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July 8, 1993

BY HAND DELIVERY

Mr. Steven C. Tribble, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32301

Re: Petition of Intermedia Communications of
Florida, Inc. for Expanded Interconnection
for AAVs within LEC Central Offices
Docket No. 921074-TP

Dear Mr. Tribble:

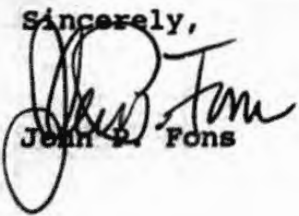
Enclosed for filing in the above-styled docket are the
original and fifteen (15) copies of United Telephone Company of
ACK Florida's Rebuttal Testimony of F. Ben Poag.

AFA 1 copies of the Rebuttal Testimony are being served on all
APP parties of record in accordance with the attached certificate of
CAF service.

CMU Please acknowledge receipt and filing of the above by stamping
CTR the duplicate copy of this letter and returning the same to this
writer.

EAG
LEG 1 Thank you for your assistance in this matter.

LIN orig 46
OPC
RCH
SEC 1

Sincerely,

John P. Fons

WAS JPF/ess
OTA Enclosures

cc: All Parties of Record (w/encl.)

RECEIVED & FILED

EPSC-BUREAU OF RECORDS

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U. S. Mail or hand delivery (*) this 8th day of July, 1993, to the following:

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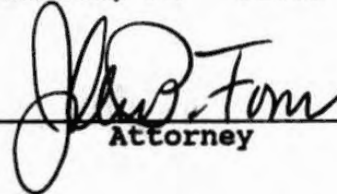
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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 921074-TP**

**UNITED TELEPHONE COMPANY
OF FLORIDA**

REBUTTAL TESTIMONY

OF

F. BEN POAG

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 REBUTTAL TESTIMONY

3 OF

4 F. BEN POAG

5

6 Q. Would you please state your name and business
7 affiliation.

8

9 A. My name is F. Ben Poag and I am employed by Sprint/United
10 Telephone Company of Florida.

11

12 Q. Are you the same F. Ben Poag that previously filed direct
13 testimony in this proceeding on behalf of Sprint/United
14 Telephone Company of Florida?

15

16 A. Yes, I am.

17

18 Q. What is the purpose of your rebuttal testimony?

19

20 A. The purpose of my rebuttal testimony is to respond to the
21 direct testimony of Jonathan E. Canis on behalf of
22 Intermedia Communications of Florida, Inc. (hereinafter
23 referred to as "Intermedia" or "ICI." In particular, I
24 will respond to Mr. Canis' contention, at page 37 of his
25 direct testimony, that because the local exchange

1 carriers (LECs) have the ability to offer contract
2 servicing arrangements and individual case basis pricing,
3 they do not need additional pricing flexibility in order
4 to compete under expanded interconnection. Mr. Canis'
5 contention is unwarranted and unsupported.

6
7 Q. Why do you say Mr. Canis' contention that the LECs do not
8 need additional pricing flexibility is unwarranted and
9 unsupported?

10
11 A. Mr. Canis' contention is unwarranted because he does not
12 understand or even recognize that there is a difference
13 between contract service arrangements (CSAs) and zone
14 density pricing. Further, his contention is
15 unsupportable because he fails to offer any evidence that
16 CSAs are workable in today's competitive environment - as
17 exemplified by the enhancement of competition provided by
18 expanded interconnection.

19
20 CSAs were authorized by the Commission at a time when
21 access bypass by interexchange carriers (IXCs) was
22 prohibited - except in very narrow circumstances - and
23 the alternative access providers (AAVs) had not yet
24 arrived on the scene in Florida. At that time, the only
25 entity, other than the LEC, who could provide special

1 access was the customer himself or herself. As such,
2 CSAs were an alternative to a customer leaving the
3 network, but it was a little used alternative by United
4 Telephone because by the time the Company learned of the
5 customer's plans it was usually too late to negotiate a
6 customer-specific solution. I am not aware of any
7 customer coming to the Company with his or her plans to
8 bypass or a request for a CSA. This is not surprising in
9 that the customer had no published off-standard pricing
10 by which to judge the economics of bypassing or staying
11 on the LEC network, or the time it would take to develop
12 a customer-specific response.

