

1                   BEFORE THE WASHINGTON UTILITIES AND  
2                   TRANSPORTATION COMMISSION

3 In the Matter of the Continued    )  
4 Costing and Pricing of            ) Docket No. UT-003013  
5 Unbundled Network Elements and   ) Volume XXIX  
6 Transport and Termination.        ) Pages 3697 to 3855  
7 \_\_\_\_\_)

8                   A hearing in the above matter was held on  
9 April 19, 2001, at 9:30 a.m., at 1300 South Evergreen  
10 Park Drive Southwest, Room 206, Olympia, Washington,  
11 before Administrative Law Judge LAWRENCE BERG and  
12 Chairwoman MARILYN SHOWALTER and DR. DAVID GABEL.

13                   The parties were present as follows:

14                   THE WASHINGTON UTILITIES AND TRANSPORTATION  
15 COMMISSION, by GREGORY J. TRAUTMAN and MARY TENNYSON,  
16 Assistant Attorneys General, 1400 South Evergreen Park  
17 Drive Southwest, Post Office Box 40128, Olympia,  
18 Washington, 98504-0128.

19                   QWEST CORPORATION, by LISA ANDERL, Attorney  
20 at Law, 1600 Seventh Avenue, Suite 3206, Seattle,  
21 Washington 98191.

22                   VERIZON NORTHWEST, INC., by JENNIFER L.  
23 MCCLELLAN and MEREDITH B. MILES and JEFF EDWARDS,  
24 Attorneys at Law, Hunton and Williams, 951 East Byrd  
25 Street, Richmond, Virginia 23219.

26                   RHYTHMS LINKS, INC. AND TRACER, by ARTHUR A.  
27 BUTLER, Attorney at Law, Ater Wynne, LLP, 601 Union  
28 Street, Suite 5450, Seattle, Washington 98101.

29                   WORLDCOM, INC., by ANN HOPFENBECK, Attorney  
30 at Law, 707 - 17th Street, Suite 3600, Denver, Colorado  
31 80202.

32                   Joan E. Kinn, CCR, RPR  
33 Court Reporter

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1                   ELECTRIC LIGHTWAVE INC.; ADVANCED TELECOM  
2                   GROUP, INC.; AT&T COMMUNICATIONS OF THE PACIFIC  
3                   NORTHWEST, INC.; MCLEOD USA TELECOMMUNICATIONS SERVICES  
4                   INC.; FOCAL COMMUNICATIONS CORPORATION OF WASHINGTON;  
5                   AND XO WASHINGTON, INC.; by MARY STEELE, Attorney at  
6                   Law, Davis, Wright, Tremaine, LLP, 1501 Fourth Avenue,  
7                   Suite 2600, Seattle, Washington 98101.

8                   COVAD COMMUNICATIONS COMPANY, by BROOKS E.  
9                   HARLOW, Attorney at Law, Miller Nash, LLP, 601 Union  
10                   Street, Suite 4400, Seattle, Washington 98101.

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P R O C E E D I N G S

JUDGE BERG: This is a continued hearing in Docket Number UT-003013. Today's date is April 19, 2001. We begin today's hearing with testimony and cross-examination of the Joint Intervenor's witness John C. Klick.

Before we begin that testimony cross-examination, I would ask that the reporter insert into the record the exhibit and exhibit numbers, excuse me, the exhibit numbers and exhibit descriptions for Exhibits T-1310 through C-1322 and Exhibit T-1300 through T-1302 as indicated on the exhibit list dated 4/17/01 as if read in their entirety.

(The following exhibits were identified in conjunction with the testimony of JOHN C. KLICK.)

Exhibit T-1310, CT-1310 is Part B Response Testimony of John C. Klick dated 10/23/00 (JCK/BFP-1T)(JC/BFP-1TC). Exhibit E-1310 is Errata to Response Testimony of John C. Klick (JCK/BFP-1T). Exhibit 1311 is Curriculum Vitae of John Klick (JCK/BFP-2). Exhibit 1312 is Curriculum Vitae of Brian F. Pitkin (JCK/BFP-3). Exhibit C-1313 is Revised Verizon Recurring DS-1 Loop Cost (JCK/BFP-4C). Exhibit C-1314 is Summary of Joint Intervenors Revised Loop

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1 Conditioning NRCs (JCK/BFP-5/5C). Exhibit C-1315 is  
2 Summary Comparison of Qwest and Joint Intervenors  
3 Proposed Costs (JCK/BFP-6/6C). Exhibit C-1316 is  
4 Description of Error in Verizon Provisioning Costs  
5 (JCK/BFP-7/7C). Exhibit C-1317 is Explanation of how  
6 Verizon Inflates NRC Work Activity times (JCK/BFP-8C).  
7 Exhibit C-1318 is NRC Rate Summary Comparison  
8 (JCK/BFP-9/9C). Exhibit T-1319, CT-1319 is Part B  
9 Supplemental Response Testimony. Exhibit C-1320 is  
10 Revised Qwest Recurring DS-1 Loop & Feeder Sub-Loop Cost  
11 (JCK/BCP-11C). Exhibit C-1321 is Revised Qwest  
12 Recurring DS-1 Loop Cost (JCK/BCP-12C). Exhibit C-1322  
13 is Revised Verizon Recurring DS-1 Loop Cost  
14 (JCK/BCP-13C).  
15 Exhibit T-1300 is Part B Response Testimony  
16 of John C. Klick Adopting Testimony of Richard Cabe  
17 dated 10/23/00. Exhibit T-1301 is Supplemental Response  
18 Testimony dated 12/20/00. Exhibit T-1302 is Klick  
19 Testimony adopting Cabe (JCK-3TC).

20

21 JUDGE BERG: And at this point, Mr. Klick, if  
22 you would please rise.

23

24 Whereupon,

25

JOHN C. KLICK,

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1 having been first duly sworn, was called as a witness  
2 herein and was examined and testified as follows:

3

4 JUDGE BERG: Thank you, sir.

5 THE WITNESS: Thank you.

6

7 D I R E C T E X A M I N A T I O N

8 BY MS. STEELE:

9 Q. Good morning, Mr. Klick.

10 A. Good morning.

11 Q. Would you state your full name for the record  
12 and also provide us with your address.

13 A. Yes, my name is John C Klick, that's  
14 K-L-I-C-K, my address is 66 Canal Center Plaza, Suite  
15 670, Alexandria, Virginia 22314.

16 Q. I'm going to ask you whether you have pieces  
17 of testimony and exhibits in front of you. First, do  
18 you have in front of you Exhibits T-1310 and CT-1310,  
19 Part B Response Testimony of John C. Click and Brian  
20 Pitkin, and the errata to that testimony, E-1310, and  
21 the exhibits to that testimony, Exhibits 1311 through  
22 1318?

23 A. Yes, I do.

24 Q. And do you also have Exhibit T-1319 and  
25 CT-1319, the Part B Supplemental Response Testimony of

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1 John C. Click and Brian Pitkin, and the exhibits to that  
2 testimony?

3 A. Yes, I do.

4 Q. And do you also have Exhibits C-1321 and  
5 1322, which were exhibits to the errata testimony?

6 A. I've got C-1320.

7 Q. The exhibits to the errata testimony?

8 A. I'm sorry, yes, I do.

9 Q. And did you and Mr. Pitkin prepare those  
10 documents or cause them to be prepared?

11 A. We did.

12 Q. And to the extent that Mr. Pitkin prepared  
13 that testimony, do you adopt the testimony of Mr. Pitkin  
14 as your own?

15 A. I do.

16 MS. STEELE: And I would at this time request  
17 the admission of documents T-1310 through C-1322.

18 JUDGE BERG: Hearing no objection --

19 MS. ANDERL: Your Honor, I would just point  
20 out that I don't believe that the resume' of Mr. Pitkin  
21 is necessarily relevant, which is Exhibit 1312, so it  
22 probably should not technically become a part of the  
23 record.

24 MS. STEELE: Frankly, I think it is relevant  
25 since he participated in the preparation of the



03705

1 testimony, but I'm not going to fight real hard over  
2 that one.

3 MS. ANDERL: Well, and frankly neither am I.  
4 He's not a witness who is here testifying, but it's an  
5 unusual way to be filing testimony to begin with, so.

6 JUDGE BERG: I think we will accept all of  
7 this testimony based upon this witness's ability and  
8 this witness's expert credentials, and so Exhibit 1312  
9 will be rejected. Exhibits T-1310 through 1311 and  
10 Exhibits C-1313 through C-1322 are admitted.

11 MS. STEELE: And Mr. Klick is available for  
12 cross-examination.

13 JUDGE BERG: Mr. Edwards.  
14 Off the record for a moment.  
15 (Discussion off the record.)

16

17 C R O S S - E X A M I N A T I O N

18 BY MR. EDWARDS:

19 Q. Good morning, Mr. Klick.

20 A. Good morning.

21 Q. Good to see you again.

22 A. Likewise.

23 Q. Let me ask you to turn to page three of your  
24 response testimony, which is Exhibit 1310.

25 A. Okay.

03706

1           Q.     I want to explore for a minute what you  
2 perceived your purpose to be.  At the top of the page,  
3 you state that in line one you have had to analyse  
4 models sponsored by opposing parties.  At the beginning  
5 of that sentence, you talk about because they have been  
6 presented in the context of litigation, explain their  
7 deficiencies, and defend the model assumptions and  
8 techniques that you have utilized.  Do you see that?

9           A.     I do.

10          Q.     What is the significance of the phrase that  
11 you use, because they're in the context of litigation,  
12 to what you perceive your purpose to be with respect to  
13 analyzing and defending models?

14          A.     Well, I think that when models are presented  
15 in litigation and when they are sufficiently available  
16 to the parties to litigation, there's an opportunity  
17 there and a need to look critically at not only what  
18 you're doing yourself, but what the other parties to the  
19 litigation are doing.

20                 So the thrust of it, what I was trying to say  
21 in this sentence here is that -- or in this paragraph is  
22 that it's not simply a matter of developing a model that  
23 does something, but because you're in litigation where  
24 opposing parties will be looking at your work and you  
25 will be looking at opposing parties' modeling work,

03707

1 there's a depth of analytical effort there that you  
2 sometimes don't get when you're say developing a model  
3 for internal use at a company.

4           Now that's not to say that -- it's more, I  
5 think, a matter of the environment you're in, that  
6 there's pressure, more pressure in the litigation  
7 environment to do that sort of critical analytical  
8 looking at both your own work and opposition's.

9           Q.    Well, is there -- is there a direct link  
10 between litigation and your perception of deficiencies  
11 in models, so that if you were to look at the same model  
12 outside the context of litigation, what you perceive to  
13 be a deficiency in the context of litigation would not  
14 be a deficiency?

15          A.    Well, any model has to be -- has to be  
16 evaluated in the context of what it's being used to do,  
17 and so there may be circumstances in which an issue in  
18 litigation would cause you to conclude something about  
19 the validity of a model that you wouldn't necessarily  
20 focus on if that weren't an issue you were otherwise  
21 interested in.

22           So I guess to some extent, I would agree that  
23 it's conceivable that being in a litigation environment  
24 might cause one to focus on an aspect of a model because  
25 it relates to an issue in the litigation that you might

03708

1 otherwise not focus on. But I think the point -- the  
2 broader point I was simply trying to make here is that  
3 in a litigation environment, there tends to be a more  
4 critical review of models than you might otherwise find.

5 Q. Would you agree with me in the litigation  
6 context or in the litigation context in which you have  
7 been involved, and I know that there have been a number  
8 of them, that when you analyse models proposed by other  
9 parties that sometimes you come to a conclusion that at  
10 least with respect to certain aspects there are no  
11 deficiencies in the model?

12 A. Sure.

13 Q. And then when you say there you defend the  
14 model assumptions and techniques that you have utilized,  
15 would you agree with me that that's not a role that you  
16 play with respect to the testimony you have filed in  
17 this docket?

18 A. I don't think that's -- and maybe this is  
19 purely a matter of semantics, but certainly in some of  
20 the testimony in this phase of this proceeding, we have  
21 taken exception to what we perceive to be certain of the  
22 assumptions that are being used, and we have modified  
23 those assumptions and rerun the models. So to that  
24 extent, I think we are potentially to be required to  
25 defend those assumptions. We will find out later this

03709

1 morning.

2 Q. All right.

3 A. So I'm not sure I can --

4 Q. All right, well, that's fair enough. And in  
5 defending those assumptions and the techniques that you  
6 have utilized, would you agree with me that it's  
7 important to document what those assumptions and  
8 techniques are?

9 A. Generally, yes.

10 Q. And would you agree with me that it's  
11 important to explain what the basis of those assumptions  
12 and techniques are?

13 A. Yes.

14 Q. And would you agree with me that to the  
15 extent that you have changed certain assumptions or used  
16 certain techniques that it's important to explain in  
17 your testimony what it is you have done?

18 A. And I would agree with that, and I hope we  
19 have done so.

20 Q. Now you in your telecom career have had some  
21 experience with the Hatfield and the HAI model, correct?

22 A. Yes.

23 Q. But that's not a model that you are  
24 sponsoring on behalf of the Joint Intervenors in this  
25 proceeding; is that right?

03710

1           A.     If by this proceeding you're talking about  
2 the subject of these volumes of testimony today, I am  
3 not sponsoring a Hatfield model.

4           Q.     That's not a very precise question on my  
5 part.  What I meant was the Phase B part that we're here  
6 today for, you're not sponsoring that model, correct?

7           A.     Yeah, I think that the, you know, some of the  
8 observations we make in the testimony relate to the use  
9 that the Commission has made of that model and some  
10 inconsistencies between that use and what's being done  
11 in this phase, but we are not -- I'm certainly not  
12 presenting a Hatfield model run today.

13          Q.     Do you know whether the HAI model is capable  
14 of determining costs for the UNEs that the Commission is  
15 considering in Phase B, the current version of the HAI  
16 model?

17          A.     I don't have a lot of experience with the  
18 current version of the HAI model, so I'm not sure I can  
19 answer that question.

20          Q.     What would be the most recent version of the  
21 HAI model that you feel comfortable answering that  
22 question about?

23          A.     I'm trying to recall.  I think I have had  
24 some experience with a version 4.0.

25          Q.     4.0, did version -- was version 4.0 capable

03711

1 of determining a DS1 or a DS3 loop cost?

2 A. I would say in some respects, yes. It did  
3 not, as I recall, have a specific UNE output that  
4 related to DS1. But as we discuss in here, I think that  
5 the DS1 capacity to some extent is reflected in the  
6 Hatfield model calculations.

7 Q. Do you know why the, at least those portions  
8 of the HAI model that might be relevant to the issues  
9 being addressed here in Phase B, were not put in front  
10 of the Commission?

11 A. I do not.

12 Q. You also have some experience, I believe,  
13 with the AT&T and WorldCom nonrecurring cost model; is  
14 that correct?

15 A. Yes.

16 Q. Based on your knowledge and experience with  
17 that model, does it determine certain service ordering  
18 and provisioning costs that are relevant to the NRCs  
19 that are before this Commission in Phase B?

20 A. It's been a while since I've looked at that  
21 model, Mr. Edwards, and to be definitive about my  
22 answer, I would need to go back and look at it, but I  
23 would expect that it does.

24 Q. Do you know -- do you know why the  
25 intervenors that you represent chose not to put that

03712

1 model before the Commission in this proceeding?

2 A. I have no knowledge about that.

3 Q. You, I believe, are not an attorney; is that  
4 correct?

5 A. That is correct.

6 Q. Probably thankful for that. And you're not  
7 an engineer, are you?

8 A. I am not.

9 Q. And you have never designed outside plant; is  
10 that correct?

11 A. Only in -- I have never designed outside  
12 plant except in the context of the modeling work that we  
13 do.

14 Q. Let me ask you to look at page seven of your  
15 testimony.

16 A. (Complies.)

17 CHAIRWOMAN SHOWALTER: Which exhibit is this?

18 MR. EDWARDS: I'm sorry, it's still Exhibit  
19 1310.

20 BY MR. EDWARDS:

21 Q. Let me ask you to look at line 14 there,  
22 Mr. Klick, and there you're discussing how the recurring  
23 rates for the UNEs previously considered by the  
24 Commission were determined; is that correct?

25 A. Yes.



03713

1 Q. And you state that those recurring rates  
2 resulted from the Commission seeking to make model  
3 outputs converge and then average in the results; do you  
4 see that?

5 A. Yes.

6 Q. What do you mean by making model outputs  
7 converge? Well, first, let me ask a preliminary  
8 question first.

9 A. Sure.

10 Q. There's no citation to that sentence. What  
11 are you basing your conclusions in that sentence on?

12 A. This is just a summary description of my  
13 perception of what the Commission attempted to do in the  
14 -- in that earlier phase of the proceeding.

15 Q. All right. And based on that perception,  
16 what do you mean by making model outputs converge?

17 A. Well, it's my view that what the Commission  
18 sought to do was to develop a set of consistent inputs  
19 to each of these models and to examine whether or not  
20 that set of consistent inputs caused the, for example,  
21 loop costs created by the model to become more similar,  
22 the output for each of those three models.

23 And so what I mean by the term converge is  
24 simply to, as I see it, the Commission engaged in a  
25 process of saying, if we put similar inputs into each of

03714

1 these models, do we get similar output, do they come  
2 together, do they converge, and I think they concluded  
3 that they did. And so they then averaged the results to  
4 come up with the UNE rate.

5 Q. So it's your belief that the Commission then  
6 took the let's say a two wire loop output from each of  
7 the models and averaged those?

8 A. It's my recollection that I, in looking at  
9 the various decisions, reached that conclusion, yes. I  
10 seem to recall duplicating the arithmetic at some point.

11 Q. And where did you duplicate -- did you do the  
12 model runs; did you repeat the model runs?

13 A. No.

14 Q. And then duplicate the arithmetic somehow?

15 A. No, I'm just recalling one of the decisions  
16 came out showed the results for each of the three model  
17 runs that the Commission had made, and then I recall  
18 that the UNE rate ultimately established, for example,  
19 was an average of the three outputs that I saw in the  
20 decision.

21 Q. All right. Would you agree with me that the  
22 Commission in the context of the Phase A part of this  
23 docket rejected each of the models that were presented  
24 to it?

25 A. Well, I don't know that I would use the term

03715

1 rejected. I think what I would say is they determined  
2 not to rely on any one of those models in establishing  
3 particularly -- particular TELRIC prices for particular  
4 UNEs, but they certainly employed the three runs that  
5 I'm talking about here.

6 Q. You have a criticism over on page eight of  
7 the same testimony that you summarize there, and then  
8 you explain later that the cost studies that the ILECs,  
9 and I think this probably applies to both Verizon and  
10 Qwest, the cost studies that the ILECs have introduced  
11 in Phase B represent an effort by the ILECs to  
12 reintroduce their view of the proper way to calculate  
13 TELRIC through the back door even where that view was  
14 previously rejected. Do you see that?

15 A. I do.

16 Q. And it seems to me that the larger criticism  
17 you have is that, and let's be specific to Verizon, that  
18 Verizon's costs in this docket are based on the ICM,  
19 when that model was not previously used in Phase A.  
20 Would that be correct?

21 A. Yeah, and I think that perhaps I would be --  
22 expand on that a little bit and say that I have a  
23 concern that you see throughout this testimony that --  
24 of the potential for inconsistency between what was done  
25 before and what's being done here in Phase B. And, you

03716

1 know, we talk about a number of examples of that  
2 concern.

3           So I'm not saying necessarily that a new  
4 model should never be introduced here. But I do think  
5 that if one is going to try to kind of mix and match  
6 assumptions and approaches, that there's at least  
7 incumbent upon the party to try to demonstrate in some  
8 sense some consistency with what's been done before or  
9 alternatively to address the inconsistency. And so the  
10 criticism here is really I see these things in the  
11 testimony or in the descriptions of the testimony or the  
12 underlying documentation, and I don't see any effort on  
13 say Verizon's part to demonstrate some consistency with  
14 what's happened, what's gone before.

15       Q. Do you have -- do you happen to have with you  
16 the Eighth Supplemental Order?

17       A. Yes, sir.

18       Q. Could you turn to Paragraph 35.

19       A. I've got it.

20       Q. Have you reviewed that paragraph?

21       A. I have, yes.

22       Q. Would you agree with me that in that  
23 paragraph the Commission actually admonished the parties  
24 not to use in future proceedings the model they had  
25 previously used?

03717

1           A.     What they say is they should not -- that the  
2 models used should not -- hang on a second. They were  
3 not adopted as a Commission sanctioned model, and let's  
4 see, current versions of the model should be -- that  
5 none of the current versions of the model should be  
6 adopted for use in future proceedings. Yes, I see that.

7           Q.     And would you agree with me that what Verizon  
8 did in this docket is submitted the ICM and that in its  
9 testimony it attempted to explain how that model  
10 corrected the issues raised in the Eighth Supplemental  
11 Order or at least address them?

12          A.     Well, I would certainly agree that they used  
13 the ICM for some of the calculations done in this  
14 proceeding, and I would agree that they submitted a lot  
15 of documentation that sought to explain their view about  
16 how or why this model was appropriate.

