

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Investigation by the Department of Telecommunications and Energy on its own Motion into the Appropriate Pricing, based upon Total Element Long-Run Incremental Costs, for Unbundled Network Elements and Combinations of Unbundled Network Elements, and the Appropriate Avoided Cost Discount for Verizon New England, Inc. d/b/a Verizon Massachusetts' Resale Services in the Commonwealth of Massachusetts

D.T.E.
01-20

TESTIMONY OF

WILLIAM D. SALVATORE

and FRANK LOMBARDI

on behalf of

AT&T

DATED: May 8, 2001

William D. Salvatore

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND PRESENT POSITION.

A. My name is William D. Salvatore and my office is located at 32 Avenue of the Americas, New York, New York. I hold the position of District Manager - Regulatory Affairs for AT&T. I am responsible for regulatory matters relating to AT&T's local market entry in New York and New England.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE?

A. I received a BA in Political Science from Queens College C.U.N.Y. in 1973 and an MBA in Corporate Finance from Pace University in 1981, while working for AT&T. I was employed by AT&T Long Lines in 1980 and worked in the Engineering Department where I was responsible for conducting cost studies used to report the investment base to the Federal Communication Commission ("FCC"). This was followed by assignments of increasing responsibility in a number of disciplines including: cost studies, budgeting, financial analysis, access management and interconnection

arrangements. I assumed my current position in 1996 in which I represented AT&T in negotiations pursuant to the 1996 Telecommunications Act in New York and several New England states. In addition, I currently hold the position of Chairperson of the Advisory Board to the New York State Universal Service Targeted Assistance Fund ("TAF").

Q. HAVE YOU PREVIOUSLY TESTIFIED IN ANY OTHER STATE REGULATORY PROCEEDINGS?

A. Yes. I have submitted testimony on behalf of AT&T Massachusetts regarding house and riser cable ("HARC") (Case 98-57, Phase I)(with Frank Lombardi), the Price Floor Docket (Case 94-185-E), Verizon 271 Proceeding (Case 99-271); and Line Sharing Docket (Case 98-57-Phase I); in Connecticut concerning SNET's Restructure Proposal (Case 94-10-05), the Investigation into the Pricing of Unbundled Network Elements (Case 96-09-22), the Investigation into SNET's Cost Studies For Other Unbundled Network Elements (Case 97-04-10), the Investigation into Recurring Costs for UNEs (Case 00-01-02), the Unbundled Loop, Port and Interconnection Docket (Case 95-06-17), Status of Competition Investigation (Case 91-12-19), IntraLATA Presubscription Docket (Case 94-02-07), Unbundling Docket (Case 94-10-02) and Cost of Service Docket (Case 94-10-01); in Rhode Island in the Access Charge proceeding (Case 1995) and Unbundled Network Elements Docket (Case 2681); in New Hampshire concerning Bell Atlantic's Special Contract Price Floor proceeding (Case 99-018), NYNEX's Price Cap Proposal (Case 89-010) and Competition Docket (Case 90-002); in Vermont concerning Bell Atlantic's Special Contract Imputation proceeding (Case 6077), Incentive Regulation proceeding (Case 5700/5702) and the Competition Docket (Case 5713); and in New York regarding Universal Service/Access Reform (Cases 94-C-0095/28425); 1+ intraLATA Presubscription (Case 28425) and AT&T's Symmetric Regulation Petition (Case 94-C-0017).

Frank Lombardi

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND PRESENT POSITION.

A. My name is Frank Lombardi. My office is located at 32 Avenue of the Americas, New York, New York. I hold the position of Law and Government Affairs Manager for AT&T. I

am responsible for regulatory matters relating to AT&T's local market entry in New York and New England.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE?

A. I received a BA in Social Science from Hofstra University, Hempstead, New York in 1978, an MBA in Management and Marketing from Adelphi University, Garden City, New York in 1992, and a Juris Doctor from New York Law School in 2000. I have been in the telecommunications industry for approximately twenty years, most of that time as a technician or project manager. I was employed by AT&T Local Services in 1998 and worked in the Operations Department where I held the position of Senior Project Manager and was responsible for the installation of SONET rings for AT&T's corporate customers, and for the installation of equipment that provided dial tone to AT&T's residential customers in multiple dwelling units ("MDU"). I assumed my current position in September, 2000, and represent AT&T in negotiations in New York and the New England states, pursuant to the Telecommunications Act of 1996.

