

1 MS. McCLELLAN: Did the FCC mandate any  
2 other scenario beyond what's described in this  
3 paragraph?

4 MR. PFAU: It neither mandated nor  
5 excluded other ones.

6 MS. McCLELLAN: Okay. And if you take a  
7 look at paragraph 21, there the FCC strongly  
8 encouraged the parties to use state collaboratives  
9 and existing change management processes to  
10 implement line splitting, did it not?

11 MR. PFAU: Sure did.

12 MS. McCLELLAN: Okay. And Verizon and  
13 AT&T and several other parties are currently  
14 participating in a collaborative before the New  
15 York Public Service Commission, are they not?

16 MR. PFAU: You mean addressing line  
17 splitting?

18 MS. McCLELLAN: Yes.

19 MR. PFAU: Yes.

20 MS. McCLELLAN: All right. Now,  
21 throughout the beginning of your testimony on issue  
22 III-10, you begin with an overview of why line

1 splitting is important to AT&T, and I want to ask  
2 some follow-up questions about that.

3 AT&T was one of the original parties  
4 pushing for receiving access to the high frequency  
5 portion of a loop where they have a UNE-P; is that  
6 right?

7 MR. PFAU: Where they have UNE-P? Yes.

8 MS. McCLELLAN: And Verizon originally  
9 took the position that AT&T could split a line by  
10 purchasing a DSL cable loop terminated to a  
11 co-located splitter and DSLAM.

12 MR. PFAU: When you say split a line,  
13 what's your implications of that?

14 MS. McCLELLAN: That AT&T could provide  
15 voice and data by purchasing a DSL-capable loop  
16 that was terminated to a co-located splitter and  
17 DSLAM and switching.

18 MR. PFAU: If you're asking if that's what  
19 Verizon has said, yes, that's true. But a  
20 statement like that was equivalent to a statement  
21 that says a CLEC could buy a loop and port and do  
22 UNE-P on its own. There's a lot of implications in

1 the supporting systems around that that determine  
2 whether or not a service is practical when used by  
3 a CLEC.

4 MS. McCLELLAN: Right, I understand that,  
5 and I'm only asking about what Verizon's initial  
6 position was.

7 MR. PFAU: I think you're best positioned  
8 to express what Verizon said.

9 MS. McCLELLAN: Okay. And is it your  
10 understanding that that type of line splitting is  
11 currently available without any OSS upgrades being  
12 necessary by Verizon?

13 MR. PFAU: I know that's your opinion.

14 MS. McCLELLAN: You agree that in the New  
15 York collaborative the parties have been working  
16 through OSS modifications to implement the type of  
17 line splitting that AT&T originally requested?

18 MR. PFAU: I know they're working on a  
19 number of scenarios, but the only one that I know  
20 that is currently scheduled for implementation is  
21 to add DSL to a service configuration of UNE-P,  
22 once it's been configured to a connection through

1 co-location. That's one scenario only.

2 MS. McCLELLAN: And to address that  
3 scenario, there were OSS modifications required;  
4 right?

5 MR. PFAU: I think that's why it's not  
6 happening to the release to make it mechanized.

7 MS. McCLELLAN: If AT&T were to change its  
8 business strategy and purchase stand-alone UNE  
9 loops rather than UNE-Ps, would it be able today to  
10 engage in line splitting as described in the FCC's  
11 paragraph 19?

12 MR. RUBIN: What do you mean by be able  
13 to? Technically? Legally?

14 MS. McCLELLAN: Technically.

15 Could AT&T today, if it was so inclined--

16 MR. PFAU: If AT&T happened to have  
17 co-location in a central office and happened to  
18 have a back hall transport to a circuit switch and  
19 happened to have a DSLAM in the co-location and  
20 happened to have high capacity back hall transport  
21 to a separate ATM switch, yeah, they could do it.

22 MS. McCLELLAN: That would require no

1 further activity from Verizon other than to provide  
2 you with any elements that you need out of its  
3 network? It would not require any OSS  
4 modifications or coordination with AT&T and a data  
5 partner it may have, would it?

6 MR. PFAU: You're asking me to say what  
7 you would need to do to do that?

8 MS. McCLELLAN: I'm asking, if you were to  
9 engage in line splitting as described in paragraph  
10 19, would you require anything else from Verizon  
11 other than the elements that are listed in a  
12 co-location that is described in paragraph 19.

13 MR. PFAU: I think one of the things you  
14 have to remember is that that's a real hypothetical  
15 question that says everything works right. When  
16 you talk about taking a loop in a co-location for  
17 something like that, you're talking about hot cuts,  
18 and when you're talking about a residential market  
19 where you have Internet access growing at the rate  
20 it is, and the fact that there has not been a  
21 demonstration and hot cuts can handle market  
22 volumes at this point, even for the small number

1 that CLECs are generating that are facilities  
2 based, I don't think you can jump to the conclusion  
3 that a carrier could offer co-lo based line  
4 splitting when they just get the loop from Verizon.

