

19 Q. Loop costs in general, yes.

20 A. (Berry) Okay.

21 Q. Ms. Berry, in your Statement 1.1 on page 12, you
22 discuss the NECA costs of Verizon North and North Pittsburgh
23 Telephone Company.

24 A. (Berry) Yes.

25 Q. When you use that acronym NECA, you mean the

1 National Exchange Carriers Association; correct?

2 A. Yes, I do.

3 JUDGE FORDHAM: Mr. Sparks, can you keep your voice
4 up?

5 MR. SPARKS: Yes, ma'am.

6 BY MR. SPARKS:

7 Q. When you use the acronym NECA, you mean the
8 National Exchange Carriers Association; correct?

9 A. (Berry) Yes.

10 Q. And it is currently referred to as NECA?

11 A. (Berry) Yes.

12 Q. Is that NECA cost data submitted by companies
13 like Verizon North and Verizon Pennsylvania to perform cost
14 studies?

15 A. (Berry) You know, I'm not sure I heard every
16 word that you said. Could you just repeat that?

17 Q. Is that NECA cost data submitted by companies
18 like Verizon North and Verizon Pennsylvania used for cost
19 studies?

20 A. (Berry) I don't know. Do you?

21 A. (Wirl) I'm not sure what you mean by cost
22 studies.

23 A. (Berry) I know you said is the data used for
24 cost studies. Unfortunately, I don't know.

25 MS. PAIVA: Dr. Taylor has discussed the NECA costs.

1 He may be better able to answer these sorts of questions if
2 these witnesses don't know.

3 MR. SPARKS: Then maybe we'll have some more for Dr.
4 Taylor when he's up.

5 WITNESS BERRY: My distinction is I'm not sure if the
6 underlying data is used for our cost studies. I don't know.

7 BY MR. SPARKS:

8 Q. Okay. So let's just take it that you're not
9 sure.

10 Specifically, in reference to the Universal Service
11 Fund, is that data that is submitted for the NECA studies,
12 in fact, used for that purpose?

13 A. (Wirl) You know, it's been a long time since I
14 was with NECA, but that's what I thought. It's out of my
15 area of expertise for sure, but that's what I thought it
16 was.

17 MR. SPARKS: Your Honor, may I approach the witnesses
18 to provide some documentation?

19 JUDGE FORDHAM: Yes, you may.

20 MR. SPARKS: Thank you. Your Honor, the OCA would
21 request that this exhibit be marked as OCA Cross-Examination
22 Exhibit No. 1.

23 JUDGE FORDHAM: It shall be so marked.

24 (Whereupon, the document was marked
25 as OCA Cross-Examination Exhibit No.

1 1 for identification.)

2 MR. SPARKS: And I'd like to reflect that the OCA is
3 giving copies to the court reporter, to Your Honor, and to
4 counsel of record, and to the witnesses.

5 BY MR. SPARKS:

6 Q. Ms. Berry, I've provided you with pages 35 and
7 36 of the study area detail of the NECA 2002 submission.
8 These pages deal with Pennsylvania exchange carriers. I
9 also have a copy of the complete filing if you'd prefer to
10 review it instead than just these pages.

11 As shown on page 35 and 36, does Verizon North have
12 three study areas comprising Verizon Pennsylvania, Verizon
13 North, Pennsylvania Contel and Verizon North Pennsylvania
14 Quaker State?

15 A. (Berry) Yes. I can see that here, and I'm
16 going to invite Mr. Wirl to chime in, too. I think he's
17 actually more familiar with these than I, but I can see that
18 on this chart, yes, and I am familiar with the multiple
19 companies in the Verizon former GTE.

20 Q. Then I'll open this up to the two of you.

21 A. (Berry) Okay.

22 Q. If one were to perform a weighted average on the
23 USF cost per loop listed at pages 35 and 36 of the study
24 area detail, would that average be \$20.27 as you've shown in
25 your Statement 1.1 at page 12?

1 A. (Berry) I certainly agree that our surrebuttal
2 testimony shows \$20.27 for Verizon North and the intention
3 or the calculation should have been the weighted average of
4 those three. I don't think I have all the details here with
5 me to verify that, but that would have been what makes
6 sense.

7 MS. PAIVA: I don't mean to interrupt you, but Mr.
8 Sanford actually conducted the weighted and it's described
9 in his testimony. That's the support for the number.

10 WITNESS BERRY: I heard Ms. Paiva, and I also do know
11 that Mr. Taylor also discusses these NECA studies and the
12 things that should be kept in mind when looking at the NECA
13 studies as compared to other types of cost studies.

14 MS. PAIVA: Page 11 of the Sanford/Dean rebuttal.

15 BY MR. SPARKS:

16 Q. Is it at page 12 in your testimony that you said
17 that Verizon North's cost is \$20.27 at line 12 or is it not?

18 A. (Berry) Yes.

19 Q. Then we'll continue on from there. Thank you.

20 If one were to include Verizon Pennsylvania in that
21 weighted average, would you accept subject to check that the
22 weighted average for all Verizon companies in Pennsylvania
23 would be \$17.19?

24 A. (Berry) Yes. I'll accept that subject to
25 check.

1 Q. And if we were to isolate Verizon Pennsylvania's
2 Universal Service Fund cost per loop for a moment, because
3 it's listed at pages 35 and 36 at \$202.22 per year, would
4 that cost be \$16.85 per month for Verizon Pennsylvania, just
5 merely dividing the number by 12?

6 A. (Berry) It looks about right.

7 Q. Okay. At \$202.22, isn't it true that the
8 Verizon Pennsylvania USF cost per loop is the lowest for any
9 Pennsylvania company?

10 A. (Berry) No. Just scanning the numbers, I would
11 say that Frontier, which is listed on page 35, would be
12 lower by a substantial amount. Other than that, yes.

13 Q. Then perhaps we should change it to one of the
14 lowest.

15 Now let's turn to page 17 of Statement 1.1.

16 A. (Berry) Yes.

17 Q. Do you see at page 17 where you discuss Section
18 1325 of the Public Utility Code and the Bentleyville
19 proceeding?

20 A. (Berry) Yes, I do.

21 Q. Do you know if the Bentleyville proceeding was
22 fully adjudicated before the Commission?

23 A. (Berry) I'm not sure exactly what you mean by
24 that term. I have looked at the Commission's Order, and I
25 don't have it in front of me. I do believe there was a

1 settlement proposal, so that's probably what you mean.
2 Perhaps not fully adjudicated.

3 Q. So you're not sure if the Commission ever issued
4 an Order on that proceeding at all?

5 A. (Berry) I read the Order. I looked at the
6 Order, yes.

7 MR. SPARKS: Your Honor, may I approach the witnesses
8 to provide some documentation, please?

9 JUDGE FORDHAM: Yes, you may.

10 MR. SPARKS: Thank you. Your Honor, I'd like this
11 document to be marked OCA Cross-Exam Exhibit No. 2.

12 JUDGE FORDHAM: It shall be so marked.

13 (Whereupon, the document was marked
14 as OCA Cross-Examination Exhibit No.
15 2 for identification.)

16 MR. SPARKS: I'd like the record to reflect that I'm
17 providing two copies to the court reporter, to Your Honor,
18 to the witnesses, and to the parties of record.

19 JUDGE FORDHAM: Thank you.

20 BY MR. SPARKS:

21 Q. Ms. Berry, Exhibit No. 2 consists of two letters
22 from parties in the Bentleyville proceeding to the Secretary
23 of the Commission where AT&T and the Bentleyville Telephone
24 Company both expressed that they have no objection to the
25 petition formally resolving the Bentleyville case, and

1 Exhibit No. 3 consists of a letter and attachments from the
2 Secretary of the Commission to all the parties in the
3 Bentleyville proceeding effectively closing the Bentleyville
4 proceeding.

5 JUDGE FORDHAM: Have you given us Exhibit No. 3?

6 MR. SPARKS: I'm sorry. There is Exhibit No. 2 and
7 Exhibit No. 3 that I need to give to you as well. I'm
8 jumping ahead.

9 I'm going to hand out another exhibit, Your Honor.
10 I'd like it to be marked as OCA Cross-Exam Exhibit No. 3.

11 JUDGE FORDHAM: It shall be so marked.

12 (Whereupon, the document was marked
13 as OCA Cross-Examination Exhibit No.
14 3 for identification.)

15 MR. SPARKS: Let the record reflect I'm giving a copy
16 to Your Honor, the witnesses, two copies to the court
17 reporter, and the parties of record.

18 (Pause.)

19 MR. SPARKS: For clarification, the April 17th
20 document, the first date on the first page, that's Exhibit
21 No. 2; and the Secretarial Letter dated November 8th on the
22 first page, that's Exhibit No. 3.

23 JUDGE FORDHAM: Okay. Thank you.

24 MR. SPARKS: As we've already had the discussion that
25 you are not certain about the Commission Order resolving

1 this and we've had a brief discussion about whether it was
2 resolved via a petition, I just would ask that we move these
3 two exhibits into the record.

4 WITNESS BERRY: Although, you know, my testimony --
5 I'm sorry. I should let that be resolved.

6 JUDGE FORDHAM: Ms. Paiva?

7 MS. PAIVA: We have no objection to the exhibits, per
8 se, but we believe that the record would only be complete if
9 we also included the Commission's Order and the statement of
10 Commissioner Rolka that was in the original packet you guys
11 faxed that had the Commission Order that Ms. Berry referred
12 to. I think we need to mark that other part also as an
13 exhibit and then let it all come in.

14 MR. SPARKS: That's fine.

15 MS. PAIVA: Maybe later today or tomorrow we can get
16 the other paper into the record.

17 MR. SPARKS: That's fine.

18 JUDGE FORDHAM: Do you know the date of that Order?
19 Is it referenced in one of these documents?

20 WITNESS BERRY: Actually, Your Honor, it is
21 referenced in my testimony at Footnote 13, and that was the
22 Order that I had reviewed.

23 JUDGE FORDHAM: Let the record reflect that that
24 Order is dated April 9, 1998. That's the Order that you're
25 referring to?

1 MS. PAIVA: Yes.

2 JUDGE FORDHAM: Okay.

3 MS. PAIVA: And these documents reflect later
4 proceedings in the same case.

5 JUDGE FORDHAM: Ms. Paiva has no objection to the
6 admission of OCA Cross-Examination Exhibits 2 and 3. So
7 they're admitted without objection. However, she also wants
8 to have the Opinion and Order referenced in the surrebuttal
9 testimony marked and entered into evidence also, and we will
10 do that at a later time. Thank you.

11 (Whereupon, the documents marked as
12 OCA Cross-Examination Exhibits Nos.
13 2 and 3 were received in evidence.)

14 MS. PAIVA: And also the separate statement of
15 Commissioner Rolka to that Order.

16 JUDGE FORDHAM: And there was an additional statement
17 of Commissioner Rolka that will also be admitted.

18 BY MR. SPARKS:

19 Q. Returning to loop costs --

20 A. (Berry) Pardon me?

21 Q. Returning to loop costs, is the allocation of
22 loop costs between state and federal jurisdictions an issue
23 here in this case?

24 A. (Berry) I think I would say no. We have put,
25 obviously, loop cost information on that record as a means

1 of justifying the reasonableness of our proposed revenue
2 neutral increases, and I'm not certainly the cost expert,
3 I'm sure you know, but I do not believe that the allocation
4 is necessarily an issue in the particular case.

5 Q. Verizon does recover a portion of its loop costs
6 through federal and state charges; for example, the
7 state/local rate and the federal subscriber line charge; is
8 that correct?

9 A. (Berry) Yes.

10 Q. And, finally, I don't know if you have AT&T
11 Statement 2.0 in front of you. If not, I do have a copy of
12 it that I will show to you.

13 A. (Berry) I did not bring that up here, no.

14 MR. SPARKS: May I approach the witness, Your Honor?

15 JUDGE FORDHAM: Yes.

16 MR. SPARKS: I'd like the record to reflect that I am
17 providing the witness with a copy of AT&T Statement No. 2.
18 The information contained in that statement is proprietary.
19 However, the responses of the witnesses will not introduce
20 proprietary matter.

21 JUDGE FORDHAM: Could you repeat the page that you're
22 referring us to?

23 MR. SPARKS: Yes. There is a chart on page 6, and I
24 have it flagged there with a yellow sticky.

25 WITNESS BERRY: Thank you. I'm at the chart.

1 BY MR. SPARKS:

2 Q. Did Verizon use the inputs shown in that chart
3 in Verizon's loop study?

4 MS. PAIVA: I'd object here. This testimony -- this
5 cross would be more proper for our cost witnesses, Ms. Dean
6 and Mr. Sanford, and not for these witnesses.

7 MR. SPARKS: These witnesses have testified as to the
8 costs of Verizon's loops, what's included. This is a
9 relatively simple question. It only requires a yes or no
10 answer as to whether or not it was included or an "I don't
11 know," if that be the case.

12 MS. PAIVA: They may know just based on having read
13 the other testimony, but they're not the ones who prepared
14 the cost studies or know the details of the inputs of the
15 cost studies.

16 JUDGE FORDHAM: I guess the question has been asked
17 did they use this. Is that your question, Mr. Sparks?

18 MR. SPARKS: I think the question is did Verizon.

19 JUDGE FORDHAM: Did Verizon use this?

20 MR. SPARKS: Did Verizon use the inputs shown in this
21 chart in its loop study.

22 JUDGE FORDHAM: I'll allow them to answer it if they
23 know.

24 WITNESS BERRY: Specifically, I do not know.

25 WITNESS WIRL: Same with me. I cannot confirm one

1 way or the other.

2 MR. SPARKS: Thank you. Your Honor, this concludes
3 the OCA's questions to these witnesses. However, the OCA
4 requests that Your Honor admit into the record a series of
5 interrogatory responses. The OCA and Verizon counsel have
6 previously discussed this matter and have agreed that there
7 are no objections from Verizon to this material coming into
8 the record.

9 For the sake of brevity, the OCA proposes that we
10 admit this information as a packet instead of going through
11 each one on an individual basis.

12 JUDGE FORDHAM: Okay. Will this be a joint exhibit
13 or a cross exhibit?

14 MR. SPARKS: This will be a cross-examination
15 exhibit. I've marked these answers. They're OCA Cross-Exam
16 Exhibits Nos. 4 and 5, and I've split them. Cross-Exam
17 Exhibit No. 4 are non-proprietary, and Cross-Exam Exhibits
18 No. 5 are proprietary.

19 I'd like the record to reflect that I'm going to hand
20 copies of these documents to the witnesses, Your Honor, and
21 all counsel of record, and two to the court reporter.

22 JUDGE FORDHAM: I'd just like to note for the record
23 that the first page that does not have a designation on it
24 whether it is proprietary or not, that's the non-proprietary
25 copy, and that is Exhibit No. 4. The other document has

1 proprietary on the front, and that is Exhibit No. 5.

2 (Whereupon, the documents were marked
3 as OCA Cross-Examination Exhibits
4 Nos. 4 and 5 for identification.)

5 (Pause.)

6 BY MR. SPARKS:

7 Q. Just for purposes of authentication, Ms. Berry,
8 would you please take a moment to review these
9 interrogatories, and were these answers prepared by you or
10 under your supervision?

11 A. (Berry) I have had a chance to look through
12 them. Most of them carry my name, not all, but I think Mr.
13 Wirl has looked at the other couple.

14 A. (Wirl) That's correct.

15 Q. And they're true and correct copies of the
16 answers you provided in response to the OCA's
17 interrogatories?

18 A. (Berry) Yes.

19 A. (Wirl) Yes.

20 MR. SPARKS: Thank you. Your Honor, this concludes
21 the OCA's cross-examination, and the OCA would move for the
22 admission into the record of OCA Cross-Exam Exhibits Nos. 1
23 through 5.

24 JUDGE FORDHAM: We've already admitted 2 and 3. Are
25 there any objections to OCA Exhibit 1? That's the NECA

1 submission?

2 MS. PAIVA: No, Your Honor.

3 (Whereupon, the document marked as
4 OCA Cross-Examination Exhibit No. 1
5 was received in evidence.)

6 JUDGE FORDHAM: Any objections to Cross-Examination
7 Exhibits 4 and 5, the two documents that were just admitted?

8 MS. PAIVA: No, Your Honor. Mr. Sparks noted that we
9 had discussed it beforehand, but there was one additional
10 caveat that we stated to the OCA, which is we reserve the
11 right to look through these responses; and if we believe an
12 additional interrogatory response needs to come in to make
13 the record complete, we would raise that in the hearings
14 later, but we have no objections to the exhibits themselves.

15 JUDGE FORDHAM: Okay. I'll give you that
16 opportunity.

17 MR. POVILAITIS: Your Honor?

18 JUDGE FORDHAM: Yes.

19 MR. POVILAITIS: I don't believe there are any cross-
20 examination questions related to Exhibits 4 and 5 of OCA.
21 Is that correct? I don't recall any. In addition, these
22 witnesses are not responsible for all the responses that we
23 see in these. So if we have a stipulation to the effect the
24 parties may introduce any discovery responses regardless of
25 whether there is cross for the witnesses related to the

1 particular questions, that's fine. It's just that to date
2 in this case we don't have that stipulation.

3 Absent a stipulation, then I guess we would object to
4 the introduction of those questions without cross with
5 respect to the witnesses not being responsible for these
6 questions.

7 JUDGE FORDHAM: Mr. Sparks?

8 MR. SPARKS: I can go through each and every one in a
9 serial fashion and ask questions in regard to each one for
10 the formality of bringing it into the record. Just in an
11 attempt to conserve resources, we had a discussion with
12 Verizon counsel previously to bring this information in
13 without having to go through that process.

14 JUDGE FORDHAM: Ms. Paiva?

15 MS. PAIVA: Yes, Your Honor. Well, there is no
16 blanket stipulation to the admission of any interrogatory
17 without questioning the witness, but OCA did contact us
18 beforehand and in an effort just to save time in the
19 hearings wanted to mark these things as a group and bring
20 them in.

21 I looked over them, and all the names on them are Ms.
22 Berry's except for one, which is Marcie Connor. Ms. Connor
23 has retired. Mr. Wirl has taken over her responsibilities
24 and he would adopt that interrogatory. So, in fact, all of
25 these interrogatories do relate to the witnesses who are on

1 the stand, and I guess he could go through each one and
2 question them about them, but we're not insisting on that in
3 order save time in the hearing.

4 MR. POVILAITIS: That's an improvement, certainly,
5 Your Honor. We are not trying to prolong these proceedings.
6 If Verizon and OCA would make a similar stipulation that
7 other interrogatories related to other witnesses can be
8 simply introduced without being relevant to any cross-
9 examination, that's fine.

10 MS. PAIVA: Your Honor, we would consider a request
11 on a case by case basis, but we're not going to make a
12 blanket stipulation like that. If he has an interrogatory
13 he wants to introduce, I'd be glad to look at it and
14 consider it.

15 MR. SPARKS: The OCA concurs.

16 JUDGE FORDHAM: Let's go off the record a minute.

17 (Discussion off the record.)

