

1 Q So I think you also said that Covad may be
2 interested in central offices that other CLECs may need --
3 may not be interested in; is that correct?

4 A Correct.

5 Q So if -- let's say that Covad were to pay
6 one-third of the costs to allow Covad to collocate in that
7 office, what assurance does the ILEC have that there will
8 be any other collocators at any given point in time to pay
9 the other two-thirds?

10 A That's precisely my point why I like the
11 cageless collocation, because if you take the cageless
12 collocation concept, that allows entry into the market
13 with a limited two bays of equipment and utilizing
14 existing infrastructure. And utilizing it would be the
15 most efficient way to do it without creating the
16 additional expenses and costs associated with building out
17 a complete area for collocation that we really don't need.

18 Q So let me go back to my question, and then I'll
19 ask another question about your answer.

20 Now, my question is with respect to where there
21 has to be physical collocation, the ILEC wouldn't have any
22 assurance at all that it would recover its cost in that
23 situation if Covad is the initial entrant and pays only a
24 third of the cost, correct?

25 A The way that's -- the cageless gets to the

26 heart of that matter. We would be forced to pay for the
27 elaborate caged environment with the redundant cabling and
28 redundant infrastructure, and that's very expensive.

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1 But if it was looked at under -- because it's
2 such a remote office and because of the way it is, if we
3 were allowed to put in a typical two bays' worth of
4 equipment with the equipment in an end office is
5 equivalent to stereo equipment -- so it's small and
6 compact -- would allow up to 500 to 1,000 customers with
7 very, very little disruption to the infrastructure of the
8 office if it was a cageless environment.

9 But if you build a full cage arena just to
10 place a small stereo component size equipment in an
11 office, the cost is -- proration is not -- duration is not
12 justified.

13 Q Mr. Regan, I have to go back to my question.

14 The question relates to when physical
15 collocation is put in, and if you, Covad, as the initial
16 entrant pays only a third of the cost, you'd agree with
17 me, wouldn't you, that there's no -- in that situation --
18 that there's no assurance to the ILEC that it will ever
19 recover the other two-thirds cost, correct?

20 A If they built out an elaborate four bays' of
21 equipment or more than what it would take for two bays,
22 there is no assurance, right, or for some foreseeable
23 future.

24 Q So if there is going to be physical
25 collocation, would it be Covad's recommendation that the

- 26 ILEC only build out a single cage?
- 27 A Building out a single cage with a different
- 28 part of the -- within a distinct part of a central office

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1 is an extremely expensive and inefficient way to build out
2 two bays of equipment.

3 If we're going to talk about space utilization
4 and we're going to talk about growth and future looking,
5 you need to look at the most efficient cost effective way
6 doing it. And building a cage wouldn't -- would not be
7 that most effective cost way of doing it.

8 Q But there are other CLECs that want cages.
9 That's my point here.

10 And so you're proposing -- is your proposal
11 Covad specific?

12 A I think that all of the CLECs should be given
13 options on how they want to collocate.

14 There's about six different types on the table,
15 I believe, and if you're only going to put a stereo size
16 component in an office, you shouldn't have to be required
17 to build cage and go through all of that infrastructure.
18 You should be given a choice.

19 But there's some CLECs that may want to run
20 with a large quantity of equipment and have a different
21 thing.

22 But for a -- most of the CLECs in an
23 environment that's going to use an end-office, they would
24 use a very limited quantity of space. And to get into the
25 cost about that would be whether you build out a

26 collocation cage site or if you would utilize existing
27 infrastructure.

28 Q If Covad's preference, as it seems to be, is

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1 for cageless why is it that Covad doesn't have the same
2 strong preference for virtual?

3 A Virtual is an area where we have to give up the
4 responsibilities of our business.

5 We could become solely dependent upon the ILEC
6 to install and provision our service.

7 We are unable to provide service better than
8 what the ILEC could do at that time.

9 When it comes to maintenance, we would have to
10 rely on the ILEC to do that. It takes complete control of
11 the network away from us and takes complete control of our
12 business away from us, and we have to rely completely on
13 the ILECs' performance.

14 The performance standards that we guarantee to
15 our customers, we would be unable to make that type of a
16 performance standard that would be better than we could
17 get from the ILEC.

18 Q Wouldn't you agree with me that virtual may
19 represent the appropriate compromise there between what
20 your preferences are and the ILEC's and other CLECs' own
21 concerns about security?