5 MS. McCLELLAN: Okay. Would it be that  
6 hypothetical given the fact that AT&T has purchased  
7 assets from North Point that are currently  
8 co-located in certain Virginia central offices?

9 MR. PFAU: The only assets that I know  
10 that AT&T has purchased is the co-location space.  
11 That does not permit you to offer line splitting.

12 MS. McCLELLAN: In your testimony, didn't  
13 you state that AT&T also purchased the assets that  
14 were in North Point's co-location space?

15 MR. PFAU: You could point me to where I  
16 said that. I will take a look at it.

17 MS. McCLELLAN: Do you know whether AT&T  
18 purchased the assets, North Point's assets that  
19 were contained in those co-location spaces?

20 MR. PFAU: As I said, I was only aware of  
21 the co-location. I don't know if they purchased  
22 anything in there.

1 MS. McCLELLAN: Would you agree that once  
2 Verizon modifies its OSS to implement line  
3 splitting consistent with the New York  
4 collaborative, that the only way it could recover  
5 those costs is if orders were placed using the  
6 procedures agreed to in that collaborative?

7 MR. PFAU: I'm not sure I understood that.

8 MS. McCLELLAN: Let me try again.

9 If Verizon were to modify its OSS to  
10 implement a conversion of a UNE-P to a line  
11 splitting scenario, would you agree that the only  
12 way Verizon could recover those costs is if AT&T  
13 actually ordered a UNE-P conversion to line  
14 splitting?

15 MR. PFAU: You're assuming there was a per  
16 order transaction, then, to recover something?

17 MS. McCLELLAN: Yes.

18 MR. PFAU: Well, I guess if that's how you  
19 are recovering your costs, that was the only place  
20 you're recovering your costs, that would be the  
21 only way you would get your costs back.

22 MS. McCLELLAN: So, if AT&T were to then

1 purchase only stand-alone DSL loops and co-locate  
2 them to a DSLAM and splitting in its co-location  
3 space, then it wouldn't use the modifications that  
4 were made to convert a UNE-P to a line splitting  
5 scenario, would it?

6 MR. PFAU: You're saying if it got  
7 stand-alone loops?

8 MS. McCLELLAN: Right.

9 MR. PFAU: Instead of UNE-P?

10 MS. McCLELLAN: Right.

11 MR. PFAU: That it wouldn't--you wouldn't  
12 recover your cost of doing UNE-P line splitting?

13 MS. McCLELLAN: No. I'm asking if you  
14 order stand-alone loops to provide line splitting  
15 and you didn't order a UNE-P, you wouldn't use the  
16 processes that were put in place for UNE-P line  
17 splitting orders, would you?

18 MR. PFAU: No. But I think what you are  
19 asking me is a cost recovery question that presumes  
20 we are the only carrier in the market and that by  
21 not using one process or using one process less and  
22 using another process more that somehow you don't

1 overrecover in the other area more than you would  
2 have otherwise gotten to offset what you didn't get  
3 in a different area. I mean, I don't think you can  
4 draw any conclusions about cost recovery.

5 MS. McCLELLAN: Okay.

6 MR. RUBIN: Just for the record, Mr. Pfau  
7 is not our costing witness. He is here to discuss  
8 the policy and the technical issues around advanced  
9 services.

10 MS. McCLELLAN: Beginning at page 100 of  
11 your direct testimony beginning at lines 11 through  
12 13, you suggest that the ILECs are largely  
13 responsible for the financial woes of data LECs.  
14 Do you see that?

15 MR. PFAU: That's true.

16 MS. McCLELLAN: You didn't present any  
17 kind of analysis in your testimony to determine the  
18 factors behind the DLECs financial situation in  
19 Virginia, did you?

20 MR. PFAU: Well, this is not just limited  
21 to Virginia, but no, there is no financial analysis  
22 in my testimony.

1 MS. McCLELLAN: All right. Do you have  
2 with you the cross exhibits that Verizon provided  
3 for today?

4 MR. PFAU: I think I have them all here,  
5 yeah.

6 MS. McCLELLAN: Just for the record, we  
7 have extra copies we are going to pass around.

8 And the first one that I'm going to look  
9 at is AT&T's response to Verizon's data request  
10 225, and I ask that this be marked as Exhibit 37.

11 (Verizon Exhibit No. 37 was  
12 marked for identification.)