Q. HAVE YOU PREVIOUSLY TESTIFIED IN ANY OTHER STATE REGULATORY PROCEEDINGS?

A. Yes. In December, 2000, I testified in Massachusetts regarding house and riser cable (Case 98-57, Phase I). In October, 2000, I testified before the State of Connecticut Department of Public Utility Control concerning the availability of Southern New England Telephone's house and riser cable at MDU locations (Case 00-05-06). In November, 2000, I submitted testimony (with William Salvatore) in a docket reviewing Verizon's wholesale tariff provisions (Case 98-57).

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of our testimony is to explain the need to establish permanent rates for access to Verizon's horizontal cable on a stand alone or unbundled basis in multiple tenant units (MTUs) By access to unbundled horizontal cable, we mean access to all functionality necessary to bring a telephony signal from the riser closet to - and connecting with - the end-user's inside wire. Without efficient cost-based rates for Verizon's unbundled horizontal cable, facilities-based local exchange carriers

(CLECs) such as AT&T Broadband cannot efficiently bring the benefits of telephony services to residential and business customers in MTUs.

As AT&T requested in D.T.E.98-57, Phase I, prices, terms and conditions for access to Verizon's unbundled horizontal cable should be included in Verizon's Tariff 17. Because the price is a cost-based charge, it should be determined in this docket. According to AT&T's analysis of costs, an appropriate TELRIC based price for unbundled horizontal cable is just over two (2) cents per ten linear feet. Mr. Robert A. Mercer, on behalf of AT&T, has developed this cost estimate using the HAI Model and has presented this estimate in his direct testimony, filed as part of the instant proceeding.

Q. PLEASE EXPLAIN WHAT IS TYPICALLY REFERRED TO AS RISER CABLE AND HORIZONTAL CABLE.

A. In a MTU, riser cable is twisted copper pair that runs vertically, usually between the basement and the upper floors (Please refer to Attachment 1). Its purpose is to bring the telephony signal to each floor of the MTU. Riser cable terminates in riser closets that are located on each floor. Each end of the riser cable is typically "punched down," or terminated, on termination blocks.

Horizontal cable is also twisted-pair, copper cable. Its purpose is to bring the telephony signal from the riser cable directly into the tenant's location, e.g., individual apartment. Horizontal cable runs horizontally to each tenant location from a riser closet typically located on the same floor as the tenant. Horizontal cable is "punched down," or terminated, on termination blocks that are cross-connected to the riser cable. In tenant locations, horizontal cable is terminated on the end-user's telephone jack.

Q. PLEASE DESCRIBE A TYPICAL MTU LOCATION

A. In a typical MTU, such as a high-rise apartment building, condominium, co-op, garden apartment or commercial complex, AT&T's cable (fiber, coaxial, etc.) enters the building. There are at least two ways that AT&T gains access to an MTU. First, in most instances, AT&T Broadband runs coaxial cable into the MTU. This coaxial cable simultaneously carries telephony, data (high speed

internet) and video signals. At some point after the coaxial cable has entered the MTU, the telephony signal must be split-off from the data and video signal, either in the basement (Please refer to Attachment 2) or on the upper floors (Please refer to Attachment 3) in order to gain access to the MTU's inside wire and provide dial tone to the end user. A device called a residential service unit ("RSU") is used to split the coaxial cable signal into the two separate signals. Once the signal is split, one signal is used exclusively for telephony and that will be carried from the RSU on twisted copper pair. The second signal is used for data applications such as high-speed modem access on a personal computer and video cable television signal, and those signals will continue to be carried on coaxial cable. In some cases the coaxial cable is split between telephony and the data/video signals in the basement, or the coaxial cable can be "home-run," i.e., brought directly to riser closets (Please refer to Attachment 3). The RSUs will be located in those closets rather than, for example, in the basement. In such a case, AT&T will cross-connect the twisted pair cable directly to the horizontal cable in the riser closets in order to provide telephony service to the tenant locations.

The second way for AT&T to access an MTU is by running fiber optic cable into the building (Please refer to Attachment 1). The high capacity, fiber optic cable typically carries only telephony signals. The fiber cable terminates on a fiber distribution panel that connects it to an optical carrier, such as an OC-3. This signal is multiplexed down to the DS-0, or twisted copper pair level, and the twisted copper pair cable terminates on cable termination blocks on the backboard. In this scenario, the CLEC termination block is cross-connected through the use of jumper cables to Verizon-MA's riser termination block, and thereby gain access to the riser cable.