22 A Other -- I'm sorry.

23 Could you repeat that? I'm sorry.

24 Q Would you agree with me that virtual may
25 represent the appropriate compromise between what Covad's

- 26 desires are and what the ILECs' and other CLECs' own
- 27 desires are may be with respect to security of their own
- 28 equipment?

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- 26 especially in the end offices where there's only two bays,
27 the way of doing it would eliminate all of those costs and
28 not require the first mover in the central office to pay a

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1 very extremely high rate.

2 Q I understand that you may think that the costs
3 are unnecessary, but I'm trying to figure out why you say
4 it's a windfall.

5 I mean, the cost to cover the costs that are
6 actually incurred, now you may disagree that they
7 shouldn't be incurred, but they're the costs to cover what
8 costs are incurred for the collocation, correct?

9 A I believe that the ILEC should be -- should
10 recover the costs associated with providing collocation.

11 It's the question of how collocation is
12 provided.

13 My analogy, we would be given the Cadillac
14 space but really we only want a Volkswagen space.

15 Q Let me ask you to look at page 13, line 16.

16 You say there that,

17 "Cageless physical collocation has
18 become the norm in the industry. . . ."

19 Do you see that?

20 A On line 16?

21 Q Yes, sir.

22 A Yes.

23 Q You don't mean by that statement, do you, that
24 cageless collocation is being offered by ILECs across the
25 country in their central offices? Do you?

26 A I do know that there are CLECs that collocate

27 with each other in a cageless environment.

28 Q That's not my question.

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1 I'm trying to figure out what industry it is
2 you're talking about there.

3 Do you agree with me that cageless collocation
4 is not widespread in ILEC central offices throughout the
5 United States?

6 A It's becoming widespread, but it's not a
7 majority right now.

8 Q So it's not the norm in the industry, is
9 it, Mr. Regan?

10 A The norm in the industry for the cageless
11 physical collocation between the CLECs, all of our shared
12 collocation sites may have basically the common areas like
13 in some parts of the rest of the United States, but
14 sticking with California, our shared cages, there's many
15 CLECs that will go into a shared cage with no problem at
16 all.

17 It's a common norm.

18 Q But shared, as I understand it -- back to our
19 original discussion -- is not cageless, correct?

20 A It's cageless --

21 Q Is that correct?

22 A It's cageless between the CLECs.

23 Q But it's not cageless, in the --

24 A Between the ILECs.

25 Q No, it is not.

26 A But its okay to be cageless between the CLECs.

27 Q It's not cageless collocation.

28 A Well, it's -- again, I really would like to say

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1 it's cageless -- if we have three bays of equipment in a
2 10 by 10 area with three distinct CLECs it's cageless
3 between those three CLECs, but it would not be cageless to
4 the ILEC.

5 MR. EDWARDS: Your Honor, I'm passing out the next
6 exhibit and, for the record, this is a Covad webpage. It
7 was downloaded on January 14th.

8 You can tell by the date on the bottom of the
9 page, and it references a press release dated January 4.

10 Have you seen this --

11 ALJ WALWYN: We'll identify this as Exhibit 70.

12 MR. EDWARDS: Thank you, your Honor.

13 ALJ WALWYN: I'm sorry. 69.

14
15 (Exhibit No. COLO-69 was marked for
16 identification.)

17 MR. EDWARDS: Q Have you seen this exhibit
18 before, Mr. Regan?

19 A Yes, I've read it before.

20 Q All right.

21 Now, Mr. Dawson was asking you several
22 questions about your public offering, which I take it from
23 your testimony took place January 22nd, is that correct?

24 A Yes.

25 Q Okay. And in your current capital structure,
is Intel currently a significant shareholder of Covad?

- 26 A I don't think so.
- 27 I don't know for sure, but I don't think so.
- 28 Q This press release talks about a strategic

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1 relationship with AT&T and NextLink.

2 Do you see that?

3 A Yes.

4 Q Are you aware of what that strategic
5 relationship is?

6 A Not all the piece parts of it, no.

7 I know that it has happened, and I was not part
8 of the negotiations between anybody else.

9 I just -- I know we have a relationship with
10 NextLink just at this date, but as far as the details of
11 it, for this particular strategic relationship I was not
12 part of the negotiations with them.

13 But I do know we have agreements with them,
14 yes.

15 Q And did you know that there was a financial
16 investment by AT&T Ventures and NextLink, both, in Covad?

17 A Yes, I know we had -- yes.

18 Q And then did you also know that there were
19 commercial agreements entered into with AT&T and NextLink
20 that provided for, among other things, collocation of the
21 company's network equipment?