13 ARBITRATOR ATTWOOD: Could you pass out  
14 the extra copies before you start?

15 MS. McCLELLAN: Yes.

16 While they are being passed out, I would  
17 just like to note that AT&T considers this  
18 proprietary response, and I'm not going to go into  
19 any numbers, and I would ask the witness to do the  
20 same.

21 And I'm going to try to phrase my  
22 questions so I don't reveal proprietary

1 information.

2           Now, from this response, it's clear that  
3 AT&T is providing DSL service in Virginia today;  
4 right?

5           MR. PFAU: We have some customers in  
6 Virginia.

7           MS. McCLELLAN: Is AT&T providing that  
8 service through its own facilities or by partnering  
9 with a data LEC?

10           MR. PFAU: To tell you the truth, I don't  
11 know. When we were prepared this, we were only  
12 answering the question whether we provided service,  
13 not how it was provided.

14           MS. McCLELLAN: So you don't know today  
15 whether AT&T is doing so through its own facilities  
16 or with a data partner?

17           MR. PFAU: I couldn't answer that with  
18 certainty.

19           MS. McCLELLAN: Did AT&T provide DSL in  
20 Virginia prior to its acquisition of North Point's  
21 assets?

22           MR. PFAU: I believe we did.

1 MS. McCLELLAN: Do you know whether AT&T  
2 is using any North Point assets to provide DSL  
3 service?

4 MR. PFAU: In Virginia?

5 MS. McCLELLAN: Yes.

6 MR. PFAU: I don't know.

7 MS. McCLELLAN: I would like to move the  
8 admission of Exhibit 37.

9 MR. RUBIN: No objection.

10 MR. DYGART: It's received in evidence.

11 (Verizon Exhibit No. 37 was  
12 admitted into evidence.)

13 MS. McCLELLAN: Now I would like to look  
14 at the beginning of page one of six. You suggest  
15 that Verizon dominates and potentially  
16 monopolizes--

17 MR. RUBIN: You said 106?

18 MS. McCLELLAN: All my questions now are  
19 in his direct testimony.

20 MR. PFAU: You said 106? I just didn't  
21 hear what page number you said.

22 MS. McCLELLAN: Page 106.

1 Up at the top I'm paraphrasing you here a  
2 little bit, but you suggest Verizon potentially  
3 dominates and potentially monopolizes the advanced  
4 services market.

5 That's your view today?

6 MR. PFAU: That's what's in the testimony,  
7 yes.

8 MS. McCLELLAN: Did you perform any market  
9 surveys or studies of consumers in Virginia  
10 relating to advanced services?

11 MR. PFAU: No, I didn't.

12 MS. McCLELLAN: So, you didn't do any  
13 research to determine the total number of end users  
14 in Virginia receiving DSL services from any  
15 provider?

16 MR. PFAU: Not in Virginia specific, no,  
17 but--

18 MS. McCLELLAN: Did you do any market  
19 surveys on how many customers are using cable modem  
20 providers to access the Internet as opposed to DSL?

21 MR. PFAU: No.

22 MS. McCLELLAN: I would like to turn to my

1 next cross exhibit, which is the FCC's broadband  
2 report I believe you have. I would ask that this  
3 be marked as Exhibit 38.

4 (Verizon Exhibit No. 38 was  
5 marked for identification.)

6 MS. McCLELLAN: And I'm going to ask you  
7 to look at the end of the report, there are several  
8 tables, and I would like to you look at table six,  
9 and the tables are not--those pages are not  
10 numbered, but it's identified at the top.

11 And this table is a state-by-state  
12 breakdown of high-speed lines by technology. And I  
13 would ask you to look down at Virginia.

14 MR. PFAU: Okay:

15 MS. McCLELLAN: And as of 2002, you see  
16 that there were 26,750 ADSL lines in Virginia.

17 MR. PFAU: It's what's on the report.

18 MS. McCLELLAN: You see there were 78,585  
19 coaxial cable lines in Virginia?

20 MR. PFAU: That's what on the report.

21 MS. McCLELLAN: And I ask that Exhibit 38  
22 be admitted into the record.

1 MR. RUBIN: No objection.

2 MR. DYGART: I think for the record you  
3 meant as of December 2000.

4 MS. McCLELLAN: I did. I'm sorry if I  
5 said something else.

6 MR. RUBIN: Well, the document will speak  
7 for itself.

8 MR. DYGART: Right.

9 And this is admitted into evidence.

10 (Verizon Exhibit No. 38 was  
11 admitted into evidence.)

12 MS. McCLELLAN: Now, AT&T is one of the  
13 largest cable modem providers in the industry;  
14 right?

15 MR. PFAU: I don't work on the cable side  
16 of the business; so, if you have evidence that  
17 we're the biggest one, I would accept it.