Q. YOU DESCRIBED A TYPICAL MTU ABOVE. ARE THERE OTHER CIRCUMSTANCES WHERE AT&T WOULD NEED TO CROSS-CONNECT TO VERIZON-MA'S RISER AND HORIZONTAL CABLE?

A. Yes. Although the situation above describes a typical MTU scenario, it is not the only possible scenario. There are many circumstances where Verizon-MA's cable is located in the attic, laundry room, or affixed to the outside of the building. The layout of Verizon-MA's riser and/or horizontal cable is irrelevant. The principle remains

unchanged. AT&T needs access to Verizon-MA's riser and horizontal cable in order to bring dial tone to tenants, irrespective of its location.

For example, in a garden apartment building Verizon-MA's riser or horizontal cable may be located in a laundry room, and AT&T may find it necessary to run a tie cable⁽¹⁾ from its equipment to Verizon-MA's cable. AT&T would terminate the tie cable near Verizon-MA's riser or horizontal cable and cross-connect its tie cable to Verizon-MA's cable to give AT&T the ability to provide dial tone to AT&T customers in the apartments. Or, Verizon-MA's cable may be affixed to the outside of the building. Once again, AT&T may run a tie cable and terminate it near Verizon-MA's riser or horizontal cable. Once AT&T cross-connects its tie cable to Verizon-MA's riser or horizontal cable, AT&T would have the ability to provide telephony service to its customers in the apartments.

Q. WHAT DID THE MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY RULE WITH RESPECT TO HOUSE AND RISER CABLE IN MTU'S?

A. The Massachusetts Department of Telecommunications and Energy ("DTE") draws upon the FCC's UNE Remand Order and Verizon-MA's own acknowledgement of the fact that it is required to provide CLECs access to Verizon-MA owned house and riser cable at MTUs. It should also be noted that the DTE provides no limitations to where access to house and riser cable is permitted. The DTE states in this regard:

"As noted, Bell Atlantic recognizes that it is required to provide HARC ("House and Riser Cable") facilities on a non-discriminatory basis, as affirmed by the Federal Communications Commission in its recent UNE Remand Order, paragraph 205-207."⁽²⁾

Thus, it is clear that Verizon-MA is obligated to provide access to house and riser cable, that the DTE did not set limits on where a CLEC could access the house and riser cable and that a CLEC may access only the horizontal portion of the house and riser cable.

Q. HAS THE ISSUE OF CLEC ACCESS TO UNBUNDLED HORIZONTAL CABLE BEEN ADDRESSED IN SUBSEQUENT DEPARTMENT PROCEEDINGS?

A. Yes, however, the issue has not been clearly and completely resolved. In D.T.E. 98-57, Phase I, during the hearing held on December 15, 2000, Verizon witness Amy Stern clarified that, while Tariff No. 17 does not currently provide unbundled access to horizontal cable, Verizon would be willing to provide such access, if requested.⁽³⁾ Ms. Stern further testified that Verizon would also be willing to work cooperatively with CLECs in developing procedures for providing access to horizontal cable.⁽⁴⁾ When questioned by the Department, Verizon also expressed its intent that at some point in the future it will incorporate terms and conditions related to horizontal cable into Tariff No. 17.⁽⁵⁾ In its brief, AT&T asked the Department to order Verizon to add such provisions to its tariff.⁽⁶⁾ A decision in that case is still pending.

Q. DOES VERIZON-MA'S CURRENT TARIFF 17 PROVIDE SPECIFIC PRICES FOR ACCESS TO HORIZONTAL CABLE ON A STAND-ALONE BASIS?

A. No. In D.T.E. 98-57, Phase I, Verizon-MA's answer to AT&T's interrogatory, ATT 10-3,⁽⁷⁾ requesting an explanation of proposed tariff prices, was incomplete. Specifically, Verizon-MA did not fully provide a specific price breakdown solely for unbundled horizontal cable, i.e., excluding the price of the riser cable.