18 JUDGE FORDHAM: Let's go back on the record.

19 There has been a discussion off the record about the
20 OCA Cross-Examination Exhibits 4 and 5 and whether we need
21 to have any cross-examination of these witnesses prior to
22 admitting these and also whether other parties have
23 objections.

24 Since the parties have not had an opportunity to
25 review these and instead of taking time now to do so, I will

1 hold these two until tomorrow morning and at that ask if any
2 of the other parties have any objections.

3 MR. SPARKS: Your Honor, I don't mean to be terribly
4 argumentative. It is my understanding that the other
5 parties were served with these answers as we went through
6 the case. I may be mistaken about that. But as far as that
7 goes --

8 MS. PAIVA: They were all served.

9 MR. SPARKS: They were all served. So they have had
10 the opportunity to fully examine these answers, and to the
11 effect that they have not done so up to this point is not
12 the fault of the OCA or Verizon.

13 JUDGE FORDHAM: I don't think the question is whether
14 they object to the information in here, but there was a
15 question about whether there were other interrogatories that
16 they would like to also have admitted. That's what I'm
17 holding the record open for.

18 MR. SPARKS: Thank you, Your Honor.

19 JUDGE FORDHAM: Next we'll have cross-examination by
20 MCI. Ms. Misturak-Gingrich.

21 MS. MISTURAK-GINGRICH: Thank you, Your Honor. Do
22 you mind if I stand?

23 JUDGE FORDHAM: That's fine.

24 **CROSS-EXAMINATION**

25 BY MS. MISTURAK-GINGRICH:

1 Q. Good morning.

2 A. (Berry) Good morning.

3 A. (Wirl) Good morning.

4 Q. Ms. Berry, on page 5 of your direct testimony,
5 you were talking about residual pricing and you were talking
6 about the fact that the rate increases that were set for
7 services like toll and access are normally the services that
8 subsidize basic services such as local; is that correct?

9 A. (Berry) I'm looking at my testimony. Toll and
10 access are given as examples, yes. There are certainly
11 other services that make contributions as well to keep basic
12 local rates low.

13 Q. And the purpose being that was to have
14 ubiquitous residential local service to be universally
15 available; is that correct?

16 A. (Berry) I would say generally, yes, that was
17 the purpose along with other steps that Commissions
18 typically took in the past, yes.

19 Q. But in the same context that you were discussing
20 the residential pricing concept, you also recognized that
21 the Commission ratified that concept in the context of a
22 monopoly environment; isn't that correct?

23 I would refer you specifically to page 5 of your
24 direct testimony and Footnote No. 2.

25 A. (Berry) And I see that and I do see the words

1 that you cited, yes.

2 Q. And wouldn't you agree that today, Verizon and
3 Verizon North are not operating in a monopoly environment
4 any longer?

5 A. (Berry) I certainly would agree with that
6 statement.

7 Q. So possibly the concept of residual pricing and
8 subsidy of local telephone service is no longer appropriate
9 in the new competitive environment?

10 A. (Berry) Certainly, there has been recognition,
11 and I could find some cites where the Commission, some of
12 the Commission's Administrative Law Judges have recognized
13 that this practice of the past can't really be sustained in
14 a competitive environment, and I think the question is how
15 do you make those changes over a period of time.

16 Q. And in your testimony, did you give any
17 anticipation of what this over time period would actually be
18 until they moved away from this subsidy concept?

19 A. (Berry) Not to my immediate recollection,
20 although some of the testimony does cite FCC decisions, and
21 there is an FCC Order. I think it was the Calls Order where
22 the FCC had said that they were going to let the market kind
23 of take hold of access prices over the next five-year period
24 rather than being very prescriptive about them.

25 That's one reference that I do remember in the

1 testimony. There could be something else here that I'm not
2 recollecting.

3 Q. I think maybe you or Mr. Wirl answered this for
4 Mr. Barber, but just in case I missed it or I'm not clear on
5 it, can you identify the last time that Verizon or Verizon
6 North reduced their intrastate access rates as a result of
7 the competitive market rather than as a result of a
8 regulatory mandate? Is there such a time that they've done
9 that?

10 A. (Wirl) Not that I'm aware of, no.

11 A. (Berry) The interesting thing is, though, the
12 regulatory mandates have occurred basically year after year
13 after year, and Verizon Pennsylvania's access rates are the
14 lowest in the State of Pennsylvania.

15 Q. But they're still by your own admission
16 significantly above cost of providing those services
17 regardless of how you calculate cost; isn't that correct?

18 A. (Berry) Well, I don't know if I would adopt
19 your word "significantly," but they certainly are above cost
20 and they certainly do provide a contribution, yes.

21 Q. Can you give me an idea since -- I don't want to
22 bicker with you about the word "significantly," but can you
23 tell me what the percentage is that they're above cost as
24 they've been calculated by Verizon? Actually, do it both
25 ways, with the original Verizon proposal and then with the

1 OCA/Verizon joint proposal.

2 A. (Wirl) Again, I don't think I have that. What
3 I'm seeing is that percentage-wise, of our \$200 million
4 revenue stream, to take rates strictly to the cost would be
5 about 71 --

6 JUDGE FORDHAM: Wait a minute. Is this proprietary?

7 MS. PAIVA: What he just said was proprietary, the
8 numbers that he just gave.

9 JUDGE FORDHAM: Let's go off the record a minute.

10 (Discussion off the record.)

11 JUDGE FORDHAM: We're back on the record, and this
12 part will be proprietary.

13 (Whereupon, the following page 114 was sealed and
14 bound separately.)

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1 Q. Ms. Berry, I think this is directed to you. On
2 page 10 of your testimony, you said that merging the rate
3 structures without any reduction in total revenues is a
4 reasonable manner in which to achieve the parity that is
5 desired.

6 Can you cite to me any Commission Order that says
7 that access charge reductions must be done on a revenue
8 neutral basis, because that seems to be a lynch pin of
9 Verizon's proposal here, is it not?

10 A. (Berry) I'm on page 10 of my direct, if you can
11 just direct me to where your initial phrase was that I said
12 that it would be a means of achieving the parity that is
13 required? I see some similar things.

14 MS. MISTURAK-GINGRICH: I'm sorry. We're off the
15 proprietary record right now. I don't believe this is
16 proprietary information.

17 JUDGE FORDHAM: Let's go off the record a minute.

18 (Discussion off the record.)

19 JUDGE FORDHAM: We're back on the record.

20 The prior discussion was proprietary. This last
21 question was not proprietary and the answer will not be
22 proprietary.

23 MS. MISTURAK-GINGRICH: And I'll try to reserve my
24 proprietary questions, Your Honor, as a group, but I didn't
25 know how Mr. Wirl was going to answer the last question, so

1 I apologize.

2 BY MS. MISTURAK-GINGRICH:

3 Q. I'm referring to page 10, lines 15, 16 and 17.

4 A. (Berry) Okay. Thank you. And then your
5 following question was the revenue neutrality?

6 Q. My question had two parts, first of all. First
7 is that a lynch pin of Verizon's proposal to reduce access
8 charges seems to be that it has to be done on a revenue
9 neutral basis. Is that a fair statement?

10 A. (Berry) That is fair absolutely.

11 Q. And my next question is: can you cite me to a
12 Commission Order that says that access charge reductions
13 must be done on a revenue neutral basis?

14 A. (Berry) Perhaps the word "must" I may not be
15 able to do. However, I do cite in testimony and I could
16 find it in a couple of minutes where in the Commission's
17 Merger Order and Global Order where there are statements by
18 the Commission of what they want to do with access, there is
19 certainly an acknowledgement that we are free to propose
20 this on a revenue neutral basis.

21 Beyond that, my testimony does include and I think
22 it's in the surrebuttal testimony a chart of rebalancing
23 proposals that the Commission has approved over a period of
24 I think it's the last six years where access charges are
25 changed and they're changed by a revenue neutral basis.

1 So the Commission has certainly indicated by its
2 action that that is an understood approach; and, frankly,
3 that's very consistent with what the FCC has done over a
4 period of time, and to do otherwise would actually penalize
5 Verizon or any of the other companies for past policies and
6 structures of how rates were designed not always at the
7 choice of the company, and so this kind of restructuring in
8 view of a competitive marketplace that has evolved I think
9 is something that the Commission has shown is consistent
10 with their policies over time.

11 Q. But in the same Orders that you're citing, the
12 Merger Order and the Global Order, isn't the Commission also
13 making a statement that they were the historical implicit
14 and explicit subsidies that we needed to start moving away
15 from? I mean, isn't that exactly the same statement so that
16 this whole idea of revenue neutrality is really a remnant of
17 the old, you know, regulated monopoly regime that no longer
18 is appropriate?

19 MS. PAIVA: Your Honor, I have to object here. We're
20 getting into a point of speculating about what the
21 Commission meant in its Orders. These witnesses are not
22 lawyers and MCI can argue in its brief about what it thinks
23 the Commission meant in its Orders.

24 MS. MISTURAK-GINGRICH: I'm asking her what her
25 understanding is since she's the one responsible for

1 formulating Verizon's policy on that. I'm asking her the
2 basis on which she is advocating that this needs to be
3 revenue neutral.

4 MS. PAIVA: Well, the question is extremely
5 argumentative. You're not asking her her interpretation.
6 You're basically laying out MCI's interpretation.

7 JUDGE FORDHAM: Could you rephrase your question?

8 MS. MISTURAK-GINGRICH: I'll rephrase the question.

9 BY MS. MISTURAK-GINGRICH:

10 Q. Can you explain to me your understanding of what
11 Commission Orders you relied on in stating that this access
12 charge reduction needed to be revenue neutral?

13 A. (Berry) Again, the Global Order and the
14 Commission's Merger Order most directly relating to Verizon.
15 However, also FCC Orders, which the Pennsylvania Commission
16 has certainly been mindful of over a period of time, and
17 other rate rebalancing decisions that the Commission has
18 made affecting other telephone companies, and, of course,
19 the Commission's recent approval of the RTCC settlement and
20 the RTCC and the other parties' settlement in their access
21 charge proceeding.

22 Q. Is it your position that those Orders that
23 you're relying on are citing to require revenue neutrality
24 as a condition of access charge reduction?

25 A. (Berry) Require, I can't say that they

1 absolutely require, but they certainly do approve; and in
2 the context of what has been done again in other cases in
3 the State of Pennsylvania and at the federal level, it
4 certainly is a policy that has been followed.

5 Q. I'm not sure whether this is properly to you,
6 Mr. Berry, or you, Mr. Wirl, but access revenue is 5.5
7 percent of Verizon's total revenues. Is that a correct
8 statement? I think that that was actually taken from Mr.
9 Pelcovits' testimony from the annual reports that are filed
10 by Verizon. Now, this would only be Verizon PA, I believe.

11 A. (Berry) I do remember Mr. Pelcovits' testimony.
12 I know I looked at some surrebuttal. I'm just taking a look
13 at this surrebuttal testimony on page 22.

14 (Pause.)

15 A. (Berry) I'm sorry. Now at this point I've lost
16 the thread of your question, if you could repeat that.

17 Q. I said do you have any reason to believe that
18 the 5.5 percent that Dr. Pelcovits cited in his testimony as
19 being the percentage of access revenues to Verizon PA's
20 total revenues is not accurate since that was taken from the
21 Verizon annual reports that are filed with the Commission?

22 A. (Berry) I think the number itself and what it
23 was divided by and so forth, I don't quarrel with the
24 accuracy of the calculation. I certainly quarrel in my
25 testimony with what it represents and whether it has any

1 value, that calculation. Obviously, as you pointed out, it
2 doesn't include Verizon North. It is based on the company's
3 total operating revenues, and even though 5.5 percent would
4 perhaps to some people seem a low number, the truth of the
5 matter is that Verizon North, that number would be far
6 higher; and if I kind of skip to the end, the implicit
7 suggestion that seems to be here that we could just absorb
8 that loss, I think the company's investors would certainly
9 take an opposite point of view as to whether that's
10 reasonable or not.

11 Q. I think maybe you made a leap of faith there.

12 A. (Berry) I probably did.

13 Q. You're assuming that we're taking issue with
14 that. I think maybe the issue is are there other ways and
15 other services by which Verizon could compensate for this
16 potential loss of revenue that wouldn't directly impact on
17 basic residential service. For example, the vertical
18 services.

19 A. (Berry) Well, even in our proposal, in our
20 original proposal, and the joint proposal with the OCA,
21 we've certainly reserved the right and indicated more than
22 one time that we may apply some of this revenue neutral
23 recovery to business rates.

24 Vertical services, I wouldn't say that that's not a
25 possibility, but we haven't really studied that carefully.

1 Q. We're going to go on the proprietary record
2 later on and talk a little bit about that, but did you do
3 any calculations to show what the total percentage of access
4 revenues are to the combined companies for purposes of
5 preparing your testimony or appearing here today?

6 You said it was 5.5 percent of Verizon PA, and you
7 said it was a much higher percentage for Verizon North, but
8 did you do any calculations with respect to total percentage
9 of revenues to total company revenue of the combined
10 companies?

11 A. (Berry) No.

12 Q. I'm not sure which of the two of you might be
13 appropriate to answer this, but isn't it true that Verizon
14 or Verizon North have no incremental switching costs based
15 upon customer usage?

16 A. (Wirl) What do you mean by that? I'm not sure.

17 Q. Well, for purposes of a switch being
18 implemented, a switch being in effect, that there is no
19 incremental cost that accrues to Verizon or Verizon North as
20 the result of the quantity of usage that passes through that
21 switch?

22 A. (Wirl) Well, that's probably true in the short
23 term, but certainly if your volumes double, your switch
24 replacement has to be done to either put in a larger switch

25 --

1 Q. So you might have to --

2 A. (Wirl) But, you know, just an incremental five
3 or six minutes, no, is not going to increase your costs
4 significantly.

5 Q. Now, we were talking about the fact that the
6 Commission has historically approved revenue neutral filings
7 for some of these other companies that have undergone access
8 reductions.

9 Verizon on page 26 of your direct testimony talks
10 about that Verizon itself -- this is Verizon PA -- serves
11 1.6 million rural access lines.

12 Can you tell me how many access lines per square mile
13 that actually equates to for the rural portion?

14 A. (Berry) If you give me a minute, I know I have
15 some access line per square mile information somewhere in my
16 testimony. Let me refresh my recollection.

17 (Pause.)

18 A. (Berry) If I recollect your question
19 accurately, you were asking about Verizon Pennsylvania's
20 access lines per square mile in the rural area.

21 Q. Right.

22 A. (Berry) No. I don't have that figure.

23 Q. So you don't know how it comports then with the
24 62.8 access lines of Sprint or the 93 of Verizon North; is
25 that a fair statement?

1 A. (Berry) That's true. I do not know.

2 Q. Can you tell me what the total company access
3 lines per square mile would be for Verizon PA?

4 A. (Berry) Verizon PA, I don't know that either.

5 Q. You talked on page 26 of your direct testimony
6 also about the cost of providing service is largely a
7 function of the loop lengths.

8 Can you tell me what the average loop length of
9 Verizon PA or Verizon North would be?

10 A. (Berry) I can't. I have a feeling that our
11 cost witnesses could tell you that precise number. I was
12 speaking in terms of my general understanding.

13 Q. Do you know how they comport at all with Sprint
14 or Alltel's length of their -- the average length of their
15 loops?

16 A. (Berry) No, I don't, and I'm not so sure that
17 we would have that information.

18 Q. Do you think it's a fair statement that in
19 regulatory proceedings generically Verizon argues to achieve
20 the lowest reciprocal comp rates that it could possibly get?

21 A. (Berry) I'm not sure. I haven't really been
22 involved in reciprocal comp cases lately. So I can't
23 confirm or deny that really.

24 Q. Mr. Barber gave you some statistical numbers
25 showing that Verizon pays a lot more in reciprocal comp than

1 it receives in reciprocal comp.

2 So do you think it's a fair assertion that Verizon
3 would certainly want to keep those recip comp rates as low
4 as they possibly could because of the money going out versus
5 coming in?

6 A. (Berry) Again, not having a lot detail at my
7 disposal, I'm reluctant to confirm that.

8 Q. Mr. Wirl, do you know anything about that?

9 A. (Wirl) No. I don't know anything about
10 reciprocal comp that much, but I agree that, like any
11 company, you would want to reduce your costs as much as
12 possible for what you pay out, yes.

13 MS. MISTURAK-GINGRICH: Your Honor, may I approach
14 the witness, please?

15 JUDGE FORDHAM: Yes, you may.

16 BY MS. MISTURAK-GINGRICH:

17 Q. I'm going to show you what I'm going to have
18 marked as MCI Cross Exhibit 1.

19 JUDGE FORDHAM: It shall be so marked.

20 (Whereupon, the document was marked
21 as MCI Cross-Examination Exhibit No.
22 1 for identification.)

23 MS. MISTURAK-GINGRICH: This is not a proprietary
24 exhibit. For the record, this is Verizon Pennsylvania's
25 responses to Set V, Interrogatory No. 4 of the OCA

1 interrogatories.

2 BY MS. MISTURAK-GINGRICH:

3 Q. I think it was answered by both of you; is that
4 correct?

5 A. (Wirl) That's correct.

6 Q. Do you have any reason to believe that this
7 information still isn't complete and accurate?

8 A. (Wirl) No.

9 A. (Berry) I would note, however, that this
10 response also refers to the response to OTS 6, and we don't
11 have OTS 6 available to us. So I don't know whether there
12 are any caveats on OTS 6 that we ought to be mindful of.

13 Q. Subject to your right to check OTS 6, would you
14 agree that these are still current and accurate information?

15 A. (Berry) I think.

16 Q. I'm going to show you another document which
17 will be marked as MCI Cross 2.

18 JUDGE FORDHAM: It shall be so marked.

19 (Whereupon, the document was marked
20 as MCI Cross-Examination Exhibit No.
21 2 for identification.)

22 MS. MISTURAK-GINGRICH: I apologize. I don't think I
23 have enough to go around. I'll get some more.

24 For the record, this is Verizon North's and Verizon
25 Pennsylvania's answers to Set I, Interrogatory No. 17 of

1 AT&T. I think it's actually one that Mr. Barber had shared
2 with everyone earlier.

3 BY MS. MISTURAK-GINGRICH:

4 Q. This is directed to you, Ms. Berry. I think Mr.
5 Barber touched on this question, and if you answered it and
6 I missed it, I apologize. You did talk in your answer that
7 for purposes of the network, the termination of local and
8 toll calls is identical, but you said that there might be
9 some different translations.

10 Can you tell us how that impacts on the cost of the
11 service, these different translations?

12 A. (Berry) Frankly, no, I can't answer the nature
13 of the impact on the cost.

14 Q. So you can't even tell us whether there is any
15 cost as a result differences as a result of these
16 translations; is that correct?

17 A. (Berry) That's true.

18 MS. MISTURAK-GINGRICH: I'll be marking what is MCI
19 Cross No. 3.

20 JUDGE FORDHAM: It shall be so marked.

21 (Whereupon, the document was marked
22 as MCI Cross-Examination Exhibit No.
23 3 for identification.)

24 JUDGE FORDHAM: I would note at this time that this
25 is proprietary.

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MS. MISTURAK-GINGRICH: Yes. The next two exhibits are proprietary, so we should go on the proprietary record.