22 A I believe that that is coming about and it is
23 in the process, but there's nothing firm about the details
24 and completely agreed upon on how -- you know, how it
25 would work or anything.

- 26 Q Now, are you involved in those discussions?
- 27 A Yes, I am.
- 28 Q And what forms of collocation are being offered

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1 to Covad in AT&T's facilities?

2 A We have not started those talks yet for
3 collocation with someone on the NextLink.

4 Q So you don't know whether AT&T is going to
5 offer cageless collocation to Covad in its facilities?

6 A My guess is that it will, but I do not -- I am
7 not that far along with the negotiations and how we're
8 going to do AT&T collocation.

9 In regards to DSL service, they don't have
10 access to the unbundled loops and other things.

11 It's too much of a gray area right now to make
12 any specific determination.

13 Q So you don't know?

14 A I don't know.

15 Q Do you know whether you will be required to
16 adhere to AT&T's collocation policies and procedures in
17 their facilities here in California?

18 A I haven't started the talks with the
19 collocation side of this.

20 I do know that it's getting ready to kick off.
21 But whether we'll be held with caged limits or not, it's
22 all up in the air. I do not know.

23 Q How about the same line of questioning for
24 NextLink?

25 Have you entered into any of the collocation

26 arrangements, or are those discussions ongoing with

27 NextLink?

28 A Yes, they are.

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1 Q Do you know what forms of collocation NextLink
2 is offering?

3 A It's in the data network side.

4 It's in the places where the ILECs do not allow
5 the switches and things like that, and it's on the network
6 side, yes.

7 MR. EDWARDS: Your Honor, that's all the questions
8 I have.

9 ALJ WALWYN: Thank you.

10 EXAMINATION

11 BY ALJ WALWYN:

12 Q Mr. Regan, you talk about the equipment you
13 locate being the size of a stereo.

14 Could you tell me just what size this stereo
15 is?

16 A In a different -- a smaller office on an end
17 office is different than a hub office, and a hub office
18 always will reaggregate so you would have an additional
19 piece of MUX equipment.

20 A piece of DSLM, the actual sizes of that that
21 are in my testimony, I believe.

22 Q Okay.

23 A On page 3, and it's at line 22 where I talked
24 about the actual weight, or the actual size is 14.38 by 12
25 by 21.25, and it's 74 pounds, and the line concentrator is

26 12.13 inches by 12 inches by 21.5 and that weights

27 65 pounds.

28 So the addition of those two would be 139

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1 pounds spread out over two different shelves.

2 There is what we call here a D4 channel bank
3 which is the MUXing that could go into it, and that weighs
4 14 pounds with the sizes right there.

5 Q And would that need a third shelf?

6 A It could -- yes. Yes.

7 Q So that would depend on the size of the CO,
8 that piece of equipment, how the first two will be
9 arranged?

10 A If it's very, very large, then you would want
11 to add and go into your next bay, and add more line
12 shelves.

13 Q And then there's the line card?

14 A Yes.

15 Q When you talk about two bays, are you talking
16 of two sets of bays?

17 A Yes.

18 It would be 7 foot tall by 23 inches wide by
19 approximately 1 foot deep, with some overhang on the
20 equipment, and it would -- a bay is 7 foot by 23 inches,
21 and that would supply approximately 500 to 1000.

22 With the next generation of equipment coming
23 out, the quantity could even go up from there. So it
24 could provide more than a thousand.

25 Q Now in answer to Mr. Dawson's questions,

26 I needed clarity on one of your responses.

27 A Sure.

28 Q You said you had 35 to 40 shared cages in

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1 California, and that if you're the first collocator you
2 always asked for shared?

3 A Yes.

4 Q But if there's another collocator already
5 there, you must always order your own cage?

6 A Yes.

7 Q Now, I take that to mean that where you've gone
8 in and there's an existing collocator, they've been
9 unwilling to share their cage with you?

10 A No.

11 Q Well, explain it to me.

12 A The rules, or the guidelines set forth in the
13 interconnection agreement specifically states that if
14 there is a previous collocator at the central office
15 that's being applied for, we are unable to apply for a
16 shared cage.

17 Q So it's the rules --

18 A It's the ILEC.

19 Q -- set by the ILEC?

20 A Yes.

21 Q It's not that you get there and no one --

22 A No. It's the rules in the interconnection
23 agreement between Covad and the ILEC, and then the
24 ILEC -- it's, like, the only place that we have that --
25 no, I shouldn't say that because there's other spots in

26 the United States.

27 Q And you have that with both Pacific and GTEC in

28 your interconnection?

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