17          Q.     Let me ask you a specific question about the  
18 ICM and one of your criticisms of that model. If you  
19 look at page 13, and I'm looking at Exhibit still 1310,  
20 line 8; are you there?

21          A.     Yes.

22          Q.     You state there that it's your belief that  
23 the ICM relies on Verizon's existing network and  
24 facilities as a good estimate of how an efficient ILEC  
25 would meet current and future demand over the long run;

03718

1 do you see that?

2 A. I do.

3 Q. Does that continue to be your testimony  
4 today?

5 A. Well, I think that -- yes, the -- and what I  
6 had in mind is what I discuss in the following sentence  
7 there, that the assumption and use of GTD-5 switches in  
8 the ICM. I do think that because it's a proxy model,  
9 the ICM does make some assumptions that depart from the  
10 facilities that are in Verizon's existing network. And  
11 I agree with I think it was Mr. Collins' testimony on  
12 that point, but I don't think it goes the full distance  
13 and that the -- what I had in mind really was what's  
14 described in the following sentence with the use of the  
15 GTD-5 switch still.

16 Q. I'm going to ask you about that, but let me  
17 look at your previous page 12, your footnote 9.

18 A. Yes.

19 Q. And you acknowledge in that footnote 9 that  
20 the ICM actually designs a network built all at once  
21 using new plant and technology, correct?

22 A. Well, what I'm doing here is quoting a  
23 statement made by Mr. Collins which describes that, and  
24 then I say, in theory, Verizon's approach to building  
25 TELRIC is superior to the approach evidently used by

03719

1 Qwest. So I'm certainly acknowledging that Mr. Collins  
2 describes forward looking costs in a way that I would  
3 agree with. And the sentence on the subsequent page we  
4 talked about on page 13 is simply saying, at least with  
5 respect to GTD-5 switches, doesn't go the full distance  
6 in my view.

7 Q. All right. But nowhere in your testimony do  
8 I see any place where you take issue with the fact that  
9 the design criteria of the ICM result in an all new  
10 plant, an entirely new network being built based on all  
11 new plant and technology.

12 A. I'm going to have to have that question back  
13 again, I'm sorry.

14 Q. All right. Referring again back to your  
15 footnote 9.

16 A. Mm-hm.

17 Q. And you said that there what you're doing is  
18 quoting Mr. Collins, I don't see any place in your  
19 testimony where you dispute what Mr. Collins says there;  
20 is that correct?

21 A. Again, I mean I don't consider GTD-5 switches  
22 a forward looking technology, so in that respect, I  
23 would dispute what Mr. Collins has said.

24 Q. Okay.

25 A. And I also discuss later on in here certain

03720

1 assumptions about the way in which, for example,  
2 structure costing is done in the ICM. But I think what  
3 I started out -- my answer several answers ago was in  
4 general I agree that ICM is at least an effort to  
5 develop forward looking costs in a way that conceptually  
6 I agree with.

7 Q. All right. With respect then to the GTD-5  
8 switches that you discuss, that's a Lucent switch,  
9 right?

10 A. It is now, yes.

11 Q. All right.

12 A. It was an AGCS switch.

13 Q. And on line 12 on page 13, you say it's  
14 widely acknowledged that these switches are not  
15 consistent with least cost forward looking technology.  
16 Again, I don't see any support or citation there for the  
17 widely acknowledged statement. Do you have any in any  
18 of the testimony that you filed?

19 A. Certainly I have seen lots of testimony about  
20 this issue. I recall seeing statements made by AGCS  
21 itself in mid '95 that they weren't going to make the  
22 SPACE unit switch anymore. And I don't think they have  
23 purchased one since the early '90s. So, you know, it's  
24 those kinds of things that I had in mind when I made the  
25 statements. This isn't just my view or the CLECs' view.



03721

1 I have seen statements by the company itself that it's  
2 not going to manufacturer base units for this thing  
3 anymore.

4 Q. AGCS?

5 A. Correct.

6 Q. But this is now a Lucent switch, right?

7 A. Well, as I understand it, AGCS and Lucent or  
8 AT&T at the time created some sort of joint venture, but  
9 I understand that that's not manufacturing the SPACE  
10 unit switch either. All that's being done at this point  
11 is to maintain the ones that exist.

12 Q. Have you done any analysis regarding what  
13 Lucent's current position is on supporting ISDN BRI  
14 service on the GTD-5 switch?

15 A. In supporting the service?

16 Q. Yes.

17 A. I believe I have read that sometime in the  
18 late '90's that capability came to the market on  
19 existing GTD-5 switches.

20 Q. Would you agree with me that ISDN BRI service  
21 is a forward looking technology or service?

22 A. The service is a service that continues to be  
23 provided. The question is whether the GTD-5 switch  
24 would be the forward looking technology used to provide  
25 it.

03722

1 Q. Have you done any analysis of that?

2 A. Only what I have said already, which is that  
3 the company itself appears to have decided not to  
4 manufacture the SPACE unit switch any longer.

5 Q. You have done no analysis then to determine  
6 whether the costs that result from using the current  
7 GTD-5 switches to provide ISDN BRI service and how those  
8 would relate to that service as supplied by other  
9 switches?

10 A. Well, if you -- if we're following this  
11 footnote nine in my testimony, the quote from  
12 Mr. Collins, which talks about using all new plant  
13 technology, what I'm saying is it's my understanding  
14 that the GTD-5 can not be purchased new.

15 Q. So --

16 A. As a base unit, so under those circumstances,  
17 I don't see how its use is consistent even with the  
18 quote from Mr. Collins.

19 Q. So you haven't done any of the analysis I  
20 asked you about?

21 A. I don't see any reason to do so.

22 Q. Let me ask you to look on page 14. There you  
23 have a criticism about the ILEC's decision to or what  
24 you perceive to be the ILEC's decision to assign the  
25 costs. I'm looking at line 15.

03723

1 A. Thank you.

2 Q. Assign the costs of spare capacity required  
3 to service future demand. Do you see that?

4 A. Yes.

5 Q. Are you familiar with the concept of  
6 objective fill rate?

7 A. Yes.

8 Q. Can you explain what that is?

9 A. Objective fill rate, I guess different people  
10 would describe it different ways. But my description of  
11 it would be the utilization rate at which a company --  
12 the utilization rate of a particular facility at which  
13 the company begins to think seriously about expanding  
14 the capacity of the facility.

15 Q. You've got the Eighth Supplemental Order,  
16 look at Paragraph 168, if you would.

17 A. 168?

18 Q. 168. And in that paragraph, the Commission  
19 defines objective fill, Mr. Klick, and, in fact, it does  
20 so not in a way that you don't reach a level where you  
21 start to think about expanding capacity, it is where you  
22 have to expand capacity; isn't that correct?

23 A. Fair enough.

24 Q. And did you review the Eighth Supplemental  
25 Order with respect to what the Commission decided on the

03724

1 issue of whether to use an objective fill rate in a  
2 TELRIC study?

3 A. Yes.

4 Q. And what did the Commission conclude?

5 A. Um --

6 Q. It's in Paragraph 179.

7 A. Yeah, I believe the Commission concluded that  
8 use of objective fill in a TELRIC study would be  
9 inappropriate, but that's not really what I'm talking  
10 about here on lines 15 and following on page 14.

11 Q. What's the distinction?

12 A. The distinction is that if one takes the  
13 growth in future demand into account, one would  
14 certainly have higher utilization than one has today,  
15 but that utilization would not be at the same level as  
16 objective fill. Objective fill would be the end point,  
17 would be the point at which you have to expand the  
18 capacity. What I'm simply saying here is that it's not  
19 appropriate to, or not consistent certainly with my view  
20 of TELRIC, to charge today's customers for capacity that  
21 will be used in the future as demand grows.

22 Q. Well --

23 A. In a competitive market, you can never charge  
24 somebody for something it's not using, and that's what  
25 the effect of this assumption does.

03725

1 Q. Is it your belief then that the Commission  
2 should use a fill rate that's somewhere between a  
3 projected and an objective fill rate?

4 A. Yeah, it's my view that if you build a  
5 capability, a capacity not just for today's demand, but  
6 you anticipate providing additional tomorrow demand with  
7 it that you need to take that into account in developing  
8 the cost for today's demand. And so one way to do that  
9 would be to use a higher fill factor, as you suggest,  
10 and than the one you see out there today.

11 Q. All right.

12 A. There are other ways to take that into  
13 account.

14 Q. Higher than the projected fill rate?

15 A. Higher than today's fill rate.

16 Q. But lower than an objective fill rate?

17 A. But lower than -- yes, it would be lower than  
18 an objective fill rate.

19 Q. Are you familiar with the I guess  
20 provisioning concept just in time?

21 A. Yes.

22 Q. Is it your belief that a just in -- a fill  
23 rate based on just in time is an objective fill rate?

24 A. I would say that even with a just in time  
25 concept in play that there would be -- that the fill

03726

1 rate would be -- it would be significantly higher  
2 certainly, but I'm not sure I would describe it as  
3 objective fill. Because I think there is still some  
4 growth in demand that takes place in there, and there is  
5 still that kind of thing that has to be taken account  
6 of. So I would not describe just in time as the  
7 equivalent of objective fill, although obviously the  
8 fill factors would be higher.

9 Q. Well, an objective fill rate requires, I mean  
10 the cut off point for an objective fill rate is that  
11 point when additional plant must be installed to meet  
12 demand, correct?

13 A. To meet what demand? In other words, let me  
14 just give you an example of why I don't think that's a  
15 simple question. If I'm approaching 100% utilization of  
16 an asset in a market that I know is going to grow  
17 substantially, it's a new development and there's still  
18 lots out there to be built on, I'm going to be much more  
19 inclined to rapidly invest in additional capacity. If  
20 I'm approaching 100% utilization in a market that is  
21 stable and I wouldn't expect to grow, then at that level  
22 of utilization I might choose to defer expanding  
23 capacity. So simply drawing a line on the utilization  
24 curve and saying that is the point isn't -- I don't  
25 think it's the way it's done in the real world, and, you

03727

1 know, I think it's an oversimplification.

2 Q. Well, we certainly agree it's not the way  
3 it's done in the real world. But from a modeling point  
4 of view, it would seem to me, and I'm asking the  
5 question in the context of Paragraph 168 of the Eighth  
6 Supplemental Order again, that the objective fill rate  
7 is that level of utilization at which plant must be  
8 installed to meet demand.

9 A. Okay.

10 Q. Is that correct?

11 A. That's what it says in Paragraph 168, yes.

12 Q. And then my understanding, and correct me if  
13 I'm wrong, is that just in time, using a just in time  
14 provisioning concept would in essence be the same thing,  
15 that is, when demand is at a level when plant has to be  
16 installed to meet it.

17 A. And what I'm saying is that what I'm seeking  
18 to do is kind of contrast -- I see this as a spec -- as  
19 a spectrum or a range, and I'm seeking to contrast a  
20 circumstance, say putting fiber in the ground where you  
21 might put substantial spare capacity in initially  
22 because you anticipate growth over time, and so  
23 therefore you would have lower fills with a circumstance  
24 in which you can employ what's called just in time  
25 provisioning, which means that the lead time or the lag

03728

1 time, whatever you want to call it, is much, much  
2 shorter. So you have a compression from in the first  
3 case actual fill today when you first put it in versus  
4 objective fill, whereas in just in time, that  
5 differential is compressed. But I don't believe that  
6 it's zero, which is what you're asking me to agree with.

7 Q. All right. Would a fill rate based on  
8 objective fill rate be higher or lower than a just in  
9 time fill rate?

10 A. I would think generally an objective fill  
11 rate for any asset would be somewhat higher than the  
12 just in time fill rate for such an asset.

13 Q. Now going back to your testimony and the  
14 criticism that you have on page 14, and I understand  
15 your testimony today to be that you think that the fill  
16 rate that should be used should be something greater  
17 than a projected fill rate, but something less than an  
18 objective fill rate; is that correct?

19 A. I'm sorry, I missed -- I'm not -- you slipped  
20 projected in there, and that threw me, threw a curve at  
21 me.

22 Q. Based on your earlier testimony, I understand  
23 you to have testified today that your criticism here,  
24 and when I say here I'm talking about page 14 of Exhibit  
25 1310, based on that criticism, you believe that the fill



03729

1 rate should be something greater than projected but  
2 something less than the objective fill rate?

3 A. What I'm saying here is that building  
4 capacity to handle future growth but seeking to have  
5 only today's utilization in that capacity pay for that  
6 is not right. And so what I'm saying is one needs to  
7 take into account and assess the costs of the capacity  
8 being installed today for future demand from that future  
9 demand and not from today's customers.

10 Q. Okay, but --

11 A. And I said before, one way to do that would  
12 be to use a fill factor that is higher than what you  
13 observe in the market today.

14 Q. But you don't provide any guidance in your  
15 testimony about how to come up with that or what it  
16 should be, do you?

17 A. Well, I think I do provide guidance, but I  
18 haven't done any calculations.

19 Q. All right. Let me ask you to look at page  
20 15.

21 A. (Complies.)

22 Q. Line 12.

23 A. Mm-hm.

24 Q. Your criticism there is based on Verizon's  
25 development of expense ratio by using and you use the

03730

1 term embedded expenses by forward looking investments.  
2 Am I correct that when you say embedded expenses, you're  
3 referring to expenses incurred in past years?

4 A. Yes.

5 Q. Am I correct that the HAI model also used  
6 expense ratios?

7 A. Yes.

8 Q. And am I correct that the HAI model based  
9 those expense ratios on ARMIS data?

10 A. They -- yes, they developed those ratios by a  
11 ratio of historical expenses and historical investment  
12 and then multiplied those by the forward looking  
13 investment generated by the model. That's something a  
14 little different from what I perceive to be happening  
15 based on the discussion in Verizon's testimony here. So  
16 if you bear with me a minute, Mr. Edwards, the ratio  
17 developed in the HAI model was an embedded expense to  
18 embedded investment ratio. And then by applying that to  
19 the forward looking investment dollars, you did not end  
20 up with the same embedded expenses that you have  
21 historically in the company. Here, as I read the  
22 description of what's being done, you would end up with  
23 the forward looking carrier, if you will, having  
24 Verizon's historical expenses despite the fact that it's  
25 put in a whole bunch of new investment.

03731

1 Q. And is your assumption there that there is  
2 not a further adjustment made in ICM?

3 A. I'm not aware of one.

4 Q. And in the HAI model, that adjustment was  
5 simply a factor that was used to multiply I guess  
6 whether it was applied to the result of the embedded  
7 expense to the embedded investment?

8 A. I'm not sure what you're referring to.

9 Q. All right. In line 13, you state that:

10 One of the primary reasons that  
11 companies invest in up to date forward  
12 looking technology is to reduce  
13 day-to-day operating expenses.

14 Do you see that?

15 A. Yes.

16 Q. Again, I don't see a citation to any support  
17 for that statement. What is the support for that  
18 statement?

19 A. Well, it's certainly something I have  
20 observed repeatedly in my career, and I guess I thought  
21 the statement was logical on its face. People invest in  
22 capital in order to reduce operating expenses. It's  
23 done routinely.

24 Q. Aren't there other reasons that they invest  
25 in capital?

03732

1           A.     Of course, and I said it's one of the primary  
2 reasons. I didn't say it was the only reason. So I  
3 just thought this statement was obvious on its face.

4           Q.     How about expansion, plant expansion to meet  
5 higher levels of demand, is that another reason to  
6 engage in a capital investment program?

7           A.     Sure.

8           Q.     And would you agree with me that if that is a  
9 reason that one engages or a company engages in a  
10 capital investment program, that day-to-day expenses  
11 might actually increase?

12          A.     I wouldn't expect so, but it's possible.

13          Q.     Perhaps not on a per unit or per capita  
14 basis, but on an absolute basis?

15          A.     Oh, sure, on an absolute basis, but the key  
16 here is the per capita basis or the per unit or per line  
17 or whatever you want to call it. And what I'm saying  
18 here is that companies invest in capital often to reduce  
19 the per line installed operating expenses or per unit  
20 operating expenses.

21          Q.     Is another reason to incur capital investment  
22 not necessarily to expand services to meet demand, but  
23 to provide additional services to meet existing demand?

24          A.     Well, if you're providing additional  
25 services, I assume you're providing -- you're responding

03733

1 to new demand, not existing demand.

2 Q. All right, fair enough.

3 A. And so, again, presumably you're either  
4 reducing per unit expenses or increasing per unit  
5 revenues, but there's a reason -- there's a rate of  
6 return required to make the investment, and that rate of  
7 return comes from some combination of expense reduction  
8 and revenue generation.

9 Q. There's a direct relationship there in terms  
10 of revenue and expenses in terms of your margin, right?

11 A. Generally.

12 Q. And even if your expenses stay the same and  
13 your revenues increase, then the reasonable planner may  
14 decide to engage in that capital expansion?

15 A. Sure.

16 Q. Let me ask you to look at your testimony that  
17 begins on page 18 of Exhibit 1310.

18 A. (Complies.)

19 Q. Here you're criticizing the use of the common  
20 cost factor or fixed allocator, and beginning on page 18  
21 and following that, you use with respect to the charges  
22 that have been proposed, or at least the recurring  
23 charges that have been proposed in this proceeding,  
24 correct?

25 A. Yes.

03734

1 Q. And is it your understanding that at least  
2 with respect to Verizon, what it did is it used the  
3 fixed allocator that the Commission had determined  
4 previously?

5 A. Yes.

6 Q. Have you had an opportunity to review  
7 Mr. Trimble's testimony on the stand last week  
8 addressing this issue?

9 A. No.

10 Q. Have you had an opportunity to review the  
11 response to Bench Request 43 that Verizon filed earlier  
12 this week on this issue?

13 A. I have not seen it.

14 Q. Would you agree with me that a calculation --  
15 well, let me back up.

16 Is it your understanding that the fixed  
17 allocator is a function of the relationship between  
18 direct cost and common cost?

19 A. Generally, yeah, I would -- I would say that  
20 the fixed allocator seeks to add to direct costs, as  
21 those are defined in a particular model, an amount to  
22 cover the common costs as those would be defined in a  
23 particular model.

24 Q. All right. And the model that Verizon  
25 previously filed in Phase A identified certain direct

03735

1 costs and then certain common costs, correct?

2 A. That's my recollection, yeah.

3 Q. All right. Have you done any analysis to  
4 determine the relationship between a direct cost  
5 identified in the model previously filed versus the  
6 direct cost identified in the ICM filed in Phase B?

7 A. No.

8 Q. All right. With respect to common costs or  
9 fixed allocator to be used or you believe ought to be  
10 used, would you agree with me that in calculating that  
11 fixed allocator, one should take into account the direct  
12 costs that have already been allocated in the previous  
13 UNE decisions of this docket?

14 A. I'm sorry, Mr. Edwards, can I get the  
15 question back?

16 Q. All right, let me ask it this way.

17 A. Sorry.

18 Q. You would agree with me that certain cost and  
19 price decisions on UNEs have been made by this  
20 Commission?

21 A. Right.

22 Q. And those are for our purposes at least today  
23 and in this docket a given, correct?

24 A. Don't ask me to make a legal conclusion.

25 Q. All right, fair enough.

03736

1 A. Please.

2 Q. Verizon decided --

3 A. As far as I'm concerned, they're not at issue  
4 in this phase.

5 Q. All right. And there are certain direct  
6 costs and certain common costs that are being recovered  
7 presumably if any of those UNEs are sold at the prices  
8 that the Commission has determined, correct?

9 A. Well, certainly if any of those UNEs are  
10 being sold at the prices the Commission determined, a  
11 component of that sales price would be the common costs  
12 that were previously determined, and a component of them  
13 would be the direct cost.

14 Q. And then as a result of whatever the decision  
15 is in this docket by this Commission, in calculating an  
16 appropriate common cost factor, wouldn't it be  
17 appropriate to consider the fixed allocator applied and  
18 the direct cost being recovered and the common costs  
19 being recovered as a result of the earlier decisions?

20 A. Well, I think that's, maybe I'm  
21 misunderstanding your question, but I think that's the  
22 point of my criticism here, which is that in developing  
23 the 24.75 or whatever it is percent factor and the 19.6  
24 and the 4.05, in developing those factors, certain  
25 assumptions were made by the models about what costs



03737

1 were directly -- could be directly assigned and what  
2 costs couldn't or what expenses could be directly  
3 assigned and what expenses couldn't.

4           And I'm simply trying to say here that if  
5 we're just grabbing that number and applying it to costs  
6 developed from a different model, it would be  
7 appropriate to determine how consistent those two models  
8 are in terms of what they identify as direct versus  
9 common cost.

10       Q.     And you have not done any of those  
11 calculations, correct?

12       A.     Nor have I seen any by Verizon demonstrating  
13 that there are consistent.

14       Q.     On page 20, your criticism of -- I believe  
15 your criticism here and in the pages that follow is that  
16 Verizon is attempting to lay the groundwork to  
17 potentially double recover as a result of inflation,  
18 correct?

19       A.     Yes.

20       Q.     Would you agree with me that your conclusions  
21 here are based on an assumption that ICM indexes  
22 material and labor costs that are used as ICM inputs?