JUDGE FORDHAM: We are going on the proprietary record at this point.

(Whereupon, the following pages 128 through 131 were sealed and bound separately.)

FORM 2

1 JUDGE FORDHAM: Let's go off the record a minute.

2 (Discussion off the record.)

3 JUDGE FORDHAM: Let's go back on the record.

4 We're taking our lunch break now. We will return at
5 1:30. Thank you.

6 (Whereupon, at 12:18 p.m., the hearing was adjourned,
7 to be reconvened at 1:30 p.m., this same day.)
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AFTERNOON SESSION

(1:34 p.m.)

JUDGE FORDHAM: We are back on the record.

The witnesses are still under oath.

Whereupon,

DEBRA M. BERRY

and

MICHAEL J. WIRL

having previously been duly sworn, testified further as follows:

JUDGE FORDHAM: The next company to cross-examine will be Qwest.

Ms. Smith.

CROSS-EXAMINATION

BY MS. SMITH:

Q. Hello. Good afternoon.

A. (Wirl) Good afternoon.

A. (Berry) Hello.

Q. My name is Kristen Smith. I represent Qwest Communications.

I wanted to start in your surrebuttal testimony on page 7. It's the portion of the testimony that addresses the joint proposal with OCA.

A. (Berry) Okay.

Q. In the description of the proposal with OCA, the

1 testimony mentions that there will be a \$40 million cap on
2 the offset pass-through to the residential basic local
3 service customers; is that correct?

4 A. (Berry) Correct. Right.

5 Q. This \$40 million residential cap, was that just
6 -- I'm wondering what the origin of that was. I'm assuming
7 that it was based on your negotiations and settlement, is
8 that correct, or is there some other basis in law or --

9 A. (Berry) No, there's no basis in law that I'm
10 aware of. Certainly, there's a relationship between that
11 and the dollar maximum compared to the example that we set
12 forth in our original proposal where, you know, if we had
13 taken the carrier charge all the way to zero, the absolute
14 maximum, if you applied it all to residence, would have been
15 \$1.90. So certainly in the negotiation process, there's a
16 compromise on that absolute extreme number.

17 Q. As I also understand from the testimony on this
18 page of your surrebuttal testimony, --

19 MS. SMITH: This is proprietary.

20 JUDGE FORDHAM: At this time we're going on
21 proprietary.

22 (Whereupon, the following pages 135 through 141 were
23 designated proprietary and were sealed and bound
24 separately.)
25

1 JUDGE FORDHAM: Ms. Jones.

2 MS. JONES: Thank you, Your Honor.

3 CROSS-EXAMINATION

4 BY MS. JONES:

5 Q. Good afternoon, Ms. Berry and Mr. Wirl.

6 A. (Berry) Good afternoon.

7 Q. My name is Angela Jones. I believe this is my
8 first introduction to you both. Welcome to Harrisburg.

9 A. (Berry) Thank you.

10 Q. I represent the Office of Small Business
11 Advocate. We are very concerned about your proposal from
12 the perspective of business customers, so with that in mind,
13 I think what I will do is take up the line of questioning
14 that you just had an exchange with Ms. Smith. And I believe
15 these questions are directed to you, Ms. Berry, but, Mr.
16 Wirl, if they are to you, please answer them.

17 In the questions that Ms. Smith asked specific to
18 business line customers, I believe she asked what your
19 proposal was, and I believe your response was you have no
20 concrete proposal for business line customers; is that
21 correct?

22 A. (Berry) In essence, that is; that was my
23 answer. I could explain just a little further that for
24 neither residence or business customers, we haven't put a
25 specific tariff filing on the record, so we don't have a

1 specific proposal in either instance, but we have some
2 parameters around both residential and, by default,
3 business, the overall revenue parameter, which would be
4 proprietary.

5 Q. Okay. Now, I'm going to try to do this without
6 getting on the proprietary record.

7 A. (Berry) Okay.

8 Q. Your answer that you just gave me is for both
9 your initial proposal and the joint proposal from OCA and
10 Verizon; correct?

11 A. (Berry) Maybe I'll take them one at a time.

12 Q. Please.

13 A. (Berry) For the initial proposal, in order to
14 show what you might say the maximum impact on one group of
15 customers, we priced things out looking at residence,
16 without making a specific proposal, and reserving the right
17 to put some of the increase on business, so that was setting
18 broad parameters. For the joint proposal between OCA and
19 Verizon, we certainly zeroed in to a greater extent on
20 residence and capped the overall revenue amount that we
21 would seek to recover from residence, and capped the amount
22 per line, per residence line, at a dollar.

23 Q. However, as we sit here today, there is nothing
24 specific for the business customers for the joint proposal;
25 is that correct?

1 A. (Berry) Other than the residual revenue amount,
2 I agree with you.

3 Q. Other than the residual revenue amount?

4 A. (Berry) -- revenue amount. You know, there is
5 one more thing that's in the background, and that is our
6 Chapter 30 plans. Our original proposal mentioned that all
7 the parameters in the Chapter 30 plans that pertain to
8 rebalancing -- and by the way, the Chapter 30 plans are the
9 price cap plans for each company. There's a different plan
10 for Verizon PA and Verizon North, but in terms of
11 rebalancing, they're quite similar. Those provisions
12 remain, so the overall capped amount and so forth still
13 would pertain to any proposal that we would put on the
14 table, residence or business.

15 Q. Turning to the surrebuttal testimony at page 4,
16 and specifically looking at lines 13 and 14, that sentence,
17 "Verizon's plan allowed for the increases to be placed on
18 residential rates, or for some of the increase to be placed
19 on business rates," so the interpretation that you expected
20 from that sentence was that there was a possibility to
21 increase business rates as well as residential rates?

22 A. (Berry) From our original proposal, this is
23 referencing, and the answer is yes.

24 Q. So it's not apples or oranges, it's apples
25 and/or oranges; correct?

1 A. (No response.)

2 Q. Let me rephrase.

3 A. (Berry) Oh, you're focusing on the word "or"?

4 Q. Yes, I am.

5 A. (Berry) Give me a moment to just re-look at
6 something. I think I want to say yes, but --

7 (Pause.)

8 A. (Berry) I think it would be more appropriate
9 for that "or" to be an "and."

10 Q. So you're changing your testimony?

11 A. (Berry) Yes.

12 Q. Now, I'm going to take your memory back to your
13 exchange again with Ms. Smith. You were talking about the
14 B-1 rate, and I believe in your explanation you said that
15 that would include dial tone line as well as multi-line. Am
16 I correct in my memory of what you said?

17 A. (Berry) I don't remember using the phrase
18 "multi-line," but I agree with you.

19 Q. What did you say?

20 A. (Berry) I'm not sure if I can reconstruct
21 exactly, but I --

22 Q. If I asked the question again, what would be
23 your response? When you're talking about the B-1 rate, what
24 does that mean? What business customers' rates are
25 susceptible?

1 A. (Berry) The business local exchange rates,
2 which include dial tone line end usage, would be --

3 Q. Dial tone line end usage. Okay. So we're
4 talking about single line businesses, multi-line businesses.
5 Anything else?

6 A. (Berry) Yes.

7 Q. And what would that be?

8 A. (Berry) I'm sorry?

9 Q. And what would that be? I said, "Anything
10 else?" You said "Yes." So what would that extra be?

11 A. (Berry) I don't know if there would be other
12 businesses besides single line and multi-line. Some
13 businesses buy Centrex and PBX, but, in essence, they're
14 still -- they're multi-line customers.

15 Q. Correct. I would agree with you.

16 Now, there is a caveat, I believe, when you had your
17 exchange with Ms. Smith, in saying that those customers that
18 have contracts would not be susceptible; is that correct?

19 A. (Berry) Yes, I did say that. That's right.

20 Q. So we're talking about, in my words -- I'm not
21 going to use your words -- single line and multi-line
22 business customers that are not currently contracting with
23 Verizon or Verizon North; correct?

24 A. (Berry) Yes. My only hesitation is that,
25 again, we haven't put an entire proposal on paper, it hasn't

1 been developed, so my comments are that, in general,
2 customers that have contracts would not be affected by a
3 proposed increase. I do not expect those business customers
4 to be affected. But to the extent that your questions are
5 leading in the realm of defining more and more and more what
6 we might do, there's a point at which I can't really go
7 further and be definitive because it hasn't been developed
8 yet.

9 Q. Okay. Thank you for your response.

10 Ms. Berry, you are responsible for explaining the
11 joint proposal between OCA and Verizon; correct?

12 A. (Berry) Yes.

13 Q. Were you responsible for negotiating that
14 proposal?

15 MS. PAIVA: We would object to that, because what
16 goes on in settlement negotiations themselves is
17 confidential. She can explain what the proposal is, but I
18 don't think it's appropriate to ask her about what went on
19 in the negotiations.

20 JUDGE FORDHAM: I think she asked was she a part of
21 the negotiations.

22 Let's go off the record a minute.

23 (Discussion off the record.)

24 JUDGE FORDHAM: We're back on the record.

25 Ms. Paiva has no objection to Ms. Jones question as

1 to whether Ms. Berry was a part of the negotiations.

2 WITNESS BERRY: Yes, especially to the extent that I
3 interacted with people within Verizon that are lines of
4 business and other policy-makers within Verizon to identify
5 what could be agreed to.

6 BY MS. JONES:

7 Q. Your interaction was confined internal to
8 Verizon and not with OCA?

9 A. (Berry) No. I said especially, not exactly
10 confined to, no.

11 Q. So you did interact with persons from OCA?

12 A. (Berry) I recollect a conference call that
13 included a number of parties, including OCA, yes.

14 Q. Thank you.

15 MS. JONES: One moment, Your Honor.

16 JUDGE FORDHAM: Sure.

17 (Pause.)

18 BY MS. JONES:

19 Q. Mr. Wirl, I believe this is your question.

20 A. (Wirl) All right.

21 Q. You're responsible for Exhibit 6, MJW-6; is that
22 correct? That's attached to the direct testimony.

23 A. (No response.)

24 Q. Is that correct? I'm sorry; I didn't hear your
25 response.

1 A. (Wirl) Yes. I'm sorry.

2 Q. And here we're talking about the initial
3 proposal, Scenarios 1 and 2; correct?

4 A. (Wirl) You are correct.

5 JUDGE FORDHAM: Ms. Jones, this is proprietary?

6 MS. JONES: I don't believe I'm going to get into
7 numbers, Your Honor. I don't know what exactly on this page
8 is proprietary. I'm going to talk generally about the
9 scenarios.

10 JUDGE FORDHAM: Ms. Paiva?

11 (No response.)

12 JUDGE FORDHAM: Ms. Paiva, this exhibit is
13 proprietary. She says she's going to ask general
14 information.

15 MS. PAIVA: Yes. Actually, more than the numbers are
16 proprietary, so I guess we can proceed until we get into
17 something proprietary, and then we can stop at that point.

18 JUDGE FORDHAM: You may proceed, Ms. Jones.

19 MS. JONES: Thank you, Your Honor.

20 BY MS. JONES:

21 Q. Now, Ms. Berry has testified that there was no
22 specific proposal for the business customers for both the
23 initial and the joint proposal between Verizon and OCA. All
24 I want to do is confirm that this exhibit, which shows the
25 initial proposal, Scenarios 1 and 2, which you sponsored,

1 you agree with her explanation of there's no specific
2 proposal for the business customers.

3 A. (Wirl) Right. This proposal, MJW-6, showing
4 scenario 1 and 2, dealt strictly with residential customers.

5 Q. Thank you, Mr. Wirl.

6 MS. JONES: Your Honor, I think I'm done, but I need
7 to check. May I have a moment, please?

8 JUDGE FORDHAM: Sure.

9 (Pause.)

10 MS. JONES: Thank you, Mr. Wirl, Ms. Berry.

11 Your Honor, I have no further questions.

12 JUDGE FORDHAM: Thank you very much.

13 Mr. Mickens.

14 MR. MICKENS: Thank you, Your Honor.

15 **CROSS-EXAMINATION**

16 BY MR. MICKENS:

17 Q. Good afternoon, Ms. Berry, Mr. Wirl. My name is
18 Kenneth Mickens. I represent the Office of Trial Staff in
19 this proceeding.

20 A. (Berry) Good afternoon.

21 Q. My questions, I assume most of these are
22 directed to Ms. Berry, but I'm not sure. Who is mainly
23 responsible for the RTCC settlement? Who would know the
24 most about that?

25 A. (Berry) I think it would be me.

1 Q. That's what I thought. Ms. Berry, would you
2 agree that in various places in your direct testimony, you
3 describe the Verizon plan as either virtually identical in
4 substance, virtually identical or identical, to the RTCC
5 settlement?

6 A. (Berry) Yes, I would.

7 Q. How familiar are you with the details of the
8 RTCC settlement?

9 A. (Berry) I'm very familiar with the wording of
10 the settlement proposal itself, a little less familiar with
11 the actual rate impacts for each individual company,
12 although I did, in my surrebuttal testimony, have an exhibit
13 that laid those out. But, I mean, as far as the background
14 behind those, I'm not that familiar with that.

15 Q. Let's see how familiar you are. Would you agree
16 that all of the companies in the RTCC settlement propose to
17 reduce intrastate traffic sensitive rates either to or
18 towards interstate traffic sensitive rates?

19 A. (Berry) I would tend to agree with that. Just
20 a couple more words. Obviously, they are reducing their
21 intrastate rates, and from what I know of the present status
22 of their intrastate rates, they are higher than interstate,
23 so, therefore, toward interstate makes sense to me, yes.

24 Q. Would you also agree that in this proceeding
25 Verizon is proposing new switched access rates?

1 A. (Berry) You mean new -- if you mean new rate
2 elements, I agree that there are a few new rate elements in
3 our proposal that I know Mr. Wirl had talked about.

4 Q. You would agree with that, Mr. Wirl?

5 A. (Wirl) Yes, definitely.

6 Q. Would you also agree that the RTCC settlement
7 does not contain any switched access increases or any new
8 switched access charges?

9 A. (Berry) I can say that I'm not aware of any.

10 Q. Let me ask it another way. Do you have any
11 reason to doubt that?

12 A. (Berry) No, I don't.

13 Q. Ms. Berry, has Verizon provided a comparison of
14 rates agreed to in the RTCC settlement in connection with
15 the proposal that we're dealing with here today?

16 A. (Berry) I have an exhibit, my Exhibit No. 2
17 attached to the surrebuttal testimony, that does include the
18 information from the RTCC settlement, which is the proposed
19 implementation. Now -- I'm sorry, perhaps you asked me
20 about the access rates.

21 Q. That's correct.

22 A. (Berry) And I was skipping to the revenue
23 neutral offset.

24 Q. Right. My question is concerning the access
25 rates. I believe you responded in an interrogatory.

1 A. (Berry) I could look through and refresh my
2 recollection, I'm sure, but --

3 MS. PAIVA: Could I just interject a minute? There
4 is a document that the RTCC has produced, and I assume that
5 OTS has it, that goes through these details that we received
6 from the RTCC subsequent to this testimony. I would be glad
7 to put that in front of Ms. Berry, if that would help her
8 answer these questions.

9 BY MR. MICKENS:

10 Q. Well, perhaps it could. I just wanted to refer
11 her to a document that was a response to OTS Interrogatory
12 No. 19, in which you responded concerning the RTCC switched
13 access rates and that the company did not provide any of
14 those in this proceeding; is that correct?

15 A. (Berry) That was OTS No. 19?

16 Q. Yes. What we were looking for was a comparison.
17 Did you provide a comparison of those rates in connection
18 with your statements in this proceeding?

19 A. (Berry) Yes. Subsequent to this interrogatory
20 response, I did receive information, more information, about
21 the RTCC settlement and the rates themselves.

22 MS. PAIVA: Just to be clear, it's our understanding
23 that all the parties had that document already, that this is
24 something OTS would have had in its possession.

25 MR. MICKENS: Yes. I'm asking the witness for her

1 knowledge. I have a lot of knowledge about that, but I'm
2 asking the witness.

3 MS. PAIVA: I just think it's a little unfair to ask
4 her very specific questions about these numbers unless
5 you're going to put the document in front of her.

6 MR. MICKENS: First of all, I asked her whether she
7 was aware of it, and that's what I'm trying to determine at
8 this point. As far as where we're going with it, we haven't
9 gotten there yet.

10 MS. PAIVA: We'll see where you go.

11 MR. MICKENS: Yes.

12 BY MR. MICKENS:

13 Q. Ms. Berry, would you agree that Verizon's
14 original proposal in this proceeding, at least one of the
15 options, was to completely eliminate the CC, or the customer
16 charge, for Verizon PA and Verizon North?

17 A. (Berry) I do agree that we showed a scenario,
18 the Scenario 2, that would have completely eliminated the
19 carrier charge, yes.

20 Q. In connection with that original proposal where
21 you claim the company provided those options, in your
22 opinion, or in the company's opinion, who was going to make
23 the ultimate determination as to which option was most
24 appropriate to implement?

25 A. (Berry) The Commission.

1 Q. The Commission. Was Verizon taking a position
2 at all with regard to which one of those options the
3 Commission should favor?

4 A. (Berry) No, we did not. In satisfaction of our
5 merger commitment, and in making the filing, we indicated
6 that that could be satisfied simply by bringing the two
7 disparate sets of access rates into parity with one another,
8 without going any step further, and we did put the extra two
9 steps on the record for consideration, without a suggestion
10 as to which or either of them should be done.

11 Q. Ms. Berry, concerning your knowledge of the RTCC
12 settlement, was the CC charge -- isn't it true that the CC
13 charge was actually increased for several of the RTCC
14 companies in connection with the settlement?

15 A. (Berry) I don't recollect, and I don't have
16 that back-up documentation in front of me.

17 MR. MICKENS: One moment, Your Honor?

18 JUDGE FORDHAM: Sure.

19 (Pause.)

20 (Document handed to witness.)

21 BY MR. MICKENS:

22 Q. Do you have that document in front of you, Ms.
23 Berry?

24 A. (Berry) I do at this point. Thank you.

25 Q. If you look at the proposed CC charge, or CCL,

1 for the companies, would you agree with me that -- I believe
2 that for about 21 of those companies the CC charge was
3 actually increased?

4 A. (Berry) Skimming down the last two columns of
5 Scenario 1, is that perhaps where I should be?

6 MR. MICKENS: Could I approach the witness, Your
7 Honor?

8 JUDGE FORDHAM: Yes, you may.

9 MR. MICKENS: I'm not sure exactly what's on this
10 document.

11 WITNESS BERRY: I must not be in the same place as
12 you, because it looks like these are all decreases, so --

13 (Pause.)

14 WITNESS BERRY: This is what I have, current CCL rate
15 per line, so it's different than what you have there, and
16 those are all shown as decreases, so I'm not quite -- oh,
17 current and proposed.

18 MR. BARBER: It might make some sense to go off the
19 record here, Your Honor.

20 JUDGE FORDHAM: Yes.

21 MR. MICKENS: Yes. I would appreciate it, Your
22 Honor.

23 JUDGE FORDHAM: We're off the record.

24 (Discussion off the record.)