13
14 What was a marginally workable solution in the past is a
15 totally unworkable solution to competition in the new
16 environment of AAVs and expanded interconnection. AAVs
17 have the advantage of constructing networks and pricing
18 their services knowing full well that the LEC is locked
19 into study-area-wide average pricing, regardless of the
20 network configuration, and the LEC cannot price a CSA
21 without a special study. If, however, United Telephone
22 is able to price special access services on the basis of
23 zone density, rather than on a study-area-wide average,
24 with a published price that reflects economic costs of
25 that zone, then the Company will be better able to meet

1 competitive challenges in a timely fashion. This
2 approach better reflects the new competitive environment
3 and customer needs.
4

5 Q. Mr. Canis contends that the current CSA regime not only
6 allows the LECs a degree of flexibility to meet the
7 competitive challenge posed by AAVs, it also imposes
8 certain limits on that flexibility to help ensure that
9 LECs do not unfairly cross-subsidize their competitive
10 services. Do you agree with his contention?
11

12 A. Absolutely not. Zone density is clearly a better
13 alternative than CSAs in terms of providing workable
14 flexibility while ensuring that special access and
15 private line services are not cross-subsidized. As I
16 noted in my previous answer, CSAs are ineffective to meet
17 the competitive challenges posed by the AAVs. Certainly,
18 Mr. Canis knows this and would like nothing more than to
19 condemn the LECs to this outdated and ineffective pricing
20 mechanism. Without the availability of zone density
21 pricing, the AAV's will be able to construct networks and
22 price services that are economically inefficient but
23 still priced below United Telephone's tariffed special
24 access and private line services. Not only does this
25 approach greatly enhance the AAV's chances of snaring

1 away United Telephone's customer, it has the perverse
2 effect of preventing the customer from receiving the full
3 benefits of competition; namely, economically efficient,
4 cost-based prices.

5
6 Furthermore, like CSAs, zone density pricing ensures
7 against cross-subsidy. In particular, zone density
8 pricing requires prior approval of the zones (up to three
9 per reporting area without further justification) and
10 prices averaged across each zone based upon cost studies
11 for each zone. If the prices for each zone cover the
12 incremental cost of providing the special access and
13 private line service in that zone, there can be no cross-
14 subsidy. It seems rather obvious then, that zone density
15 pricing ensures against cross-subsidy, while at the same
16 time giving the customer the full benefits of
17 competition.

18
19 Q. Mr. Canis argues that the LECs have the ability and the
20 incentive to cross-subsidize their competitive services
21 with their non-competitive services, while the AAVs have
22 no such incentive because their services are priced
23 according to the dictates of the marketplace. Do you
24 believe that United Telephone's special access and
25 private line services do not also have to be priced

1 according to the dictates of the marketplace?

2
3 A. No. Quite to the contrary, United Telephone's special
4 access and private line services must be priced to meet
5 the dictates of the market. Indeed, the current
6 competitive situation is driven in part by the fact that
7 United Telephone's prices for special access and private
8 line services have been priced on the traditional
9 regulatory revenue requirement basis rather than in
10 recognition of customer dictates and market reality.
11 Technology has eradicated any network advantage the
12 Company may have had in the copper-pair past. As Mr.
13 Canis notes, the AAV customers are generally
14 sophisticated customers who understand technology and the
15 lower unit costs it provides. This describes United
16 Telephone's customers as well, and unless the Company
17 follows their dictates, these customers too will become
18 AAV customers.

19
20 Of course, if United Telephone loses these customers,
21 then all of the Company's customers dependent on the
22 contribution made by these services will be impacted
23 adversely. The AAVs, however, do not carry the Company's
24 common carrier and universal service obligations. Unlike
25 United Telephone, the AAVs can choose their markets and

1 their customers so as to achieve maximum profitability.
2 Therefore, if United Telephone is to meet the dictates of
3 the marketplace to price its services competitively, the
4 Company must be granted zone density pricing flexibility.
5 For only then can all of the Company's customers benefit
6 from the contribution these services will be able to
7 provide to support the Company's common carrier,
8 universal service obligations.

9
10 Q. Does this conclude your rebuttal testimony?

11
12 A. Yes, it does.
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