23       A.     Actually, I would say it this way,  
24 Mr. Edwards, the statement that I refer to here made me  
25 -- concerned me, because it seemed to me to, as I say,

03738

1 lay the groundwork for a double recovery of inflation in  
2 the future, and that's what I'm really describing here.  
3           Whether or not ICM in this particular  
4 application indexed unit prices or not, if one were to  
5 periodically index unit prices or use more current unit  
6 prices and continue to use a nominal cost of capital in  
7 TELRIC calculations, you would have double calculation,  
8 and that's really the point here. And the reference to  
9 Mr. Collins in the ICM index in 98 was simply a  
10 reference that triggered my concern and caused me to put  
11 it in here.

12       Q.     But would you agree with me that if the  
13 material and labor costs are not indexed, your concern  
14 would be alleviated?

15       A.     If this Commission were to periodically  
16 revisit the TELRIC for particular UNEs, and in doing so  
17 three years from now and three years after that and  
18 three years after that continue to use today's unit  
19 prices, you wouldn't have a double count inflation. But  
20 if in each of those calculations they used the then  
21 current unit prices or indexed three years ago to today  
22 or however that process might take place, then you would  
23 be recovering inflation twice, once as a component of  
24 rate of return, once by indexing the cost of the  
25 investment base.

03739

1 Q. Well, I think I understand your analysis if,  
2 in fact, indexing has occurred. I may not agree with  
3 it, but I understand what you're saying. But if there's  
4 no indexing, even if the Commission revisits in three  
5 years the appropriate TELRIC at that point in time for a  
6 particular UNE, there would not be any double counting  
7 of inflation, would there, because whatever the ultimate  
8 cost is determined at that time will account for the  
9 inflation that has occurred over the previous three  
10 years?

11 A. If in three years -- if the rate of return  
12 that I'm earning today on the investments in a TELRIC  
13 calculation includes compensation for the inflation in  
14 the cost of those assets, which it does in my opinion,  
15 and in three years the Commission were to revisit TELRIC  
16 and include the cost of assets that have those three  
17 years worth of inflation reflected in them, which is I  
18 think what you're suggesting, then in fact you have  
19 double counted inflation, because the rate of return  
20 itself compensates or takes into account inflation in  
21 the value of the assets.

22 Q. Well, if you double count, if you're correct,  
23 are you double counting for the -- let's assume an  
24 economic life of ten years for whatever the asset is,  
25 all right; are you with me on that?

03740

1 A. Yeah.

2 Q. All right. Then is it your belief that  
3 you're double counting for years one through three or  
4 you're double counting for years three through ten?

5 A. What I'm saying is that -- let me try to  
6 answer your question this way. Economic life of ten  
7 years, if I develop a cost using the nominal cost of  
8 capital, which is what we're doing here, and I get that  
9 cost for ten years, I will have recovered my \$1 Million  
10 and be made whole for inflation and my rate of return.  
11 So if in three years I increase the \$1 Million to let's  
12 say \$1.1 Million because of inflation, and then I  
13 compute my rate for the next seven years on that basis,  
14 yes, you then will have too much money coming in.  
15 Because I would have been fine with the original rate  
16 over ten years. Now by virtue of inflating the asset  
17 base, I'm getting too much money.

18 Q. Well, presumably --

19 A. So my point simply is you can't get it in  
20 both places. So if you have an asset with a 10 year  
21 life or a loop with a life of 30 years say, you are made  
22 whole by getting today's loop rate with that cost of  
23 capital, which includes compensation for inflation, for  
24 that full 30 years. If anything you do in that 30 year  
25 period causes the investment base to go up to reflect

03741

1 inflation, now you're getting too much money.

2 Q. Well, presumably at that time let's say in  
3 the year three, the Commission would also look at what  
4 the rate of return is, correct?

5 A. Sure, but that rate of return would still  
6 include compensation for inflation.

7 Q. All right.

8 A. So you still would be getting it twice.

9 Q. So it's your belief then that if this  
10 Commission should ever revisit the UNE prices it's  
11 already set, then at that time it becomes a relatively  
12 simple issue, because it doesn't have to revisit any of  
13 the material prices or labor prices or any of the inputs  
14 that have been used to determine those prices?

15 A. This is, first of all, this isn't just my  
16 belief, this is a subject that a lot of people much  
17 smarter than I have weighed in on. And there are a  
18 number of ways of addressing this potential for double  
19 counting, and I suggest a couple of them in my  
20 testimony. But -- and that's perhaps a much bigger  
21 subject than we want to get into today, but my -- I  
22 simply observe, and I think I'm correct about this, and  
23 I can provide lots of documentation from other people  
24 that would say I'm correct, that if one uses both a rate  
25 of return that compensates for inflation and

03742

1 periodically increases the value of the assets in a  
2 TELRIC model or any other kind of model, you get  
3 inflation recovered twice.

4 Now how you solve that problem, how you  
5 address it is one which different commissions have come  
6 out in different ways on.

7 JUDGE BERG: Counsel, let me ask, I  
8 understand that this was a concern that the witness  
9 raised in his testimony and on that basis is certainly  
10 ripe for exploration, but the more I hear, the more it  
11 sounds like this is an issue three years from now and  
12 not an issue that the Commission is going to address or  
13 be asked to address in its current order. If I'm  
14 mistaken about that, it would certainly be good to have  
15 that cleared up.

16 MR. EDWARDS: No, I think you're right about  
17 that. My only concern was I guess where I began this  
18 line of questioning about an assumption with respect to  
19 indexing done in ICM, and I think that I have addressed  
20 that.

21 JUDGE BERG: Thank you, sir.

22 Mr. Edwards, would this be a good time to  
23 take a break?

24 MR. EDWARDS: This is a good time.

25 JUDGE BERG: All right, let's do that, let's

03743

1 come together approximately five minutes to the hour.

2 (Recess taken.)

3 BY MR. EDWARDS:

4 Q. Mr. Klick, let me ask you to turn to page 36  
5 of your testimony T-1310.

6 A. Okay.

7 Q. Here I'm going to ask you a few questions  
8 about your proposals on DS1, DS3 loop cost, if I might.  
9 First, am I correct that your testimony basically  
10 contains two proposals on DS1 and DS3 costs, question,  
11 right?

12 A. I'm not sure what you're referring to.

13 Q. All right, let's --

14 A. Period.

15 Q. My inflection was wrong. I was trying to --  
16 let's approach it this way, let me just focus on Verizon  
17 for a minute, all right, because I know you have  
18 proposals for Verizon and Qwest. Let me just focus on  
19 Verizon, and I want to make sure I understand what  
20 you're doing here. On page 36 and over to page 37,  
21 there's a table on page 37 that contains a summary of  
22 recurring costs for DS1, DS3 loops, correct?

23 A. Right, and you're aware that's been the  
24 subject of an errata.

25 Q. I am aware of that.

03744

1 A. All right.

2 Q. Let's just deal with what you've got there,  
3 and then I'll deal with the errata.

4 A. That's fine.

5 Q. That's one proposal you offer for DS1 and DS3  
6 loop costs, correct?

7 A. Yes.

8 Q. And then am I correct that in that proposal  
9 on table three on page 37, that's the Klick proposal,  
10 and it does not include any input from Mr. Weiss?

11 A. This is, I'm sorry, now I lost -- the 36, 37  
12 is a calculation that I did that doesn't include any  
13 numerical input from Mr. Weiss, although we did discuss  
14 it.

15 Q. All right. And then you go on to offer an  
16 alternative, I guess, proposal that you explain, and  
17 then you give the summary in your testimony, and then  
18 your Exhibit 4-C, which has been marked as Confidential  
19 Exhibit 1313, are the work papers, I guess, related to  
20 that second proposal; is that right?

21 A. The only thing that worries me about your  
22 question is the term proposal. I think that what I have  
23 done is present in pages 36 and 37 an effort to develop  
24 DS1 and DS3 costs from the record in the phase -- in a  
25 proceeding where we came up with the UDU break. In the



03745

1 remainder of that and in the second piece, what I have  
2 tried to do is incorporate Mr. Weiss's changes to  
3 Verizon's DS1 study, DS1 and DS3 studies. So I think if  
4 you look back on page 42, lines 7 through 10, I state:

5           The appropriate approach has been  
6           presented above to ensure consistency is  
7           to use the models previously adopted to  
8           calculate the incremental investment and  
9           costs associated with DS1 and DS3  
10          services.

11           So I wouldn't want you to infer that I've got  
12 two alternative proposals here. What I'm proposing  
13 would be what you see on 36 and 37. What's on 38  
14 through 42 I guess would be my flowing through Verizon's  
15 model the changes that Mr. Weiss made. But in my view,  
16 what the correct thing to do is what's on page 37 in the  
17 table three.

18          Q. All right, I'm confused then. I mean why do  
19 you have the Klick-Weiss, let me just call 36 and 37 the  
20 Klick proposal and the rest of this on DS1 and DS3 the  
21 Klick-Weiss testimony and numbers. I mean why is that  
22 even in your testimony?

23          A. Well, what we tried to do is correct what we  
24 perceived to be certain of the problems with the Verizon  
25 study for DS1 and DS3s, although I think we have stated

03746

1 in here we weren't able to make all of the corrections  
2 that we wanted to make. So in my view, the -- I mean  
3 why do we have both in there, because we were asked to  
4 do both, to make both calculations. But in my view, the  
5 way to do this that's consistent with the prior phase of  
6 the case is what is the, if you will, Klick proposal.  
7 But what we have tried to do in the Klick/Weiss proposal  
8 is incorporate some of Mr. Weiss's critiques of the  
9 Verizon calculations themselves.

10 Q. When you say you were asked to do that, do  
11 you mean asked by the Commission to do that?

12 A. No, asked by my clients to do it.

13 Q. But you're not sponsoring -- you're not  
14 proposing the Klick-Weiss analysis?

15 A. If I'm -- I'm saying that in my view, the  
16 right way to do this is table three. If the Commission  
17 were to take a different approach, take the Verizon  
18 study approach, certainly the changes that Mr. Weiss --  
19 that Mr. Weiss made and we flowed through would have to  
20 be made. In my view, there would be other changes that  
21 should be made too to those calculations. But what I  
22 think is the most appropriate approach and what it says  
23 in my testimony is table three here, the Klick approach,  
24 if you will.

25 Q. All right. And the basis for what you

03747

1 believe the Commission ought to adopt is your statement  
2 that you just referred me to on page 42, lines 7 through  
3 10, and that's why you believe that the Klick proposal  
4 or the approach is the appropriate approach?

5 A. Well, let's take the whole paragraph that  
6 starts on line 2.

7 Q. All right, and I will rephrase the question  
8 then. In the context of that entire paragraph, that's  
9 why you believe the Klick proposal ought to be adopted?

10 A. I think the Klick proposal is consistent with  
11 the prior calculations and determinations made by the  
12 Commission.

13 Q. All right. And then your statement on line  
14 nine about models previously adopted, are those the same  
15 models that we discussed before that the Commission  
16 explicitly rejected?

17 A. Let's say if I use the word utilized instead  
18 of adopted, yes.

19 Q. All right. Then with respect to let's go  
20 back then to page 36 and 37 on the Klick proposal, and  
21 you helped me and I appreciate it that that proposal has  
22 been revised by your errata that's been marked as  
23 E-1310, correct?

24 A. Yes.

25 Q. And on that E-1310, your revised page 37,

03748

1 table two, should replace table three on page 37,  
2 correct?

3 A. We --

4 Q. In Exhibit 1310.

5 A. We provided an attachment 1 to E-1310 that  
6 changed the paragraph at the bottom of page 36 and going  
7 through the table three on page 37.

8 Q. All right. Now let's go back to page 36 of  
9 your testimony, the T-1310, not the errata, and I want  
10 to focus first on pages 14 through 19, lines 14 through  
11 19, I'm sorry, page 36, lines 14 through 19.

12 A. Okay.

13 Q. Now there you say you started with the UNE  
14 loop rates established by the Commission and subtracted  
15 the cost of the plug-in electronics. Do you see that?

16 A. Not quite. What I say there is the correct  
17 approach would be to start with the UNE loop rates  
18 already established by the Commission, et cetera.

19 Q. Is that the approach you used that resulted  
20 in the numbers in the table?

21 A. Close. What we did that resulted in the  
22 numbers in the table was to utilize just the HAI or I  
23 guess Hatfield model to measure the percentage increase  
24 in loop costs that would occur by subtracting the cost  
25 of plug-in electronics implicit in the TELRIC for those

03749

1 loop costs and adding the appropriate TELRIC costs for  
2 plug-in electronics associated with DS1 and DS3 loops.  
3 So we computed a percentage change based only on the HAI  
4 model and then applied that percentage change to the  
5 loop cost the Commission developed.

6 Q. That explanation is very helpful, but where  
7 in your testimony or work papers do you describe that?

8 A. I'm pretty certain we produced a set of work  
9 papers that show that set of calculations.

10 Q. Is that part of your testimony?

11 A. I don't see it attached to this original.

12 Q. And what -- is there any place where you  
13 explain the investment cost or the investment or cost  
14 for the electronics that you manipulated here?

15 A. Just as your people have done, a lot of the  
16 details of those calculations are in the work papers  
17 that have been provided to you.

18 Q. Right, and my people filed nine binders of  
19 supporting work papers in support of ICM. What I'm  
20 trying to determine is with respect to your testimony  
21 here and what's attached, how would I know or the  
22 Commission know how you determined what percentage of  
23 loop costs ought to be altered as a result of the  
24 electronics that you subtracted?

25 A. And all I'm saying is based on this

03750

1 discussion and the work papers that were provided to  
2 back up those calculations, you can determine. Same way  
3 I determined how your people do things.

4 JUDGE BERG: Well, let me cut through it.

5 Ms. Steele, can you point me to an exhibit that's been  
6 presented by the Joint Intervenors that consists of work  
7 papers?

8 MS. STEELE: There's not an exhibit. I  
9 believe it was produced in discovery.

10 JUDGE BERG: All right, that's the  
11 clarification, I think, of where counsel and the witness  
12 are talking past each other.

13 BY MR. EDWARDS:

14 Q. All right, did you produce a model run?

15 A. Yes, or my recollection is that what was  
16 produced was the output of a model run, yes.

17 Q. An output of a model run, that's different  
18 than a model run, right?

19 A. I don't recall precisely what was produced.  
20 I would have to look at the discovery.

21 Q. You would agree with me though that based on  
22 where we're looking at here, there's no way to do an  
23 analysis of the calculation that you describe on lines  
24 14 through 19?

25 A. I guess I, you know, I'm having -- with this

03751

1 -- with this text alone, it might be difficult, just as  
2 it would be with the text alone from any of the  
3 statements filed by Verizon, to do an analysis of  
4 something. It's been pretty common practice to provide  
5 backup work papers and that kind of thing where the  
6 actual calculations are done. And looking at those, I  
7 think it's fairly clear what was done.

8 Q. All right. And on your errata, which has  
9 been marked as E-1310, page 2, line 12.

10 A. Right.

11 Q. I see there that you say that there was an  
12 error in the implementation process of the loop costs.  
13 Do you see that?

14 A. Yes.

15 Q. What is the implementation process?

16 A. In doing the calculations that were done to  
17 develop these percentages, we added the line card costs  
18 for one line card, which is the line card in the RT, and  
19 neglected to add the corresponding line card at the  
20 central offices. So in going back and revisiting these  
21 calculations, we discovered that error and corrected it.  
22 So we added the costs for two line cards.

23 And my recollection is also that we describe  
24 at the bottom of page 36 increasing the four wire loop  
25 rate by the DS1 percentage and the one wire or the two

03752

1 wire loop rate by the DS3 percentage. And I think I  
2 recall in the initial calculations, those two things  
3 were also reversed.

4           So we made two changes. We put in two line  
5 cards instead of one and corrected that set of  
6 calculations, set of multiplications.

7           Q. And in your errata, I note that the DS1 cost  
8 for Qwest or for Verizon increases as well as for Qwest,  
9 and the DS3 loop cost also increases for Verizon but  
10 actually goes down for Qwest?

11          A. Yeah.

12          Q. Now presumably I would think with respect to  
13 this errata, you then had to do another model run and  
14 produce another set of outputs; is that correct?

15          A. Yes.

16          Q. And those aren't included in your testimony  
17 or as attachments either, correct?

18          A. And I believe they were -- they accompanied  
19 the errata. There was a set of backup that accompanied  
20 the errata that showed those revised calculations.

21          Q. Something other than what's been marked as  
22 Exhibit E-1310?

23          A. Yes.

24               MR. EDWARDS: May I ask, is that true?

25               MS. STEELE: Frankly, I know that I got it.



03753

1 I'm not sure that -- I'm not sure whether it was  
2 produced or not. We're certainly willing to provide it  
3 if it has not been.

4 MS. TENNYSON: Was that Exhibit 1321 and  
5 1322?

6 MS. STEELE: No.

7 MR. EDWARDS: Those are the one pages, right?

8 MS. STEELE: Yeah.

9 MR. EDWARDS: Okay.

10 BY MR. EDWARDS:

11 Q. Would you agree with me though that to do any  
12 analysis of the correction that you refer to in the  
13 implementation process, one would need to look at  
14 certainly the summary sheets and preferably the inputs  
15 used to create those summary sheets, correct?

16 A. Which is why we sent along with the errata.

17 Q. All right. I have some questions for you  
18 also about Exhibit C-1313, so I'm not sure how many of  
19 these I'm going to ask given your earlier testimony, but  
20 let's at least look at it. Now page one of five is  
21 Verizon recurring DS1 loop costs, right?

22 A. Yes.

23 Q. And then there's a part of your errata E-1310  
24 includes a replacement for this page, right, and I  
25 believe that's Exhibit 1322, C-1322?

03754

1 A. Yes, thank you.

2 Q. Now this is the run that we were referring to  
3 earlier, I guess, or the numbers referred to earlier as  
4 the Klick-Weiss proposal?

5 A. Yes.

6 Q. All right. Now with respect to the numbers  
7 that you're using here, what input did you use from  
8 Mr. Weiss?

9 A. Certainly the fill factors came from  
10 Mr. Weiss, so that would be column B, as did the  
11 weighting factors. And I would have to go back and  
12 check. I believe that's it, although Mr. Weiss may have  
13 changed some of these investment numbers that are shown,  
14 that flow into what's shown as the monthly cost, but  
15 I'm --

16 Q. All right. I'm looking at the Verizon sheet  
17 now; is that what you're doing?

18 A. Yeah, I understand, and I believe that he did  
19 not, so I think it's just columns B and C.

20 Q. All right. So the weighting factors were not  
21 numbers that you developed, but that Mr. Weiss  
22 developed?

23 A. Yes.

24 Q. Because you don't address in your testimony,  
25 do you, how those weighting factors were determined,

03755

1 correct?

2 A. I recall there may be some references to  
3 them, but generally, that's right, we got those from  
4 Mr. Weiss.

5 Q. Do you know whether Mr. Weiss has any  
6 explanation in his testimony about how those weighting  
7 factors are determined?

8 A. I vaguely recall that he does.

9 Q. Do you know what it is that's being -- that  
10 -- on which those factors are being weighted; what's  
11 being weighted there?

12 A. I neglected to bring my calculator, but I  
13 think if you took the monthly cost that's in column A  
14 divided by .85 and multiplied by the weighting factor,  
15 you will get what's shown in the last column, weighted  
16 cost.

17 Q. Right, I agree with you that's what the  
18 formula says, but my question is with respect to the  
19 weighting factors in column C.

20 A. Yeah.

21 Q. Do you know how those are derived?

22 A. My recollection is that in the initial  
23 exhibit, which would be C-1313, Mr. Weiss concluded that  
24 the weighting factor should be zero for the metallic  
25 facility and that the -- I'm -- here's my recollection,

03756

1 Mr. Edwards. He started with Verizon's weighting  
2 factors and made some adjustments to, in the case of  
3 Exhibit 1313, to eliminate the metallic facility. And  
4 then in the -- in his revision, he modified that, the  
5 first two of those weighting factors, to include some  
6 metallic facilities.

7           And so if you compare 1313 with 1322, you  
8 will see where there was previously a zero, there is now  
9 a number. And where there was previously a higher  
10 number in 1313, there's now a lower number, and then the  
11 rest of the numbers remain the same. So he made some  
12 change, and I have read his errata statement, but, you  
13 know, that's his handiwork.

14           Q. If you look on the original exhibit where  
15 there's zero for metallic DSIs with metallic.

16           A. Yeah.

17           Q. Do you know, did you determine what the rest  
18 of the weighting factors were with respect to each of  
19 those different architectures, or did Mr. Weiss do that?

20           A. I recall that we did that at his direction.

21           Q. So --

22           A. And what I recall, Mr. Edwards, and we could  
23 go back and look, is that most of those weighting  
24 factors are unchanged from what Verizon used and that  
25 there was a -- there's merely a shift in the first,

03757

1 perhaps first two rows or something like that.  
2 Q. Did you --  
3 A. But I would have to go back and reconstruct  
4 that, but we got these numbers from him.  
5 Q. All right. And your -- the first two  
6 columns, you have monthly cost and then monthly  
7 cost/DS1; do you see that?  
8 A. Yes.  
9 Q. What's the difference between those two  
10 columns?  
11 A. I believe if I were to divide -- let's take  
12 the second row.  
13 Q. All right.  
14 A. The monthly cost by -- you will see the -- I  
15 can read the label of this row, right, without getting  
16 in trouble?  
17 Q. Sure.  
18 A. OC3 E/W 84 DS1s.  
19 Q. Right.  
20 A. I believe if I divided the figure in the  
21 monthly cost by 84, I would get the figure under monthly  
22 cost per DS1.  
23 Q. All right. And then you use that figure then  
24 to ultimately determine a total DS1 loop cost for  
25 Verizon?