25 JUDGE FORDHAM: We're back on the record.

1 There was a discussion between counsel for OTS,
2 counsel for Verizon and OTS's witness and Ms. Berry as to
3 some documents, and Mr. Mickens at this time can put that on
4 the record.

5 MR. MICKENS: Yes, Your Honor. Verizon and I had a
6 discussion concerning possibly documenting the CCL charges
7 for the RTCC companies that resulted from this settlement.
8 We could not coincide the documents that we're looking at at
9 the present time. There is a possibility that we will be
10 able to stipulate on this matter, however, so we're going to
11 pursue that today, and OTS would like the opportunity to
12 return to this matter in order to place that stipulation on
13 the record or to do a very limited question and answer to
14 verify the details of those CC charges for the RTCC
15 companies.

16 JUDGE FORDHAM: Ms. Paiva.

17 MS. PAIVA: The problem is that we have two versions
18 of the document. We were not able to go through line by
19 line to see if they were the same. It's possible we can
20 just stipulate that these are the numbers. Ms. Berry will
21 most likely be here tomorrow morning. I'm not sure she has
22 any more knowledge about these numbers, other than the fact
23 that they're on the sheet of paper that was provided to us
24 by the RTCC, so there may not be anything really to ask her.
25 We did agree to take a look and see if we could stipulate to

1 the correct version of the document.

2 JUDGE FORDHAM: Thank you.

3 MS. ARMSTRONG: Your Honor, if I might?

4 JUDGE FORDHAM: Yes.

5 MS. ARMSTRONG: I'm Patricia Armstrong, on behalf of
6 the RTCC. I have no objections to Mr. Mickens' line of
7 questions, nor to Ms. Paiva's ability to come up with a
8 stipulation that talks about whether or not rates go up or
9 rates go down. I would, however, have an objection if, in
10 fact, the documents themselves were to go into the record.

11 MR. MICKENS: Yes. There was no intent, certainly no
12 intent on OTS's part, to do that, to put the documents into
13 the record.

14 JUDGE FORDHAM: Thank you. Your objection is noted.
15 You will be here the rest of today and tomorrow?

16 MS. ARMSTRONG: I must leave for a short while this
17 afternoon. I will be back and will be here tomorrow.

18 JUDGE FORDHAM: Okay. If anything comes up, I'll
19 hold it until you can be here to look at it or make your
20 objection, if there are any objections.

21 MS. ARMSTRONG: Thank you, Your Honor.

22 JUDGE FORDHAM: You're welcome.

23 MR. BARBER: Your Honor?

24 JUDGE FORDHAM: Mr. Barber.

25 MR. BARBER: I would just note, and I don't mean to

1 be an officious meddler, but the problem is we're going to
2 have a record here that's referring to a document that's not
3 in the record. It's also my understanding, if I understand
4 the data that may be on that document right now, some of it
5 may actually already be in Verizon's testimony, because I
6 think, if I'm not mistaken, the surrebuttal testimony
7 submitted by Ms. Berry and Mr. Wirl included some references
8 to rate increases for particular ICOs that were implicated,
9 or independent companies that were part of that RTCC/Sprint
10 proposal. Part of this is just having some clarity in the
11 record here. I mean, if the information is in, the
12 information is in, but if it's not going to be in, if
13 they're going to be interposing an objection to having this
14 in, it's going to make for a very difficult record to the
15 extent that they're talking about a document outside the
16 context of the record, and having cross-examination going
17 back and forth on a document that's not going into the
18 record.

19 JUDGE FORDHAM: Mr. Mickens, would you clarify what
20 your question is and what you want in the record?

21 MR. MICKENS: Yes, Your Honor. And I believe that
22 Verizon will be able to stipulate to this once we have an
23 opportunity to look through the documents that they filed in
24 this case. It may even be in testimony.

25 We simply want Verizon to stipulate to the fact that

1 there are a number, I believe 20 or 21, of the RTCC
2 companies that, as a result of the RTCC settlement, actually
3 increased their customer charge. That's what we would like
4 in terms of the stipulation from the company.

5 JUDGE FORDHAM: Do you want the exact amount of the
6 customer charge?

7 MR. MICKENS: No, Your Honor.

8 MR. BARBER: But the problem I have with that
9 stipulation, Your Honor, having been part of that case,
10 that's only part of what was going on in that proposal. I
11 mean, there was going to be an increase in carrier charge,
12 which was then going to be offset with reductions in the
13 carrier charge offset by local rate increases, so if he's
14 going to be looking for a stipulation from Verizon, I'm not
15 sure that what he's describing is entirely accurate in terms
16 of the way that proposal worked.

17 MR. MICKENS: Your Honor, Mr. Barber is merely
18 stating something that's the case with regard to a lot of
19 issues in this proceeding. We happen to be talking about
20 the CC charge, I raised the issue, because it's at issue
21 here in that the company is proposing to reduce -- Verizon
22 is proposing to reduce that charge, and so it is definitely
23 relevant because Ms. Berry and Mr. Wirl testified that the
24 proposal from Verizon is either identical or virtually
25 identical to the RTCC settlement. I'm merely probing the

1 veracity of that statement by seeking the response that I
2 have with regard to whether or not the companies in the RTCC
3 actually -- some of the companies actually increased the CC.
4 That's all. So it's relevant, it's a matter that we think
5 certainly can be explored in this proceeding, and it's
6 appropriate to have asked this question in the context in
7 which it was asked.

8 JUDGE FORDHAM: Ms. Armstrong first, and then Mr.
9 Barber.

10 MS. ARMSTRONG: Your Honor, the only thing that I
11 wanted to point out to the parties, as is evident from the
12 Commission order and from the settlement stipulation which
13 was attached to the Commission order and approved for the
14 RTCC, some of the numbers impacting both the traffic
15 sensitive rates and the carrier common line charge depend
16 upon options that the companies have yet to make, so that
17 the scenarios that the parties are looking at make certain
18 assumptions. So whether or not, when the RTCC members
19 actually implement the settlement proposal, they will adjust
20 their carrier common line rate and/or their traffic
21 sensitive rates has not yet been determined and will not be
22 determined until such time as each of the companies actually
23 make their filings later this year.

24 JUDGE FORDHAM: Mr. Barber.

25 MR. BARBER: Furthermore, Your Honor -- and Ms.

1 Armstrong hopefully will stand here and agree with me --
2 however they adjust their rate structures between traffic
3 sensitive and non-traffic sensitive access charges, one
4 mandatory aspect of their proposal is that there will be an
5 access reduction offset by a local rate increase.

6 MS. ARMSTRONG: That part is accurate, Your Honor.

7 JUDGE FORDHAM: I still think that Mr. Mickens has
8 the opportunity to ask this on cross-examination. As he
9 indicated, he's trying to determine the veracity of the
10 statement that this is equal to the RTCC, and I will allow
11 it on that grounds.

12 MR. MICKENS: Thank you, Your Honor.

13 BY MR. MICKENS:

14 Q. Ms. Berry, at page 19 of your direct testimony
15 -- do you have that?

16 A. (Berry) Yes, I do.

17 Q. -- roughly lines 8 through 11, you state that
18 certain parties, including OTS witness Mr. Kubas, "insist
19 that the Verizon companies should be singled out and denied
20 revenue neutral offsets." Do you see that?

21 A. (Berry) Yes, I do.

22 Q. Can you please point in Mr. Kubas' testimony
23 where he states that Verizon should be denied a revenue
24 neutral offset?

25 A. (Berry) I don't have Mr. Kubas' testimony here

1 with me, and I don't see a cite there in front of me in my
2 testimony, so I can't do that right at the moment.

3 Q. So you cannot verify, as you sit here, that Mr.
4 Kubas in fact has testified that Verizon should not be
5 granted a revenue neutral offset; is that correct?

6 A. (Berry) I can't give you the back-up
7 documentation to that right now. I certainly did,
8 obviously, review this testimony and feel that that was an
9 accurate statement as it was there, but --

10 Q. But you can't identify where in the testimony
11 you drew that statement from?

12 A. (Berry) I cannot right at the moment, no.

13 Q. Looking at your surrebuttal testimony at page
14 6, --

15 A. (Berry) Yes.

16 Q. -- lines 8 through 11, --

17 A. (Berry) Yes.

18 Q. -- here you state that "Mr. Kubas characterizes
19 Verizon's proposal as eliminating the CC altogether and
20 raising residential basic rates by \$1.90." You indicate
21 that that's wrong because that was only one of the options
22 presented by Verizon in this proceeding; correct?

23 A. (Berry) Yes. In a shorthand way, that is what
24 I've said.

25 Q. You would agree with me, though, based upon our

1 discussions earlier this afternoon, that that is in fact one
2 of the options presented by Verizon to the Commission;
3 correct?

4 A. (Berry) Yes. In fact, that is exactly what I
5 say on lines 14 and 15; yes.

6 Q. And you've also indicated earlier this afternoon
7 that Verizon proposed these options and they believe that
8 the ultimate decision will be made by the Commission; is
9 that correct?

10 A. (Berry) Yes. The only thing I'm just
11 hesitating about is the word "proposed." Certainly, Verizon
12 made the filing and our petition was made to satisfy the
13 merger requirement. I don't know that -- I can't agree that
14 we actually proposed either one of the Step 1 or Step 2
15 scenarios. We offered them for information and for
16 consideration.

17 Q. So it sounds like you're saying that Verizon not
18 only has indicated no preference between the two options,
19 but in fact is indifferent to which one of those options is
20 finally adopted by the Commission. Is that your testimony?

21 A. (Berry) Yes, and I'll clarify a little bit.
22 Verizon's principal focus is that any reductions in access
23 need to be offset by revenue neutral changes to other rates,
24 and certainly that is backed up by a variety of past actions
25 by the Commission. And Verizon also realizes that its

1 access rates, particularly Verizon Pennsylvania's access
2 rates, are the lowest in the state today. Certainly,
3 Verizon North's access rates are not. But when you combine
4 the two, the access rates are still in the range of quite
5 reasonable by comparison. So with all that having been
6 said, we recognize that there are trends in reducing access
7 rates and reducing the amount of subsidy or contribution
8 that is provided by access rates. Our filing illustrated
9 exactly what it would mean to the other rates that would be
10 impacted if the Commission chose to take access rates down
11 one step by bringing Verizon North's rates down, especially
12 the carrier charge rate, down to the level of Verizon PA,
13 and illustrated the impact if the Commission would choose,
14 policy-wise, to take the further step of eliminating the
15 carrier charge.

16 Q. That confuses me a little bit, because the
17 company has agreed to a stipulation with the Office of
18 Consumer Advocate; is that correct?

19 A. (Berry) Yes.

20 Q. And that stipulation, as far as I understand it,
21 reduces the access charge for both Verizon PA and Verizon
22 North down to the level of 63 cents; is that correct?

23 A. (Berry) It reduces Verizon North down to the
24 level of 63 cents, which is where Verizon PA is.

25 Q. That's correct.

1 A. (Berry) And yes, we are supporting the
2 OCA/Verizon joint proposal as a proposal, and that is a
3 distinction from the filing that we made with the
4 Commission. We think that that proposal is a way to -- is a
5 moderate approach to satisfy various interests in the case;
6 yes.

7 Q. All right. But that's different from your
8 earlier statement that Verizon is basically indifferent to
9 the actual access charge that the Commission ultimately
10 determines in this proceeding?

11 A. (Berry) Yes. I was thinking of our original
12 proposal when I made that comment, but we are totally in
13 support, along with the OCA, of the joint proposal.

14 Q. All right. Now, at page 10 of your testimony,
15 your surrebuttal testimony, --

16 A. (Berry) Yes.

17 Q. -- lines 5 through 7, here you state that "The
18 proposal comports with the Commission's recent precedent on
19 access pricing by allowing for a reduction in Verizon
20 North's CC, and moving Verizon North's access rates towards
21 cost, removing implicit subsidies." Is that correct?

22 A. (Berry) Yes.

23 Q. Now, Ms. Berry, has the Commission ever approved
24 or directed any company to completely eliminate the CC, to
25 your knowledge?

1 A. (Berry) To my knowledge, no.

2 MR. MICKENS: Your Honor, that's all I have for these
3 witnesses at this time. I would conclude my cross-
4 examination and merely note for the record that there is a
5 matter of the CC charge increases or decreases for the RTCC
6 that we plan to pursue a stipulation on in the future.

7 JUDGE FORDHAM: Thank you.

8 Ms. Paiva, do you have any redirect?

9 MS. PAIVA: Yes, I do, Your Honor.

10 **REDIRECT EXAMINATION**

11 BY MS. PAIVA:

12 Q. Good afternoon, Ms. Berry, Mr. Wirl. Just a few
13 questions on redirect.

14 Going back to Mr. Barber's cross on behalf of AT&T,
15 Mr. Barber used some line counts taken from the testimony of
16 Dean and Sanford, 4.4 million residential and 7.2 million
17 business, and he used those line counts to divide up revenue
18 to come up with some figures that he put on the record
19 regarding the rate increases that would result based on a
20 certain pot of revenue having to be offset. Is it
21 appropriate to use the line counts that he used from the
22 Dean and Sanford testimony for this purpose?

23 A. (Berry) No, it's not. I noticed when Mr.
24 Barber gave those line counts, that they were different from
25 the line counts that I have that we've used in interrogatory

1 responses and in this case, and I could give these line
2 counts, if that would be more appropriate.

3 MR. BARBER: Are they proprietary?

4 BY MS. PAIVA:

5 Q. First of all, I don't believe the line counts
6 are proprietary, are they?

7 A. (Berry) No, I don't believe they are.

8 Q. But if you could first explain why there is a
9 difference, and then give the line counts.

10 A. (Berry) Okay. My understanding is that the
11 line counts that Mr. Barber used included lines such as
12 unbundled network element lines. That would certainly -- I
13 don't think AT&T would believe or agree that they would be
14 candidates for offsetting revenue neutral increases in an
15 access reduction like this. So our line counts do not
16 include things such as that. Our line counts were -- the
17 data was provided in discovery responses to OTS-7 and
18 OTS-17, just in case someone would like to go back and look
19 at the line counts. But for residence, the total lines
20 between the two companies would be 4,188,624, and for
21 business the total lines between the two companies would be
22 2,231,000.

23 Q. Thank you.

24 Now, in the context of Mr. Barber's questioning, the
25 same question but this question is for Mr. Wirl. Mr. Barber

1 used some revenue figures I guess taken from more recent
2 information, 2003 partial year information and 2002 complete
3 year information on the demand for access; and in our
4 exhibits to our testimony we used annualized 2002 figures to
5 come up with the numbers that we used in our examples.

6 When Verizon makes its final filing to implement
7 whatever the Commission ultimately orders in this case, will
8 it be using the exact numbers that we used in our filing?

9 A. (Wirl) No, not at all. In Exhibit MJW-6, there
10 was a footnote number 1 at the bottom, and in that footnote
11 we noted that we will update all units to more recent time
12 periods.

13 Q. This question is for Ms. Berry. You were asked,
14 I believe it was by MCI, regarding PUC authority on revenue
15 neutrality in access reduction cases; then you discussed
16 some authority on that issue. Is there anything else that
17 you would add on the issue of revenue neutrality and the PUC
18 authority?

19 A. (Berry) I neglected to mention maybe one of the
20 most obvious, which is the Chapter 30 plans that I think, in
21 response to Mr. Mickens' line of questioning, I did bring
22 in, but could reemphasize here. The Commission has approved
23 a price cap plan, a Chapter 30 plan, for both Verizon PA and
24 Verizon North, that permits, in the context of the price cap
25 form of regulation, revenue neutral changes. There are some

1 limitations on revenue neutral changes that are part of the
2 plans, but satisfying those limitations, then revenue
3 neutral offsets are permitted.

4 Q. Ms. Berry, this question is also for you. MCI
5 also asked about the impact of reducing access costs, access
6 charges, without revenue neutral offset, and specifically
7 referred to a 5.5 percent figure, the access reduction being
8 5.5 percent of Verizon's overall income. Could you tell us,
9 first, in real dollars what does that 5.5 percent represent?

10 A. (Berry) The 5.5 percent represents \$194.6
11 million for Verizon PA, and \$97 million for Verizon North.

12 Q. What would be the impact on those Verizon
13 companies of eliminating that magnitude of revenue from
14 them?

15 A. (Berry) Just to try to put it in context, look
16 at it a different way, the net income for Verizon
17 Pennsylvania for 2002 was \$105 million, so foregoing
18 intrastate access revenue of \$194.6 million is almost two
19 years' worth of net income for the Verizon Pennsylvania
20 company. And the picture looks even worse for Verizon
21 North. The intrastate net income for 2002 for Verizon North
22 was \$36 million, and again, the access amount is \$97
23 million, so nearly three years, not quite, of net income for
24 the entire company on an intrastate basis would be eaten up
25 by such access reductions, clearly a result that would be

1 unacceptable.

2 Q. You were also asked by MCI about applying some
3 of the revenue neutral increases to vertical services.

4 First, what are vertical services?

5 A. (Berry) Vertical services are typically feature
6 type services in the central office, like Call Waiting, Call
7 Forwarding, Three-Way Calling, that customers can choose to
8 subscribe to on top of their dial tone line, and many
9 customers do.

10 Q. Would you have any concern about using vertical
11 services for these revenue neutral offsets?

12 A. (Berry) Yes, I would. Vertical services have
13 always been a major source of contribution for the company
14 as well, in that they are priced far above cost, so they do
15 provide contribution. They're priced at a level that
16 customers in the marketplace find reasonable, but again,
17 they are already priced at ranges far above cost. So that's
18 one concern, whether there is any opportunity to get any
19 more contribution from those services while we're trying to
20 minimize or reduce the contribution from access.

21 The other concern is that those services are not
22 purchased by every customer; by far that's not the case,
23 only a percentage of customers. So in trying to find the
24 best way to do a revenue neutral recovery, we have sought to
25 look to opportunities to spread it among the most customers

1 and, therefore, minimize the impact per customer. If you
2 were to apply it or consider applying it to vertical
3 services, you would certainly not be doing that; the impact
4 per customer that subscribes to those services would be far
5 greater, a smaller number of customers.

6 Q. Moving on to the questioning by Ms. Jones for
7 OSBA, she was asking you about provisions in our proposal
8 relating to the ability to place the increases on business
9 lines. In our proposal, which we marked earlier as Verizon
10 Exhibit 1, but was also attached to our December 30, 2002
11 filing, elements of proposal paragraph 2(e) states, "Each
12 ILEC may, at its sole option, increase its weighted average
13 business line rate by up to the same amount on a dollar
14 basis that its weighted average R-1 rate is increased, but
15 in no event may the B-1 rate be less than the R-1 rate."

16 My question for you is: is the same sentence
17 contained in the RTCC settlement that was approved by the
18 Commission?

19 A. (Berry) Give me a minute.

20 (Pause.)

21 A. (Berry) Yes, it was.

22 Q. Thank you.

23 Finally, moving on to the questioning by Mr. Mickens,
24 Mr. Mickens also asked some questions about the RTCC
25 settlement and questioning about our statement that our

1 proposal was virtually identical to the RTCC settlement.
2 Now, by the statement "virtually identical," did you mean
3 that the rates were virtually identical to the rates that
4 the RTCC companies would charge as a result of their
5 settlement?

