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Telecommunications Intervention  
Tariff Analysis • Regulatory Affairs

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November 7, 1993

Steven C. Tribble  
Director, Division of Records and Reporting  
FLORIDA PUBLIC SERVICE COMMISSION  
101 E. Gaines Street  
Tallahassee, FL 32301

RE: Docket No. 920260-TL  
Southern Bell Rate Case

Dear Mr. Tribble:

Enclosed for filing please find fifteen copies of the Direct  
Testimony of Douglas S. Metcalf on behalf of the Florida Ad Hoc  
Telecommunications Users' Committee in the above docket.

Service has been provided to all parties of record in  
accordance with the attached Certificate of Service.

Thank you.

Sincerely,



Douglas S. Metcalf  
Class B Practitioner

DSM:sr

ACK	_____
AFA	_____
APP	_____
CAF	_____
CMU	_____
CTR	_____
EAG	_____
LEG	_____
LIN	_____
OPC	_____
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FPSC-RECORDS/REPORTING

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Docket No. 920260-TL

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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive Review of the Revenue )  
Requirements and Rate Stabilization Plan of )  
Southern Bell Telephone Company )  
\_\_\_\_\_ )

Docket No: 920260-TL  
Filed: November 8, 1993

Direct Testimony  
of  
Douglas S. Metcalf

On Behalf of the  
FLORIDA AD HOC TELECOMMUNICATIONS USERS COMMITTEE

DOCUMENT NUMBER-DATE

12003 NOV-8 83

FPSC-RECORDS/REPORTING

Communications Consultants, Inc.

1 Q: **Please state your name, business affiliation, address, and on whose behalf**  
2 **you are testifying?**

3 A: My name is Douglas S. Metcalf. I am President of Communications  
4 Consultants, Inc., 631 S. Orlando Avenue, Suite 250, Winter Park, Florida  
5 32790-1148. CCI provides regulatory, tariff and management assistance to clients  
6 using or providing services affected by regulation. My responsibilities include the  
7 examination of costing methodologies and rate design policy. I am testifying on  
8 behalf of the Florida Ad Hoc Telecommunications Users Committee (Ad Hoc).

9

10 Q: **What is your educational background and experience?**

11 A: I graduated from the University of Oklahoma with a BBA in Finance and I  
12 obtained an MBA at Golden Gate University in San Francisco. I have appeared  
13 before this Commission on behalf of Ad Hoc and/or the Alarm Association of  
14 Florida since 1981, and have been a Class B Practitioner since 1985.

15

16 Q. **Have you previously testified before regulatory agencies in other jurisdic-**  
17 **tions?**

18 A. Yes, since 1981 I have participated in over 140 proceedings on matters of  
19 *rate design and cost methodology*. These cases include, but are not limited to,  
20 state regulatory bodies, the FCC and the U.S. Congress.

21

22 Q: **What is the Florida Ad Hoc Telecommunications Users Committee?**

23 A: It is an ad hoc group of large users of business telephone services within the  
24 state of Florida. The members are major customers of the local exchange

1 companies who are vitally interested in the fairness of any tariff structure or rate  
2 changes affecting business services. The current members of Ad Hoc are:

- 3 Advantis (Sears/IBM)
- 4 Alarm Assn. of Florida
- 5 Amerifirst Bank
- 6 Barnett Technology Corp.
- 7 Burdine's
- 8 Dean Witter Reynolds
- 9 Florida Informanagement Services (FIS)
- 10 First Union National Bank
- 11 Harris Corporation
- 12 Honeywell Protection Services
- 13 NationsBank of Florida
- 14 Publix Supermarkets
- 15 Seimens/Stromberg-Carlson
- 16 Southeast Switch (HONOR Group)
- 17 State of Florida - DMS
- 18 SunTrust Service Corp.
- 19 Telecredit, Inc.

20 Q: What is the purpose of your testimony?

21 A: The purpose of my testimony is to address Southern Bell Telephone  
22 Company's ("SBT" or "Company") rate and restructure proposals and their impact  
23 on large business users.

24 Primarily, this testimony addresses Ad Hoc's adaptation of a pricing concept  
25 that was proposed by Mr. Richard Cimerman of the Commission staff in the last  
26 United Telephone case and also proposed by Ad Hoc in the recent General  
27 Telephone of Florida (GTF) rate hearings which were held before this Commission  
28 last year.

29 This concept prices business services based on the cost of the underlying  
30 components of each basic business service. Such services include business one-  
31 party (B-1), business one-party rotary or hunting (B-1 rotary) and PBX trunks. No  
32 proposals have been made by SBT in this docket for private lines and special  
33 access, or for ESSX access lines other than a price change in network access

1 registers (NAR), but, in my opinion, those services should also be costed and priced  
2 under this concept.