03758

1           A.     The rest of this, the rest of this arithmetic  
2 is all straight out of Verizon's model, including I  
3 believe those numbers in the first two columns. So I  
4 have just let -- all we did really is take Mr. Weiss's  
5 modifications and flow them through the model.

6           Q.     All right. Let me ask you, let's change  
7 topics if we could and move to loop conditioning for a  
8 minute.

9           A.     Okay.

10          Q.     And ask you to turn to page 47 of T-1310.

11          A.     Okay.

12          Q.     Now at the top of that page, you describe  
13 certain adjustments that you have made to Verizon's loop  
14 conditioning studies, correct?

15          A.     At the top of page 47?

16          Q.     Yes, sir.

17          A.     Yes.

18          Q.     And the second of those in line three, you  
19 put Verizon's deloading cost on a per binder group  
20 basis?

21          A.     Yes.

22          Q.     But you don't recommend recovering those  
23 costs on a per binder group basis, do you?

24          A.     Correct.

25          Q.     You recommend actually recovering on a per

03759

1 pair basis, right?

2 A. Correct.

3 Q. Which is what Verizon's proposal is, correct?

4 A. Well, Verizon's proposal wasn't quite the  
5 same, but Verizon -- Verizon had a very, as I recall,  
6 very high cost for the first pair in a binder group and  
7 then a much lower cost, although not as low as the ones  
8 we've got here, for additional pairs.

9 Q. But --

10 A. And so in that sense, it is a per pair  
11 proposal. In my case, I believe that they should be  
12 recovered on a -- that all pairs ought to pay the same  
13 cost.

14 Q. All right. And then that proposal actually,  
15 I think, is contained on page 44, line 11, and you make  
16 that proposal despite the fact, I believe, on line 14  
17 you believe -- you state that it's common practice to  
18 deload all 25 pairs in a relevant binder group; do you  
19 see that?

20 A. Yeah.

21 Q. And what do you base your statement on that  
22 it's common practice?

23 A. Discussions with various engineers, outside  
24 plant engineers.

25 Q. Any of those Verizon engineers?

03760

1 A. No.

2 Q. Are you familiar with the testimony that  
3 Verizon has filed that that's not its practice?

4 A. I have seen some testimony from Verizon to  
5 that effect. I'm not sure it was an engineering  
6 testimony though.

7 Q. And the engineers that you're referring to,  
8 can you tell me who they work for?

9 A. One of them was Mr. Weiss, one was  
10 Mr. Donovan, one was Mr. Riolo. They are engineers that  
11 do a lot of work for CLECs.

12 Q. Mr. Donovan used to be an engineer with a  
13 telephone company; he's now a consultant, correct?

14 A. That's right.

15 Q. Okay.

16 A. Same with Mr. Riolo, I believe.

17 Q. And Mr. Donovan was one of your colleagues in  
18 the development of the HAI model, correct?

19 A. I actually didn't participate in development  
20 of the model, but he did.

21 Q. Have you had any discussions with any current  
22 engineer for a current ILEC that's involved in load  
23 conditioning or loop conditioning?

24 A. I don't believe so.

25 Q. All right. Let's look at your exhibit



03761

1 relating to loop conditioning, which has been marked as  
2 C-1314.

3 A. Okay.

4 Q. Page one are your summary of loop  
5 conditioning NRCs, correct?

6 A. Yes.

7 Q. And then page two I believe is the backup for  
8 bridged tap removal; is that correct?

9 A. Yes.

10 Q. Page three is backup for load coil removal;  
11 is that correct?

12 A. Yes.

13 Q. And then page four represents engineering I  
14 believe applicable to both?

15 A. Yes.

16 Q. Okay. Now is the format that you use here  
17 based on Verizon's loop conditioning study?

18 A. Yes.

19 Q. Now let's look first at load coil removal,  
20 page three.

21 A. Okay.

22 Q. Now on line two, and I'm going to be careful  
23 with these numbers and try not to mention them, and I  
24 would appreciate it if you do the same, and let's see if  
25 we can work through it, Mr. Klick, okay?

03762

1           A.     All right.  
2           Q.     On line two, there's a number there for  
3 receive work assignment from supervisor and travel to  
4 job site; do you see that?  
5           A.     Yes.  
6           Q.     Is the number that you have used there the  
7 same number that was used in Verizon's study?  
8           CHAIRWOMAN SHOWALTER: Counsel, while he's  
9 looking for that, just so we're clear, can you also tell  
10 the column as well as the line?  
11          MR. EDWARDS: Yes, ma'am, I'm talking about  
12 line two, and then column would be the less than 18 k  
13 initial pair, column A.  
14          CHAIRWOMAN SHOWALTER: Thank you.  
15          MR. EDWARDS: Yes, ma'am.  
16          A.     All right, just so we're clear here, we're on  
17 page three, row two, column A?  
18 BY MR. EDWARDS:  
19          Q.     Yes, sir.  
20          A.     No, it's not.  
21          Q.     In fact, the number that was used in  
22 Verizon's study was approximately twice that number,  
23 correct?  
24          A.     Approximately, although not exactly.  
25          Q.     All right. Now I understand from your

03763

1 testimony that the adjustments that you made are based  
2 on the Eighth Supplemental Order, Paragraphs 150 to 153;  
3 is that correct?

4       A.     If you read the bottom of page 46, it says in  
5 Exhibit JCK/BFP-5C, which is now 1313, we have taken  
6 Verizon's study and modified it to, one, use identical  
7 times for identical activities, and, two, substitute  
8 more reasonable time estimates for several activities.  
9 So we did two things. One was to use identical times  
10 for identical activities, which is in fact the genesis  
11 of the adjustment you and I just talked about. And we  
12 substituted more reasonable time estimates. And in that  
13 -- and in doing that second thing, we used times  
14 specified for Qwest in Paragraphs 150 through 153 of the  
15 Commission's Eighth Supplemental Order.

16       Q.     All right. Then with respect to the number  
17 that we were just talking about, that's not a number  
18 that was addressed in Paragraphs 150 to 153, correct?

19       A.     That is correct.

20       Q.     So you made an adjustment to that number, but  
21 you haven't identified anywhere in your testimony that  
22 you have changed that number or the basis for that  
23 change?

24       A.     Sure, I have. It's what I just read to you,  
25 to use identical times for identical activities.

03764

1 Q. Okay.

2 A. And if you -- if you will look, for example,  
3 at the original, the original study produced by Verizon  
4 had the figure we're using in line two, I'm sorry, yeah,  
5 line two, column A, in an identical work activity for  
6 bridged tap removal for aerial and buried cable.

7 Q. All right, so you --

8 A. So what we did was to observe that Verizon's  
9 own study had different times for the same activities  
10 and put them on a comparable basis, an identical basis.

11 Q. So it's your testimony that for bridged tap  
12 removal, the number that was used for that activity was  
13 the same as the number you changed it to on for load  
14 coil removal?

15 A. For the activity in row two, receiving work  
16 assignment from supervisor and travel to job site.

17 Q. It's your testimony that you did not reduce  
18 both of those numbers to the number you have used?

19 A. I didn't understand that question, I'm sorry.

20 Q. Well, I'm trying to figure out where the  
21 number came from.

22 A. All right. The number -- the number we have  
23 used came from Verizon's study for receive work  
24 assignment from supervisor and travel to job site shown  
25 for bridged tap removal for aerial and buried cable.

03765

1 And what we observed was for bridged tap removal for  
2 aerial and buried cable, there was one number to get  
3 your work assignment and travel to the job site. For  
4 underground cable bridged tap removal, a different  
5 number for receiving your work assignment and traveling  
6 to the job site. For load coil removal aerial and  
7 buried cable, a different number, et cetera, et cetera.  
8 And so what we said is it makes -- it doesn't make a lot  
9 of sense to us that it takes different amounts of time  
10 to receive a work assignment and travel to the job site.

11 JUDGE BERG: Just so the record is clear,  
12 Exhibit JCK/BFP-5/5C is Exhibit C-1314.

13 THE WITNESS: I apologize.

14 BY MR. EDWARDS:

15 Q. All right, looking -- staying on page three  
16 of that exhibit and moving from column A to C, also on  
17 line two, am I correct that the, and I think I can use  
18 this number, the column C which is 21 k initial pair,  
19 the number you have on line two represents the number in  
20 column A times 1.5?

21 A. Correct.

22 Q. Does that represent an assumption on your  
23 part that there are then one and a half load coils to  
24 remove?

25 A. No, that's simply an assumption that

03766

1 Verizon's own study made.

2 Q. Isn't it correct, Mr. Klick, that Verizon's  
3 study actually assumed that there were two load coils  
4 for that distance?

5 A. Let's be clear. Receive -- in this row if  
6 you look at Verizon's own study, the time in the 21 k  
7 column to perform the activity shown in line two is one  
8 and a half times the time shown in column A. So all we  
9 did was change the time in column A and let Verizon's  
10 own assumption about one and a half times flow in those  
11 last two columns.

12 Q. And that would be true, your testimony is  
13 that's true also for column C?

14 A. Correct.

15 Q. All right.

16 A. So we simply -- all we did was change the  
17 base, if you will, the column A time, and the other  
18 calculations flowed as Verizon had them.

19 Q. All right. And then on page two on bridged  
20 tap removal, that same line two, you use the same number  
21 for both aerial and buried and underground; is that  
22 correct?

23 A. Yes, it is.

24 Q. And does that reflect your assumption that  
25 one person would be doing the aerial and buried cable,

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1 and one person also would be doing underground cable?

2 A. In terms of receiving a work assignment from  
3 the supervisor and traveling to the job site, we assumed  
4 the same amount of time would be required. We didn't  
5 make an explicit assumption about one person or two.

6 Q. In Verizon's study, there is a different  
7 assumption made with respect to underground cable; isn't  
8 that correct?

9 A. I understand from the testimony filed in  
10 February of this year that that was the -- that that's  
11 what they say the assumption is.

12 Q. And then in line seven on page two, you use  
13 the number there, and you use the same number on page  
14 three in line seven, correct?

15 A. The number we're referring to actually covers  
16 the activities set for lines three through ten.

17 Q. All right.

18 A. Okay, but we have used the same number in  
19 lines three through ten on page two and page three, and  
20 that is from Paragraphs 150 through 153 of the  
21 Commission's order.

22 Q. And that particular number, which is 120, is  
23 from Paragraph 150, right?

24 A. Yes.

25 Q. And if you -- you've got that paragraph in

03768

1 front of you?

2 A. I do.

3 Q. And in Paragraph 150, U S West now Qwest's  
4 assumption had been 160 for each of 3 splices, and that  
5 had been reduced to 120, right?

6 A. For, as I read, as we read this, for buried  
7 and aerial.

8 Q. All right, for buried and aerial, and that's  
9 120 for each of 3 splices for a total of 360, right?

10 A. Correct.

11 Q. But the number you used is 120, right?

12 A. Correct.

13 Q. Shouldn't that be 360?

14 A. I don't think so.

15 Q. Well, if I understand the Commission order,  
16 it's 120 for each of 3 splices for a total of 360.

17 A. Sure, but as I understand the Commission  
18 order, that relates to three different bridged tap  
19 removal locations.

20 Q. And it's your understanding --

21 A. And --

22 Q. Go ahead, I'm sorry.

23 A. And we're dealing with one here.

24 Q. All right. So it's your understanding then  
25 that the calculation that the Commission uses there in



03769

1 Paragraph 150 would be 120 for each bridged tap removal?

2 A. That's correct.

3 Q. And then that's your understanding also with  
4 respect to the 160 used for underground?

5 A. That's right.

6 Q. Let me ask you to look at what's been marked  
7 as C-1318, which is your NRC rate summary comparison.

8 A. Okay.

9 Q. If I understand your testimony, that exhibit  
10 incorporates several changes that you have made and  
11 several changes that Mr. Weiss has suggested; is that  
12 right?

13 A. Yes.

14 Q. Now do you know whether the revisions that  
15 were provided to you by Mr. Weiss included recovery for  
16 OSS and NOMC costs?

17 A. It's my recollection that the input we  
18 received from Mr. Weiss related primarily to three  
19 issues that are shown in one of his exhibits where he  
20 made certain adjustments for mechanized and then certain  
21 other adjustments relating to whether or not an activity  
22 is required. I don't recall getting any modifications  
23 from him on OSS or NOMC costs, but I could be wrong. I  
24 just don't remember.

25 Q. Yeah, he testified on that yesterday. Let me

03770

1 -- and I don't want to -- I'm not trying to trick you.  
2 Let me just ask this way. Am I correct that you did not  
3 make any adjustment to what Mr. Weiss gave you to  
4 reflect the order of the Commission in providing for the  
5 recovery of those costs, did you?

6 A. I don't recall having done anything like  
7 that.

8 MR. EDWARDS: That's all the questions I  
9 have, Mr. Klick, thank you.

10 THE WITNESS: Thank you.

11 JUDGE BERG: Let's go ahead and break now,  
12 Ms. Anderl, rather than just going for ten minutes.  
13 That will give counsel a chance to beat the rest of  
14 Olympia to the table, and we will be back at 1:20.

15 MS. ANDERL: Thanks, Your Honor, I do have  
16 more than ten minutes.

17 JUDGE BERG: Off the record.  
18 (Luncheon recess taken at 11:50 a.m.)

19

20 A F T E R N O O N S E S S I O N  
21 (1:30 p.m.)

22

23 JUDGE BERG: Mr. Klick, I will just remind  
24 you that you remain subject to the affirmation oath you  
25 took this morning.

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1 THE WITNESS: Thank you.

2 MS. ANDERL: Thank you Your Honor.

3

4 C R O S S - E X A M I N A T I O N

5 BY MS. ANDERL:

6 Q. Good afternoon, Mr. Klick.

7 A. Good afternoon.

8 Q. I'm Lisa Anderl, and I represent Qwest. I'm  
9 going to start with some questions on your responsive  
10 testimony, Exhibit T-1310. If you would turn to page 12  
11 with me, I would have some questions for you there.

12 A. Okay.

13 Q. Line seven, you reference the second  
14 quotation from Ms. Million's testimony. Can you direct  
15 me back into your testimony as to what quotation you're  
16 referring to there?

17 A. Hm, yes, I'm referring to the quotation that  
18 starts at line 1 on page 11. Well, the quotation  
19 doesn't start. It's the paragraph there on lines 1  
20 through 5.

21 Q. Okay. And on line five, the reference is  
22 Ms. Million's direct testimony at page six?

23 A. Yes, ma'am.

24 Q. All right. And when you say in your  
25 testimony at page 12, line 12, Qwest's apparent failure

03772

1 to do so here, does the word apparent refer to  
2 Ms. Million's second quotation?

3 A. Yes, in part.

4 Q. What else does it refer to?

5 A. In some of the -- elsewhere in the testimony,  
6 we talk about the use of structure investment to fiber  
7 investment ratios as being inconsistent with reflecting  
8 economies of scope and scale, but that would also relate  
9 to this issue.

10 Q. Ratios of structure investment?

11 A. To fiber investment.

12 Q. Can you direct me to that portion of your  
13 testimony?

14 A. Let's see, yes, on page 38, lines 1 through  
15 7.

16 Q. Is there any other basis for your statement  
17 on page 12, line 12, that I asked you about earlier  
18 where you refer to Qwest's apparent failure to do so  
19 here?

20 A. Those would be the ones I can think of  
21 sitting here.

22 Q. Did you read Ms. Million's rebuttal testimony  
23 filed February 7th?

24 A. Yes, ma'am.

25 Q. And did you understand from that rebuttal

03773

1 testimony her explanation that while the elements are  
2 identified separately, the costs are developed  
3 reflective of an entire network constructed to provide  
4 multiple services?

5       A.     Well, I saw that she said -- she wrote that,  
6 but somehow that doesn't seem consistent with what I  
7 perceive them to be doing with respect to structure in  
8 using these structure investment to fiber investment  
9 ratios. That seems fundamentally inconsistent with  
10 building a network that would handle everything.

11       Q.     Why is that?

12       A.     Well, if you're reflecting economies of scale  
13 or density, those kinds of things, you would expect  
14 additional increments of fiber investment not to have  
15 correspondingly equal increments of additional structure  
16 investment. So if you think about building a network  
17 and you build a network with, let's just use an absurd  
18 example, one cable running everywhere, and then you  
19 build a second network exactly the same but it has two  
20 cables running everywhere, you would have twice the  
21 fiber investment, but you wouldn't expect your structure  
22 investment to double.

23               So the fact that Qwest is using ratios to  
24 estimate structure tells me that they aren't doing this  
25 in a way that reflects the economies of density or scope

03774

1 or scale, however you want to describe it, in the  
2 network.

3 Q. Did you propose an adjustment to correct what  
4 you perceive to be that problem with the model?

5 A. Only to the extent that I said that it seemed  
6 inconsistent and needs to be fixed. How Qwest might go  
7 about fixing it, I did not endeavor to suggest.

8 Q. On page 18 of your Exhibit T-1310, you talk  
9 about the common cost factors.

10 A. Yes, ma'am.

11 Q. You were a witness in Part A of this  
12 proceeding; is that correct?

13 A. Yes.

14 Q. And when the Commission issued its 13th  
15 Supplemental Order on January 31st, 2001, did you review  
16 that order?

17 A. I believe I have reviewed that order.

18 Q. Do you know what the Commission said in that  
19 order about the appropriateness of using the 19.62 and  
20 4.05 attributed and common factors for Qwest?

21 A. Not without having it in front of me, I  
22 don't.

23 Q. On page 20 of your testimony, and I will be  
24 in T-1310 unless I indicate to you that we have moved to  
25 another testimony, and I'm sorry if I said page 20, I

03775

1 meant page 19, line 20. Is it still your testimony that  
2 you believe that Qwest will impose additional charges  
3 for vertical features?

4 A. I saw some testimony, I guess it was from  
5 Ms. Million in her February 2000, but somebody on behalf  
6 of Qwest said that there was no intention to charge --  
7 make a separate -- make a separate charge or charge for  
8 vertical features, so I gather that that's no longer the  
9 case.

10 Q. On page 20, you begin talking about your  
11 concerns about the potential double count of inflation,  
12 and you had some discussions with Mr. Edwards about  
13 that.

14 A. Yes, ma'am.

15 Q. Do these concerns, are these concerns  
16 addressed to Qwest's cost studies as well as Verizon's?

17 A. In a general sense, yes. The concern I have  
18 is one that would apply to both Qwest and Verizon, and  
19 for that matter cost studies submitted by the CLECs as  
20 well. The potential to double count inflation exists in  
21 all of those studies. It's really a question of how the  
22 Commission would decide to deal with the potential  
23 problem.

24 Q. Is there anything in Qwest's testimony or  
25 cost studies that you can point to specifically that

03776

1 raises this issue as a concern for you?

2       A.     Well, Qwest's cost studies also rely on what  
3 I call here the nominal cost of capital, cost of capital  
4 that compensates for inflation, reflects inflation. So  
5 to the extent that subsequent studies would also update  
6 unit prices for various assets, that potential exists in  
7 Qwest's studies as well.

8       Q.     Do you believe that a study filed three years  
9 from now should update the costs of assets that are used  
10 in a study filed today or should independently calculate  
11 the costs of assets on a forward looking basis as of  
12 when the study is performed three years from now?

13       A.     That's a very complicated question. It  
14 really depends on how -- what I think is the right thing  
15 to do depends on in part how the Commission might  
16 address the problem I'm identifying here, and there are  
17 a number of ways of addressing that problem.

18       I referred earlier this morning to certain  
19 agencies who addressed this problem, federal agencies,  
20 and what they do is they use a cost of capital that  
21 excludes inflation. And in that case, it's clearly  
22 right three years from now to start anew, to figure out  
23 what the current costs of the assets are and to develop  
24 TELRIC accordingly using a cost of capital that excludes  
25 inflation. What that means for today, of course, is the



03777

1 rate of return would be lower and the costs would be  
2 lower today, because they're going to go up with  
3 inflation each year.

4           If on the other hand you use -- you continue  
5 to use a cost of capital that includes the effects of  
6 inflation already in the costs, then you have a more  
7 complex problem three years from now in terms of how you  
8 would develop the costs. But you should not include the  
9 inflation in the unit prices three years from now under  
10 those circumstances.

11       Q.     One or two more questions on that topic. If  
12 you use a cost of capital that does not in your view  
13 include inflation, does that mean that the prices that  
14 are established should be adjusted annually to capture  
15 inflation or deflation?

16       A.     You could do it that way, and you would have  
17 to be a little bit careful there. Because the cost of  
18 capital, of course, affects only the capital component  
19 of the UNE prices. But that's one way to do it, if you  
20 use a real cost of capital so you have a lower starting  
21 point, and adjust that each year for inflation.