6 A. (Berry) No. It certainly was not focused on
7 the end result of the rates, but rather on the overall
8 concept of both approaches. Both approaches contain the
9 desire to reduce access rates and recover that revenue
10 decrease in increases to other rates, revenue neutral basis,
11 and in that we're the same. In fact, we supplied an
12 interrogatory response that showed only minimal changes
13 between our proposal and the RTCC proposal in other
14 respects, which are things like changing the date from
15 December 31 to January 1, 2004, changing the names of the
16 companies; and in our proposal we added the fact that we
17 were doing the restructure of local transport, and we also
18 added the fact that we intended to look at the revenue
19 neutrality on a two-company basis across all the customers.
20 So other than those things, even the wording of the
21 proposals is exactly the same. It is true that the rate
22 impacts are different, and the rate proposals are different,
23 but certainly even among the RTCC companies the rate impacts
24 are different, the rate proposals are different. So I don't
25 regard the fact that Verizon is different as being

1 particularly important for the discussion.

2 Q. So, if I understand you correctly, based on what
3 you've reviewed of the RTCC's documents showing how they
4 would implement their settlement, it's not that each company
5 ends up with the identical carrier charge or each company
6 ends up with the identical end user rates, but the various
7 companies in the settlement come out with different rates
8 for the carrier charge and for their end user rates;
9 correct?

10 A. (Berry) Yes, they do.

11 Q. So, in your opinion, in all substantive
12 respects, the Verizon proposal and the RTCC proposal are the
13 same?

14 A. (Berry) Yes.

15 MS. PAIVA: Your Honor, just one minute?

16 JUDGE FORDHAM: Sure.

17 (Pause.)

18 MS. PAIVA: Your Honor, that's it for the redirect.
19 I did have one housekeeping matter. If you recall, I guess
20 it was MCI Exhibit 1 was the interrogatory response that
21 referred to another interrogatory response.

22 JUDGE FORDHAM: Yes.

23 MS. PAIVA: We would like to have that other
24 interrogatory response included. I believe we brought
25 copies. It's OTS-6.

1 Your document was MCI Cross Exhibit 1, which it
2 referred to OTS-6, incorporating that into the response, so
3 we would like to include OTS-6. We brought some copies. I
4 don't know if you want to just make these a part of MCI-1 or
5 if you want to mark them separately.

6 MS. PAINTER: We want to make it separate.

7 MS. PAIVA: (Inaudible).

8 JUDGE FORDHAM: It shall be so marked.

9 THE REPORTER: I'm sorry; I didn't hear that.

10 MS. PAIVA: Verizon Exhibit 2. And I'll give you
11 some copies.

12 (Whereupon, the document was marked
13 as Verizon Exhibit No. 2
14 for identification.)

15 MS. PAIVA: With that, we're finished with our
16 redirect.

17 JUDGE FORDHAM: We have the first exhibit, Verizon
18 Exhibit 1, and also Verizon Exhibit 2. Are there any
19 objections to either of those?

20 (No response.)

21 JUDGE FORDHAM: Hearing none, Verizon Exhibits 1 and
22 2 are admitted without objection.

23 (Whereupon, the documents marked
24 as Verizon Exhibits Nos. 1 and 2
25 were received in evidence.)

1 JUDGE FORDHAM: Does any other party have anything
2 further for these witnesses?

3 (No response.)

4 JUDGE FORDHAM: Ms. Berry, Mr. Wirl, you may be
5 excused from the stand. Thank you.

6 MR. BARBER: Oh, I'm sorry; Your Honor, I had some
7 recross in light of the redirect. Would that be
8 appropriate?

9 JUDGE FORDHAM: Yes.

10 MR. BARBER: I didn't mean to phase out.

11 **RECCROSS-EXAMINATION**

12 BY MR. BARBER:

13 Q. Good afternoon.

14 A. (Berry) Good afternoon.

15 Q. I think it's important, and again, I don't want
16 to belabor the numbers issue, but in terms of being able to
17 assess -- for the Commission to assess, the ALJ to assess,
18 for the parties to assess the full impact of any of the
19 proposals that may be proffered or adopted here, I think
20 it's important that we have an understanding of the number
21 of access lines that would be implicated by any kind of rate
22 rebalancing that would be involved here. I understand your
23 testimony that the 7 million plus number that came out of
24 the Dean and Sanford exhibit is too high from your
25 perspective, and you've given a new number, that there

1 around 6.4 million access lines.

2 A. (Berry) Correct.

3 Q. Now, I understand one of the differences between
4 the two is the fact that the 7 million access line number
5 included unbundled network element platform lines; is that
6 correct?

7 A. (Berry) That's right. Well, unbundled network
8 elements, yes.

9 Q. So it wouldn't just be platforms, it would also
10 be CLECs purchasing individual lines?

11 A. (Berry) UNE loops, yes.

12 Q. UNE loops.

13 A. (Berry) Yes.

14 Q. Would that constitute the full universe of the
15 difference between the 7.2 million and the 6.4 million
16 numbers here, or is there another set of issues that would
17 be involved here?

18 A. (Berry) My understanding is that it also could
19 have included or does include private lines and I guess a
20 translation of an individual private line to what that might
21 mean in terms of channels.

22 Q. So of that approximately 800,000 line difference
23 between the number in the Dean/Sanford exhibit and what you
24 talked about on your redirect, some of it is competitive
25 losses and some of it is alternative arrangements within

1 your own retail services; is that correct?

2 A. (Berry) Right, that are not B-1 and R-1 type of
3 lines; yes.

4 Q. Now, of the approximately 6.4 million access
5 lines, I take it that's the total number of retail lines
6 that Verizon PA and Verizon North currently is -- or the
7 total number of lines to which Verizon North and Verizon
8 Pennsylvania currently is providing retail services?

9 A. (Berry) Right. Of course, there's a certain
10 vintage there of those lines, yes.

11 Q. I understand.

12 A. (Berry) I don't know current, not as of today.

13 Q. Now, of the residential number, which was
14 4,188,624, would all of those lines be available as lines
15 for offsetting, through local rate increases, access
16 decreases?

17 A. (Berry) Let me think a minute.

18 (Pause.)

19 A. (Berry) Possibly not. Again, I'm thinking of
20 customers that purchase packages from the company.

21 Q. A complete bundle retail offer; is that what
22 you're talking about there?

23 A. (Berry) Right.

24 Q. I'd like to ask an in-hearing data request, to
25 the extent you can quantify the difference between the

1 residential number you provided and identify the total
2 number of residential lines that would be, from Verizon's
3 perspective, subject to a local rate increase subject to
4 your proposal, and within that, identify the reason, to the
5 extent that the numbers do differ, identify the reason why
6 the lines that would not be susceptible in fact would not be
7 used to offset.

8 Do you accept that?

9 MS. SMITH: Could Qwest extend that to business
10 lines?

11 MR. BARBER: I'm getting to business. I'm getting to
12 business. I'm just trying to break it down.

13 BY MR. BARBER:

14 Q. Do you understand that data request?

15 A. (Berry) Yes, I do.

16 Q. I'm going to ask the same series of questions,
17 I'm probably going to get the same data request, but you had
18 a little over 2.2 million business lines to which you're
19 currently providing retail services. Would that entire
20 amount of business lines also be available for offsetting
21 access decreases through local rate increases?

22 A. (Berry) No, but here the answer -- I'll let you
23 go to your next question.

24 Q. Do you know what that number would be?

25 A. (Berry) No, because we really haven't focused

1 on a specific business proposal even to the extent that we
2 have on the residential side.

3 Q. Would you expect that no matter what proposal
4 you come up with, there is going to be a certain subset of
5 business lines that would not be available for offsetting
6 access decreases through local rate increases?

7 A. (Berry) Yes, I might expect that.

8 Q. I would ask that as a data request, too, --

9 A. (Berry) Okay.

10 Q. -- to the extent you can quantify that number
11 and provide a rationale for -- I was going to suggest that I
12 would think that the universe of lines that would be at
13 issue here would be the same number of "small business
14 lines" that were at issue in the competitive
15 reclassification case we litigated earlier this year, but
16 that may differ as well. But will you accept that as a data
17 request?

18 MS. PAIVA: Yes.

19 MR. BARBER: Again, quantifying the difference and
20 the rationale for the difference.

21 MS. PAIVA: Yes.

22 MR. BARBER: That's all I have, Your Honor. Thank
23 you.

24 JUDGE FORDHAM: Thank you.

25 Any other parties?

1 (No response.)

2 JUDGE FORDHAM: Anything else, Ms. Paiva?

3 MS. PAIVA: No, Your Honor.

4 JUDGE FORDHAM: Thank you very much. You may be
5 excused from the stand.

6 (Witnesses excused.)

7 JUDGE FORDHAM: Now, it's 3:00 now. Before we start
8 our next panel, let's take a 15-minute break.

9 (Recess.)

10 JUDGE FORDHAM: We're back on the record.

11 Would the witnesses come up?

12 Ms. Paiva?

13 MS. PAIVA: Yes, Your Honor. Verizon calls Ann A.
14 Dean and Gary Sanford.

15 JUDGE FORDHAM: Thank you.

16 MS. PAIVA: But before we get to them, the court
17 reporter reminded me during the break that we had neglected
18 to ask for the admission of Statements 1.0 and 1.1.

19 JUDGE FORDHAM: Yes. We have Verizon Pennsylvania,
20 Inc. Statement 1.0, with attached exhibits, and Verizon
21 Statement 1.1, with exhibits. Are there any objections to
22 the statements or the exhibits attached?

23 (No response.)

24 JUDGE FORDHAM: Hearing none, Verizon Statements 1.0
25 and 1.1, with the attached exhibits, are admitted without

1 objection.

2 (Whereupon, the documents marked
3 as Verizon PA, Inc. and Verizon
4 North, Inc. Statements Nos. 1.0 and
5 1.1 were received in evidence.)

6 JUDGE FORDHAM: I need to swear you in. Would you
7 please stand and raise your right hand?

8 Whereupon,

9 ANN A. DEAN

10 and

11 GARY SANFORD

12 having been duly sworn, testified as follows:

13 JUDGE FORDHAM: You may be seated.

14 Would you state your names and business addresses for
15 the record, please?

16 WITNESS DEAN: My name is Ann Dean. My business
17 address is 13100 Columbia Pike, Silver Spring, Maryland.

18 JUDGE FORDHAM: Thank you.

19 WITNESS SANFORD: My name is Gary E. Sanford. I'm at
20 1717 Arch Street in Philadelphia, Pennsylvania.

21 JUDGE FORDHAM: Thank you.

22 Ms. Paiva.

23 DIRECT EXAMINATION

24 BY MS. PAIVA:

25 Q. Good afternoon, Mr. Sanford and Ms. Dean.

1 Do you have before you two pieces of testimony, the
2 first has been marked Verizon Statement 2.0, the Direct
3 Testimony of Ann A. Dean and Gary Sanford, dated June 25,
4 2003; and the second piece of testimony is Verizon Statement
5 2.1, the Surrebuttal Testimony of Ann A. Dean and Gary
6 Sanford, dated August 4, 2003?

7 (Whereupon, the documents were marked
8 as Verizon PA, Inc. and Verizon
9 North, Inc. Statements Nos. 2.0 and
10 2.1 for identification.)

11 WITNESS DEAN: Yes.

12 WITNESS SANFORD: Yes.

13 MS. PAIVA: Just to note for the record, last week we
14 sent out a corrected version of the surrebuttal testimony,
15 adding some proprietary designations, and the document, the
16 one that we've given to the court reporter, is the correct
17 one.

18 JUDGE FORDHAM: Thank you.

19 BY MS. PAIVA:

20 Q. Other than that fixing of the proprietary
21 designations, do you have any changes to this testimony?

22 A. (Sanford) Yes, I do. This would be to
23 Statement 2.1, page 11, surrebuttal. On lines 10 and 11,
24 I'd like to delete the sentence that starts with
25 "Additionally" and ends with "service" on line 11.

1 Q. You know what, your lines don't line up.

2 A. (Sanford) I think my paging is off.

3 MS. PAIVA: Let's just take a quick break and I'll
4 get you a copy that matches everybody else's, and then you
5 can do the corrections.

6 WITNESS SANFORD: Sorry about that.

7 JUDGE FORDHAM: We'll go off the record.

8 (Discussion off the record.)

9 JUDGE FORDHAM: We're back on the record.

10 WITNESS SANFORD: I was one page off. It's page 10,
11 again, lines 10 and 11, the sentence beginning on line 11
12 with "Additionally" and ending on line 11, ending with the
13 word "service," I'd like to just delete that entire
14 sentence.

15 BY MS. PAIVA:

16 Q. Are there any other changes?

17 A. (Dean) No.

18 Q. Were these two pieces of testimony, Statements
19 2.0 and 2.1, prepared by you or under your direct
20 supervision and control?

21 A. (Sanford) Yes.

22 A. (Dean) Yes.

23 Q. With the change that you just mentioned a minute
24 ago, are the answers true and correct to the best of your
25 knowledge, information and belief?

1 A. (Sanford) Yes.

2 A. (Dean) Yes.

3 Q. And if you were asked the same questions today,
4 would your answers be the same?

5 A. (Sanford) Yes.

6 A. (Dean) Yes.

7 MS. PAIVA: Verizon moves for the admission of
8 Statements 2.0 and 2.1, subject to cross-examination.

9 JUDGE FORDHAM: Thank you.

10 Mr. Barber.

11 MR. BARBER: Thank you, Your Honor.

12 JUDGE FORDHAM: You're welcome.

13 **CROSS-EXAMINATION**

14 BY MR. BARBER:

15 Q. Good afternoon, Ms. Dean. Good afternoon, Mr.
16 Sanford.

17 A. (Sanford) Good afternoon.

18 A. (Dean) Good afternoon.

19 Q. Turning to page 3 of your surrebuttal, there's a
20 discussion there in which you're essentially differentiating
21 between the TSLRIC, the total service long-run incremental
22 cost study, that you introduced in this case regarding
23 access services and dial tone lines, versus the TELRIC,
24 total element long-run incremental cost methodology, that's
25 utilized to price unbundled network elements; is that

1 correct?

2 A. (Sanford) Yes.

3 A. (Dean) Yes.

4 Q. Now, it's true that both methodologies, both
5 TSLRIC and TELRIC are forward-looking long-run incremental
6 cost methodologies; is that correct?

7 A. (Sanford) Yes.

8 Q. And it's also true that, in terms of
9 differentiating between the two, what we're looking at with
10 the TSLRIC study is a cost study regarding an entire
11 service, is that correct, like access service?

12 A. (Sanford) For TSLRIC you're talking about.

13 Q. And for TELRIC, what we're looking at is the
14 cost of a particular element?

15 A. (Sanford) Yes.

16 A. (Dean) Yes.

17 Q. And I guess Mr. Sanford might be in the best
18 position to answer this because he's been involved as a cost
19 witness in any number of prior Commission proceedings, but
20 you are aware that this Commission at least has, in many
21 respects, equated TSLRIC with TELRIC studies; is that
22 correct?

23 A. (Sanford) I'm not sure exactly what you mean by
24 that.

25 Q. Well, let me hand you an excerpt from the

1 interim order in the MFS-III proceeding from April 1997,
2 Docket No. A-310203F0002, and just ask you to read the
3 section that I've excerpted there.

4 (Document handed to witness.)

5 A. (Sanford) Excuse me; what is this document?

6 Q. That's the interim order in the MFS-III
7 proceeding.

8 MS. PAIVA: Do you have another copy?

9 MR. BARBER: No. I only have that one little excerpt
10 there.

11 (Pause.)

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1 BY MR. BARBER:

2 Q. From page 12 of the MFS-III Interim Order.

3 (Witnesses perusing document.)

4 A. (Sanford) Okay.

5 Q. Have you ever seen that before?

6 A. (Sanford) I can't recall, actually. I may
7 have.

8 Q. You were a witness in the MFS-III proceeding;
9 correct?

10 A. (Sanford) I believe so.

11 Q. As a matter of fact, you were the sponsoring
12 witness for Verizon's cost studies in that case?

13 A. (Sanford) Yes, I was.

14 Q. And I think they purported to be TELRIC
15 compliance studies at that time.

16 A. (Sanford) What we proposed, yes.

17 Q. Right. Can you again read the excerpt there
18 from the Order regarding what the Commission -- how the
19 Commission correlated TSLRIC with TELRIC?

20 A. (Sanford) I believe so.

21 Q. Can you please just read that?

22 A. (Sanford) Oh, read it; okay. "Section
23 252(d)(1)(a) of the Act precludes us from basing loop rates
24 on embedded costs while the FCC Order bases its pricing
25 recommendations on the use of total service long run

1 incremental cost (TSLRIC) as applied to the elements that
2 comprise a telephone service resulting in total element long
3 run incremental cost (TeLRIC)."

4 Q. Now, turning to page 5 of your surrebuttal,
5 there is some discussion there of the inputs and assumptions
6 that you utilized in the cost studies you submitted in this
7 case; correct?

8 A. (Sanford) Yes.

9 Q. And, in particular, you describe from your
10 perspective the, quote, unquote, "forward-looking
11 assumptions" that you used in your cost studies in this
12 case; correct?

13 A. (Sanford) Yes.

14 Q. Now, it's fair to say when you talk about
15 forward-looking assumptions in this particular part of your
16 testimony, you're talking about forward-looking or at least
17 it's Verizon's opinion that these are forward-looking
18 assumptions; correct?

19 A. (Sanford) Yes.

20 Q. These aren't assumptions that have been approved
21 by the Commission in this case?

22 A. (Sanford) No. We're talking about the cost
23 studies that we presented in this proceeding do reflect the
24 forward-looking assumptions and inputs that Verizon believes
25 are TELRIC compliant.

1 Q. With the emphasis on that Verizon believes are
2 compliant with forward-looking cost assumptions?

3 A. (Sanford) Yes.

4 Q. And, as a matter of fact, maybe one exception.
5 These are the same inputs and assumptions that Verizon has
6 proposed in the current UNE pricing case that is currently
7 pending before this Commission; correct?

8 A. (Sanford) Well, I believe some of them may have
9 been updated since then.

10 Q. For example, the -- and I won't get into the
11 particular number. I know some of these numbers are
12 proprietary. But the cost of money that you proposed here
13 is essentially the same cost of money that Verizon proposed
14 in the UNE pricing case; is that correct?

15 A. (Sanford) If I could check that.

16 Q. Sure.

17 (Pause.)

18 A. (Sanford) Actually, the cost of money, it's
19 close, but it's not the same.

20 Q. Close to what Verizon proposed?

21 A. (Sanford) In the UNE proceeding.

22 Q. Depreciation lives?

23 A. (Sanford) The cost of money that we used for
24 the access studies was actually slightly lower.

25 Q. Slightly lower than what you proposed --

1 A. (Sanford) In the UNE proceeding.

2 Q. Depreciation lives close to or identical to what
3 you proposed?

4 A. (Sanford) No. Well, they both reflected the
5 GAAP depreciation lives, but the access proceeding or the
6 access cost studies reflect a more updated version or
7 vintage of the GAAP lives.

