

ATTACHMENT 1

1 SAN FRANCISCO, CALIFORNIA, MARCH 2, 1999 - 9:13 A.M.

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3 ADMINISTRATIVE LAW JUDGE WALWYN: On the record.

4 Please stand.

5 EUGENE M. GRACZYK, called as a witness
6 by AT&T Communications of California, Inc.,
7 having been sworn, testified as follows:

8 ALJ WALWYN: Please be seated.

9 MR. HURST: Your Honor, I would ask that the direct
10 proprietary version of Mr. Graczyk's testimony be marked
11 for identification as next in order.

12 ALJ WALWYN: It will be identified as 58-C.

13 (Exhibit No. COLO-58-C was marked for
14 identification.)

15 MR. HURST: And the redacted version of his direct
16 testimony would be the next in order, and we don't have
17 a copy of that here but it is being brought over.

18 ALJ WALWYN: Okay.

19 We'll reserve 59 for that.

20 (Exhibit No. COLO-59 was reserved.)

21 MR. HURST: And I would ask that the reply
22 testimony of Mr. Graczyk be marked as next in order.

23 And that is not proprietary.

24 ALJ WALWYN: That will be marked as Exhibit --
25 identified as Exhibit 60.

26 (Exhibit No. COLO-60 was marked for
identification.)

27 MR. HURST: Thank you, your Honor.

28 And could we have marked as next in order the

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1 surrebuttal testimony of Mr. Graczyk, which is also not a
2 proprietary document.

3 ALJ WALWYN: It will be identified as Exhibit 61.

4
5 (Exhibit No. 61 was marked for
6 identification.)

7 MR. HURST: Thank you, your Honor.

8 DIRECT EXAMINATION

9 BY MR. HURST:

10 Q Mr. Graczyk, would you pronounce your name for
11 the record, please?

12 I probably mispronounce it all the time, too,
13 Gene.

14 A The correct pronunciation is Graczyk.

15 If you think of "gray check," then "gray check"
16 is also correct if it makes it a little easier for people.

17 Q Could you give us your address and job title
18 for the record, please?

19 A I'm a district manager in AT&T's government
20 affairs organization.

21 My business address is 795 Folsom Street,
22 San Francisco, California, 94107.

23 Q Okay.

24 Do you have before you what's been marked for
25 identification as Exhibit 58-C?

A That would be my direct testimony?

- 26 Q Yes.
- 27 A Yes, I do.
- 28 Q Do you have any errata corrections to that

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1 exhibit from what was served in December of '98?

2 A Yes, I do.

3 Q What are those?

4 A On page 3, line 10, change the period after
5 "proposals" to a semicolon.

6 I should note that for the copies that were
7 distributed this morning, this should already be marked in
8 the copies you received.

9 Page 4, line 2, change Ms. Murray's, apostrophe
10 "s" to Ms. Murray.

11 Page 5, line 16, change, in small letters,
12 "adjacent onsite" to capital "A" Adjacent, capital "O,"
13 On, capital "S," Site.

14 Page 5, line 19, delete the word "physical."

15 Page 7, line 18, change "consumers of"
16 to "consumers or."

17 Those are all the text changes to my direct
18 testimony.

19 Q Did you also change the Exhibit EMG-1 from that
20 that was served in December?]

21 A Yes, I did. Although for Pacific the prices
22 remain the same, although the formatting structure are a
23 little different.

24 For Pacific Bell for physical, common, virtual
25 and cageless collocation, it is my understanding from a

26 discussion that took place yesterday and included the DS0
27 -- the voice grade DS0, DS1 and DS3 EISCC numbers from the
28 previous OANAD proceeding.

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1 We did not make any changes, however, to the
2 optical EISCC because based on discussions with
3 Mr. Turner, it is my understanding that the underlying
4 equipment and characteristics of the connectivity are
5 different from the costs for the connectivity adopted in
6 the previous OANAD proceeding.

7 Q Now, did you make any changes to EMG-2 the
8 GTE exhibit?

9 A For GTE, none of the numbers changed.

10 Although what had been presented as a cost
11 summary has been reformatted and presented as a price
12 list -- price summary.

13 But none of the numbers are different in any
14 way.

15 MR. HURST: Your Honor, I need to make a correction
16 in the marking of exhibits.

17 The attachment to the surrebuttal testimony of
18 Mr. Graczyk does include calculations using the proposed
19 prices.

20 And so consistent with Pacific's request to
21 treat the proposed prices as proprietary, the
22 Attachment EMGST1 to Exhibit 61 would be considered
23 proprietary. So we would ask that the marking for that
24 Exhibit 61 be changed to 61-C.