22       Q.     Do you know what cost of capital Qwest used  
23 in the cost studies that it filed in this Part B  
24 proceeding?

25       A.     I have forgotten the exact number, but I

03778

1 understand it to be the cost of capital approved by the  
2 Commission.

3 Q. Mr. Klick, is it correct that a DS3 capable  
4 loop can only be provided over an all fiber facility?

5 A. That's my understanding, yes.

6 Q. We're going to go back to some pages in your  
7 testimony that you spent some time on with Mr. Edwards,  
8 pages 35, 36, and 37. If you would turn to page 36  
9 there, lines 7 through 9.

10 A. Yes, ma'am.

11 Q. You state:  
12 The loop costs previously calculated by  
13 the Commission are applicable to DS1 and  
14 DS3 loops as well.  
15 Let's go back and see what we can remember  
16 about what happened in the first generic docket, 960369.  
17 Were you a witness in that proceeding?

18 A. I believe I was.

19 Q. Do you remember what --

20 A. I get these numbers confused, but I have been  
21 here several times.

22 Q. Yes.

23 A. And I think I was a witness in that docket.

24 Q. Do you remember what your responsibilities  
25 were?

03779

1           A.     I remember that I was certainly addressing a  
2 number of cost issues and modeling issues.  How's that?

3           Q.     That's probably the safest answer I have  
4 heard all day.

5                     Do you remember whether you were supporting  
6 the Hatfield model?

7           A.     I recall supporting the Hatfield model.  I  
8 recall submitting some cross -- what I called cross  
9 model comparisons, which compared Hatfield with RLCAP  
10 and BCPM perhaps.  But yes, I would have been supporting  
11 the Hatfield model.

12          Q.     And also perhaps either directly or  
13 tangentially opposing certain aspects of the RLCAP  
14 model?

15          A.     I remember there was a gentleman named Tom  
16 Zepp who did some of that too, and I just don't frankly  
17 recall what my full portfolio was here.

18          Q.     Is it correct in your view that in developing  
19 the loop cost for Qwest in the first generic docket, the  
20 Commission relied on three cost models, RLCAP, BCPM, and  
21 Hatfield 3.1?

22          A.     Yes.

23          Q.     And on pages 35 going over to 36, you have  
24 two quotes, one from the Eighth Supplemental Order and  
25 one from the 17th Supplemental Order, where you mention

03780

1 Mr. Zepp.

2 A. Thank you.

3 Q. On page 35, lines 12 through 22, that quote,  
4 you reference what I will use as a shorthand to say an  
5 adjustment to the physical pairs in the Hatfield model;  
6 is that correct? Well, let me go back, let me withdraw  
7 that question and ask it to you this way.

8 In the Eighth Supplemental Order, did the  
9 Commission adjust the Hatfield model to include high  
10 capacity circuits only on a physical loop basis rather  
11 than on a derived circuit basis?

12 A. Yeah, I mean generally I understand the  
13 question, and there was a dispute between the parties  
14 about how to reflect these circuits in or these lines in  
15 the models. And the Hatfield model reflected them on a,  
16 as you said, circuit equivalent basis or DS0 basis. And  
17 I believe the Commission in the Eighth Order, Eighth  
18 Supplemental Order, concluded that they should be  
19 instead reflected on a physical line, let's call it,  
20 basis.

21 Q. And is it correct that that adjustment was  
22 made only to the Hatfield model, not to RLCAP or BCPM?

23 A. I think that's certainly right with respect  
24 to BCPM. I'm trying to recall whether there were  
25 related adjustments to RLCAP, and I just don't remember.

03781

1 But this particular adjustment that I'm talking about  
2 that's referenced here would be applicable to the  
3 Hatfield model.

4 Q. Is it your recollection that the purpose of  
5 the adjustment was to properly allocate placement and  
6 structure costs across all loops?

7 A. That was certainly the focus of the issue  
8 that I address in this quote. But, of course, by  
9 incorporating those line counts in the model, the models  
10 all said built those physical lines. So yes, there was  
11 an issue about how to, as you put it, allocate  
12 structure, but the impact of including these line counts  
13 in the model was that the lines also got built, and they  
14 became part of the denominator of the UNE price or UNE  
15 cost per line.

16 Q. So it's your testimony that the Hatfield 3.1  
17 as run by the Commission included the fiber investments  
18 necessary for DS3 capable loops?

19 A. My point simply here is that there is  
20 investment for the loops, and that investment is not  
21 necessarily all fiber investment. It may be in some  
22 cases, very short loops, an all copper investment. It  
23 may be a combination of fiber and copper. But the fact  
24 of the matter is that the UNE cost per loop includes  
25 costs associated with DS1 and DS3 loops.

03782

1 Q. Earlier, Mr. Klick, you agreed with me that a  
2 DS3 capable loop could only be provided over an all  
3 fiber facility; is that still your testimony?

4 A. Sure.

5 Q. Okay. And so my question for you a moment  
6 ago was as follows. Is it your testimony that Hatfield  
7 3.1 as run by the Commission for the Eighth Supplemental  
8 Order results included the fiber investments necessary  
9 for DS3 capable loops?

10 A. And my answer was it didn't include it as an  
11 all fiber loop, but it included it as either a  
12 fiber/copper or an all copper loop. There's an  
13 investment, in other words, for the medium that  
14 transmits the signal.

15 Q. Are you aware of whether or not Hatfield 3.1  
16 produced separate costs for DS1 and DS3 capable loops?

17 A. I believe it did not. That's really the  
18 focus of my adjustment here.

19 Q. Are you suggesting that the RLCAP model as  
20 run by the Commission for purposes of the Eighth  
21 Supplemental Order included the fiber investments  
22 necessary for DS3 loops?

23 A. I don't recall enough about the RLCAP model  
24 sitting here right now to answer that question.

25 Q. Do you know whether or not the BCPM model as

03783

1 run by the Commission for purposes of the Eighth  
2 Supplemental Order included the fiber investments  
3 necessary for DS3 capable loops?

4 A. My answer to that question would be the same  
5 as my answer with respect to the Hatfield 3.1 model.

6 Q. On page 36, line 18, you say that the prior  
7 Commission decision, and let me stop there and ask, are  
8 you referring to the Eighth Supplemental Order?

9 A. Yes, I believe so.

10 Q. Okay. And then you go on --

11 A. No, hang on a second, it could be -- I guess  
12 I'm referring to --

13 Q. The 8th and the 17th both?

14 A. Yeah, it's really -- I think I intended more  
15 to refer to the 17th, but I don't know that it makes a  
16 difference.

17 Q. Okay. I think you may be correct, because  
18 the question that I have is about the second part of  
19 that sentence where you say, the decision already  
20 includes the investments associated with other portions  
21 of the network.

22 A. Yes, ma'am.

23 Q. Do you have a specific citation to either the  
24 8th or 17th Supplemental Order upon which you base that  
25 conclusion?

03784

1           A.     Well, not a -- not other than perhaps what I  
2 have cited already in the testimony. But my point here  
3 is that the models attempt to reflect the economies of  
4 multiple services by, in fact, building the lines and  
5 assigning some of the structure to those lines. So my  
6 point here is merely -- is merely that there's  
7 investment, there's structure, there's everything  
8 already in the models, and therefore the cost per line  
9 for the loop already reflects or is applicable to loops  
10 that were DS1 and DS3. It's part of the way the cost  
11 was developed, so therefore the cost applies to them as  
12 well.

13          Q.     Can a DS1 capable loop be provided over a  
14 single twisted copper pair?

15          A.     It's my understanding that over copper it's a  
16 -- it's two pair.

17          Q.     Now I need to reference you to your errata  
18 E-1310, and I want to look at revised pages 36 and 37.

19          A.     Yes, ma'am.

20          Q.     In your E-1310, revised page 36, on line 21,  
21 you say, this approach would result in a DS1 cost that  
22 is 50.6% higher than the cost of a 2 wire loop. And  
23 then on line 25, you say that you have increased the 2  
24 wire portion of the Commission's 4 wire loop rate by  
25 50.6%. Is it a correct interpretation of your



03785

1 description there that what you did was added -- you  
2 took 50.6% of \$33.60 for Qwest?

3 A. No. I hope --

4 Q. You took -- okay, then let -- okay, if the  
5 answer to that is no, then perhaps I misspoke. Is it  
6 correct that you increased -- you took the \$18.16 and  
7 increased it by 50.6%?

8 A. That's the first step.

9 Q. Okay.

10 A. And then we added the difference between 33  
11 -- wait, can I say these numbers?

12 Q. Yes, they're your numbers.

13 A. 33.60 and 18.16. So in other words, we have  
14 added -- your point earlier was that for DS1 capable  
15 loops is a 4 wire. So what we did was we added --  
16 reflected the additional electronics by increasing the  
17 18.16 by 1.506 and then added the differential from the  
18 original -- between the original 2 wire and 4 wire to  
19 that product to get the 40, the number down here.

20 Q. Do you explain in your testimony -- well, I  
21 will just ask you. In your earlier testimony, the old  
22 page 36 compared to the new revised page 36, you  
23 originally were proposing to mark up the DS1 cost by  
24 22.4%; is that right?

25 A. That's right.

03786

1 Q. Okay. And in your errata, is that what  
2 you're explaining, the change, is that change the change  
3 that you're explaining where you talk about discovering  
4 an error in the implementation process?

5 A. As I have inartfully tried to explain to  
6 Mr. Edwards this morning, there actually were two  
7 problems we found. One was that, the one you have  
8 identified, which was caused by our failure to include  
9 two line cards on each DS1 and DS3, and that's why the  
10 percentages go up from what they were before. In  
11 addition, for reasons that I couldn't possibly remember,  
12 we had them -- we had what's in the text reversed, so we  
13 had increased the four wire loop by the much higher DS3  
14 percentage and the two wire loop by a -- we had them  
15 reversed. We had treated the DS3 in effect as a four  
16 wire loop and the DS1 as a two wire loop. So we  
17 corrected both of those in the table that's shown on  
18 revised page 37.

19 Q. Well, I guess what I don't understand is in  
20 your original testimony, you said that you were going to  
21 increase the two wire loop rate by 229.8%?

22 A. Right.

23 Q. And you ended up with \$110. And here you say  
24 you're going to, in the new testimony, the E-1310, you  
25 say you're going to increase the two wire loop rate by

03787

1 462.8%, and you end up with less than \$110, you end up  
2 with \$102.

3 A. Right.

4 Q. Can you explain to me mathematically how that  
5 works?

6 A. Yes, it's the combined effect of correcting  
7 both. In other words, before what we had done is, I  
8 would have to check the math, but effectively take the  
9 33.60 and increase that by the old percentage, 229.8,  
10 instead of taking the 18.16 and decreasing it by 229.8.  
11 So what we -- what we did this time is we have a higher  
12 percentage, but it's being applied to a two wire loop  
13 instead of a four wire loop. So the combined effect of  
14 those is to keep the number for the DS3 very close to  
15 the way it was before.

16 Q. And as I believe you discussed with  
17 Mr. Edwards, your exhibits do not include any  
18 information whereby one could understand how the 50.6%  
19 was calculated; is that correct?

20 A. Well, we got some data requests from the  
21 ILECs on this issue, and I know that we provided  
22 response to that data request with respect to T-1310.  
23 And then as I said this morning, we provided comparable  
24 documents for the errata. So as far as I know, the  
25 materials showing how these calculations were made was

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1 provided.

2 Q. Are you personally aware of whether or not a  
3 supplemental data request response was ever submitted  
4 showing the backup on the errata?

5 A. I am not personally familiar with that. I  
6 know that we sent the raw materials on to counsel.

7 Q. Let's talk about the raw materials. In  
8 response to a question from Mr. Edwards, you referenced  
9 that you used HAI to calculate the percentages.

10 A. Yes.

11 Q. Related to the plug-in electronics; is that  
12 correct?

13 A. Yes, ma'am.

14 Q. What version of HAI did you use?

15 A. We used version 3.1 consistent with the  
16 earlier phase, and we used a version that I think was,  
17 as I recall, was AT&T's attempt to replicate the  
18 compliance run made by the Staff.

19 Q. Who performed, who ran the model?

20 A. Well, that's a good question. Well,  
21 certainly we did, because we had to run it to make these  
22 changes. But whether -- I don't recall whether we  
23 replicated the AT&T attempt to replicate the compliance  
24 run or not.

25 Q. You don't recall whether you replicated the

03789

1 AT&T attempt to replicate the compliance run?

2 A. Right.

3 Q. Okay, what does that mean?

4 A. Well, AT&T was trying to, and I don't  
5 perhaps, I don't know if it's solely AT&T, but there was  
6 an effort to try to duplicate results of very -- of  
7 compliance runs being made by Staff here. And what we  
8 used for this purpose was AT&T's best shot at  
9 accomplishing that.

10 Q. Do you know who at AT&T performed those  
11 modifications?

12 A. I don't.

13 Q. Okay. Now with regard to Mr. Weiss's  
14 proposed adjustments to Qwest's recurring and  
15 nonrecurring costs, let me first start by asking you  
16 about the nonrecurring costs. Did you make any change  
17 -- well, let me back up.

18 After Mr. Weiss gave you his proposed  
19 adjustments, is it you or your firm who actually ran the  
20 model to produce the new nonrecurring costs?

21 A. Yes.

22 Q. And did you make any changes to Qwest's  
23 nonrecurring cost study other than those identified by  
24 Mr. Weiss in his testimony?

25 A. I don't believe so. I know that we -- we had

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1 what -- in order to make this process work efficiently,  
2 we constructed an Excel spreadsheet in which we -- which  
3 we used to initially replicate Qwest's results and then  
4 used them to calculate the effect of Mr. Weiss's  
5 changes. But I don't recall that we made any  
6 modifications to the Qwest NRC study other than those  
7 given to us by Mr. Weiss. I have no recollection of  
8 such, such changes, sitting here right now.

9 Q. Are you aware of how Qwest -- that Qwest's  
10 nonrecurring cost model applies three factors to the  
11 direct cost to produce a total direct cost?

12 A. I think I recall that, yeah.

13 Q. And do you recall that those factors are a  
14 product management expense factor?

15 A. Yeah, I recall that.

16 Q. Sales expense?

17 A. Yeah.

18 Q. And business fees?

19 A. Yes.

20 Q. Did you change any of those factors?

21 A. I don't recall changing any.

22 Q. Did you intend to?

23 A. If Mr. -- I don't recall whether Mr. Weiss  
24 asked us to change any of those, in which case we would  
25 have. But I don't recall making an independent decision

03791

1 to do anything that I didn't get from Mr. Weiss on  
2 Qwest's NRC model.

3 Q. And so would that mean that you then added  
4 the 19.62 and 4.05 attributable and common factors as  
5 well?

6 A. It's my recollection that if you look at the  
7 -- well, it's my recollection that, and I would have to  
8 go back and look at the underlying papers, that we  
9 simply took Mr. Weiss's changes and inserted them into  
10 the appropriate place in the Qwest spreadsheet and let  
11 it run. So where in that process the factors get  
12 applied, I don't recall sitting here.

13 Q. Okay. Did you make any changes to Qwest's  
14 recurring cost studies other than those identified by  
15 Mr. Weiss that you recall?

16 A. I don't recall any.

17 Q. So, for example, you didn't change the cost  
18 of capital?

19 A. No.

20 Q. Or the depreciation lines?

21 A. No.

22 Q. Or the product management expense factor?

23 A. Not that I recall. I certainly didn't. If  
24 he had -- if he changed it, we would have incorporated  
25 it, but I don't recall him changing it either.

03792

1 Q. Back to your testimony T-1310, page 49, do  
2 you have that reference, Mr. Klick?

3 A. I do, I'm sorry, yes.

4 Q. You say on lines 20 and 21 that CLECs should  
5 not be asked to pay the full cost of providing up to  
6 date OSS systems. What do you mean by up to date OSS  
7 systems?

8 A. Well, it's my understanding that the ILECs  
9 have calculated NRCs that reflect in part the costs they  
10 are incurring to develop more mechanized or more flow  
11 through OSS systems, for example. And so what I had in  
12 mind by using the term up to date was the ability to do  
13 many of these functions on a fully mechanized or flow  
14 through basis.

15 Q. And do you believe that, well, so is it your  
16 belief that Qwest is seeking cost recovery from the  
17 CLECs in this phase or prior phases for providing up to  
18 date OSS as you have defined it?

19 A. It wasn't clear to me in reading the  
20 testimony exactly what some of these expenditures were  
21 for, but I certainly got the impression that there is a  
22 transition ongoing to a more mechanized flow through  
23 process. And the point I'm making here simply is that  
24 to the extent dollars are reflected in these costs to  
25 get to an up to date system when that up to date system



03793

1 is not yet fully operational, then -- and the CLECs are  
2 being asked both to pay for those dollars and to pay  
3 NRCs based on a not yet fully operational system, they  
4 are paying in effect twice.

5 Q. And if, in fact, the transition costs that  
6 the ILECs sought to recover did not include any costs  
7 associated with providing up to date OSS but only  
8 included costs associated with allowing CLECs access to  
9 existing OSS, then wouldn't it be true that there would  
10 be no double recovery?

11 A. If none of those costs in there are costs  
12 that facilitate the what I will call ultimate fully  
13 mechanized flow through system, and it is simply to get  
14 the CLEC to the status quo or let's say to the level of  
15 mechanization that's reflected in the various  
16 percentages that are in the study, if that's -- if  
17 that's clearly the case, then I would say I wouldn't  
18 have a difficulty with that. But I'm not sure that's  
19 clearly the case. And certainly reading the  
20 descriptions of those dollars, it didn't seem obvious to  
21 me that that was the case.

22 MS. ANDERL: Thank you, Mr. Klick.

23 I have no further questions, Your Honor.

24 THE WITNESS: Thank you.

25

E X A M I N A T I O N

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BY DR. GABEL:

Q. Good afternoon, Mr. Klick. I'm going to ask a series of questions regarding Exhibit Number 1310. This is your response testimony of October 23rd. I would like to begin, Mr. Klick, on page 12.

A. Okay.

Q. At the top, lines one through five, you assert that the Qwest studies are not consistent with prior Commission determinations on the nature of TELRIC. Would you elaborate on this point, please, on why you believe the studies are inconsistent with the Commission's prior determinations regarding TELRIC?

A. Yes, as I -- as I read the Commission's prior decisions, and, for example, I'm looking at page 10 of my -- of my -- of Exhibit 1310, lines 9 through 14, where I cite the Commission as saying:

It must be realistic, accurate estimates of all of the actual costs a provider would incur if it built out a new network using the least cost forward looking technology.

So to the extent that the Qwest studies rely on what I would call actuals, they don't seem to me to be consistent with, it says here, based on actual

03795

1 experience and company practice. They could well be,  
2 let's say, inconsistent with the notion of building out  
3 the network anew using current technology.

4 Q. Could you point to something specific in the  
5 cost studies where what they had done you believed to be  
6 inconsistent with TELRIC principles?

7 A. Well, we talked earlier this morning about  
8 the embedded ratios and sort of the use of those ratios  
9 to develop estimates of structure, which I think are  
10 inconsistent for two reasons. One, they don't reflect  
11 properly economies of density. But two, they're based  
12 on current practices, as I understand it, which would be  
13 inconsistent with the Commission's notion of TELRIC. So  
14 that's probably -- that's probably the one that I have  
15 in mind specifically.

16 I also have concerns about descriptions that  
17 I recall reading from Qwest witnesses about sort of the  
18 actual switches and actual costs. To the extent it  
19 just, and I haven't plunged into the studies enough to  
20 know, but to the extent they're not reflecting the most  
21 forward looking technology there or the current price of  
22 that technology, I would have a problem with that too,  
23 but I have not looked specifically at that.

24 Q. May I ask you to turn to page 36 of this same  
25 document.

03796

1 A. Yes.

2 Q. Line 24.

3 A. Yes.

4 Q. You state at lines 23 and 24 that the  
5 Commission's decision in the generic cost docket assumed  
6 two loops for DS1 services and one loop for DS3  
7 services. Would you please state the basis for this  
8 assertion?

9 A. Boy, I recall going back through these  
10 decisions, as I recall, Mr. Gabel, this issue is  
11 addressed in a number of these decisions. I've got the  
12 8th and the 17th with me, but I seem to recall some  
13 discussions in maybe the 13th as well; I don't remember.

14 But basically there is a description here of  
15 the dispute between U S West's witness Fitzsimmons and  
16 the CLECs about how to reflect DS1 and DS3 channel  
17 equivalents in or DS1 and DS3 loops in the models. And  
18 my recollection of that dispute was that Mr. Fitzsimmons  
19 recommended a calculation that reflected the fact that  
20 there would be two wires required for DS1 loop, but his  
21 adjustment for the DS3s assumed not. And my  
22 recollection of that is that he divided the number of  
23 DS0 equivalents by the DS1 and DS3 circuits, DS0  
24 circuits per loop, and then used a -- doubled that count  
25 for DS1s but no adjustment, no doubling or any

03797

1 adjustment for DS3s. Whether I can lay that all out for  
2 you here right now, I'm not sure, but that's how I got  
3 to this statement.