8 Q. RTU factor?

9 A. (Dean) Well, there are two different RTU
10 factors that are being used to price access. There is one
11 that is specific to Verizon North, and then there is another
12 that is specific to Verizon Pennsylvania, the old Bell
13 Atlantic.

14 Q. The one that was specific to Verizon
15 Pennsylvania that you used in this case is similar to, if
16 not identical to, the RTU factor that you proposed in the
17 UNE pricing case?

18 A. (Dean) The UNE pricing case for what UNE?

19 Q. For the switching UNE.

20 A. (Dean) For the switching UNE, yes, it would be
21 the same RTU factor, but for reciprocal compensation, that
22 is priced differently. The RTU factor was excluded and so
23 were the getting started costs that is associated with
24 reciprocal compensation.

25 Q. Switch discounts similar to the ones you

1 proposed in the UNE pricing case?

2 A. (Dean) Again, you know, there are differences
3 because we're dealing with two different companies. For the
4 switches that are the same, yes; we're proposing that the
5 same discounts be used, but Verizon North has a different
6 type of switch, and so that those costs were not introduced
7 in the UNE case.

8 Q. Would it be fair to say that to the extent the
9 inputs and assumptions you utilized in your access cost
10 study in this case differ from the inputs and assumptions
11 you proposed to utilize in the UNE pricing case, the
12 differences were relatively minor; we're not talking order
13 of magnitude?

14 A. (Dean) Well, there are differences. Like, for
15 example, I think on page 7 of our direct testimony, we talk
16 about the gross revenue loading factor, and where we have a
17 gross revenue loading factor that is specific for access
18 service for UNEs, a different factor was used. So, again,
19 we're proposing the inputs and assumptions for access
20 services. We think that's appropriate for pricing access.

21 Q. Is it fair to say that to the extent for inputs
22 such as cost of money, depreciation lives, switch discounts
23 that are close to, if not identical to, the inputs that you
24 propose in the UNE pricing case, the Commission hasn't
25 adopted those inputs and assumptions in the UNE pricing case

1 either; correct?

2 A. (Sanford) Your question was whether they
3 adopted those that you just mentioned in the UNE proceeding?

4 Q. Right.

5 A. (Sanford) I believe the ones you just
6 mentioned, they did change them. In fact, they actually
7 changed many others as well, and that is one of the reasons
8 why, as we explained in our testimony, we don't feel that it
9 is appropriate to use those mean assumptions in the switched
10 access studies, because they do -- well, first of all, they
11 very much understate what we believe our forward-looking
12 costs are for UNEs. So, certainly, they would understate
13 the access costs as well.

14 Q. So because Verizon disagreed with the
15 Commission's decision in the Interim Order in the UNE
16 pricing case, it on its own volition elected to use a
17 different set of inputs and assumptions in this particular
18 proceeding?

19 A. (Sanford) Well, it's our standard procedure
20 that when we file a new study, we use the most recent
21 forward-looking assumptions that would be appropriate for
22 that time period and for that study.

23 Switched access is a different service. It's not a
24 UNE service. We don't believe that any of the rules that
25 apply to UNEs should apply to switched access service.

1 Certainly, costing as well as pricing is considered.

2 A. (Dean) And for the switch EF&I factor, we're
3 actually using a lower factor in the access study than we
4 propose in the UNE study, and that was approved by the
5 Commission, because this newer number better reflects
6 Verizon's cost. It's a more up to date number.

7 Q. That may be the only key input and assumption
8 that you changed that might actually be considered to the
9 benefit of competition as opposed to the contrary. But in
10 every other case where the Commission adopted the different
11 input and assumption from the ones you proposed in the UNE
12 pricing case, in this case you reverted essentially back to
13 the original litigation position in that case; correct?

14 A. (Sanford) Well, we reverted back to what we
15 believe are appropriate forward-looking standards as it
16 applies to our inputs, assumptions, our investments, our
17 expense factors and so forth.

18 Q. Despite the fact that the Commission issued an
19 Order a year ago setting forth its view of what it believed
20 to be forward-looking inputs and assumptions?

21 A. (Dean) But those were for unbundled network
22 elements, not for access services.

23 Q. You were requested to rerun your access study --

24 MS. PAIVA: Excuse me a minute, Bob. I was going to
25 object just to the characterization of the previous

1 question, although Ms. Dean answered in very quickly, in the
2 sense that the Order is just a tentative Order at this
3 point. It's not a Final Order.

4 MR. BARBER: We understand that.

5 MS. PAIVA: I know, but it wasn't clear from your
6 question.

7 MR. BARBER: I thought it was clear. It's also clear
8 what you decided to do with it.

9 BY MR. BARBER:

10 Q. Now, you were requested to rerun your access
11 cost study with the inputs and assumptions from the
12 tentative UNE pricing Order; correct?

13 A. (Sanford) Well, I believe there was an
14 interrogatory asking us if we would rerun the studies; and,
15 generally, interrogatories are approached generally to take
16 information that is readily available and provide that in
17 response to the interrogatory.

18 When it requires a special study -- and this would
19 certainly require significant resources to redo all the
20 calculations starting from the investment models all the way
21 through -- it's not generally something that is done in
22 response to an interrogatory.

23 Q. Let's be clear. The Commission didn't demand an
24 access cost study from you in the first place, did it, when
25 it asked you to submit this proposal? Correct?

1 A. (Sanford) I'm not sure actually if they did or
2 not.

3 MS. PAIVA: Did you say didn't?

4 MR. BARBER: The Commission did not demand an access
5 cost study from Verizon when it initiated this proceeding,
6 did it?

7 MS. PAIVA: The Commission's Merger Order speaks for
8 itself. It does refer to a cost study.

9 BY MR. BARBER:

10 Q. The point is Verizon undertook a cost study in
11 this proceeding; correct?

12 A. (Sanford) Yes.

13 Q. And it did so on the basis of inputs and
14 assumptions that Verizon elected to utilize in that cost
15 study?

16 A. (Sanford) Yes, and that's our normal approach
17 whenever we do a brand new study; we use whatever the most
18 current forward-looking assumptions are for that.

19 Q. So it was Verizon's perspective when it was
20 given a request to go back and utilize the inputs and
21 assumptions from the tentative Order, that that became an
22 unduly burdensome special study; is that correct?

23 A. (Sanford) Could you repeat that again? I'm
24 sorry.

25 Q. It was Verizon's response that when you were

1 requested to rerun the same study using the inputs and
2 assumptions adopted by the Commission, that became an unduly
3 burdensome special study?

4 A. (Sanford) Well, only because those inputs and
5 assumptions are based on the tentative Order for UNEs, and
6 we don't feel that that should apply to a switched access
7 study that we are attempting to reflect our forward-looking
8 costs. We didn't see the connection there.

9 MR. BARBER: I have nothing further, Your Honor.

10 JUDGE FORDHAM: MCI; Ms. Painter.

11 **CROSS-EXAMINATION**

12 BY MS. PAINTER:

13 Q. Good afternoon.

14 A. (Dean) Good afternoon.

15 Q. I'm Michelle Painter. I represent MCI.

16 MS. PAINTER: Your Honor, I'd like to start out with
17 introducing the exhibit that has previously been marked as
18 MCI Cross-Examination Exhibit No. 4.

19 JUDGE FORDHAM: Okay.

20 MS. PAINTER: And I believe most parties have it and
21 the court reporter has it.

22 BY MS. PAINTER:

23 Q. Do you recognize this document? I don't know
24 which one would answer it. Do either of you recognize this
25 document?

1 A. (Dean) Yes. It looks familiar.

2 Q. This is recurring cost study results for both
3 Verizon Pennsylvania, Incorporated, and Verizon North, and
4 it gives cost information related to certain features; is
5 that correct?

6 A. (Dean) Yes, for Verizon Pennsylvania and for
7 Verizon North.

8 Q. Do you have any reason to believe that the
9 results here would be inaccurate for any reason or need to
10 be updated?

11 A. (Dean) Well, these are retail features that you
12 presented. You know, they appear to be the costs that would
13 be found in VZ costs.

14 Q. These are the outputs of the Verizon cost study
15 showing Verizon's cost of providing these features; is that
16 correct?

17 A. (Dean) Yes. It shows the direct, shared and
18 common cost for various features.

19 Q. Is it Verizon's position that the residential
20 retail revenues overall cover the cost of providing
21 residential retail service?

22 A. (Sanford) We didn't do that analysis. We
23 didn't perform that analysis.

24 A. (Dean) We're the cost witnesses.

25 Q. So at this time you don't know whether the

1 revenues cover the costs that you have said how much it
2 costs Verizon to provide residential service?

3 A. (Sanford) I believe what we're saying is that
4 for residential dial tone line service and usage service,
5 that the rates do not cover the costs for usage and dial
6 tone line, not necessarily all services, retail services.

7 A. (Dean) And these are optional features.

8 Q. I've moved on from that exhibit. I'm talking in
9 general about the residential rates.

10 What about business revenues? Have you done any type
11 of analysis to determine whether Verizon's business revenues
12 cover or exceed Verizon's costs?

13 A. (Sanford) No.

14 A. (Dean) No.

15 Q. Would you expect that Verizon's business
16 revenues cover the cost of providing service to business
17 customers?

18 A. (Sanford) We haven't done that analysis, so I
19 really am not positive.

20 Q. What about services in urban areas, for
21 instance, Density Cells 1 and 2, have you done any type of
22 analysis as to whether Verizon's residential retail revenues
23 cover the cost of providing service in those two density
24 cells?

25 A. (Sanford) As the cost witnesses, we really

1 didn't perform an analysis that was comparing rates to unit
2 costs.

3 Q. I'm sorry. You what?

4 A. (Sanford) We did not -- as the cost witnesses
5 in this proceeding, we presented the cost studies. We did
6 not do a comparison or rates to costs.

7 MS. PAINTER: I have nothing further, Your Honor.

8 JUDGE FORDHAM: Thank you. Qwest?

9 MS. SMITH: No questions, Your Honor.

10 JUDGE FORDHAM: OCA?

11 MR. SPARKS: Your Honor, much like this morning, the
12 OCA has a series of interrogatory responses that it requests
13 be admitted into the record. We had a discussion with
14 Verizon counsel, and they don't object to the introduction
15 of this material; and based on what occurred this morning,
16 the OCA would suggest that I distribute the materials and
17 then we wait until tomorrow afternoon for it to be admitted,
18 giving the other parties the opportunity to examine it.

19 JUDGE FORDHAM: Okay. Why don't you distribute them
20 at this time.

21 MS. PAIVA: I would only say tomorrow afternoon, I
22 don't believe these witnesses will still be here.

23 JUDGE FORDHAM: Okay.

24 MS. PAIVA: Will they? They may be. They're hoping
25 not to be here if they're finished today. I mean, if people

1 could look at them and it's not necessary to keep them
2 around, I wouldn't want to keep them around unnecessarily.

3 JUDGE FORDHAM: Could you give us examples of the
4 subject matter that is covered in those interrogatories?

5 MR. SPARKS: Yes, Your Honor. The interrogatories
6 discuss what portions of the cost of dial tone lines are
7 allocated to the dial tone line, whether or not Verizon has
8 performed stand-alone cost studies for each class of service
9 which utilizes the dial tone line, more questions regarding
10 Verizon North and how it allocates its share of costs to the
11 dial tone line, requests to recalculate certain costs in
12 regard to prior Commission Orders -- I apologize -- a prior
13 Recommended Decision of ALJ Schnierle, the cost for loops
14 and ports, whether they be direct, shared or common and
15 identify and explain how those costs are categorized and
16 explain why the various costs are placed in those
17 categories.

18 Then finally, a request regarding Verizon's -- a
19 rerun of its switched access studies using inputs that the
20 OCA has requested. That is the extent of the
21 interrogatories.

22 JUDGE FORDHAM: Why don't we mark those and you
23 distribute them, and then we'll do the cross-examination of
24 OSBA, and we'll take a break to look at those.

25 MS. JONES: Your Honor, OSBA has no cross for this

1 witness.

2 JUDGE FORDHAM: Okay. So after you distribute them,
3 we'll take a break.

4 MS. PAINTER: Your Honor, while we're doing that, I
5 forgot to move the admission of MCI WorldCom Cross-
6 Examination Exhibit 4, and I'd like to do that, move that
7 into the record.

8 JUDGE FORDHAM: Is there any objection to the
9 admission of MCI Cross-Examination Exhibit 4?

10 MS. PAIVA: No.

11 MR. MICKENS: Your Honor, that's already in the
12 record.

13 MS. PAIVA: No, it's not.

14 MS. PAINTER: No, it's not.

15 JUDGE FORDHAM: No. This was a document that they
16 just talked about. It was marked before, but the other
17 witness did not know it.

18 MS. PAIVA: No objection, Your Honor.

19 JUDGE FORDHAM: MCI Cross Exhibit 4 is admitted
20 without objection.

21 (Whereupon, the document marked as
22 MCI Cross-Examination Exhibit No. 4
23 was received in evidence.)

24 MR. SPARKS: This will be OCA Cross-Examination
25 Exhibit 6. I'd request that the record reflect that I'm

1 handing copies to Your Honor, the witnesses, two copies to
2 the court reporter, and to the parties.

3 (Whereupon, the document was marked
4 as OCA Cross-Examination Exhibit No.
5 6 for identification.)

6 JUDGE FORDHAM: At this point we'll take a 15-minute
7 break for the parties to review this document; and after we
8 come back on the record, we'll see if anyone has any
9 objections or any questions regarding these documents.

10 (Recess.)

11 JUDGE FORDHAM: We're back on the record.

12 Does anyone have any objections or any questions
13 regarding OCA Cross-Examination Exhibit 6?

14 (No response.)

15 JUDGE FORDHAM: I was just checking to see if
16 everyone was in the room.

17 Let's go off the record a minute.

18 (Discussion off the record.)

19 JUDGE FORDHAM: We're back on the record.

20 Hearing no objections, OCA Cross-Examination Exhibit
21 6 is admitted without objection.

22 Is there any other cross-examination for these
23 witnesses?

24 MR. SPARKS: Your Honor, I would only request that
25 the witnesses authenticate the interrogatory responses.

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JUDGE FORDHAM: Okay. You may do so at this time.

CROSS-EXAMINATION

BY MR. SPARKS:

Q. Mr. Sanford, you've had time to review these answers. Were they prepared by you or under your supervision?

A. (Sanford) Yes.

Q. And are they true and correct copies of the answers you provided in response to the OCA's interrogatories?

A. (Sanford) I believe so.

MR. SPARKS: Thank you. Nothing further.

JUDGE FORDHAM: Mr. Mickens, did you have any objections or comments about OCA Cross-Examination Exhibit 6?

MR. MICKENS: No, Your Honor.

JUDGE FORDHAM: They're admitted without objection.

(Whereupon, the document marked as OCA Cross-Examination Exhibit No. 6 was received in evidence.)

JUDGE FORDHAM: Any redirect, Ms. Paiva?

MS. PAIVA: No, Your Honor.

JUDGE FORDHAM: Thank you very much. You're excused from the stand.

(Witnesses excused.)

1 JUDGE FORDHAM: Ms. Paiva?

2 MS. PAIVA: Ms. Conover.

3 JUDGE FORDHAM: Ms. Conover. Okay.

4 MS. CONOVER: I'll be presenting our next witness,
5 who is Dr. William Taylor. I am providing the court
6 reporter with two copies of a proprietary version and two
7 copies of an expurgated version of Dr. Taylor's testimony.

8 JUDGE FORDHAM: Thank you. Dr. Taylor, I need to
9 swear you in.

10 Whereupon,

11 WILLIAM E. TAYLOR

12 having been duly sworn, testified as follows:

13 JUDGE FORDHAM: You may be seated. Would you state
14 your name and business address for the record, please?

15 THE WITNESS: Yes. My name is William E. Taylor. My
16 business address is NERA, One Main Street, Cambridge,
17 Massachusetts, 02142.

18 JUDGE FORDHAM: Thank you. Ms. Conover.

19 DIRECT EXAMINATION

20 BY MS. CONOVER:

21 Q. Dr. Taylor, do you have in front of you a
22 document entitled "Verizon Pennsylvania, Inc., Statement No.
23 3.0, Surrebuttal Testimony"?

24 A. Yes.

25 Q. Was this document prepared by you or under your

1 direction and control?

2 A. Do you have any corrections or modifications to
3 make at this time?

4 A. No, I don't.

5 Q. If you were asked the same questions today,
6 would your responses be the same?

7 A. They would.

8 Q. And are they true and correct to the best of
9 your knowledge, information and belief?

10 A. Yes, they are.

11 MS. CONOVER: Your Honor, at this time I would like
12 to offer Dr. Taylor for cross-examination and move the
13 admission of his testimony subject to the right of cross-
14 examination.

15 (Whereupon, the document was marked
16 as Verizon Pennsylvania, Inc., and
17 Verizon North, Inc., Statement No.
18 3.0 for identification.)

19 JUDGE FORDHAM: Thank you. That reminds me that we
20 did not do the other 2.0 and 2.1. So we need to put that in
21 the record.

22 Are there any objections to the last testimony, 2.0
23 and 2.1?

24 (No response.)

25 JUDGE FORDHAM: It's admitted without objection.

1 (Whereupon, the documents marked as
2 Verizon Pennsylvania, Inc., and
3 Verizon North, Inc., Statements Nos.
4 2.0 and 2.1 were received in
5 evidence.)

6 JUDGE FORDHAM: Now, for Dr. Taylor, first Mr.
7 Barber.

8 CROSS-EXAMINATION

9 BY MR. BARBER:

10 Q. Welcome back to Pennsylvania, Dr. Taylor.

11 A. Thank you, Mr. Barber.

12 Q. Turning to page 29 of your testimony, much like
13 Mr. Wirl this morning, you talk about the pricing of access
14 -- or Mr. Wirl and Ms. Berry -- you talk about the pricing
15 of access in the context of a competitive market; correct?
16 Is that a summary of what you're testifying to in this
17 particular section here?

18 A. Yes, roughly. We talk about how costs are
19 recovered, how prices are set in competitive markets as an
20 example.

21 Q. And what you're talking about here is the
22 pricing of access. You're citing the pricing of services in
23 a competitive market in the context of the establishment of
24 prices for access services; correct?

25 A. Almost. I'm not saying and I'm not making the

1 claim that the carrier access market in Pennsylvania is a
2 competitive market. What I'm trying to do is say what
3 characteristics prices in competitive markets have, and so
4 prices for carrier access that have those same
5 characteristics are probably not bad.

6 Q. Within that context there, you've already
7 answered my one question, but, again, it's not your
8 testimony here today that access prices in Pennsylvania have
9 been established on the basis of competitive forces;
10 correct?

11 A. Well, not by competitive forces alone. I mean,
12 it's my understanding that access prices in Pennsylvania,
13 the level is set almost mainly historically by the need to
14 recover costs to keep local access rates low. That's how we
15 got to the level we are.

