Exhibit No. _____ (JG-3T)
Docket No. UT-003013 Part B

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF CONTINUED COSTING AND PRICING OF UNBUNDLED NETWORK ELEMENTS, TRANSPORT, TERMINATION, AND RESALE	**)** **)** **)** **)** **)**	**DOCKET NO. UT-003013 Part B**

PART B

SUPPLEMENTAL DIRECT TESTIMONY OF

JOSEPH GILLAN

ON BEHALF OF

AT&T COMMUNICATIONS OF THE PACIFIC NORTHWEST, INC.

OCTOBER 19, 2000

A. Please state your name and occupation.

A. My name is Joseph Gillan. I am an economist with a consulting practice specializing in telecommunications.

Q. Please briefly outline your educational background and related experience.

A. I am a graduate of the University of Wyoming where I received B.A. and M.A. degrees in economics. From 1980 to 1985, I was on the staff of the Illinois Commerce Commission where I had responsibility for the policy analysis of issues created by the emergence of competition in regulated markets, in particular the telecommunications industry. While at the Commission, I served on the staff subcommittee for the NARUC Communications Committee and was appointed to the Research Advisory Council overseeing NARUC's research arm, the National Regulatory Research Institute.

In 1985, I left the Commission to join U.S. Switch, a venture firm organized to develop interexchange access networks in partnership with independent local telephone companies. At the end of 1986, I resigned my position of Vice President-Marketing/Strategic Planning to begin a consulting practice. Over the past decade, I have provided testimony before more than 25 state commissions, four state legislatures, the Commerce Committee of the United States Senate, and the Federal/State Joint Board on Separations Reform. I also currently serve on the Advisory Council to New Mexico State University's Center for Regulation.

Q. What party is sponsoring your testimony in this proceeding?

A. My testimony is being sponsored by AT&T of the Pacific Northwest, Inc. ("AT&T). I earlier filed testimony in Phase A of this proceeding.

Q. What is the purpose of your testimony.

A. The purpose of my testimony is to recommend the basic characteristics of a "line-splitting" product to promote local competition. In simple terms, a local loop is capable of supporting two frequency bands – the "voice spectrum" (VS) and the high frequency spectrum (HFS). A line-splitter is a passive filter that separates these frequency bands, thereby enabling the VS to be directed to a local switch for conventional telephony service, while the HFS is directed to a providers data network for the provision of more advanced services.

When the voice and data spectrum are used by different carriers over the same loop, the carriers are said to be "line sharing." In the prior phase of this proceeding, the Commission focused on implementing the ILEC's responsibilities when the ILEC was the voice provider. The main issue for this phase of the proceeding concerns how the ILEC should support frequency-splitting when the *same* network used by the ILEC to provide voice service -- i.e., the same loop, port and shared transport network – is used by another voice provider purchasing UNE-P.

Q. Q. What should be the fundamental goal of the ILEC line-splitting product?

A. The fundamental goal of the line-splitting product should be an ability to support broad competition in the intended market. As a practical matter, the Commission should expect line-splitting to be used to serve *smaller* customers desiring voice and data on a single facility. Because of the nature of this market – i.e., a large number of customers, each with relatively modest requirements – it is critical that the line-splitting product be efficient and designed for mass market application.

Q. What characteristics should the ILECs' line splitting product satisfy?

A. A consumer-friendly, mass-application oriented, line splitting product should be designed to satisfy the following basic criteria:

* Line splitting should be implemented with a minimal of disruption to the customer.

* Customers should be able to change data providers without disrupting their voice service.

* Customers should be able to change voice providers without disrupting their data service.

* Line-splitting should efficiently use scarce central office space.

The above criteria are focused on customer satisfaction and efficiency. It is important to not lose sight of these basic objectives. Every layer of unnecessary complexity imposed

on a market ultimately translates to higher prices for consumers and reduced quality. Consequently, as the Commission judges alternative approaches to line-splitting, the standard it should adopt is simply which approach is likely to most effectively provide customers choice and reliable service.

Q. What arrangement best satisfies these criteria?

A. The line-splitting product best suited to achieving these criteria is where the ILEC deploys the passive infrastructure that separates the voice and data frequencies – i.e., the splitter -- in a common area of the central office. Such an arrangement would avoid duplicative investment in this passive infrastructure, and would save on scarce collocation space.