18 MS. McCLELLAN: Have you read the  
19 testimony and exhibits that were filed by Verizon  
20 in this case?

21 MR. PFAU: Not all of them.

22 MS. McCLELLAN: Did you see there is an

1 Exhibit 3 to the rebuttal testimony of Verizon, a  
2 press release from AT&T's Chairman and CEO Michael  
3 Armstrong. Are you familiar with that?

4 MR. PFAU: No.

5 MR. RUBIN: What's the date of the  
6 release?

7 MS. McCLELLAN: 7/24/01.

8 MS. FARROBA: What's the exhibit number?

9 MS. McCLELLAN: It's Exhibit 3 to the  
10 advanced services panel rebuttal testimony.

11 MS. FARROBA: Right, but the exhibit  
12 number of the testimony?

13 MS. McCLELLAN: I'm sorry, is Verizon 16.

14 MS. FARROBA: Thank you.

15 MS. McCLELLAN: It's Exhibit 3 to that.

16 And I would ask you to look at--I'm going  
17 to pass around another exhibit, which is another  
18 AT&T press release, I believe, that you have up  
19 there with you relating to Excite@Home. I'm going  
20 to ask that this be marked as Exhibit 39.

21 (Verizon Exhibit No. 39 was  
22 marked for identification.)

1 MS. McCLELLAN: On September 28th, AT&T  
2 announced that it offered to purchase Excite@Home's  
3 broadband access business. Were you aware of that?

4 MR. PFAU: I can see a press release  
5 talking about that.

6 MS. McCLELLAN: Did you know about that  
7 prior to seeing this press release?

8 MR. PFAU: No, I didn't.

9 I think what you have to be careful here,  
10 and to some extent I don't understand the  
11 discussion of all these issues with respect to  
12 whether line sharing or line splitting language is  
13 adequate; but when you talk about broadband assets  
14 with something like Excite@Home, you're talking  
15 about a backbone Internet type of arrangement.

16 MS. McCLELLAN: I understand that. I'm  
17 exploring in your testimony where you make  
18 statements about the status of the advanced  
19 services market, and you use that to justify AT&T's  
20 specific language, and I want to explore your  
21 statements.

22 MR. PFAU: Okay.

1 MS. McCLELLAN: Now, if AT&T's sale is  
2 approved--

3 MR. PFAU: You mean--

4 MR. RUBIN: You mean purchase?

5 MS. McCLELLAN: Yes, I'm sorry.

6 Actually, do you see in the press release,  
7 it says that AT&T says that if the sale is  
8 approved, it plans to build on the assets it  
9 acquires to develop a more robust network while  
10 improving and growing its broadband high-speed  
11 Internet access business for all subscribers.

12 Do you see that? It's the third paragraph  
13 down.

14 MR. PFAU: Okay, I see it.

15 MS. McCLELLAN: If that were to happen,  
16 this would increase AT&T's market share in the  
17 cable modem sector of the advanced services market,  
18 wouldn't it?

19 MR. PFAU: If it acquired more customers,  
20 it would have a bigger market share. If it  
21 acquired the customers at a faster rate than what  
22 the market is growing, I don't see how buying the

1 assets is going to guarantee you acquire those  
2 customers, but I guess in your hypothetical I would  
3 say yes.

4 MS. McCLELLAN: All right. I would ask  
5 that Exhibit 39 be admitted into the record.

6 MR. RUBIN: No objection.

7 MR. DYGART: All right. It's admitted.

8 (Verizon Exhibit No. 39 was  
9 admitted into evidence.)

10 MS. McCLELLAN: On page 101 of your  
11 testimony, lines 18 to 21, you state that few  
12 telecommunications carriers can support the  
13 investment necessary to deploy both a circuit  
14 switch voice network and advanced services packet  
15 switch network.

16 Do you see that?

17 MR. PFAU: That's correct.

18 MS. McCLELLAN: Okay. I would like to now  
19 turn your attention to the next cross exhibit which  
20 is a Power Point presentation entitled "AT&T  
21 Broadband, July 2001, Investor Presentation."

22 While that's going around, let me ask one

1 question.

2           Are you aware that at its July 24th, 2001  
3 investor briefing, AT&T broadband announced plans  
4 to spend \$3.6 billion in capital in 2001, with the  
5 majority focused on providing advanced services and  
6 plant upgrades?

7           MR. PFAU: Not until you gave me this  
8 presentation.

9           MS. McCLELLAN: But you did have the  
10 advanced services panel for Verizon rebuttal  
11 testimony and all of its exhibits; right?

12           MR. PFAU: Yes, we received them.

13           MS. McCLELLAN: Did you read it?

14           MR. PFAU: I can't say I paid that much  
15 attention to that part.

16           MS. McCLELLAN: And I think you've already  
17 said you did not look at the AT&T press release  
18 that was contained in Exhibit 3 to that?