16 On the other hand, there are changes in carrier
17 access prices, voluntary changes, it's my understanding,
18 that Verizon in Pennsylvania have made. There certainly has
19 been a large change in interstate carrier access charges due
20 primarily to competition. That is the threat of bypass was
21 the main reason the FCC gave for its radical reductions in
22 carrier access charges over the years. And bypass is just
23 another word for competition.

24 Q. Of course, here in this case we're talking about
25 intrastate carrier access rates.

1 A. That's correct.

2 Q. Are you aware of any instance since the issuance
3 of the Global Order by this Commission in 1999 in which
4 Verizon has voluntarily reduced its rates for carrier access
5 charges?

6 A. I guess I'm not aware of any since 1999.

7 Q. At page 30 of your testimony, particularly lines
8 10 through 12, you talk about how "Switched access charges
9 still can and should provide some support to the shared
10 fixed and common costs of the network by being priced above
11 incremental cost."

12 TSLRIC includes a common overhead factor; correct?

13 A. No.

14 Q. It does not?

15 A. TSLRIC includes service specific fixed costs;
16 that is some costs which don't vary with the volume of the
17 service, but costs which would be saved if you dropped the
18 service entirely, but there is no overhead allocation, no
19 share of the president's desk costs that appears in TSLRIC.

20 Q. How about in TELRIC?

21 A. Oh, that's another story. Yes; TELRIC has an
22 arbitrary assignment of common costs of the firm according
23 to the FCC's rules.

24 Q. And this Commission has, in fact, applied a
25 common overhead factor to TELRIC prices; correct?

1 A. I expect they have. I don't have firsthand
2 knowledge.

3 Q. Turning to page 32, I was a little struck
4 because you at lines 4 through 7, after all this discussion
5 about market forces and costing and the like, you basically
6 indicate the whole subject is irrelevant; correct?

7 A. Well, the subject of whether competitive market
8 forces constrain Verizon's switched access rates is
9 irrelevant in the sense that Verizon isn't asking to have
10 those rates deregulated.

11 Q. But I'm struck here where you dismiss it as
12 irrelevant when, in fact, it's the point of your discussion
13 for the previous three pages that the Commission need not be
14 overly concerned about the level of carrier access charges
15 because of the possibility, the influence of market-based
16 forces; correct?

17 A. Well, the previous pages were looking at price
18 setting in competitive markets as a demonstration of what
19 prices look like, about how prices are marked up above cost
20 in competitive markets. It wasn't a claim that requires or
21 even addresses the issue of whether carrier access markets
22 are competitive.

23 Q. I guess the point is it is relevant to your --
24 whether or not there is sufficient market-based competition
25 to constrain access pricing or, for that matter, to reduce

1 access pricing is relevant to your argument and Verizon's
2 contention in this case that the Commission need not reduce
3 access to costs because competitive forces, market forces
4 are available to do that.

5 A. Well, it's certainly the case that there are
6 some market forces, as I've described, that are available to
7 do that, but that isn't the main point. The point is that
8 the fact that carrier access prices intrastate in
9 Pennsylvania are set above cost doesn't mean that those are
10 necessarily prices above what a competitive market level
11 would bring.

12 Of course, the example I give is on the page before
13 of long distances prices where we see that the markup in
14 long distance prices above incremental cost is much higher
15 than the markup of carrier access prices above cost.

16 Q. It's funny you get to that, because I was going
17 to ask you a couple questions about that. This is on page
18 31, essentially lines 8 through 10.

19 You make reference to marginal network costs and what
20 they may have averaged on a per-minute basis. What are
21 marginal network costs?

22 A. Oh, perhaps the TELRIC costs for AT&T or MCI or
23 Sprint. They're the costs of an additional minute of
24 service.

25 Q. So it's actual what it costs the interexchange

1 provider to run the call through its own network?

2 A. Yes. That's what marginal network costs are.
3 Then I include carrier access as an addition to that.

4 Q. There is no discussion here of retail costs or
5 other non-network related costs?

6 A. Non-network costs which vary with usage, no.
7 What I'm looking for is what we would call marginal costs,
8 the cost of an additional minute, and that's a cent,
9 something like that.

10 Q. The reference to carrier access charges there of
11 1.34 cents per minute, is that on an access minute of use
12 basis or a conversation minute of use basis? That would be
13 one end or two ends?

14 A. I believe this is all on a conversation minute
15 basis.

16 Q. Is that interstate or intrastate?

17 A. That is interstate.

18 Q. So none of this indicates what the long distance
19 margins might be on an intrastate basis, for example, here
20 in Pennsylvania?

21 A. Well, no, it doesn't, but the point of the
22 exercise is that in what you and I might agree is a workably
23 competitive market, namely interstate long distance, we see
24 markups in retail rates well above incremental cost.

25 Q. The incremental cost of providing the network

1 services?

2 A. The cost of an additional minute of use.

3 Q. Without including retailing, sales costs,
4 marketing costs, for example?

5 A. Well, it depends on which marketing costs you
6 look at. It doesn't include costs which don't vary with
7 usage. It doesn't include image advertising, for example.

8 Q. Cycling back to page 32 again right at line 2 at
9 the top of the page, there's a reference to as of December
10 of 2002 or the end of last year, the percent of total
11 network access lines in Pennsylvania that you assert CLECs
12 provided, and I know you reference that again later in your
13 testimony, is that total residential and business access
14 lines in Pennsylvania?

15 A. This is just coming from the FCC Annual Report,
16 and I would have to look to see.

17 (Witness perusing document.)

18 A. End-user switched access lines; so it's all.

19 Q. Do you know what the percentage would be for
20 residential?

21 A. I'm not sure the FCC reports that by state.

22 (Witness perusing document.)

23 A. No. I just have those numbers in the aggregate
24 for the U.S.

25 Q. That's a statewide number?

1 A. Yes, almost. It's for Pennsylvania. So it's
2 not Verizon specific, but it only counts CLECs who submit
3 data, which I think is CLECs with more than 10,000 access
4 lines, something like that.

5 Q. Again, it's not specific to Verizon Pennsylvania
6 or Verizon North?

7 A. No. It is the State of Pennsylvania as served
8 by large CLECs.

9 Q. Now, on page 33 of your testimony, there is a
10 proprietary number, which I want to stay on the public
11 record for right now, but you have a reference to the
12 percentage of the market in Verizon Pennsylvania and Verizon
13 North's service territories that the IXCs have capture in
14 terms of intraLATA toll traffic.

15 A. Correct.

16 Q. What is the source of that information?

17 A. The source is from Verizon. I'm not exactly
18 sure what report it comes from.

19 Q. Do you know how they measured it?

20 A. Well, it's by minutes, but no, I don't know.

21 Q. It's not a percentage of PIC, P-I-C,
22 presubscribed --

23 A. I know what PIC means. I'm not sure whether
24 it's minutes or whether it's customers.

25 MR. BARBER: Can I make a hearing data request for

1 the workpapers and source of that data?

2 BY MR. BARBER:

3 Q. So beyond getting the numbers from Verizon, you
4 don't know the basis for the numbers or how they were
5 derived?

6 A. No. Within Verizon, I don't know what the
7 measure is.

8 Q. Now, there is a higher percentage the IXCs
9 purported to have captured in Verizon North's territory.

10 A. Correct.

11 Q. Are you familiar with the history of intraLATA
12 toll competition in Verizon North's service territory,
13 formally the GTE North service territory?

14 A. No, I guess I'm not. I testified in the
15 intraLATA toll debates for Verizon Pennsylvania, so I'm
16 familiar with that, but not for what used to be the GTE
17 territory.

18 Q. You did testify in the merger case; correct?

19 A. Correct.

20 Q. The Bell Atlantic/GTE merger case?

21 A. Yes.

22 Q. Because my recollection is that was an issue
23 there as well. So I guess then you wouldn't be familiar
24 with the fact that prior to the merger, GTE had its own long
25 distance affiliate operating in GTE North's service

1 territory?

2 A. No.

3 Q. And I guess again you wouldn't be familiar with
4 the fact that GTE North, the local exchange company, lost a
5 significant -- if "lost" is the correct term, but a
6 significant amount of the intraLATA toll traffic that
7 previously had been carried by GTE North, the local exchange
8 company, in fact, began to be carried by GTE long distance
9 affiliate.

10 A. I'm not familiar with that.

11 Q. And do you recall what happened when the merger
12 was announced and approved to GTE's long distance affiliate?

13 A. I can't say as I sit here I remember the details
14 of that, no.

15 Q. Again, would you accept to check that because
16 Verizon or Bell Atlantic did not yet have 271 authority in
17 Pennsylvania, GTE's long distance affiliate was required to
18 cease operations in Pennsylvania?

19 A. Sounds reasonable.

20 Q. And as a result of having ceased operations in
21 Pennsylvania, it sold its entire intraLATA toll base to
22 Sprint Telephone Company. Are you familiar with that?

23 A. No.

24

25

1 Q. Turning to page 36 of your testimony --

2 A. Yes.

3 Q. -- and this ties in again with the percentages
4 we were talking about of lines that CLECs are capturing in
5 Pennsylvania, I guess part of your point here is because the
6 CLECs from your perspective have made inroads in the local
7 exchange market, that provides some opportunity or that
8 provides some competitive pressure on access; would that be
9 fair to say?

10 A. Oh, yes. In fact, that is one of the big
11 sources. The way that your company and Verizon compete for
12 access is by competing for the end user customer. Whoever
13 gets that customer gets the access charges.

14 Q. Provided you're getting the customer through the
15 unbundled network elements platform, correct?

16 A. No.

17 Q. Well, I mean, let's put it this way. We'll
18 break it down.

19 A. Well, let me -- it would be easier if I answered
20 it directly, I think.

21 Q. I thought it might be easier if I asked the
22 questions, but let me break it down this way. If the CLEC
23 acquires the customer through resale, Verizon still obtains
24 the carrier access revenues from that particular customer,
25 correct?

1 A. That's correct.

2 Q. If the CLEC acquires a customer through the
3 unbundled network elements platform, the CLEC in fact
4 obtains the carrier access revenues attributable to that
5 customer, correct?

6 A. Correct. And if the CLEC gets the customer by
7 almost any other means, that is by use of its own
8 facilities --

9 Q. Building out facilities --

10 A. -- then it gets the access charges as well.
11 UNE-P is just one minor way.

12 Q. Well, UNE-P would be the most prevalent way with
13 respect to residential customers, wouldn't you agree?

14 A. Today.

15 Q. Today. In that respect, is it not the case that
16 Verizon has filed a petition with the FCC requesting that
17 the FCC essentially forebear and require that CLECs that are
18 obtaining customers through the unbundled network elements
19 platform not collect access, that in fact those access
20 revenues go back to Verizon or whichever underlying
21 incumbent local exchange provider is providing the UNE-P
22 arrangement; is that correct?

23 A. Yes. I'm not familiar with the exact nature of
24 the petition, but the logic of it is obvious, that UNE-P is
25 physically the same as resale, ergo since Verizon is

1 providing the facility, Verizon should be receiving the
2 contribution that was intended for providers of the
3 facility.

4 Q. So if the FCC were to grant that petition, grant
5 the relief Verizon is requesting in that particular case,
6 the fact would be that the unbundled network elements
7 platform would not provide a competitive pressure,
8 competitive alternative on carrier access, correct, because
9 in fact the underlying carrier, the incumbent, is collecting
10 access in those situations?

11 A. Well, yes, the last piece is correct, but still
12 there are other mechanisms by which CLECs compete to get the
13 customer of which carrier access is a part.

14 Q. In fact, if the unbundled network elements
15 platform goes away altogether, that's no longer available as
16 a competitive alternative, correct?

17 A. Oh, yes, but then it's utterly decided as being
18 irrelevant as an alternative, that is if the triennial
19 review when it comes to Pennsylvania, if the Commission
20 decides --

21 Q. When the road show comes to Pennsylvania --
22 that's all right.

23 A. On that blessed day, then this Commission will
24 get to decide whether there are actually physical switches
25 that CLECs in Pennsylvania own that they use to provide

1 service, and if there are, then and only then UNE-P will
2 disappear, but then CLECs will have been determined by this
3 Commission to be able to compete for carrier access along
4 with every other service without using UNE-P.

5 Q. And again, primarily the alternative there then
6 would be facilities based alternatives, correct?

7 A. Yes, either you own yours or you rent them from
8 someone else.

9 Q. If in fact you can do a facilities buildout to
10 your residential customers.

11 A. No, you don't have to do that. I mean, you do
12 have UNE loops.

13 Q. Page 37 of your testimony, you begin a
14 discussion regarding the various price squeeze and anti-
15 competitive arguments that witnesses for AT&T and MCI have
16 put forward, and in particular you roll out an argument that
17 the price squeeze isn't really a possibility here because of
18 the issue regarding opportunity costs to the incumbent from
19 the lost access charges, right? Do I have that summarized
20 correctly?

21 A. Roughly, that is it's not profitable for an ILEC
22 to undertake what we call a price squeeze of this kind. It
23 would lose money even in the short run by doing so.

24 Q. Now, you refer to prior instances in which
25 you've appeared in Pennsylvania. I recall you were in the

1 access proceeding, the generic access investigation before
2 Judge Schnierle at that time, I believe it was back in the
3 1996, 1997 time frame, correct?

4 A. Yes.

5 Q. I believe you were also a witness for Bell
6 Atlantic Pennsylvania in its request to have certain
7 services declared competitive in Pennsylvania, for example
8 the business --

9 A. Oh, yes, right.

10 Q. I can't recall whether you were also a witness
11 in the intraLATA toll --

12 A. I believe I was.

13 Q. -- competitive classification case --

14 A. Oh, no, not the competitive classification.

15 Q. But at prior times in prior proceedings before
16 this Commission dealing with access and toll pricing, you
17 also have laid out your opportunity cost argument or
18 opportunity cost rebuttal to assertions of price squeeze
19 related to access pricing, correct?

20 A. Yes. The facts haven't changed in five years.

21 Q. And so to the extent that you've rolled those
22 arguments out before and they've been addressed by prior
23 Administrative Law Judges or by the Commission, I mean,
24 there hasn't been a substantial change in your argument?

25 A. No. As far as I know, the Commission has

1 approved this argument, that is it adopted in every respect
2 the imputation price floor that I proposed which is based on
3 this notion of what a price squeeze is. And I infer from
4 that that the Commission understands this perfectly well.

5 Q. Is it your understanding that for example Judge
6 Schnierle adopted your opportunity cost argument in response
7 to the price squeeze issues raised?

8 A. Well, I'm not sure -- I'm sorry, I can't
9 remember exactly who the Judge was, but yes, it is my
10 testimony that the imputation price floor that flows from
11 this argument was accepted, and I guess it was in the access
12 docket, but I'm not sure.

13 Q. Actually, it was in the global order.

14 A. I stand corrected, subject to check.

15 Q. Just very briefly, on pages 42 through 43, you
16 respond to certain arguments that Mr. Kirchberger and Mr.
17 Nurse make about the advantages that wireless providers may
18 have over exchange providers in the market, correct?

19 A. Yes.

20 Q. The one thing I didn't see here or one area
21 where you didn't address, I take it from the testimony is
22 set forth here that you don't disagree or -- put it this
23 way. Is it your testimony that wireless providers do not
24 have a pricing advantage over interexchange carriers in the
25 termination of their traffic?

1 A. What do you mean by a pricing advantage?

2 Q. That they pay a less, a substantially lower
3 amount to terminate traffic than interexchange carriers do
4 over virtually identical routes.

5 A. Over some virtually identical routes and some
6 very different routes. That is, the geographic nature of
7 what one terminates if you're a wireless carrier with a
8 local termination rate is different from what you get if
9 you're a long distance carrier and what you get to
10 terminate.

11 Q. In fact, in most cases in Pennsylvania, the
12 wireless carriers have the opportunity to terminate traffic
13 at reciprocal compensation rates over a much broader area
14 than say an average local exchange carrier?

15 A. For intrastate Pennsylvania, I believe that's a
16 geographic fact. That isn't true of every state, and it
17 certainly isn't true of long distance in general.

18 Q. In fact, for example, one major trading area
19 here in Pennsylvania that covers the Philadelphia area
20 actually extends all the way from south New Jersey to
21 central Pennsylvania, correct?

22 A. I don't know for a fact, but I'm aware that in
23 Pennsylvania there are large MTAs.

24 MR. BARBER: I have nothing further, Your Honor.
25 Thank you.

1 JUDGE FORDHAM: Thank you. Ms. Painter?

2 MS. PAINTER: Thank you, Your Honor. Fortunately,
3 Mr. Barber covered most of my areas, so mine will be very
4 brief.

5 **CROSS-EXAMINATION**

6 BY MS. PAINTER:

7 Q. Good afternoon, Dr. Taylor. I'm Michelle
8 Painter.

9 A. Good afternoon, Ms. Painter.

10 Q. Verizon has been in the in-state interLATA long
11 distance market in Pennsylvania for about two years; is that
12 correct?

13 A. Roughly right, yes.

14 Q. And are you aware of what Verizon's market
15 share, the increase in Verizon's market share has been in
16 that time period?

17 A. For in-state interLATA?

18 Q. Yes.

19 A. I haven't seen the numbers. I have a rough idea
20 of sort of the market share in interLATA generally that
21 Verizon has gotten, but I can't speak for Pennsylvania.

22 Q. What's that rough number in general?

23 A. The rough number generally --

24 MS. CONOVER: This may be --

25 THE WITNESS: It couldn't be proprietary because --

1 MS. CONOVER: It's that rough?

2 THE WITNESS: It's too rough.

3 (Laughter.)

4 THE WITNESS: On the order of 25 percent is not an
5 unusual number.

6 BY MS. PAINTER:

7 Q. And have you done any analysis of how much
8 additional revenue Verizon has gained in Pennsylvania from
9 that additional market share?

10 A. No.

11 Q. It's fair to say that Verizon definitely has
12 increased revenue from that additional market that they've
13 entered; wouldn't you agree?

14 A. Yes.

15 MS. PAINTER: I have nothing further, Your Honor.

16 JUDGE FORDHAM: Thank you. Mr. Mickens?

17 MR. MICKENS: Thank you, Your Honor.

18 **CROSS-EXAMINATION**

19 BY MR. MICKENS:

20 Q. Good afternoon, Dr. Taylor.

21 A. Good afternoon, Mr. Mickens.

22 Q. I have a few questions for you concerning your
23 testimony. At page two of your statement, roughly lines 23
24 through 26, you state there that several intervenors claim
25 that Verizon's basic local exchange service is not priced

1 below cost and is not receiving a subsidy, and that these
2 witnesses use these claims to support their position that
3 basic local exchange rates should not be increased and/or
4 access charges should not be decreased; is that correct?

5 A. Yes.

6 Q. Are you claiming that OTS Witness Mr. Kubas is
7 one of those intervenors?

8 A. I'm not sure offhand. Let me -- what you're
9 reading from is a summary of the testimony.

10 Q. Yes.

11 A. And I'm not sure I've ever accused Mr. Kubas of
12 that error.

13 Q. So as you sit here now, you're not stating that
14 he's one of those to which you refer?

15 A. No, but I'd be delighted if you would stipulate
16 that that sentence is correct.

17 Q. You'll be waiting for a long time.

18 (Laughter.)