4 DR. GABEL: All right, well, just so the  
5 record is clear on this issue, Mr. Klick, I'm going to  
6 ask as a Bench Request for you to provide support for  
7 your testimony at page 36, the testimony that we have  
8 just been discussing.

9 THE WITNESS: Okay.

10 JUDGE BERG: And that will be Bench Request  
11 46.

12 And we're referring to lines 17 through 19 on  
13 page 36; is that correct, Dr. Gabel?

14 DR. GABEL: It's more lines 23 and 24.

15 THE WITNESS: Right.

16 JUDGE BERG: All right, thank you, 23 and 24.

17 BY DR. GABEL:

18 Q. This morning, Mr. Edwards was asking you  
19 about work assignment times associated with removal of  
20 bridged taps and removal of load coils.

21 A. Right.

22 Q. And you indicated that you obtained the time  
23 for the work assignment and travel time to the job site  
24 from the Verizon cost study for bridged taps. Would you  
25 please identify where in the study the value which you

03798

1 used appears?

2 A. I have a yellow sheet of paper here that's  
3 got a label A4-WA21, and there is a line five on that  
4 sheet that shows, receive work assignment from  
5 supervisor and travel to job site, which contains the  
6 number that we have used. That's in -- and it's under  
7 the column 1 bridged tap.

8 JUDGE BERG: The numerical reference, alpha  
9 numerical reference you gave from the bottom left-hand  
10 corner, was that meant to identify the source of this  
11 document itself?

12 THE WITNESS: Yes, this is a Verizon work  
13 sheet.

14 JUDGE BERG: All right.

15 THE WITNESS: I mean --

16 JUDGE BERG: This was not a part of any  
17 exhibit attached to your testimony?

18 THE WITNESS: No, it was part of what was  
19 attached to, I don't remember which GTE witness or which  
20 Verizon witness, but.

21 JUDGE BERG: All right.

22 THE WITNESS: It's a document provided by  
23 them.

24 JUDGE BERG: Could Verizon provide any  
25 further information as to the exhibit number from which

03799

1 that page may be extracted? Is that the binder?

2 MR. EDWARDS: I will get it.

3 JUDGE BERG: All right.

4 MR. EDWARDS: It's a cost study. I think  
5 that it was sponsored by Mr. Richter.

6 MS. TENNYSON: Yeah, I think it's C-1160.

7 JUDGE BERG: All right, we'll go C-1160,  
8 thank you, Ms. Tennyson, unless Verizon wants to correct  
9 that for any reason.

10 There's another Bench request that the  
11 Commission has in mind. Let me ask, Ms. Steele, there  
12 have been some references to work papers produced in  
13 response to data requests supporting table two in  
14 Exhibit E-1310.

15 MS. STEELE: I have the data request citation  
16 of that.

17 JUDGE BERG: Were there separate data  
18 requests from Qwest and Verizon?

19 MS. STEELE: No, I believe the request only  
20 came from Qwest.

21 JUDGE BERG: All right, then Bench Request 47  
22 is to produce the data request, and this is to the Joint  
23 Intervenors, produce the data request and the Joint  
24 Intervenors' response to the data request relating to  
25 work papers supporting table two of Exhibit E-1310.

03800

1 MS. STEELE: I think it's actually table  
2 three.

3 JUDGE BERG: All right, I'm looking at --  
4 yeah, I know it's table three in Exhibit 1310.

5 MS. STEELE: Okay.

6 JUDGE BERG: But in Exhibit E-1310, it's been  
7 labeled table two.

8 MS. STEELE: All right.

9 JUDGE BERG: But it's that table that would  
10 be found on revised page 37.

11 MS. ANDERL: Your Honor, I don't believe  
12 there was a data request response that provided those  
13 documents.

14 MR. EDWARDS: I think Ms. Anderl is correct.  
15 There is a data request -- there was a data request  
16 applicable to the table in T-1310, and I believe that  
17 Mr. Klick testified that in response to that data  
18 request, the work papers that underlie that table were  
19 provided. But there is no data request specific to the  
20 errata. The errata was just filed on April 12th.  
21 There's no data request applicable to that, and nor have  
22 those work papers been provided.

23 JUDGE BERG: All right. Then we will expand  
24 the Bench request to include the data requests and  
25 responses to either the table at page 37 in Exhibit



03801

1 T-1310 and the revised page 37 in E-1310.

2 Thank you, Mr. Edwards.

3 BY DR. GABEL:

4 Q. Mr. Klick, I would now like to ask you to  
5 turn to page 43 of this same Exhibit 1310. Here at  
6 lines 10 through 13, you provide some Verizon testimony  
7 where Verizon said it will not:

8 Verizon Pennsylvania will not impose the  
9 load coil removal charge if load coils  
10 must be removed from loops less than  
11 18,000 feet long.

12 Can DSL service be provided on loops that are  
13 greater than 18,000 feet long after the load coils are  
14 removed?

15 A. On a copper loop, it's my understanding  
16 generally not.

17 Q. So I'm trying to understand this quote. If  
18 what you say is correct, that DSL service can not be  
19 provided on loops that are longer than 18,000 feet, and  
20 if there will be no charges on loops that are less than  
21 18,000 feet, then does that effectively mean that there  
22 will never be any load coil removal charges associated  
23 with providing DSL service?

24 A. I would have to go back and look at this  
25 decision, but I'm not sure -- I'm really not sure what,

03802

1 sitting here right now, I can't think of any  
2 circumstance where that might be the case. But yeah,  
3 there is talk about being able to push DSL service out  
4 beyond 18,000 feet with newer -- some new technologies.  
5 So in those circumstances, perhaps it would come into  
6 play.

7 CHAIRWOMAN SHOWALTER: Could you just  
8 clarify, I think your answer wasn't consistent with the  
9 question. If you read it on the record, I think your  
10 answer might look like the opposite of what you  
11 intended.

12 THE WITNESS: Okay.

13 CHAIRWOMAN SHOWALTER: Because I think the  
14 question was, can you think of any instances where --  
15 BY DR. GABEL:

16 Q. Well, my question was where, if ever, the  
17 charge would apply --

18 A. Would apply to DSL service.

19 Q. If the service isn't provided on loops that  
20 are greater than 18,000 feet and Verizon has adopted a  
21 policy that they won't apply the charge of loops that  
22 are less than 18,000 feet.

23 A. And my answer was I need to go back and read  
24 this decision, but it's my understanding that there are  
25 technologies under development that might permit DSL

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1 service to be provided on loops in excess of 18,000  
2 feet, and in that case, this charge might apply.

3

4 E X A M I N A T I O N

5 BY CHAIRWOMAN SHOWALTER:

6 Q. But otherwise, there would be no charge?

7 A. Based on my recollection of the decision  
8 right now, that would be right. But I would have to go  
9 back and review it again. It's been a while.

10

11 E X A M I N A T I O N

12 BY DR. GABEL:

13 Q. I'm going to ask you then, Mr. Klick, to turn  
14 to the next page, page 44, lines 9 through 12. Would  
15 you accept, Mr. Klick, that on loops greater than 18,000  
16 feet, that in order to provide adequate voice service,  
17 load coils are required on a strict copper loop that's  
18 greater in length than 18,000 feet?

19 A. No, and I think that that has been a rule of  
20 thumb for quite a while. But it's my understanding, and  
21 I know the FCC recently drew the same conclusion, that  
22 that's not really a strict break point. And I think the  
23 FCC recently found that loops can be as long as 20,000  
24 feet and you can provide acceptable voice grade service  
25 without load coil, so, and for that reason refused to

03804

1 shift the burden of proof and some other things that  
2 were being requested on load coil removal. So I don't  
3 think it's the case.

4           As I understand it from talking to the  
5 engineers, it's really an engineering question of signal  
6 loss and so on, and that, in fact, 18,000 feet is not a  
7 strict break point and that it is not uncommon to be  
8 able to do it at say 20,000 feet.

9           Q.    Okay. Well, let's assume that a customer is  
10 served by a copper loop that's 21,000 feet long. Would  
11 you accept in that situation that in order to provide  
12 the subscriber with adequate voice service, that load  
13 coils would be installed along the path between the  
14 central offices and the customer?

15          A.    At some point around there, let's accept  
16 that, sure.

17          Q.    In that situation, could the ILEC remove all  
18 load coils from the binder group if that one customer  
19 who is 21,000 -- if one of the customers who is 21,000  
20 feet from the central offices wanted to obtain DSL  
21 service?

22          A.    If the -- if you had a binder group which  
23 served both customers say less than 21,000 feet and  
24 customers beyond 21,000 feet, and a customer at say  
25 today at 18,000 feet wanted to get xDSL service, I think

03805

1 under that set of circumstances, the company probably  
2 could not remove the load coils on the entire 25 pair  
3 binder group, because then it would put into jeopardy  
4 the voice service to the customer beyond 21,000.

5 Q. I would like to ask you, Mr. Klick, to turn  
6 to page 50, and here you're discussing the recovery of  
7 OSS transition costs. And are you familiar with this  
8 Commission's decision that there should be a separate  
9 OSS charge for manual versus semiautomated local service  
10 requests?

11 A. Yes.

12 Q. Okay. Would you explain why your concern  
13 here isn't addressed through the establishment of  
14 separate charges for manual versus semi electronic local  
15 service requests?

16 A. I will try. My concern here is a timing  
17 concern. If the ILECs are going to be entitled to  
18 recover the costs they're spending on say mechanized  
19 OSS, suppose I spent 95% of that cost, but I'm still  
20 only 40% mechanized because I need that last 5% to begin  
21 to transition everybody to a fully mechanized system,  
22 under those circumstances, I'm being asked as a CLEC to  
23 pay the vast bulk of the expense to get a fully  
24 mechanized 100% system, when I can only achieve 40% of  
25 my orders -- can only -- can be processed in that --

03806

1 with the benefits of that system. Under those  
2 circumstances, I'm in effect paying twice. I'm paying  
3 for the money to get me a fully mechanized system  
4 without receiving the full benefit.

5           So there's this mismatch as the transition  
6 takes place, and that is what I am concerned about here  
7 is that the amount that's being -- that the CLECs are  
8 asked to pay for the transition costs of fully  
9 mechanized system lash up with the percentage of orders  
10 that can be processed in a fully mechanized way. And if  
11 they don't lash up, then you have this possibility of in  
12 effect paying twice, paying for an inefficient system  
13 and having paid to upgrade it to be efficient.

14           So my concern here is merely of timing. At  
15 some point, this problem will resolve itself, but we're  
16 not there yet, and my concern is that we have had a lot  
17 of money spent, it's my understanding from reading the  
18 testimony, that that money is being spent to achieve  
19 mechanization, but we have very relatively low rates of  
20 mechanized order processing. So in that transition, I  
21 would want to try to make sure that there's not a  
22 penalty implicitly built in in the calculations that are  
23 being made, so it's purely a timing issue.

24           Q. I have two last areas where I want to follow  
25 up on questions this morning from Mr. Edwards. First,

03807

1 Mr. Edwards asked you about fill rates in your testimony  
2 about fill rates, and you were asked about objective  
3 fills and the current level of fill. And if I  
4 understood your testimony this morning, you weren't  
5 advocating that the Commission use objective fill, but  
6 neither do you believe the Commission should rely on  
7 today's fill. Is that a correct characterization of  
8 your testimony?

9 A. That's correct.

10 Q. As a cost modeler, are you familiar with the  
11 terms a static versus a dynamic cost model?

12 A. Generally, yes.

13 Q. And could you define or explain what's meant  
14 by either static or dynamic cost model?

15 A. Sure. As I would understand those terms, a  
16 static model would take a snapshot of a period of time  
17 which is generally today or last year or whatever. And  
18 a dynamic model tries to take into account a longer run  
19 horizon in terms of demand, in terms of investments that  
20 are going to be made, in terms of changes in various  
21 operating expenses that will be incurred. So those --  
22 that would be sort of my off the cuff definition of  
23 those two things.

24 Q. Okay. And cost models which the ILECs have  
25 offered in this proceeding, would you characterize those

03808

1 as static or dynamic models?

2 A. In this particular phase of the proceeding or  
3 generally in the proceeding?

4 Q. In this proceeding.

5 A. Generally I would characterize them as  
6 static.

7 Q. And would you -- and now returning to your  
8 proposal about what should be done by fill rates where  
9 you're not only looking at today's demand but the demand  
10 which would be realized in the future, would you  
11 characterize that as looking at a static demand or a  
12 dynamic demand?

13 A. It would be looking at a dynamic demand, but  
14 the reason I feel that -- that I raised these issues,  
15 and it's not dissimilar to the timing issue that we just  
16 talked about with respect to the transition to OSS, if  
17 you're reflecting in a cost model the investment that's  
18 required to serve both today's demand and the future  
19 demand, you get a miscalculation or specification of the  
20 cost if you don't then also reflect that demand in the  
21 -- in the fill rates or in the denominators of the cost  
22 per line.

23 So the fact that it's a static model doesn't  
24 mean you couldn't make some effort to reflect that  
25 anticipated growth in demand in calculating the fill



03809

1 rates or in calculating the cost per line. It can be  
2 done in a static mode but nonetheless reflect the  
3 anticipated growth that causes you to make the  
4 investment that's reflected in the model.

5 Q. Well, if you were to consider this dynamic  
6 demand, would it also be appropriate to simultaneously  
7 consider dynamic expenditures? Or put differently, why  
8 is it appropriate to consider only dynamic demand and  
9 not also dynamic expenditures?

10 A. As I see it, the first principle here is to  
11 make all of the components of the model consistent. And  
12 so in the best of all worlds, one would lash up  
13 accurately the investments that are going to be made not  
14 just today but over the period under consideration, the  
15 changes in expenses and the changes in demand. I think  
16 that the reason I focus on investment and demand is that  
17 where a lot of the economies of scale come from are  
18 being able to achieve higher utilizations of sort of  
19 fixed assets. And so if the investment is being  
20 developed to provide for growth in demand, which is what  
21 I certainly remember being told by the ILECs, it is  
22 important to reflect that level of demand in the full  
23 factors or in the cost per line in some other fashion.

24 On the operating expense side, clearly as you  
25 add more demand, you're going to have changes in

03810

1 operating expenses, and in an ideal world, one would  
2 reflect that too. But it's -- it seems safer on some  
3 level, I'm going to get myself in trouble with this  
4 statement, safer on some level, I think, to assume less  
5 economies of scale on operating expenses, so that the  
6 operating expense per line for 1,000 lines and the  
7 operating expense for 2,000 lines are more likely to be  
8 -- less likely, it seems to me, in many circumstances to  
9 show economies of density, although there would be some.  
10 And so, sure, if you could reflect it in the operating  
11 expense, that would be good. But it seems clear to me  
12 that because we are being told that we are investing for  
13 growth, it's important to incorporate growth in  
14 analyzing the cost per model.

15 DR. GABEL: Okay, thank you, Mr. Klick, I  
16 have no further questions.

17 CHAIRWOMAN SHOWALTER: None.

18 JUDGE BERG: This is a procedural question  
19 for counsel for Qwest and Verizon. Would counsel  
20 request an opportunity to cross-examine this witness  
21 after our afternoon break at 3:30 regarding Joint  
22 Intervenors' response to Bench Request 47?

23 MS. ANDERL: Your Honor, I don't believe we  
24 have seen that.

25 JUDGE BERG: Well, that's the data response

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1 that supposedly was previously produced, but I could  
2 also have Ms. Steele distribute that soon after the  
3 break. My thought is that we've got this witness here,  
4 and Ms. Steele seemed to indicate she had the document  
5 that would be responsive in her possession.

6 Am I correct in that regard, Ms. Steele?

7 MS. STEELE: I have a reference to the data  
8 request that responds on the original testimony. I  
9 could probably pull up an electronic version that I  
10 could E-mail to people. It is a spreadsheet, so it's  
11 essentially in electronic form. I could probably do  
12 that over the break, but I'm not sure, if someone can  
13 find a way to print it, then we can do that.

14 JUDGE BERG: I'm looking, you know, we've got  
15 the witness here, and we're talking about these issues,  
16 and so I'm just looking to see if it would be of any  
17 benefit to counsel on this short notice to give them an  
18 opportunity to cross-examine this witness during the  
19 course of the hearing today.

20 MS. ANDERL: Well, Your Honor, I don't think  
21 I could be prepared to do that to where it was going to  
22 be in the record.

23 I guess while we're talking about Bench  
24 Request Number 47, if I might seek a clarification as to  
25 what the Joint Intervenors are to provide. Are they

03812

1 simply to provide the data request response that's  
2 already been provided, or are they providing additional  
3 information?

4 JUDGE BERG: We don't want to see any  
5 additional information that has not already been  
6 provided to the parties in response to that data  
7 request.

8 MS. ANDERL: I don't believe even if I had an  
9 opportunity to re-review that data request response that  
10 I would have any questions. But Ms. Steele is right,  
11 we've got it on disk. I don't have a hard copy here  
12 with me either, so I need to look back at it.

13 JUDGE BERG: All right, and, Mr. Edwards, I  
14 saw you physically gesturing that it would not benefit  
15 you at this time.

16 MR. EDWARDS: That's correct, and Mr. Collins  
17 addresses the Bench request in his rebuttal testimony,  
18 and I can't add to that in crossing Mr. Klick.

19 Although in response to the clarification  
20 question Ms. Anderl just asked, I do want to make sure  
21 we're clear about that, because the clarification is  
22 different than what I understood. And that may just be  
23 me, but I just want to make sure that what the Bench  
24 request is seeking, the data request and the response  
25 and whatever was provided in that response, and it is

03813

1 not seeking to make part of this record something that  
2 has not been circulated among the parties.

3 JUDGE BERG: Correct, we're just looking to  
4 basically see what the parties have seen.

5 MR. EDWARDS: Okay.

6 JUDGE BERG: And to the extent that this  
7 witness indicates that work papers responsive to  
8 questions asked were produced in response to a data  
9 request by the parties, that is the content that we're  
10 seeking to have submitted in response to Bench Request  
11 47.

12 MR. EDWARDS: Okay.

13 JUDGE BERG: But no additional information or  
14 that would otherwise have been responsive but was not  
15 produced.

16 MR. EDWARDS: Thank you.

17 JUDGE BERG: All right. In that case, let's  
18 go back and allow parties an opportunity to ask some  
19 more cross-examination questions before taking up  
20 redirect, and I believe that begins with you,  
21 Ms. Anderl.

22 MS. ANDERL: I have nothing further.

23 MR. EDWARDS: No questions.

24 JUDGE BERG: All right, redirect, Ms. Steele.  
25

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1 R E D I R E C T E X A M I N A T I O N

2 BY MS. STEELE:

3 Q. I want to focus on your testimony regarding  
4 loop conditioning. I believe it starts at page 42 of  
5 your Exhibit 1310.

6 A. Okay.

7 Q. First of all, I believe you indicated earlier  
8 today that in testifying regarding the practice of  
9 deloading the 25 pair binder group that you relied on  
10 your conversations with engineers including Mr. Riolo  
11 and Mr. Donovan; is that right?

12 A. Yes.

13 Q. Can you tell me, do you know for what  
14 telephone company Mr. Donovan worked before he became a  
15 consultant?

16 A. Yes, he worked for NYNEX.

17 Q. What about Mr. Riolo?

18 A. I believe the same.

19 Q. Now you also talked about whether or not it's  
20 possible to provide DSL on loops that are greater than  
21 18,000 feet from the central offices. Are you familiar  
22 with a technology known as IDSL?

23 A. I have heard of it. I'm not very familiar  
24 with it.

25 Q. Okay. And you were also asked a hypothetical

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1 by Mr. Gabel, I'm sorry, by Dr. Gabel regarding what  
2 would happen if there was a binder group that had a  
3 customer at 21,000 feet, a voice customer, and then  
4 other customers at less than 21,000 feet, and one of  
5 those customers who was eligible for DSL service wanted  
6 to have DSL service. Do you remember that hypothetical?

7 A. Yes.

8 Q. Do you know how common that situation is in  
9 existing networks?

10 A. I have been told it's very uncommon. I have  
11 not done any independent research on that, but I have  
12 been told that it is not common.

13 MS. STEELE: That's all I have, thank you.

14

15 E X A M I N A T I O N

16 BY DR. GABEL:

17 Q. Just a brief follow up.

18 A. Sure.

19 Q. When you say it's not uncommon, is that  
20 because there aren't many customers who are more than  
21 21,000 feet from a central office?

22 A. It's my understanding from my conversations  
23 with the engineers that while the hypothetical that you  
24 outlined where you would have customers on either side  
25 of an 18,000 or 20,000 break point does exist, that it

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1 is rare.

2           In other words, if you've got customers out  
3 beyond 20,000 feet, most of the -- there could be a  
4 single binder group that would run to those customers,  
5 and customers within the 18,000 foot thing would  
6 generally be on the same binder groups, and that it is  
7 not very common to have a binder group that serves  
8 customers both on either side, although it can happen,  
9 but just that it's not very common.

10           So that the vast majority of cases where you  
11 would deload a loop, you could deload all 25 in a binder  
12 group, because they would all be serving customers below  
13 the 18,000 foot or 20,000 foot.