25 And we will also provide a redacted version, a

26 version without the attachment on it.

27 ALJ WALWYN: Okay.

28 MR. HURST: Actually, your Honor, I can do that

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1 right now because I'll I have to do is take the attachment
2 off. So I have enough to do that.

3 ALJ WALWYN: Okay. So we will mark 61-C and 62,
4 the redacted.

5
6 (Exhibits Nos. COLO-61-C and COLO-62
7 were marked for identification.)

8 MR. HURST: Your Honor, here are three copies of
9 Exhibit 59 and 62.

10 ALJ WALWYN: I'm fine with just one for the formal
11 file.

12 MR. HURST: One? Okay.

13 ALJ WALWYN: Well, I'll take an extra on 59.

14 MR. HURST: Okay.

15 ALJ WALWYN: I mean, it's clear to me what 62 is.

16 MR. HURST: Okay. May I proceed, your Honor?

17 ALJ WALWYN: Yes, please.

18 MR. HURST: Q Okay. Mr. Graczyk, do you have
19 a copy of what's been marked for identification as Exhibit
20 60?

21 A That would be my reply testimony.

22 Q Yes.

23 Are there any errata corrections to that from
24 what was filed in December?

25 A Yes. There was only one.

On page 2, line 2, change "information T" to

26 "information it."

27 Q Okay. And do you have what has been marked for

28 identification as 61-C?

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1 A That would be my surrebuttal testimony.

2 Yes. I do.

3 Q Yes.

4 Do you have any corrections to that from what
5 was served in December?

6 A Yes, I do.

7 Q And what would they be?

8 A Page 1, line 11, delete comma and to. So it
9 now reads "and address that."

10 On page 1, line 12, change "type" to "types."

11 MR. EDWARDS: I'm sorry.

12 Can you go back to your first one?

13 THE WITNESS: Yes.

14 Am I speaking clearly. Can people hear me?

15 MR. EDWARDS: Yes, sir. It's just a little fast.

16 THE WITNESS: On page 1, line 11, if you look at
17 the end of the line, it says, "and to address, and."

18 That should now read -- the comma and the "and"
19 should be removed, and it would read, "and to address that
20 AT&T will use all the different."

21 MR. EDWARDS: Thank you, sir.

22 THE WITNESS: On line 12, "type" to "types."

23 On line 16, change "range" to "ranging."

24 And on line 19, close the parens -- there
25 should be -- it should be parens quote ICB quote parens

26 period.

27 There's one more change, page 3, line 18.

28 Change "forecast" to "forecasts."

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1 Those are all the changes.

2 MR. HURST: Thank you.

3 Q Now, is the redacted version which has been
4 marked for identification as 59 of your direct testimony
5 the same in all respects, and would you make the same
6 changes as you did to the proprietary version, 58-C?

7 A Yes.

8 Q And, similarly, for Exhibits 61-C and 62, would
9 you make all the same changes to the redacted version of
10 the testimony in Exhibit 62?

11 A Yes.

12 Q All right.

13 Mr. Graczyk, if I were to ask you the questions
14 found in each of these exhibits today, would the answers
15 found in these exhibits today with the questions
16 you've given be the same?

17 A Yes, they would.

18 Q And do you adopt these as your testimony?

19 A Yes, I do.

20 MR. HURST: Your Honor, Mr. Graczyk is available
21 for cross-examination.

22 ALJ WALWYN: Mr. Edwards.

23 MR. EDWARDS: Thank you, your Honor.

24 CROSS-EXAMINATION

25 BY MR. EDWARDS:

26 Q Good morning, Mr. Graczyk.

27 A Good morning.

28 Q Am I correct that you're testifying only today

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1 on behalf of AT&T?

2 A That is true.

3 Q Could you turn please to EMG-2 to your direct
4 testimony?

5 A I am there.

6 Q And I understand EMG-2 to be the prices that
7 AT&T proposes for GTE's collocation offerings
8 in California: is that correct?

9 A That's correct.

10 MR. EDWARDS: Now, your Honor, we had a discussion
11 off the record there. I believe there are three of these
12 prices I want to discuss with Mr. Graczyk, and these have
13 been marked proprietary.

14 But with respect to those three prices, GTE
15 does not have any problem stating those prices on the
16 record.

17 ALJ WALWYN: Okay. Proceed.

18 MR. EDWARDS: Q Now, I want to explore and make
19 sure I understand what the proposal is for several of the
20 prices.