19 Q. All right. Would you agree that Mr. Kubas in
20 fact identified the cost of providing the unbundled loop and
21 allocated a portion to the IXCs via the carrier charge?

22 A. That Mr. Kubas identified the direct cost of a
23 loop and allocated a portion of it to carriers by the CC
24 charge, is that the question?

25 A. IXCs.

1 Q. To IXCs, long distance carriers. Maybe the
2 case, that maybe correct. If the direct cost that he
3 identified is the full cost of the loop, that is just like
4 what you'd calculate if it were TELRIC costing out an
5 unbundled loop, then I'd be in agreement with him that far.

6 Once he allocates part of it to long distance, we
7 part company. That's no longer a cost in my view.

8 Q. Did you read Mr. Kubas' testimony?

9 A. Yes, I did.

10 Q. Okay. Did Mr. Kubas state whether local service
11 is priced above cost?

12 A. Don't recall offhand, don't know.

13 Q. Okay. So you're not stating that he has done
14 that?

15 A. His testimony speaks for itself. I don't think
16 that I'm claiming that he did it unless I say that somewhere
17 else in my testimony. I think when I'm making that point
18 I'm addressing mostly Mr. Dunkel.

19 Q. All right. Would you refer to page eight of your
20 testimony?

21 A. Yes.

22 Q. Lines 4 through 13, and I'm paraphrasing, here
23 you question OTS Witness Mr. Kubas' claim that each service
24 that uses the local loop should pay for such usage; is that
25 correct?

1 A. Yes, that's what it says.

2 Q. And you state that under Mr. Kubas' theory, the
3 cost of a telephone set should be allocated to all of the
4 services that require its use, but that does not occur,
5 correct?

6 A. Correct.

7 Q. Now, let me ask you this. If a business
8 purchases a phone and uses it only to place and receive out
9 of state long distance phone calls, would it be appropriate
10 for the company to record the expense of that telephone in
11 the state and local business exchange service account?

12 A. This is a company like US Steel or something,
13 not a telephone company, in your question?

14 Q. Yeah, you can assume it's a company like that.

15 A. Sure. For accounting purposes, doesn't matter
16 to me what they call that telephone. They may be perfectly
17 correct to say it is a --

18 Q. I'm asking you what's appropriate.

19 A. Well, I'm trying to do this from an accounting
20 point of view, which is a little difficult. I guess I would
21 have no objection as an amateur accountant for them to
22 classify it as something that's used for long distance
23 because that's a fact.

24 However, I would not be willing for long distance
25 carriers to pay for the use of that phone. That would be a

1 violation of economic principles and would be inefficient
2 and would give rise to all sorts of problems. But as far as
3 how you want to account for it, I don't really care.

4 Q. So you wouldn't be concerned if it was a local
5 business exchange account?

6 A. For the books of account of US Steel, no, that
7 wouldn't bother me if they called that phone a local phone
8 or a long distance phone. There may be some rule of
9 accounting that says they should account for it some way.

10 My only objection -- remember, I'm an economist, not
11 an accountant. All I care about as far as this issue is
12 concerned is who pays for that phone, and how it's paid for,
13 that is, it isn't long distance carriers that are going to
14 pay for that phone.

15 Q. And even in certain circumstances, what is the
16 most efficient method?

17 A. Absolutely.

18 Q. All right. Looking at page 25 of your
19 testimony, roughly lines seven through 11, do you have that?

20 A. Yes.

21 Q. Here you state that in the global order and in
22 subsequent orders -- and I believe you allude to the RTC
23 access settlement --

24 A. Yes.

25 Q. -- the Commission has indicated that it intends

1 to move access charges closer to cost, which does not
2 include an allocation of loop costs; is that correct?

3 A. Correct.

4 Q. All right. Now, I have a copy of the global
5 order in my possession. Can you identify where in the
6 global order the Commission states that access charges
7 should not include an allocation of loop costs?

8 A. Well, I don't believe it says it. On the other
9 hand, I have never seen an order from this Commission or a
10 cost study for this Commission that has actually included an
11 allocation of loop costs when they're talking about carrier
12 access service.

13 Q. All right. But you can't point to any language
14 in the order which does what you've testified to in this
15 statement, which states what you've testified to?

16 A. Well, I don't believe -- I'm willing to take
17 subject to check that the order does not say explicitly that
18 the access cost that they're talking about doesn't include
19 an allocation of loop costs because it just talks about
20 access costs.

21 Q. All right. Still on page 25, roughly lines 14
22 through 21, here you argue that the Commission has never
23 allocated UNE loop costs to other services as joint or
24 shared costs in its wholesale cases; is that correct?

25 A. Correct.

1 Q. Now, you also state that the same loop
2 facilities are being used to provide both UNE loops on the
3 wholesale side and dial tone line service on the retail side
4 --

5 A. Correct.

6 Q. -- so that it is inconsistent to treat the same
7 facility costs as direct costs in the UNE loop context but
8 as joint or shared cost when these facilities are sold as
9 part of retail local exchange services; is that correct?

10 A. Yes.

11 Q. Would you agree with me that when a CLEC
12 purchases a UNE from Verizon, if they want to recover the
13 cost of the services that they provide such as toll, local
14 services or premium services, that in order to recover the
15 costs of the UNE loop, the CLEC could either charge the cost
16 separately or provide it free in exchange for the purchase
17 of a large amount of toll or premium services?

18 A. Well, I'm not sure I understand what you said.
19 The CLEC can structure its rates any way it likes.

20 Q. Right.

21 A. It has to make money like every other firm, so
22 it has to cover its total costs.

23 Q. Right.

24 A. Has to cover the cost of the UNE loop. And --

25 Q. That's all I'm saying.

1 A. It can offer packages where there is no
2 individual price for the UNE loop. It can offer dial tone
3 line service, for example. I imagine some actually might.
4 But in any case, it must price them to recover its costs.

5 Q. All right. At page 29 of your testimony, lines
6 three through nine, here you state that several intervenors
7 including OTS Witness Mr. Kubas argue that UNEs which must
8 be set at TELRIC are an appropriate cost standard to use for
9 access and basic local service; is that correct?

10 A. Yes.

11 Q. Now, would you agree with me that OTS Witness
12 Mr. Kubas actually testifies that since Verizon failed to
13 provide a valid cost study in this proceeding, his only
14 recourse was to use the recent cost data provided in the UNE
15 proceeding?

16 A. As I look at page ten of Mr. Kubas' study,
17 that's what he did. I presume when his turn to be cross-
18 examined comes around, he will argue that that was a valid
19 measure of cost that the Commission ought to consider. If
20 he thought it wasn't appropriate, I presume he wouldn't have
21 done it.

22 Q. Right. But that --

23 A. It wasn't his first choice, is what this
24 testimony says.

25 Q. Oh, you're saying that -- right, that's his

1 testimony?

2 A. Correct.

3 MR. MICKENS: Your Honor, that's all I have for this
4 witness.

5 JUDGE FORDHAM: Thank you. Does anyone else have
6 cross for this witness?

7 MS. SMITH: I have a couple.

8 **CROSS-EXAMINATION**

9 BY MS. SMITH:

10 Q. Hello. Good afternoon. My name is Kristen
11 Smith. I represent Qwest. I don't know if you were hear
12 earlier when --

13 A. Yes.

14 Q. Earlier, you testified to the fact that in the
15 beginning part of your testimony, you were describing a
16 competitive environment, the competitive environment in
17 which interstate rates are determined; is that --

18 A. Yes. Interstate toll rates I was taking as an
19 example of a workably competitive market in
20 telecommunications.

21 Q. Interstate toll rates?

22 A. Yes.

23 Q. All right, I'm sorry. I thought you were
24 speaking to interstate access charges.

25 A. No. Interstate access charges are regulated by

1 the FCC. The FCC is moving them down through the CALLS
2 order at a regular rate not unlike what's happened on the
3 intrastate side.

4 Q. I'm sorry, that was my misperception. One
5 question that I did want to ask, however. It's my
6 understanding that there are no carrier charges that are
7 charges through as part of the interstate access charge rate
8 structure; is that correct?

9 A. I believe today that is correct. That is, at
10 one time there were interstate PICCS, they called them,
11 P-I-C-C-S, not small elves, but flat rate charges much like
12 the CC charges in Pennsylvania. But recent, I think 1997,
13 1999 FCC orders moved those costs to end users directly on a
14 flat rate basis.

15 MS. SMITH: That's all. Thank you.

16 JUDGE FORDHAM: Thank you. Any redirect, Ms.
17 Conover?

18 MS. CONOVER: I might have a bit of redirect, just
19 very short redirect, if we could take a short break.

20 JUDGE FORDHAM: Yes. Let's take ten minutes, and the
21 other thing, we had the OCA statements from this morning.
22 If we could deal with those today, then we could be finished
23 all of Verizon's witnesses. We said we would do it tomorrow
24 morning but since we have a little bit of time, instead of
25 starting another witness, if we could deal with this issue

1 today. We can go off the record.

2 (Recess.)

3 JUDGE FORDHAM: We're back on the record. Ms.
4 Conover?

5 MS. CONOVER: Yes. I just have a very few questions.

6 **REDIRECT EXAMINATION**

7 BY MS. CONOVER:

8 Q. First of all, Dr. Taylor, just to clarify
9 something, do you agree with Mr. Kubas' conclusion that
10 Verizon did not file a valid cost study?

11 A. No, not at all. Verizon's cost study is a
12 garden variety TSLRIC cost study, and I don't agree.

13 Q. I just wanted to be sure that was clear on the
14 record. You were asked some questions about the 16 percent
15 statewide market share for CLECs that's included in the most
16 recent FCC local competition report. Do you recall that?

17 A. Yes.

18 Q. And the question from Mr. Barber I believe
19 pointed out that that was a statewide number.

20 A. Correct.

21 Q. Do you have any observations on how that might
22 be adjusted to Verizon Pennsylvania territory, for example?

23 A. Yes. I would expect, since Verizon serves
24 Pittsburgh and Philadelphia and major metropolitan areas of
25 Pennsylvania, that the number 16 percent would be much

1 higher in Verizon territory than on a statewide average.

2 Q. You were asked a series of questions by Mr.
3 Barber about the percentages of -- the market share
4 percentages in the Verizon North territory for interLATA
5 toll. Do you recall those questions?

6 A. Yes, I do.

7 Q. And do you recall that he asked you a number of
8 questions that asked you to accept certain, a recitation of
9 facts subject to check? Do you recall that?

10 A. Yes, I do.

11 Q. First of all, do you have any idea what Verizon
12 North market share interLATA toll was prior to the merger
13 with Bell Atlantic?

14 A. No. Actually, I don't.

15 Q. You don't know that. How would you go about
16 checking the facts that Mr. Barber asked you to accept
17 subject to check?

18 A. Well, at least the basic structure of the facts
19 one can obtain, that is whether -- the fact or not fact that
20 GTE was required to drop its long distance business at the
21 merger is easily checkable.

22 That it sold it to Sprint is checkable in principle.
23 It's always difficult to know quite what that means when one
24 sells customers, but that one can check to see that such a
25 transaction took place. So at least parts of Mr. Barber's

1 set of facts are checkable.

2 Q. And it was I believe certainly the implication
3 of Mr. Barber's testimony that the reason -- his testimony
4 -- that the reason that the market share was what it was was
5 attributable to the fact of this sale. Was that your
6 belief?

7 A. It's my belief that that was an impression that
8 Mr. Barber was leaving with his facts. To check that, at
9 least one thing I would have to do is go back and look to
10 see what GTE's market share was before the merger and before
11 the sale to see if the very small remaining market share was
12 due to the sale to Sprint or had already happened.

13 MS. CONOVER: Your Honor, what I'd like to -- I'm
14 setting the stage for it -- what I'd like to do is, we were
15 asked to accept that subject to check. We would like the
16 opportunity to check the basic facts.

17 Sitting here today, it's my recollection that there
18 may be some parts of it that, some additional facts might
19 make it more accurate. And I would like the opportunity to
20 do that and submit something if I believe that it's
21 necessary to make that accurate.

22 MR. BARBER: It's fundamental to a witness being
23 asked to accept something subject to check that if they
24 either can't check it or in the course of their checking it
25 they come to a different conclusion, they can respond

1 appropriately. I don't know that it's the basis for
2 extensive additional testimony, but certainly within the
3 context of the way the witness would normally respond to a
4 request subject to check, that's perfectly appropriate.

5 MS. CONOVER: Thank you.

6 JUDGE FORDHAM: Thank you.

7 MS. CONOVER: One other follow-up question --

8 JUDGE FORDHAM: Do you have a time period? Because
9 the other parties might want to respond.

10 MS. CONOVER: I believe we could -- the end of the
11 week? Probably by the end of the week, we could get
12 something out. Is that appropriate?

13 JUDGE FORDHAM: So that's by Friday. The holiday is
14 Monday. The record closes on the third which is Wednesday.

15 MS. CONOVER: We could probably do it by Thursday if
16 that is better.

17 JUDGE FORDHAM: Okay.

18 MS. CONOVER: I think it should be fairly routine.

19 BY MS. CONOVER:

20 Q. And finally, looking at the market share
21 percentage that you were talking about for Verizon
22 Pennsylvania, do you have any, does that give you any
23 conclusions or do you have any further observations
24 regarding the specific points that you were making in your
25 testimony at that point?

1 MR. BARBER: Your Honor, I'm not sure this is
2 appropriate redirect. There was a question asked about the
3 percentage and how the percentage was derived. There were
4 no questions based -- I mean, this sounds like an
5 opportunity just for reiterating testimony that really
6 wasn't the subject of cross. There was questions about the
7 percentage, not about the implications.

8 MS. CONOVER: I'll withdraw the question.

9 JUDGE FORDHAM: Do you have anything further?

10 MS. CONOVER: No further redirect.

11 JUDGE FORDHAM: Does anyone else have anything? Mr.
12 Barber?

13 MR. BARBER: I do have a question regarding the
14 percentage.

15 **RE-CROSS-EXAMINATION**

16 BY MR. BARBER:

17 Q. If in fact -- obviously, Pennsylvania you know
18 has I think approximately 35 incumbent local exchange
19 companies?

20 A. Yes.

21 Q. Two of which are Verizon companies, Verizon
22 Pennsylvania and Verizon North.

23 A. Oh, yes. By study area, there are more, but --

24 Q. And for the most part, for the remaining
25 independent companies, some of which are extremely small, I

1 think the basic point you're making is the competitive entry
2 for local exchange providers is probably relatively small.
3 Is that the implication of the testimony about the 16
4 percent?

5 A. Oh, oh, yes, it is, for a couple of reasons.
6 One is that density is probably one of the best predictors
7 of where local exchange competition begins, hence serving
8 Philadelphia and Pittsburgh is a big advantage.

9 Second, a number of the small companies you cite have
10 the rural exemption to providing unbundled elements to
11 competitors, making it more difficult for competitors to
12 serve the barns and stables of rural Pennsylvania.

13 Q. The fact of the matter is, Verizon Pennsylvania
14 has by far the largest number of local exchange lines within
15 the Commonwealth, correct?

16 A. That's my understanding.

17 Q. To the extent that the other thirty -- and
18 Verizon North, the former GTE North, is the second largest?

19 A. Yes.

20 Q. So to the extent that for example the other
21 local exchange companies in the state have minimal to zero
22 in terms of local exchange penetration, that 16 percent
23 number, and I'm playing with the math here, is not likely to
24 be off -- the 16 percent is going to be largely centered in
25 Verizon Pennsylvania's territory, would you expect?

1 A. Well, you're making a hypothesis about weighted
2 averages which we could settle if we had the exact numbers.
3 I will agree with you that Verizon has constituted today has
4 the vast majority of access lines, ergo the fact that a
5 smaller percentage of carriers of access lines don't have
6 any competition means that 16 percent doesn't go up as much
7 as it would if the rural carriers had more lines. That's
8 true.

9 We could figure the number out. Alternatively I
10 guess we could look at the competition numbers that come
11 from for example the Verizon 271 filing which is far more
12 accurate as far as Verizon is concerned and includes all of
13 the CLECs, not simply the large ones.

14 MR. BARBER: Thank you, Your Honor. That's all I
15 have.

16 JUDGE FORDHAM: Thank you. Anything further, Ms.
17 Conover?

18 MS. CONOVER: I just have one clarification.

19 **FURTHER REDIRECT EXAMINATION**

20 BY MS. CONOVER:

21 Q. Assuming the same number of competitors are only
22 in the Verizon Pennsylvania territory and you were to divide
23 that number of competitors to find out what the percentage
24 was solely in the Verizon Pennsylvania territory, what would
25 happen to that 16 percent?

1 A. It would certainly be higher.

2 Q. The thing we don't know is exactly how much it
3 would be higher?

4 A. Correct.

5 MS. CONOVER: No further questions. I don't know if
6 that clarified it or not.

7 MR. BARBER: No.

8 (Laughter.)

9 MR. BARBER: Nothing further, Your Honor.

10 (Witness excused.)

11 JUDGE FORDHAM: We have Verizon Statement No. 3.0 and
12 Exhibit WET-1. Are there any objections to the admission?

13 (No response.)

14 JUDGE FORDHAM: Hearing none, Verizon Statement 3.0
15 and Exhibit WET-1 are admitted without objection.

16 (Whereupon, the document marked
17 as Verizon PA, Inc. and Verizon
18 North, Inc. Statement No. 3 was
19 received in evidence.)

20 JUDGE FORDHAM: Are there any questions or comments
21 regarding the OCA Cross-Examination Exhibit 4, which is the
22 non-proprietary version, and Cross-Examination Exhibit 5,
23 which is the proprietary version, or have you had a chance
24 to look at it sufficiently?

25 MS. SMITH: Qwest has no objection.

1 MS. PAINTER: MCI has no objection.

2 MR. BARBER: Nor does AT&T, Your Honor.

3 MR. MICKENS: OTS has no objection.

4 MS. JONES: OSBA has no objection, Your Honor.

5 JUDGE FORDHAM: So OCA Cross-Examination Exhibit No.
6 4 and Exhibit No. 5 are admitted without objection.

7 (Whereupon, the documents marked
8 as OCA Cross-Examination Exhibits
9 Nos. 4 and 5 were received in
10 evidence.)

11 JUDGE FORDHAM: This concludes our hearing for today.
12 We will start tomorrow at nine o'clock, and if it is
13 necessary to change the order of the witnesses to
14 accommodate witnesses who are not going to be available, we
15 will do that. Thank you very much.

16 (Whereupon, at 5:04 p.m., the hearing was adjourned,
17 to be reconvened at 9:00 a.m. Tuesday, August 26, 2003, in
18 Harrisburg, Pennsylvania.)

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C E R T I F I C A T E

I hereby certify, as the stenographic reporter, that the foregoing proceedings were taken stenographically by me and thereafter reduced to typewriting by me or under my direction, and that this transcript is a true and accurate record to the best of my ability.

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By: John A. Kelly

John A. Kelly,
Certified Verbatim Reporter

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