19           MR. PFAU: No.

20           MS. McCLELLAN: I would ask you to look at  
21 page eight of the Power Point. The third bullet  
22 down refers to triple play. Do you see that?

1 MR. PFAU: I'm on eight. What is the  
2 bullet you wanted to look at?

3 MS. McCLELLAN: It's the third bullet  
4 point that says 127,000 plant miles and  
5 infrastructure rebuilt to support triple play.

6 MR. PFAU: Okay.

7 MS. McCLELLAN: Do you know whether triple  
8 play refers to voice services, data services, and  
9 video services?

10 MR. PFAU: I don't work on the broadband  
11 side. The only mileage I have on triple play is my  
12 son playing baseball.

13 MS. McCLELLAN: All right. But if you  
14 look at page nine, page nine refers to promotions  
15 for telephonic data and video.

16 Do you see that?

17 MR. RUBIN: Excuse me, Your Honor, the  
18 witness has testified he doesn't know about the  
19 broadband business. He is not familiar with these  
20 documents, so I would hope that there would be very  
21 limited cross-examination on this subject.

22 MS. McCLELLAN: I don't have too much more

1 to go on this, although the witness was given this  
2 document on Monday--I'm sorry, the first day of  
3 hearings.

4 MR. RUBIN: That doesn't require anyone to  
5 read anything. You provided us with information.

6 MS. McCLELLAN: He was also provided with  
7 the press release that announced that there was an  
8 investor briefing.

9 MR. DYGART: Okay. I think we could have  
10 limited cross-examination on this.

11 MS. McCLELLAN: All right.

12 I'm going to ask you to look at page 32 of  
13 this document. And at the bottom you see it says  
14 that AT&T broadband exceeds RBOT performance in 11  
15 technical testing categories, and equals it in the  
16 12th.

17 Do you see that?

18 MR. PFAU: That's what it says.

19 MS. McCLELLAN: Do you know what these  
20 categories are?

21 MR. PFAU: I'm not familiar with the  
22 preparation of these slides. All I would be doing

1 is making assumptions of what somebody else may  
2 have meant.

3 MS. McCLELLAN: So, if I were to ask you  
4 any questions on this slide, you would just be  
5 speculating?

6 MR. PFAU: That's correct.

7 MS. McCLELLAN: Do you see--you might know  
8 this one because this is more a clarification  
9 question.

10 Do you see that on the right-hand side  
11 where it says customer growth since 2000?

12 MR. PFAU: I see that.

13 MS. McCLELLAN: And it says that in the  
14 telephony market, AT&T experienced a 1,077 percent  
15 growth in telephony? Do you see that?

16 MR. PFAU: I see that.

17 MS. McCLELLAN: Do you know whether this  
18 refers to local telephony?

19 MR. PFAU: You mean a local service  
20 capability?

21 MS. McCLELLAN: Yes.

22 MR. PFAU: I assume it does.

1 MS. McCLELLAN: Do you have any reason to  
2 believe that this is an inaccurate description of  
3 the growth AT&T experienced in its telephony?

4 MR. PFAU: I just don't--I assume they're  
5 not giving false information to the SEC or the  
6 investors. I just don't know the basis of any of  
7 these numbers. I can't testify to it. This is not  
8 my document.

9 MS. McCLELLAN: But do you have general  
10 knowledge about AT&T's growth in telephony in  
11 general, AT&T as a corporation?

12 MR. PFAU: This is on the broadband side  
13 of the business. I work on a very different side  
14 of the business. I'm supporting the local market  
15 entry on wire line, facilities based, and UNE  
16 entry. I don't do this kind of work. It may or  
17 may not be right, and I can look at something like  
18 this and say yeah, 775,000, that could be a right  
19 number.

20 MS. McCLELLAN: Would you agree that a  
21 local telephone market is a local telephone market,  
22 regardless of the facilities used to serve it?

1 MR. PFAU: I don't know that's always true  
2 because when the Louisiana 271 came up, the  
3 decision was made that wireless was not local  
4 relevant to the local market entry, and you can  
5 definitely make local calls with a wireless phone.

6 MS. McCLELLAN: We are not talking  
7 wireless, though. We are talking about local  
8 telephony.

9 MR. PFAU: That's a different technology.  
10 You said is the local market the same regardless of  
11 the technology used, and I said wireless is a way  
12 you can make local calls, is a different  
13 technology, and it was not considered relevant to  
14 the local market competitiveness.

15 I answered your question.

16 MS. McCLELLAN: All right. I will ask you  
17 to look at page 34.

18 MS. FARROBA: Are you almost done with  
19 questioning on this document?

20 MS. McCLELLAN: Yes, I am.

21 MS. FARROBA: Okay.

22 MS. McCLELLAN: Do you know whether it's

1 part of AT&T's business plan to bundle services  
2 such as voice, data, and video service to market as  
3 a package to individual customers?