14           Q.     But if all are more than 20,000 feet?

15           A.     Then you would deload none of them. So while  
16 the circumstance you hypothesized does -- clearly does  
17 exist, I have been told by these outside plant engineers  
18 that it's not very common.

19           DR. GABEL: Thank you.

20           MR. EDWARDS: No questions.

21           JUDGE BERG: All right, then given the fact  
22 we will be taking an extended break at 3:00, I would  
23 like to make the use of this time to segue into  
24 Mr. Klick's adoption of Dr. Cabe's testimony.

25           MR. HARLOW: Thank you, Your Honor.



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1

2

D I R E C T E X A M I N A T I O N

3

BY MR. HARLOW:

4

Q. Good afternoon, Mr. Klick.

5

A. Good afternoon.

6

Q. If you could get in front of you Exhibits T-1300, T-1301, and T-1302, we will commence with your new hat, Klick-Cabe instead of Klick-Pitkin.

9

A. I've got them.

10

Q. Okay. With regard to Exhibit 1302, was that prepared under your direction and supervision?

12

A. Yes, it was.

13

Q. And if I were to ask you the questions contained in Exhibit 1302 today, would your answers be as set forth therein?

16

A. They would, yes.

17

Q. And does Exhibit T-1302 reference and adopt the pre-filed testimony of Dr. Cabe that's been marked as Exhibit T-1300 and T-1301?

20

A. It does, yes.

21

Q. With the exception of some of the modifications noted in Exhibit T-1302, if I were to ask you the questions contained in Exhibit T-1300 and 1301, would your answers be as set forth in those exhibits?

25

A. Yes, with the modifications identified at

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1 T-1302.

2 MR. HARLOW: Your Honor, we offer Exhibits  
3 T-1300, T-1301, and T-1302.

4 MS. ANDERL: Your Honor, we have an objection  
5 to a portion of T-1302.

6 JUDGE BERG: One second, let me get all of  
7 those documents in front of me.

8 Thank you, Ms. Anderl, go ahead.

9 MS. ANDERL: Your Honor, we object to T-1302,  
10 page 2, line 21 through the end or through page 3, line  
11 10. And the basis for that objection is that this  
12 testimony was presented as adoption testimony, and it's  
13 clearly more than that. It significantly changes  
14 Dr. Cabe's recommendation at a time in the proceeding  
15 and in a manner to prevent Qwest from having an  
16 effective opportunity to respond, and further is  
17 presented at such a high level recommendation that Qwest  
18 would be faced with the kind of difficult choice here of  
19 either not cross-examining Mr. Klick on the testimony  
20 because it's so general and hoping the recommendation  
21 wasn't adopted, or in order to protect its interests  
22 explore further with Mr. Klick through cross-examination  
23 exactly what he means by his recommendation and how the  
24 details behind it and the proposal for implementation,  
25 which would be essentially further development of

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1 Covad's direct case, which we don't think we should be  
2 obligated to do, so it puts us in kind of a bind.

3 JUDGE BERG: I'm confused by that. Are you  
4 saying that you need to conduct some voir dire of this  
5 witness?

6 MS. ANDERL: No.

7 JUDGE BERG: All right, anything further?

8 CHAIRWOMAN SHOWALTER: You're saying, aren't  
9 you saying that --

10 MS. ANDERL: It's untimely supplemental  
11 direct essentially.

12 CHAIRWOMAN SHOWALTER: That it's not timely  
13 rebuttal is what you're saying?

14 MS. ANDERL: No, well, it was filed on March  
15 26th, which was the first day of hearing. And so what  
16 it was supposed to be was just adoption testimony. But  
17 in the adoption testimony, Covad also changed Dr. Cabe's  
18 recommendation in a way that we believe works a  
19 disadvantage to us which we don't have a fair  
20 opportunity to respond to.

21 JUDGE BERG: All right. Why don't you give  
22 us just a moment, Mr. Harlow, to read this before we  
23 have a response.

24 MS. MCCLELLAN: And, Your Honor, I would just  
25 note that Verizon would join in Qwest's objection.

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1                   JUDGE BERG: And again, Ms. Anderl, we're  
2 talking about page 2, line 21, through page 3, line 10;  
3 is that correct?

4                   MS. ANDERL: That's correct.

5                   JUDGE BERG: All right. Well, I tell you  
6 what, why don't we go ahead and hear from Mr. Harlow,  
7 and then we'll take a break. And then when we come back  
8 from the break, we will respond to the objection and  
9 then take up the testimony.

10                  MR. HARLOW: Thank you, Your Honor, and I  
11 think I can finish by 3:00. This does go beyond  
12 adoption testimony, and the reason is that events have  
13 overtaken the pre-filed testimony which was filed last  
14 year in 2000. Essentially this is in response to  
15 Qwest's announcement, which is reflected in Exhibit 1097  
16 dated February 21 of 2001, that Qwest was already  
17 offering DSL service over digital loop carrier loops.  
18 And effectively that rendered Dr. Cabe's recommendation,  
19 which was that Qwest should not be allowed to make that  
20 offering until the UNEs were in place so that  
21 competitive LECs could make the same kind of retail  
22 offering, that rendered that recommendation moot. So  
23 were Dr. Cabe here on the stand today instead of  
24 Mr. Klick, Dr. Cabe would somehow have to have made an  
25 adjustment to his recommendations. And it's fairly

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1 routine that witnesses will make updates to reflect  
2 circumstances that have occurred since the pre-filing of  
3 the testimony, and so there's good cause for this.

4           But secondly, Qwest's main objection appears  
5 to be that they don't have an adequate opportunity to  
6 respond, and I think that the facts indicate quite to  
7 the contrary. The adoption testimony to which  
8 Ms. Anderl objects is dated March 26, 2001, and we  
9 reflected in the week prior to that, I think I sent an  
10 E-mail to Ms. Anderl as well as an oral statement was  
11 made at the prehearing conference in the prior week,  
12 that it would be necessary to make a change to the  
13 recommendation along the lines of what Mr. Klick filed  
14 on March 26. So Qwest, and now it's April 19th, Qwest  
15 has had nearly a month to digest this and to respond to  
16 it in some fashion. If it felt that discovery were  
17 necessary because of this recommendation, although  
18 discovery was cut off, Qwest could have made some  
19 request for discovery either by deposition or data  
20 request. Qwest could have even potentially I guess  
21 requested an opportunity to respond.

22           We have had situations in hearings where the  
23 events were fast moving where we have had oral sur  
24 rebuttal, and that has happened in some cases on a  
25 week's notice or less. Here Qwest has had a month. I

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1 don't think they're in any way prejudiced. I think they  
2 simply stuck their head in the sand to try to prevent  
3 Covad from updating its recommendation to reflect recent  
4 events that Qwest caused by its own decision to offer  
5 retail megabyte over fiber fed loops.

6 MS. MCCLELLAN: Your Honor, if Verizon could  
7 respond to that for a minute.

8 JUDGE BERG: Both Verizon and Qwest should  
9 respond.

10 MS. MCCLELLAN: Okay. In listening to  
11 Mr. Harlow's explanation for why he believes this change  
12 was justified, he talks about events having to do with  
13 Qwest and its announcement for what it is planning to do  
14 in the area of serving customers served by fiber fed  
15 DLC. However, Mr. Klick's recommendation is that all  
16 Washington ILECs be required to do something that  
17 Mr. Cabe had never recommended that they be required to  
18 do. He has not explained why events have overtaken the  
19 schedule with respect to Verizon to justify now Verizon  
20 having to either respond to or develop a case to rebut  
21 that recommendation.

22 MS. ANDERL: Your Honor, on behalf of Qwest,  
23 I have to say that I do not remember, and we can check  
24 the record one way or the other, I do not remember a  
25 representation indicating there would be substantive

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1 changes to Dr. Cabe's testimony, only that Dr. Cabe's  
2 testimony would be adopted by Mr. Klick, and the  
3 recommendation with regard to dark fiber would be  
4 withdrawn as to Qwest, which is indeed what this  
5 testimony reflects. And it is the additional piece on  
6 the fiber fed DLC which we were unaware. There may  
7 indeed have been some weeks passed between the time the  
8 testimony was filed and now, but I don't believe  
9 Mr. Harlow's suggestion that we could have, in addition  
10 to everything else we were doing in the hearings,  
11 responded on the fly to the recommendation, including  
12 conducting discovery and a deposition, is really a fair  
13 or reasonable response.

14 JUDGE BERG: Mr. Harlow, could you just  
15 respond to Ms. McClellan in less than two minutes, and  
16 then we need to get off the Bench.

17 MR. HARLOW: I think that would be best --  
18 the response to that would be best handled by the  
19 witness who made the recommendation through  
20 cross-examination. So the only response I have is  
21 basically both ILECs have had until the 26th to evaluate  
22 this testimony and take steps as might be appropriate.  
23 The situation we have if this is not accepted is that we  
24 go back to Dr. Cabe's original recommendations and then  
25 parties argue on brief. It's too late, the cow is

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1 already out of the barn. It's just something we have to  
2 respond to in some fashion, and this is how the witness  
3 has determined is the best way to make the  
4 recommendation fit today's reality.

5 JUDGE BERG: All right, we need to adjourn  
6 until 3:30, and then we will take it back up at that  
7 time.

8 (Recess taken.)

9 JUDGE BERG: The first order of business is  
10 to rule on the objection to the admission of T-1302 in  
11 its entirety.

12 CHAIRWOMAN SHOWALTER: Wasn't it just a part  
13 of --

14 JUDGE BERG: Well, no, but they're objecting  
15 to its being admitted in its entirety; they're objecting  
16 to a portion of it.

17 MS. ANDERL: Oh, oh, I see, yes, I think  
18 you're saying that correctly, Your Honor. I'm not  
19 objecting to the entire exhibit. I'm objecting to all  
20 of it coming in as opposed to part of it.

21 JUDGE BERG: Yes, thank you, there are ways  
22 to approach it from both directions.

23 MS. ANDERL: I'm sorry.

24 JUDGE BERG: It's important to be clear. The  
25 objection that is being made by both Qwest and Verizon



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1 relates to page 2, line 21, through page 3, line 10, of  
2 Exhibit T-1302. In this instance, the Commission takes  
3 note that the change or the addition to testimony being  
4 adopted is necessitated in part to late breaking and  
5 developing issues in the area of the provisioning of DSL  
6 or packet switching for DSL over fiber fed loops, as  
7 evidenced by the objections and ruling with regard to  
8 the admission of Exhibit 1097, as well as the admission  
9 of Exhibit 1098, the power point presentation for the  
10 joint plan remote collocation meeting that was conducted  
11 or presented by Qwest.

12 In that Exhibit 1098, page 10, are  
13 preliminary rates at which Qwest intends to provide  
14 service to requesting CLECs. Likewise, one of Verizon's  
15 witnesses testified that Verizon is prepared to offer  
16 packet switching for DSL over fiber fed loops at market  
17 based rates. In particular, to the extent that Qwest  
18 has itself developed and changed a position with regards  
19 to the availability of DSL over fiber fed loops in this  
20 proceeding underscores the appropriateness of the  
21 admission of Exhibit T-1302 in its entirety, including  
22 the recommendation that Mr. Klick is offering.

23 Furthermore, the Commission finds that the  
24 parties are not prejudiced by this overruling of the  
25 objection, because both the testimony of Verizon

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1 witnesses and Qwest witnesses indicate that this is a  
2 subject that has been under consideration by those  
3 parties, and it is directly relevant to the issue as  
4 previously noted to be considered by the Commission  
5 during Part B of this proceeding.

6 MS. ANDERL: Your Honor, may I make a  
7 statement?

8 JUDGE BERG: Briefly.

9 MS. ANDERL: I would just like to note that  
10 we respectfully disagree that Exhibits 1097 and 1098  
11 form a basis for admission of Mr. Klick's adoption  
12 testimony. Both of those exhibits went to, were not  
13 offered by Qwest, went to issues that Qwest objected to  
14 being explored at that time as outside the scope of the  
15 proceeding. And if we didn't make that clear during our  
16 initial argument before we broke, I apologize for that.  
17 We do understand and accept the ruling.

18 JUDGE BERG: Thank you, and I don't mean to  
19 -- I don't intend to comment further, but I also just  
20 want to note that the Commission doesn't necessarily  
21 accept any of the characterizations of the prior  
22 proceeding that counsel make in their comments.

23 MS. MCCLELLAN: Your Honor, Verizon would  
24 just like to comment that it believes that the record  
25 will show that what Mr. Lee testified to is not that

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1 Verizon is prepared to offer a service that would  
2 provide DSL service over -- at the remote terminal or  
3 line served by fiber fed DLC, but that it was in the  
4 preliminary phases of a collaborative discussion to  
5 develop a product. And therefore we would respectfully  
6 disagree that that testimony in and of itself would lay  
7 a foundation for any testimony proposing rates for a  
8 product that does not yet exist.

9 JUDGE BERG: All right, thank you,  
10 Ms. McClellan, thank you, Ms. Anderl.

11 Exhibits T-1300 through T-1302 are admitted.

12 MR. HARLOW: Thank you, Your Honor, the  
13 witness is available for cross.

14 THE WITNESS: Your Honor, I sent my copy of  
15 T-1302 up to the Bench.

16 CHAIRWOMAN SHOWALTER: I have it, and I might  
17 have put in yellow your recommendation, but you can have  
18 it back.

19 JUDGE BERG: I will adopt your version and  
20 give my unmarked version to the witness.

21 THE WITNESS: Thank you.

22 JUDGE BERG: Who goes first?

23 MS. MCCLELLAN: I believe I will.

24 JUDGE BERG: Thank you, Ms. McClellan.  
25

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1 C R O S S - E X A M I N A T I O N

2 BY MS. MCCLELLAN:

3 Q. Good afternoon, Mr. Klick.

4 A. Good afternoon.

5 Q. I'm Jennifer McClellan, I believe we have met  
6 before, and I represent Verizon. Would you agree with  
7 me that a long run cost study assumes that the firm does  
8 not face any capital constraints and that it can change  
9 its technology mix and size of plant?

10 A. I would agree that in general a long run cost  
11 study would assume that if -- that a firm can change its  
12 technology and its configuration, those kinds of things,  
13 that it would contemplate recovery of those sorts of  
14 investment costs.

15 Q. Okay. Would you agree that in a long run  
16 study, you would size the network so as to meet demand,  
17 all demand?

18 A. I guess can you -- can you help me understand  
19 how this relates to the testimony I'm adopting here?

20 Q. Sure. In Mr. Cabe's testimony T-1301, which  
21 you have adopted in its entirety for Verizon, he  
22 addresses in general the appropriate cost basis for  
23 pricing dark fiber.

24 A. Right.

25 Q. And my questions relate in general to his

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1 testimony on that issue.

2       A.     Okay.  But I'm not -- it's not -- I guess I  
3 -- what confuses me about your questions is that I'm not  
4 sure Dr. Cabe is advocating a long run cost study as the  
5 basis for developing the costs for dark fiber when that  
6 fiber can revert to Verizon in this case.

7       Q.     I understand that.

8       A.     Okay.

9       Q.     I'm actually -- I'm exploring -- I'm just  
10 exploring a statement that he made on page two of that  
11 testimony where he says:

12             The cost basis for pricing dark fiber  
13             should be the same as the cost basis for  
14             pricing any unbundled network element,  
15             namely long run forward looking economic  
16             costs.

17             And in general, I am exploring at least one  
18 assumption that's made in long run forward looking  
19 economic costs, and so I will ask my question again.  Do  
20 you agree that in a long run forward looking economic  
21 cost study, you would size the network so as to meet all  
22 demand?

23             MR. HARLOW:  Excuse me just a minute, are you  
24 referring to Exhibit T-1301 or T-1300, because I thought  
25 I heard you say 1301, and I think you might be referring

03830

1 to 1300?

2 Q. I'm sorry, I did mean to say 1300.

3 A. Okay, hang on, let me get there, because I  
4 was having trouble finding that statement.

5 Q. I apologize for that.

6 JUDGE BERG: Would you please provide the  
7 page reference once more.

8 MS. MCCLELLAN: Sure, it's page two.

9 A. Okay, page two, lines 4?

10 BY MS. MCCLELLAN:

11 Q. Through 6.

12 A. Through 6?

13 Q. Mm-hm.

14 A. Got it, okay.

15 Q. So would you agree that in the long run  
16 forward looking economic cost study that you would size  
17 the network so as to meet all demand?

18 A. In general, in a long run study, I would  
19 agree, yes.

20 Q. Okay. Now going to Exhibit T-1301, which is  
21 the December 20th testimony on page 2, lines 21 to 24,  
22 Mr. Cabe testified:

23 When line sharing is undertaken in the  
24 presence of a DLC system, the DSLAM and  
25 splitter are installed between the

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1 copper portion of the loop and the fiber  
2 portion, and different arrangements must  
3 be provided.

4 I think he just meant to say:  
5 For line sharing on the fiber portion of  
6 the loop.  
7 And you agree with that statement, right?

8 A. Yes.

9 Q. Are you familiar with in general line sharing  
10 scenarios?

11 A. I guess generally, yes.

12 Q. Would you agree that in a line sharing  
13 scenario, provisioning activities would occur in the  
14 central office?

15 A. Could, sure.

16 Q. Would you agree that there is no activity  
17 outside of the central office in the field for a line  
18 sharing scenario?

19 A. Are you asking me whether under any line  
20 sharing scenario there would be no provisioning activity  
21 outside the central office?

22 Q. Yes.

23 A. And by provisioning activity, you mean what?

24 Q. Would Verizon or Qwest be required to  
25 dispatch a field technician outside of the central

03832

1 office to do any activities in order to provision a line  
2 sharing order?

3 A. It's possible they could.

4 Q. You were a witness in Phase A of this  
5 proceeding, right?

6 A. Yes.

7 Q. Are you familiar with the cost study for line  
8 sharing that Verizon filed in this proceeding in Phase  
9 A?

10 A. Yeah, generally.

11 Q. And would you agree with me that in that cost  
12 study, Verizon did not include any cost for activities  
13 outside of the central office relating to provisioning a  
14 line sharing order?

15 A. I don't recall.

16 Q. Would you agree with me subject to check that  
17 that's true?

18 A. I suppose so. It's not clear to me though  
19 that Verizon presented a cost study for any possible  
20 scenario covering line sharing.

21 Q. But you would --

22 A. And your question to me asked about any  
23 conceivable scenario and whether that might or might not  
24 require.

25 Q. Well, we can limit my question to the general



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1 scenarios for which Verizon has established costs and  
2 rates if you would like.

3 A. And I don't recall all of those scenarios  
4 sitting here right now.

5 Q. But would you agree with me subject to check  
6 that Verizon did not propose any costs relating to  
7 activities outside of the central office to provision a  
8 line sharing order?

9 A. Sure.

10 Q. Okay. Would you agree that to provision any  
11 line sharing order in a scenario for customers served by  
12 a fiber fed DLC that a dispatch would be required to a  
13 remote terminal or an FDI?

14 A. Can I have that question back, please?

15 Q. Yes. Would you agree that to provision any  
16 line sharing scenario for customers served by fiber fed  
17 DLC that a dispatch would be required to a remote  
18 terminal or FDI, and activities would be required at one  
19 of those locations?

20 A. I'm not sure that that's correct.

21 Q. You're not --

22 A. So I'm not sure that I can agree with that.

23 Q. So your answer is you don't know?

24 A. The answer is it seems to me that it would  
25 depend on a number of things that aren't in your

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1 question, so I can't answer the question.

2 Q. Would you agree with me that there would be a  
3 high probability that in order to serve -- that in order  
4 to provide a CLEC with access to the network, to provide  
5 a customer served by fiber fed DLC with DSL service,  
6 that some sort of activities would be required at the  
7 remote terminal or the FDI?

8 A. Well, I have seen in this proceeding and in  
9 other discussions of this issue a number of possible  
10 ways in which somebody might provide DSL service to a  
11 customer served by fiber feeder, and it would seem to me  
12 the answer to your question would depend to some extent  
13 on which of those options you're talking about. And you  
14 may have something in mind, but I don't know what that  
15 is.

16 Q. Would you agree that or are you familiar with  
17 the term NGDLC?

18 A. Yes.

19 Q. Would you agree that that technology would  
20 need to be in place in the network for a customer served  
21 by a DLC to receive DSL service?

22 A. It's my understanding that that's one  
23 technology by which a customer served by fiber feeder  
24 can receive DSL service, but it's also my understanding  
25 that there have been other proposals made to provide DSL

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1 service over fiber feeder that don't involve NGDLC. I  
2 think NGDLC is the state of the art, if you will.

3 Q. Do you recall that in Phase A of this  
4 proceeding that Verizon witness Russell Bykerk testified  
5 that the digital loop carrier currently in place in  
6 Verizon's network can not be used to provide DSL  
7 services to customers served by that DLC?

8 A. I don't specifically recall that.

9 Q. Would you accept that subject to check?

10 A. Okay.

11 Q. And in that situation, if that were true,  
12 Verizon's current network would not be capable of  
13 providing DSL service to a customer served by DLC, fiber  
14 fed DLC; is that right?