21 Actually, I'd like to go through all of these,
22 but time doesn't permit. So let me focus on three.

23 If you go to your first -- the first page of
24 the exhibit, I understand this to be AT&T's proposed
25 prices for physical collocation GTE California.

26 Do you see that?

27 A That's correct.

28 Q And if you go down the left-hand side, there's

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1 identification I believe for the elements, if you will.

2 that are -- that are being priced.

3 And if you go down to physical to physical

4 connection; do you see that?

5 A Yes, I do.

6 Q And in the first line after physical to

7 physical connection is cable racking and hole for optical.

8 Do you see that?

9 A Yes, I do.

10 Q And you would agree with me that what that is

11 is the cable racking for the physical to physical

12 connection between the cage and the MBF, if you will, for

13 fiberoptic cable.

14 A It's identified as optical.

15 Q All right. And you would agree with me that

16 that -- under your proposal or your company's proposal if

17 that cable racking has to be built to run the fiberoptic

18 cable from the collocation cage to the connecting point

19 with the network, under your proposal you would not allow

20 GTE to recover any of the costs of that construction up

21 front, correct?

22 A There's no nonrecurring charge on here.

23 Q So, I'm correct. You would not allow any

24 upfront recovery of that cost, right?

25 A Oh, I am not a technical witness, and these are

26 the direct outputs of the cost summary.

27 But I am prepared to state that there is no

28 nonrecurring charge shown here.

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1 Whether underlying costs are recovered in some
2 other fashion, I would refer you to Mr. Turner.

3 Q Well, I'm not asking about costs now,
4 Mr. Graczyk. I'm asking about prices.

5 Now, do you know anywhere else in your proposal
6 where you would recover the construction costs for that
7 rack where you propose that GTE recovers a construction
8 cost for that cable rack?

9 A Again, I would refer that question to
10 Mr. Turner.

11 Q Is he the pricing expert for AT&T?

12 A He is not the pricing expert, but he is
13 the expert on the model that has produced these outputs
14 which, as a pricing expert, I propose has the prices
15 without any further markup.

16 Q But you're here today proposing AT&T's prices,
17 correct?

18 A Yes, I am.

19 Q And prices are the means of cost recovery,
20 correct?

21 A They are. But I understand --

22 Q And you --

23 Excuse me. Go ahead.

24 A However, whether -- I understood your question
25 to be whether there was any other item that would allow

26 the recovery of the costs of placing that rack and

27 in creating the hole.

28 And I answered as well as I can that I cannot

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1 state without consulting with Mr. Turner or without
2 referring the question to Mr. Turner whether or not --
3 whether any of the other elements of the construction of
4 the model would allow for the recovery of any of those
5 costs.

6 Q Now, Mr. Turner is not an employee of AT&T,
7 is he?

8 A No, he is not.

9 Q Is he involved in AT&T's policy-making
10 decisions?

11 A No, he is not.

12 Q All right. So you don't know whether the
13 prices that you proposed would allow the construction
14 costs for that cable rack to be recovered up front.

15 A I don't know whether the model is constructed
16 in the fashion that would say that.

17 Q That's not my question, Mr. Graczyk.

18 My question is: Are you proposing --
19 is AT&T proposing a price in this proceeding that would
20 allow GTE to recover that cable rack construction cost up
21 front?

22 A Again, without consulting with Mr. Turner,
23 I would not be certain whether the investment associated
24 with that activity would not be recovered in the recurring
25 cost as well.

- 26 Q You don't know.
- 27 A No, I don't know the answer.
- 28 Q All right.

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1 Now, assume for me that in your proposed prices
2 there is no proposed price to recover the construction
3 cost for that cable rack up front.

4 All right, sir?

5 Will you make that assumption with me?

6 A I understand.

7 MR. EDWARDS: All right. Your Honor may I -- I've
8 done a calculation already up here on the board, if I may
9 go to it --

10 ALJ WALWYN: Okay.

11 MR. EDWARDS: -- because I want to take Mr. Graczyk
12 just through a simple calculation that I think will help.

13 ALJ WALWYN: Now, just to be clear, are you --
14 well, let's see how you proceed.

15 MR. EDWARDS: All right.

16 Q You would agree with me that in the same line
17 that we've been discussing, Mr. Graczyk, there is a
18 recurring price --

19 A Yes.

20 Q -- that would allow GTE to charge 70 cents
21 per cable per month.

22 A Yes.

23 Q All right. Now, to come up with a cost because
24 your model doesn't come up with a cost, for construction
25 of the racking, this is the assumption I've made.

- 26 If you go to the worksheets on your model,
- 27 it assumes that that cable racking there is 150 feet long.
- 28 All right, sir. Will you accept that?

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