4 MR. PFAU: Looking at this slide, I would  
5 say that's one of their strategies and certainly  
6 would be a sensible one to help spread the fixed  
7 costs of the investment and the access lines.

8 MS. McCLELLAN: Would you agree with me  
9 that if AT&T is competing for an end user customer  
10 with Verizon in Virginia, and the customer wants  
11 video data and voice service, that AT&T would be a  
12 competitive advantage because it could provide all  
13 three services as a package?

14 MR. PFAU: How are you defining Verizon?  
15 Are you including VADI?

16 MS. McCLELLAN: We can, if you like.

17 MR. PFAU: I would say that no, not  
18 necessarily. First off, you don't even have the  
19 same footprints within Virginia. I would assume  
20 that in Virginia Verizon serves probably hundreds  
21 of thousands more customers than AT&T could reach  
22 through its cable footprint. So in that area I

1 would say we have a pretty big competitive  
2 disadvantage in terms of facilities.

3 MS. McCLELLAN: Let's look at in an area  
4 where--let's look at Richmond, Virginia. AT&T is a  
5 cable provider in Richmond, Virginia.

6 MR. PFAU: Okay.

7 MS. McCLELLAN: If a--

8 MR. RUBIN: Do you know that for a fact?

9 MS. McCLELLAN: Yes, I do.

10 MR. RUBIN: Does the witness know that?

11 MR. PFAU: I will accept her hypothetical  
12 at this point.

13 MS. McCLELLAN: Or we could take a  
14 hypothetical city.

15 If an individual uses AT&T cable and is in  
16 Verizon's local service territory, and that  
17 customer wants a bundled package of voice, data,  
18 and video, and AT&T is in a position to provide all  
19 three services, would you agree that AT&T is in a  
20 pretty good place strategically to get that  
21 customer?

22 MR. PFAU: So, what you want me to assume

1 is that we can do it, and you can't?

2 MS. McCLELLAN: That was going to be my  
3 next question, but if you would like to go ahead  
4 and assume that.

5 MR. PFAU: If you make the assumption that  
6 AT&T could do it, and you can't, then, yeah, I  
7 guess we would have an advantage.

8 MR. RUBIN: For customers who want all  
9 three.

10 MR. PFAU: If you make the assumption that  
11 just because AT&T has cable in Richmond it could do  
12 that, I won't accept that.

13 MS. McCLELLAN: All right. I think I have  
14 one last question. Why don't you look at page 53.  
15 And 53 is a diagram of a network used to provide  
16 the services described in this briefing.

17 Do you know--is this diagram a complete  
18 bypass of an ILEC's facilities?

19 MR. PFAU: Well, not being necessarily  
20 really familiar with the network architecture of  
21 the cable telephony, I would say you possibly could  
22 bypass the entirety of the incumbent LEC network,

1 with the exclusion of non-reporting, and if the  
2 inside wire was owned by the incumbent, you would  
3 have to use that as well.

4 MS. McCLELLAN: Okay. I think I neglected  
5 to mark it as Exhibit 40, and I would like to move  
6 it into the record.

7 MR. RUBIN: No objection so long as it's  
8 only taken for what it's worth.

9 MR. DYGART: Verizon 40 is admitted.

10 (Verizon Exhibit No. 40 was  
11 marked for identification  
12 and admitted into  
13 evidence.)

14 MS. McCLELLAN: Now, I would like to turn  
15 back to your direct testimony, page 124. On lines  
16 16 to 18--well, let me back up.

17 In this section of your testimony, you're  
18 referring to the New York collaborative that we  
19 discussed earlier; right?

20 MR. PFAU: Yes.

21 MS. McCLELLAN: And lines 16 and 18 you  
22 hint that Verizon may not be able to make an

1 October implementation date. And using that as a  
2 point of reference, I would like you to turn to the  
3 next cross exhibit which I'd ask be marked as  
4 Exhibit 41.

5 (AT&T Exhibit No. 41 was  
6 marked for identification.)

7 MS. McCLELLAN: Which are the minutes of  
8 an August 7th, 2001 collaborative--of the New York  
9 collaborative.

10 Let me ask you, you've already testified  
11 you are generally familiar with the New York  
12 collaborative; right?

13 MR. PFAU: Generally.

14 MS. McCLELLAN: Do you usually attend any  
15 of the meetings?

16 MR. PFAU: No, I don't.

17 MS. McCLELLAN: But AT&T does participate?

18 MR. PFAU: Yes, they do.

19 MR. RUBIN: I'd like to note for the  
20 record, this document is dated August 7th, which is  
21 after this direct testimony was prepared and  
22 submitted.