15 A. As I understand the question I'm being asked,  
16 if I accept the statement that Verizon's DLC can not  
17 provide DSL service to customers, then is it true that  
18 Verizon's DLC can not provide DSL service to customers,  
19 I would have to agree with that. It's the premise to  
20 the question.

21 Q. Well, then I guess, let me clarify. You  
22 would agree Verizon's current network can not be used to  
23 provide DSL service to a customer served by fiber fed  
24 DLC?

25 A. Well, it's the same question. You have asked

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1 me to accept that that's true, and then you're asking me  
2 if I accept if it's true, is it true, and the answer is  
3 yes. If I accept that it's true, it's true.

4 Q. Okay. So you would agree that something  
5 needs to be done to modify Verizon's current network to  
6 allow a customer served by a fiber fed DLC to receive  
7 DSL service?

8 A. That's really the same. The problem I'm  
9 having with your questions is I said I don't remember  
10 what your witness said. You're asking me to assume it's  
11 true. And if I assume it's true, then in order to  
12 provide DSL service, I presume something would have to  
13 be done.

14 Q. Okay.

15 A. I mean I don't -- I don't -- it's a logical  
16 issue. It doesn't require any expertise on my part.

17 Q. Okay.

18 A. It's in the premise of your question.

19 Q. I'm just asking if you agree with it, with --  
20 well, never mind, you have already answered that.

21 Would you agree that a transport would be  
22 required for the data between a remote terminal or the  
23 FDI and the central office?

24 A. For what purpose?

25 Q. To transport that data away from the

03837

1 customer.

2 A. Are we talking about DSL service?

3 Q. Yes.

4 A. Again here?

5 Q. Yes.

6 A. Certainly in order to provide DSL service,  
7 there has to be some connection between over -- if we're  
8 providing DSL service over DLC, there has to be some way  
9 to get the signal from the RT to the central office.

10 Q. Okay. And have you seen the line sharing  
11 service descriptions for which costs and rates were  
12 approved for Verizon in Phase A of this proceeding?

13 A. I think I said -- well, I don't recall them.  
14 I have seen them.

15 Q. Okay. Would you agree subject to check that  
16 the rates, the costs and rates adopted for Verizon, did  
17 not include any additional equipment?

18 MR. HARLOW: Excuse me, Your Honor, I'm going  
19 to have to object here. The procedural order in this  
20 docket required that cross-examination on orders of the  
21 Commission or the FCC required advanced notification to  
22 counsel for the witness and that copies be provided as  
23 well so that the witness would be able to have that  
24 available to them at the time of the cross.

25 JUDGE BERG: You know, I have heard that

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1 characterization about advanced notification before, and  
2 that really wasn't what the purpose of the Commission's  
3 request was, but it was for parties to share documents  
4 that witnesses would be asked to specifically comment  
5 about from the witness stand so that witnesses could be  
6 prepared and would not have to read documents during the  
7 hearing itself, and that's to avoid the time that it  
8 would take to distribute the exhibits. It was a cost  
9 efficiency. It wasn't a concern out of the fundamental  
10 fairness of a party to ask those types of questions.

11 MR. HARLOW: I would ask that at least the  
12 witness be provided with the order if counsel intends to  
13 ask extensive questions regarding it.

14 MS. MCCLELLAN: Well, I'm not asking any  
15 questions about the order. I am exploring the proposal  
16 that has now been admitted that the Commission  
17 established rates for line sharing over fiber fed DLC  
18 based on the rates that the Commission adopted for line  
19 sharing over copper. And I assume that if Mr. Klick is  
20 making that recommendation that he is familiar with the  
21 rates the Commission has adopted for line sharing over  
22 copper, and I'm exploring his familiarity with those  
23 rates and how relevant they are to what he's asking the  
24 Commission to do now.

25 JUDGE BERG: The objection at this point is

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1 overruled, but at that point where if you need to make  
2 specific references to an order for the purposes of your  
3 questions, then we will want to make sure that the order  
4 is available to the witness and to the Bench so we can  
5 follow along.

6 MS. MCCLELLAN: Okay, thank you, Your Honor.

7 JUDGE BERG: All right.

8 BY MS. MCCLELLAN:

9 Q. Now if I can remember my question, would you  
10 agree with me that the costs and rates adopted by the  
11 Commission for line sharing over copper did not include  
12 any cost associated with deploying any equipment outside  
13 the central office?

14 A. I think I answered before that I didn't  
15 recall, and you asked me to accept subject to check  
16 whether there were any costs included for activities  
17 outside the central office.

18 I think that given your clarification to the  
19 Bench, the way my recommendation -- my recommendation  
20 here is based on in part what's in lines 11 through 19,  
21 page 2 of 1302, which says on line 19, it's my  
22 understanding that Verizon either has done so or will do  
23 so in the very near future.

24 So the concern we have here is that if  
25 Verizon is or is nearly in the position of being able to

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1 provide xDSL service over fiber fed loops, then we need  
2 to be, we the CLECs, in order to be competitive need to  
3 be able to acquire UNEs to do the same thing. And so  
4 what you're saying to me is we're actually not in that  
5 position.

6 Q. All right, and I'm coming to that in a  
7 minute. But getting back to my question, would you  
8 accept or would you agree that the costs and rates  
9 adopted by the Commission for Verizon for line sharing  
10 over copper did not include any costs associated with  
11 equipment deployed outside of the central office?

12 A. Same answer I have given twice already, which  
13 is I don't remember, and I'm willing to accept that  
14 subject to check.

15 Q. Okay, thank you. So going back to lines 16  
16 through 19 of page 2 of T-1302, have you read the  
17 testimony of Kirk Lee filed in Phase B of this  
18 proceeding?

19 A. I think so.

20 Q. And are you familiar with Verizon's position  
21 on line sharing over fiber fed DLC in this proceeding?

22 A. Which position is that?

23 Q. Are you familiar with Kirk Lee's testimony  
24 that Verizon has not deployed any technology as of yet  
25 and will not in the near future that would make that --



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1 that would allow its affiliate or any other company to  
2 provide DSL service to a customer served by fiber fed  
3 DLC?

4 A. I certainly recall something like that, yes.

5 MS. MCCLELLAN: Okay, thank you, Mr. Klick,  
6 no further questions.

7 MS. ANDERL: Thank you, Your Honor.

8

9 C R O S S - E X A M I N A T I O N

10 BY MS. ANDERL:

11 Q. Good afternoon again.

12 A. Good afternoon.

13 Q. Let me begin by asking you whether or not  
14 Qwest's network in Washington has any NGDLC?

15 A. I don't know.

16 Q. Now directing you to T-1301, page 2, this is  
17 an area that Ms. McClellan already asked you about,  
18 lines 18 through the end of that page, do I understand  
19 your recommendation correctly to be that when line  
20 sharing is undertaken in the presence of a fiber fed DLC  
21 system, both the DSLAM and the splitter must be  
22 installed at a point in the network where the copper and  
23 fiber meet?

24 A. Yes, that's my understanding.

25 Q. Now have you read the transcript from the

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1 days in this proceeding when Ms. Brohl was on the stand?

2 A. No, I have not.

3 Q. Have you reviewed the Exhibits 1097 and 1098  
4 that were referenced --

5 A. No.

6 Q. -- earlier today?

7 A. I'm sorry, no, I have not.

8 Q. Are you appearing on behalf of Covad only or  
9 Covad and Rhythms?

10 A. The adoption testimony I filed was filed on  
11 behalf of Rhythms and Covad.

12 Q. Are those carriers recommending that if the  
13 Commission adopts the existing UNE rates on an interim  
14 basis for the provision of line sharing over fiber fed  
15 DLC, that the price established by the Commission in  
16 Phase A for the high frequency portion of the loop would  
17 apply?

18 A. Can I have that question again, please? I'm  
19 sorry, it's late.

20 Q. I'm going to have to ask you a shorter one,  
21 maybe that's better.

22 A. Thank you.

23 Q. Does your recommendation that the Commission  
24 establish interim rates for line sharing over DLC  
25 include a recommendation that the Commission adopt the

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1 price for the high frequency portion of the loop it  
2 established in Part A, which was \$4?

3 A. Let me answer this question this way. The  
4 original recommendation was that Verizon and Qwest not  
5 be permitted to offer DSL service over fiber fed loops  
6 until an appropriate UNE price had been established for  
7 that service.

8 If it's the case, as it is my understanding,  
9 that that service is either ongoing or imminent, then  
10 what we are saying as an alternative to the original  
11 recommendation would be that until appropriate UNE  
12 prices can be established for providing DSL over fiber  
13 fed feeder, that we would recommend that the UNE price  
14 for that be the \$4 so that CLECs will be able to compete  
15 for customers that receive DSL service over fiber fed  
16 loops until such time as UNE prices are established.

17 The point here is to try to put the CLECs and  
18 the ILECs in the same position to compete for customers  
19 that is not a lag during which the ILECs can provide  
20 such service and the CLECs can't.

21 Q. So is the answer yes, the DLECs are willing  
22 to pay the \$4 on an interim basis if your recommendation  
23 is adopted?

24 A. If that's the rate that's been established  
25 and my recommendation is adopted, yes, that's my

03844

1 understanding.

2 Q. And is it your understanding that the high  
3 frequency portion of the loop will be ordered via an LSR  
4 or local service request?

5 A. I have not looked into how it would be  
6 ordered.

7 Q. Now you analyzed for purposes of Part A  
8 Qwest's proposals for collocation for line sharing; is  
9 that right?

10 A. Yes, I recall that.

11 Q. And do you recall that Qwest had in its  
12 proposal several different collocation configurations?

13 A. I recall that there were several different  
14 collocation arrangements under discussion, and I recall  
15 that there was some effort by the parties to zero in on  
16 a set of those, yes.

17 Q. And is it correct that one of the  
18 configurations that Qwest was willing to offer was a  
19 configuration where the CLEC located its DSLAM in its  
20 own collocation space?

21 A. I recall that, yes.

22 Q. And the splitter as well?

23 A. Yes.

24 Q. Okay. And is another configuration where the  
25 CLEC could locate the splitter in a common area?

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1 A. I recall that being discussed, yes.

2 Q. Is another configuration where the splitter  
3 would be located on an intermediate distribution frame?

4 A. I recall at least initially that was a  
5 proposal by Qwest. I'm not sure where that ended up,  
6 whether that ended up at the end of the hearing still  
7 being in play or not.

8 Q. And was there a fourth configuration that was  
9 proposed for smaller central offices where splitters  
10 could be located on the main distribution frame?

11 A. I recall there was a scenario being discussed  
12 where the splitter would be on the MDF, yes.

13 Q. Do you recall any scenarios in which the  
14 splitter would be located anywhere other than somewhere  
15 in the central office?

16 A. I don't.

17 Q. To the extent that the Commission established  
18 costs and prices for each of those four different  
19 collocation scenarios that we have just discussed, how  
20 do you propose that they apply to line sharing when the  
21 splitter is located in an area that's remote from the  
22 central office?

23 A. Well, I think I'm going to give the same  
24 answer I gave before, the thrust of this recommendation  
25 is that if Qwest and/or Verizon are in a position to

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1 provide DSL service to customers served with fiber loop,  
2 fiber feeder in the loop, that until suitable UNE prices  
3 can be provided for, that can be developed for that and  
4 adopted by the Commission, that in the interim so that  
5 there is parity in the ability to compete for such  
6 customers, that in the interim they would simply apply  
7 the HUNE price that's been established.

8 Q. And which of the four collocation  
9 configurations would apply for collocation rates?

10 A. As I recall, now you're really testing my  
11 memory here, there were different components. In other  
12 words, the costs were broken down into different  
13 components so that there was a cost for splitter, a cost  
14 for cross connects, a cost for space on the MDF block  
15 when that was a relevant component, and those various  
16 components were added together to develop the costs, the  
17 in central office costs for each of the scenarios you  
18 have described.

19 And I would simply suggest that one would  
20 need to try to figure out which of those scenarios would  
21 most closely apply or take the components from those  
22 scenarios and construct the central office costs  
23 necessary. But I haven't frankly thought about it in  
24 that level of detail.

25 But my recollection is that there was a --

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1 there were a series of component costs that were  
2 developed that Qwest was mixing and matching depending  
3 on the configuration, so I would at least recommend  
4 starting with those and figuring out which ones were  
5 applicable.

6 Q. On page, I'm sorry, Exhibit 1301 again, still  
7 on page 2, lines 23 and 24, you state that:  
8 Different arrangements must be provided  
9 to for --  
10 One of those two probably go away.  
11 Must be provided for line sharing on the  
12 fiber portion of the loop.  
13 Do you see that testimony?

14 A. Yes.

15 Q. When you say different arrangements, what do  
16 you mean there?

17 A. This is the discussion I was having earlier.  
18 It's my understanding that there are different ways in  
19 which DSL service might be provided via DLC.

20 Q. As a technical matter, and you can tell me if  
21 you can't answer this question, but as a technical  
22 matter, is there a high frequency portion of a fiber  
23 loop?

24 A. Of the fiber loop or the fiber in the loop?  
25 Are we talking about an all fiber loop here, or are we

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1 talking about a fiber/copper via DLC, or what's the  
2 question?

3 Q. I'm asking about the configuration that I  
4 thought was being described in this testimony, which is  
5 part fiber, part copper.

6 A. Okay. And the question is whether there is a  
7 high frequency portion of the fiber strand?

8 Q. A fiber component of the loop.

9 A. It's my understanding that there's not in the  
10 same sense that people talk about it in the copper  
11 portion of such a loop, but that there is still overall  
12 a high frequency line sharing that can occur in a  
13 fiber/copper loop.

14 Q. Is that on NGDLC?

15 A. Among others, sure.

16 Q. And do you know if any of those technologies  
17 are present in Qwest's network in Washington?

18 A. I think you asked me that right out of the  
19 box, and I said, no, I don't know.

20 Q. I asked you if you knew specifically about  
21 NGDLC.

22 A. Oh.

23 Q. And my question now is more general as to  
24 whether that or any of the other technologies that would  
25 allow in your view line sharing over the fiber fed



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1 portion of the loop.

2 A. Again, as I said in my adoption testimony, it  
3 was my understanding that Qwest has begun to provide  
4 xDSL service over fiber fed DLCs. So if that were the  
5 case, some such technology would have to exist in  
6 Qwest's network.

7 Q. And if Qwest were providing DSL over fiber  
8 fed DLC loops by simply configuring the network as  
9 described in your testimony, that's Exhibit 1301, page  
10 two, and then transporting the data on a separate  
11 channel back to its central office, is that in your view  
12 line sharing over the fiber portion of the loop?

13 A. Let's break that question down. Which  
14 configuration are we talking about?

15 Q. The configuration that's in Exhibit 1301,  
16 page 2, lines 20 through 24.

17 A. Well, your question confuses me, because the  
18 last two words on 24 say:

19 Several different arrangements are  
20 possible for transporting a customer's  
21 xDSL data where a DLC is used for the  
22 customer's voice service, and the choice  
23 of arrangement has implications for  
24 costing and pricing and very probably  
25 for the viability of DSL competition.

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1           So I'm not sure which configuration you --  
2 this doesn't describe a specific configuration. It  
3 simply says there are a variety of them.

4           Q.     Well, the configuration that I was referring  
5 to, and I apologize that I didn't tell you to disregard  
6 the last two words on line 24, but the configuration I  
7 was referring to is the configuration where the DSLAM  
8 and splitter are installed at the point where the fiber  
9 and copper portions of the loop meet one another. And  
10 then I asked you if in that circumstance Qwest is taking  
11 the data at that point and simply transporting it via a  
12 separate channel on the fiber loop back to the central  
13 office, if that in your view is line sharing on the  
14 fiber portion of the loop?

15          A.     Okay. It seems to me line sharing involves  
16 transmitting the data, a customer's data and voice  
17 traffic from the customer premises to the central  
18 office. How that's done -- and what I'm saying here,  
19 there seem -- there are several technologies for doing  
20 so, and that would be line sharing in my opinion. So I  
21 mean it has to get -- getting it to the RT doesn't do  
22 the job. It has to get to the central office.

23          Q.     Are there any other rates that were  
24 established in the 13th Supplemental Order relative to  
25 line sharing that you believe would be applicable on an

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1 interim basis if the Commission adopts your proposal?

2 A. I don't recall sitting here right now. Do  
3 you have some in mind?

4 Q. Would Covad and Rhythms propose to pay the  
5 per LSR ordering charges for recovery of the OSS costs  
6 in connection with these orders if, in fact, an LSR is  
7 used?

8 A. I don't know. I have not spoken to Covad and  
9 Rhythms about that.

10 MS. ANDERL: Thank you, Mr. Klick, I have no  
11 further questions.

12 JUDGE BERG: Thank you, Ms. Anderl.

13 Mr. Harlow, redirect?

14 MR. HARLOW: Yes, Your Honor, thank you.

15

16 R E D I R E C T E X A M I N A T I O N

17 BY MR. HARLOW:

18 Q. Let's kind of take this backwards and start  
19 with Ms. Anderl's last or next to last line of  
20 questioning. And her lead-in question was is there a  
21 high frequency portion of a fiber loop, and I believe  
22 you indicated that on NGDLC, yes. And then Ms. Anderl  
23 followed up and asked you are the technologies necessary  
24 to allow line sharing over the fiber portion of a loop  
25 present in Qwest's network. Do you recall that?

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1 A. I do.

2 Q. And my question for you is simply, how can  
3 your recommendation be implemented on Qwest's network if  
4 NGDLC technology is not present on Qwest's network?

5 A. Well, the -- as I have said a couple of  
6 times, the sort of first principle here is that the  
7 CLECs need to be in the same position as the ILECs are  
8 to compete for these customers. So what we're searching  
9 for is a solution in the interim that would allow that  
10 to happen. And so, you know, the thrust of my  
11 recommendation here is that we provide a mechanism by  
12 using the existing rate for the high frequency portion  
13 of the loop until such studies are available and adopted  
14 by this Commission.

15 In terms of how this physically would happen,  
16 you know, we have talked some today about the \$4 charge.  
17 To the extent that there is NGDLC, there would be some  
18 costs associated with the card that would permit -- that  
19 has the DSLAM and splitter functionality that's in the  
20 NGDLC. If there's some other mechanism being employed,  
21 for example, installing a DSLAM at the RT, then there  
22 would be some costs perhaps associated with being able  
23 to install a card at the DSLAM. But the sort of  
24 overarching thrust here is to create some price, some  
25 UNE price, that would permit the CLECs to compete in a

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1 timely fashion for these customers as soon as the ILECs  
2 are able to compete.

3 Q. Let me follow up on that and direct you to  
4 the hypothetical that Qwest decides to provide its  
5 retail DSL service by locating a DSLAM rather than NGDLC  
6 at an FDI.

7 A. Yes.

8 Q. In that scenario, how would your  
9 recommendation play out? How would Covad then be able  
10 to line share in that kind of an architecture?

11 A. It's my understanding that in the same  
12 fashion, one could either permit Covad to install a card  
13 in the DSLAM, or one could per -- could establish a UNE  
14 for a card in the DSLAM and allow line sharing in that  
15 way.

16 Q. And would Qwest's decision to use the DSLAM  
17 architecture rather than next generation digital loop  
18 carrier impact the appropriate TELRIC costing and  
19 pricing of Covad's ability to line share over that  
20 copper fiber loop?

21 A. What I understand is that NGDLC is the  
22 forward looking technology for providing DSL service  
23 over fiber fed loops. And therefore, if one were  
24 conducting a TELRIC study, I would assume such a study  
25 would be -- would reflect costs associated with use of

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1 NGDLC.

2 Q. Both Ms. Anderl and Ms. McClellan questioned  
3 you about your testimony in Exhibit T-1301 at page 2,  
4 lines 21 to 24, to the effect that a DSLAM would be  
5 collocated at the fiber/copper interface. Do you have  
6 that in front of you?

7 A. Yes, I do.

8 Q. Would that DSLAM necessarily be a stand alone  
9 DSLAM, or could it be part of a next generation digital  
10 loop carrier?

11 A. Yeah, it's my understanding, as I said  
12 before, that the line cards for an NGDLC facility have  
13 the DSLAM functionality built into them. So this  
14 sentence which describes DSLAM and splitter being  
15 installed between the copper and fiber portions of the  
16 loop could be accomplished with NGDLC.

17 Q. And is that by the testimony that goes on as  
18 you pointed out at the bottom of page two, top of page  
19 three, to refer to several different arrangements?

20 A. Yes.

21 MR. HARLOW: Thank you, Mr. Klick, that's all  
22 the redirect I have.

23 MS. ANDERL: No recross for me.

24 MS. MCCLELLAN: Can I have a moment, please.

25 No further questions.

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1                   JUDGE BERG: All right, Mr. Klick, thank you  
2 very much for being here and testifying. At this point,  
3 your testimony and cross-examination are concluded, and  
4 you are excused from the hearing.

5                   THE WITNESS: Thank you, Your Honor.

6                   JUDGE BERG: Off the record.

7                   (Discussion off the record.)

8                   JUDGE BERG: This will conclude today's  
9 proceedings. We stand adjourned.

10                   (Hearing adjourned at 5:00 p.m.)

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