Most importantly, however, where the ILEC deploys this configuration, the customer's serving arrangement is affected just once to deploy the splitter, minimizing the effort to implement any subsequent reconfiguration. This would mean that the customer could change its voice provider without disturbing its data service or, alternatively, change its data service without disturbing its voice service.

Q. Is it reasonable for the Commission to require the ILEC to deploy the splitter?

A. Yes. The line-splitter is little different from other investments that made by ILECs to fullfil their obligations. In this instance, the obligation is to offer different loop spectrum to different purchasers (including itself where the ILEC is the voice provider). As recently determined by an Arbitration Panel in Wisconsin:

> The Panel finds that the HFPL is a loop functionality. The high frequency capacity is clearly a capability of the loop. The splitter can therefore be considered ancillary equipment that allows access to that functionality, in much the same way that a multiplexer allows access to the multiple voice grade circuits on a channelized T1 line. Ameritech has not shown that requiring such ancillary equipment would cause harm to its network or operations. The Panel, therefore, finds that a splitter must be provided as ancillary equipment, when requested, to allow AT&T access to the HDPL on unbundled loops.[1]

Similarly, the Texas Commission has found:

> The Arbitrators find that line splitting is necessary to gain access to the high frequency portion of the loop in order to allow AT&T to take advantage of the full functions, features, and capabilities of the loop. The Arbitrators find, consistent with the *UNE Remand Order*, that excluding the splitter from the definition of the loop would limit its functionality. The Arbitrators further find that it is technically feasible for SWBT to furnish and install splitters to gain access to the high frequency portion of the UNE loop when purchased in combination with the switch port. [2]

The Washington Commission should also require that the ILECs deploy splitters to separate voice and data spectrum. This functionality should be deployed irrespective of whether the ILEC or the CLEC is providing voice service.

Q. Are there ILECs deploying splitters today?

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[1] Petition for Arbitration to Establish an Interconnection Agreement Between Two AT&T Subsidiaries, AT&T Communications of Wisconsin, Inc. and TCG Milwaukee, and Wisconsin Bell, Inc. (d/b/a Ameritech Wisconsin), 05-MA-120, October 12, 2000, page 79.

[2] Arbitration Award, Public Utility Commission of Texas, Docket 22315, September 13, 2000, page 17, adopted by the Commission through Memorandum dated October 4, 2000. (footnotes omitted).

A. Yes. It is my understanding that both SBC[3] and BellSouth[4] purchase splitters and make line-splitting capability available for purchase by CLECs. In addition, GTE (now Verizon) has offered splitters, but intends to discontinue the practice on December 15, 2000.[5] Remarkably, while Verizon now proposes to discontinue the arrangement, its position had been that it was the most efficient:

> As explained by Verizon Witness Russell Bykerk, a common pool of Verizon-owned splitters for all CLECs to share is the most efficient means of providing splitters in a central office.[6]

Verizon's change of position eloquently (if inadvertently) underscores the central justification for my recommendation – the most efficient solution is the best solution, for consumers and competition. While Verizon may perceive a strategic advantage from discontinuing the "most efficient means of providing splitters," the Commission should embrace these *same* means as the defining characteristic of the ILEC's line-splitting obligation – ILEC-deployed splitters, available to all CLECs on a nondiscriminatory basis, one line at a time, without differentiation UNE-P and ILEC-voice lines

Q. Does this conclude your direct testimony?

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[3] See In the Matter of Application by SBC Communications Inc., Southwestern Bell Telephone Company, And Southwestern Bell Communications Services, Inc. d/b/a Southwestern Bell Long Distance for Provision of In-Region InterLATA Services in Texas, FCC CC Dkt. No. 00-4, "Rod Cruz Supplemental Affidavit".

[4] *See* June 20, 2000 Letter to Mr. Lawrence E. Strickling of the FCC from Kathleen B. Levitz of BellSouth, indicating that "For the commercial offering beginning June 6, 2000, BellSouth offered splitters in increments of full shelf, 96 line units, or in increments of one fourth of a shelf, 24 line units. BellSouth purchases, installs, inventories, leases, and maintains the splitters. In this arrangement, BellSouth installs a splitter in its equipment space."

[5] Post Hearing Brief of Verizon Northwest, Inc., Docket UT-003013, October 9, 2000. page 26.

[6] *Ibid*., page 30.

A. Yes.