1 MS. McCLELLAN: And I would like you to  
2 look at the second Roman numeral that discusses the  
3 line splitting pilot status; and you see there that  
4 Verizon reported the pilot was behind schedule  
5 because of the significant lack of orders.

6 Do you see that?

7 MR. PFAU: I see that.

8 MS. McCLELLAN: And do you see at the  
9 bottom that while Verizon expressed concern about  
10 not achieving a proper test environment, that it  
11 will be ready for line splitting in October?

12 MR. PFAU: Let's make sure we don't get  
13 things confused here. You're taking a statement I  
14 made about it being ready to implement in October  
15 in Virginia, and you're talking about New York.  
16 Now, you may very well be able to implement in New  
17 York in October. There is no guarantee that you're  
18 going to be able to implement in Virginia in  
19 October.

20 And, in fact, if you look at the  
21 referenced footnote, it's talking about  
22 implementation in Virginia. And when one looks at

1 the contractual language proposed, there are so  
2 many weasel words in it that you don't know when  
3 it's going to be implemented in Virginia.

4 MS. McCLELLAN: But you see here that the  
5 pilot is having some problems due to the order  
6 volumes. Do you see that?

7 MR. PFAU: That's your representation. I  
8 talked to the individual who's project managing the  
9 market introduction in New York. When I expressed  
10 a statement to him that the testing was behind  
11 schedule or in jeopardy because of order volumes,  
12 he told me there is absolutely no truth to that  
13 because the volumes were not--that we were  
14 submitting or that the other carriers were  
15 submitting were not essential to the exercising the  
16 features that Verizon should be able to test on its  
17 own.

18 So, I don't understand why the issuance of  
19 orders is coming up.

20 MS. McCLELLAN: Do you see the next  
21 paragraph that says, "One VLEC reports no  
22 communication problems and commended the effort

1 Verizon has shown thus far. It acknowledges some  
2 problems with internal systems and the ability to  
3 sign up friendly pilot customers."

4 Do you see that?

5 MR. PFAU: I see that.

6 MS. McCLELLAN: Do you know if this VLEC  
7 is AT&T?

8 MR. PFAU: Not for certain. I suspect it  
9 could be.

10 MS. McCLELLAN: Do you know who Harry  
11 Davidow is?

12 MR. PFAU: Yeah, I know Harry.

13 MR. RUBIN: Please don't reflect laughter  
14 in the record.

15 MS. McCLELLAN: Is he an AT&T employee?

16 MR. PFAU: He is an AT&T attorney.

17 MS. McCLELLAN: Does he participate in the  
18 collaborative for New York?

19 MR. PFAU: I think he goes to at least  
20 some of the meetings.

21 MS. McCLELLAN: In your preparation for  
22 your testimony in this proceeding did you talk to

1 Mr. Davidow about the New York collaborative?

2 MR. PFAU: No, I didn't talk directly to  
3 Harry about it. I talked to the operational  
4 people. The operational people know a little bit  
5 more of what's going on than the lawyers do.

6 MS. McCLELLAN: I would like to move for  
7 the admission of 41 into the record.

8 MR. RUBIN: Again, no objection as long as  
9 it's only accepted for what it's worth.

10 MR. DYGART: Verizon Exhibit 41 is  
11 admitted.

12 (Verizon Exhibit No. 41 was  
13 admitted into evidence.)

14 MS. McCLELLAN: Now I would like to turn  
15 to--can you give me the names of the operational  
16 employees that you spoke to?

17 MR. PFAU: Can I get the list because I  
18 have some E-mails where I could copy it off of  
19 them. I just don't want to start giving the wrong  
20 names from memory.

21 MR. RUBIN: We could provide that later.

22 MS. McCLELLAN: Okay. Thank you.

1 I would like to turn your attention to  
2 your direct testimony at 136, where you're  
3 discussing issue III-10, B-10, the co-location of  
4 packet switching equipment.

5 Now, in your statement of the issue, you  
6 refer to co-location of packet switches, and in  
7 your proposed contract Section 1.11.3 you referred  
8 to co-location of equipment that performance--that  
9 performs packet switching or contains packet  
10 switching as one function of multi-function  
11 equipment.

12 Does AT&T use these terms interchangeably,  
13 or do these terms have different meanings?

14 MR. PFAU: I would say they have different  
15 meanings. One is a subset of the other. You could  
16 have a packet switch that probably performs  
17 strictly packet switching functions, and then you  
18 could have a piece of equipment that may do  
19 additional functions as well.

20 MS. McCLELLAN: What is the definition of  
21 a packet switch?

22 MR. PFAU: Are you asking for a legal

1 definition?