Based on Ms. Stern's testimony at the 12/15/00 hearing, however, it appeared that Verizon intends to incorporate in its Tariff 17 cost-based prices for access to unbundled horizontal cable at a future, unspecified date. In addition, at the same hearing, Ms. Stern offered an interim pricing proposal. Until Verizon has completed a full cost study for access to horizontal cable, Verizon will charge CLECs the building access and NID fees, but not the per floor fee (which would apply to the riser portion of the HARC).⁽⁸⁾ AT&T took no position on the validity of such a pricing proposal but accepted it as an opportunity for access to unbundled horizontal cable on an interim basis and asked the Department to require Verizon to fulfill its promise to establish permanent rates.

Q. DURING THE HEARINGS IN DTE 98-57, PHASE I, VERIZON AGREED TO NEGOTIATE AN INTERIM SOLUTION TO ISSUES RAISED BY AT&T CONCERNING THE PRICES, TERMS AND CONDITIONS FOR ACCESS TO UNBUNDLED HORIZONTAL CABLE IN MTUs. HAVE THOSE ISSUES BEEN RESOLVED?

A. No, not as of this date. AT&T and Verizon agreed to meet and discuss whether they could agree on interim policies and interim rates that would recognize AT&T Broadband's somewhat unique status as a facilities based provider of phone service at MTUs. However, no formal agreement has been concluded.

Q. WHAT IS THE STATUS OF AT&T'S DISCUSSIONS WITH VERIZON-MA REGARDING ACCESS TO VERIZON-OWNED UNBUNDLED HORIZONTAL CABLE IN MTUs?

A. Representatives of AT&T Broadband and Verizon-MA have met several times, and have made progress toward, but have not yet reached, an interim procedure governing AT&T Broadband's access to Verizon's unbundled horizontal cable. AT&T Broadband has fully explained how it will configure its facilities in MTUs, and the need to access Verizon's own horizontal cable and/or those owned by the building owner in order to offer competitive local phone service. Verizon has submitted a written proposal on procedures to access its unbundled horizontal cable and AT&T will respond shortly. However, a pricing proposal for unbundled horizontal cable has not been included in Verizon's latest proposal.

Q. WHY DOES AT&T WISH TO SET PERMANENT RATES FOR UNBUNDLED HORIZONTAL CABLE IN THE INSTANT PROCEEDING IF IT IS CURRENTLY IN NEGOTIATIONS WITH VERIZON-MA ON THIS AND OTHER PROCEDURAL ISSUES?

A. Although AT&T and Verizon-MA are currently in negotiations to establish prices and procedures for access to unbundled horizontal cable, there is no guarantee that these negotiations will be successful or that they will produce anything other than interim rates.

Since this is the Docket the Department established to investigate all of Verizon-MA's UNE rates, it is appropriate that prices for unbundled horizontal cable also be set.

If AT&T and Verizon-MA mutually agree to establish permanent unbundled horizontal cable rates before the conclusion of this proceeding, AT&T will withdraw this testimony upon tariffing or inclusion of such rates in an interconnection agreement.

Q. PLEASE SUMMARIZE YOUR TESTIMONY.

A. In order for CLECs, such as AT&T Broadband, to efficiently use their broadband network to provide telephony services to residential and business end-users in MTUs, permanent rates must be established for access to Verizon-MA's unbundled horizontal cable. Because the charge to access unbundled horizontal cable must be cost-based, it should be determined in this Docket and the rates included in Verizon-MA's Tariff 17. AT&T estimates that, based on the HAI model, a cost of approximately two (2) cents per linear foot is an appropriate TELRIC based price for the horizontal cable. If current negotiations with Verizon produce permanent rates for unbundled horizontal cable, AT&T will withdraw this testimony at the time such rates become legally binding on Verizon.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes it does.

1.1 A tie cable is a cable that typically ties two backboards together. The backboards may be located in separate buildings or within the same building.

2. 2 See DTE Order 96-83, 96-94-Phase 4-Q, p. 5.

3. 3 See Tr. 12/15/00 at 263.

4. 4 *Id.* at 266-7.

5. 5 *Id.* at 330.

6. 6 Initial Brief Of AT&T Communications Of New England, Inc. Regarding Open Tariff Provisions ("The Department should order Verizon to make it possible for CLECs to utilize the existing tariff and to obtain access to HARC (horizontal cable on a stand alone basis, or riser and horizontal cable jointly)."), filed in D.T.E. 98-57 on January 12, 2001.

7. 7 *Id.* at reply item ATT 10-3(b).

8. 8 See Tr. 12/15/00 at 283.