2 MS. McCLELLAN: No, I'm asking for your  
3 definition.

4 MR. PFAU: I would say one definition of a  
5 packet switch could be a piece of equipment that  
6 routes units of data between two points based on  
7 information contained in the header of the packet  
8 in generally a connectionless network environment.

9 MS. McCLELLAN: Is your language in 1.11.3  
10 referring to the co-location of packet switches or  
11 something else?

12 MR. PFAU: It's anything that would  
13 contain a packet switching functionality.

14 MS. McCLELLAN: And what kind of equipment  
15 does--specifically does AT&T have in mind?

16 MR. PFAU: I don't think we've developed a  
17 list of specific equipment at this point.

18 MS. McCLELLAN: And where in Verizon's  
19 network does AT&T want to co-locate this  
20 nonspecific equipment?

21 MR. PFAU: In its co-location cages as  
22 permitted by the FCC's ruling in 98147.

1 MR. RUBIN: By the way, that ruling was  
2 issued after this testimony was prepared.

3 And, in fact, the rebuttal testimony of  
4 Mr. Pfau proposes additional contract language to  
5 take account of the FCC's order in the co-location  
6 Remand Order.

7 MS. McCLELLAN: If I've understood your  
8 testimony correctly, you were only looking at  
9 equipment that you had put in a co-location cage?  
10 Is that what you just said?

11 MR. PFAU: I thought you asked me where we  
12 would put these packet switches, and I said we  
13 would put the packet switches in our co-location.  
14 I mean, am I missing--I don't understand the  
15 question.

16 MS. McCLELLAN: I guess my question is:  
17 Where in Verizon's network do you want to co-locate  
18 them? Are you talking about in the central office?

19 MR. PFAU: Wherever you give us  
20 co-location. You are the ones that define where we  
21 could co-locate.

22 MS. McCLELLAN: In light of the FCC's

1 deferral of issue V-6 regarding access to NGDLC  
2 loops due to the pending FNPRM on line sharing  
3 where fiber is deployed in the loop, would AT&T  
4 agree to defer this issue and contract language as  
5 well pending a ruling in that proceeding?

6 MR. PFAU: No.

7 MR. RUBIN: No. Not as the issue relating  
8 to the co-location--

9 MS. FARROBA: Excuse me. I think she was  
10 asking the question of the witness.

11 MR. RUBIN: But that's a legal question.

12 MS. FARROBA: Are you objecting?

13 MR. RUBIN: Fine. I will object that  
14 that's a legal question, and the answer to your  
15 question from AT&T's perspective is that, no, we  
16 would not agree to defer this issue in light of the  
17 FCC's co-location Remand Order.

18 MS. McCLELLAN: Would you agree that the  
19 co-location of packet switching equipment is  
20 related to the issue of access to NGDLC  
21 architecture at a remote terminal?

22 MR. PFAU: Let me answer that question in

1 two parts.

2 Yes, it's somewhat related to access to  
3 NGDLC. If we receive the access that we had  
4 requested, it's possible that you would not need  
5 packet switching in the co-location. You could  
6 connect to the OCD with a high-capacity transport  
7 and take it someplace else to do your switching.

8 However, I believe it's Verizon who has  
9 argued that DSLAMs are packet switches. Whether or  
10 not that's correct, I think it's kind of funny that  
11 you were now saying that language allowing  
12 co-location of packet switches should be deferred.

13 MS. McCLELLAN: Would you agree that the  
14 FCC's rulemaking proceeding is addressing  
15 co-location that would allow connection to an OCD  
16 that you just described?

17 MR. RUBIN: I will object to that as a  
18 legal question.

19 MS. McCLELLAN: Is it your understanding  
20 that that issue is currently pending before the  
21 FCC?

22 MR. PFAU: There are a whole bunch of

1 issues in the NGDLC docket that are pending. One  
2 of which would be how do you connect to an NGDLC  
3 loop, but that in itself is not intertwined with  
4 packet switching co-location, which is evidenced by  
5 the FCC making an independent decision on the  
6 co-location of packet switching.

7 MS. McCLELLAN: I would like to go into  
8 your rebuttal testimony on the same issue on page  
9 three.

10 MR. RUBIN: Let us pull it out.

11 MS. McCLELLAN: Sure.

12 MS. FARROBA: Just for the record, what  
13 exhibit is that?

14 MS. McCLELLAN: This is AT&T 7.

15 MR. PFAU: I got it.

16 MS. McCLELLAN: Now, from the proposed  
17 modification to the original language that your  
18 attorney mentioned a couple of minutes ago, is it  
19 safe to assume that by including that modification  
20 that some sort of analysis is required of the  
21 equipment sought to be deployed to determine  
22 whether it satisfies the standards outlined in the