3 The modest change toward parity that SBT has taken in its proposal for  
4 business rates should be rejected in favor of a Commission requirement that all  
5 business service be repriced using a cost study equitably and consistently applied  
6 to all business services supplied by SBT. As I understand it, this is a Commission  
7 goal, and it is also the best way to stem the erosion of business service revenues  
8 over which the Company expresses so much concern.

9 Ad Hoc is also concerned with and will comment where appropriate on  
10 SBT's proposals or assertions regarding:

- |    |  |         |
|----|--|---------|
| 11 | 1. Business service restructuring        | Page 4  |
| 12 | 2. Competition                           | Page 10 |
| 13 | 3. Access charge reductions              | Page 15 |
| 14 | 4. Optional expanded local service (ELS) | Page 15 |

15 Further, Ad Hoc feels that Southern Bell has underestimated the \$49 +  
16 million amount that can and should be used for lowering access charges,  
17 eliminating the touchtone rate element for all services and restructuring business  
18 service costs and rates as Ad Hoc proposes in this testimony. Significant revenues  
19 exceeding some \$200 million should be available from a combination of deprecia-  
20 tion changes, a more appropriate lower overall authorized return and rate setting  
21 point, inside wire revenue accounting changes and the previous overearning  
22 adjustments SBT has conceded in their proposals.

23 This testimony is substantially the same as that submitted by Ad Hoc in  
24 response to the Company's proposal last year. SBT continues to emphasize their

1 concerns about competition for business user revenue and services, and Ad Hoc's  
2 recommended solutions are, once again, consistent.

3  
4 **BUSINESS SERVICE RESTRUCTURING**

5 **Q: Why do you believe a new pricing concept is needed for business services?**

6 **A: Primarily for the following reasons:**

7 1) the current pricing of business local exchange access services is  
8 inconsistent when viewed in the context of the cost of the actual facilities  
9 used to provide those services,

10 2) competition in the local exchange market has most likely doomed the  
11 present way we set prices for the long term, and

12 3) pricing in this manner would more fairly reflect the unique cost  
13 characteristics associated with particular business services.

14  
15 **Q: Describe your proposal.**

16 **A: My proposal was originally discussed in the Southern Bell ESSX hearings in**  
17 **1988. With some modifications it was proposed by former Florida PSC staff**  
18 **member Richard Cimerman in the last United Telephone rate case, and again by me**  
19 **as Ad Hoc's witness in the last General Telephone proceeding. As referenced**  
20 **earlier in my testimony, a new pricing methodology is needed to more closely align**  
21 **prices to the actual costs associated with business services. Currently, there are**  
22 **cost similarities and differences among the various business services which are not**  
23 **reflected in the pricing. These services include B-1, B-1 rotary, PBX, and ESSX**  
24 **services. They are priced very differently, but are to a large extent functionally**  
25 **interchangeable. There should be a consistent basis for pricing when services are**



1 competitive and cross elastic with each other. The inconsistent pricing of similar  
2 services will otherwise lead to unreasonably discriminatory results.

3 Ad Hoc believes, and the staff seems to have concurred, that telephone  
4 service consists of three elements: interconnection to the network, the various  
5 additional functionalities (e.g., signalling, conditioning, etc.), and usage. The price  
6 relationships between the services should reflect the underlying differences in these  
7 three elements.

8 Ad Hoc has used Staff witness Cimerman's descriptions in the United rate  
9 case in more fully describing the three elements as:

10 **Interconnection** - Interconnection to the network should be viewed as the  
11 basic loop or communications path. Loop costs may differ according to the service  
12 (by length, by the technology used to provision them, and by cross-section size).  
13 All these factors should be considered in determining appropriate relationships.

14 **Network Usage** - Average usage varies by service. Usage costs will also  
15 vary between services with respect to intraoffice versus interoffice calls, time of  
16 day, and by distance (though this factor has become less significant in recent  
17 years). My reference to usage as a cost indicator contemplates a flat rate element  
18 based on the average usage for the service category. This point is discussed in  
19 greater detail later in my testimony.

20 **Additional Functionalities** - Functionalities differ between services. A B-1  
21 line has no additional functionalities, while a B-1 rotary line has rotary/hunting as  
22 an additional functionality, and PBX trunks require stricter standards in terms of  
23 decibel transmission loss if off-premise extension lines are served by the PBX. The  
24 term "functionalities" as used here does not refer to optional additives such as  
25 custom calling features which are available for any of these business services.

1        Rather, the term refers to those items which make one business service uniquely  
2        and inherently different from another.

3

4        Q:     In your opinion, how should the costs of these elements be determined?

5        A:     Separate rate elements need not be created for each component part of a  
6        business service. As described above, the basic structure should include three  
7        elements: the loop, the network usage and the additional functionalities or  
8        electronics.

9            1) The local loop element should cover the cost of the loop facilities from  
10          the customer premises to the central office.

11          2) The network usage element should cover the costs of switching and  
12          transporting a call through the network. As indicated earlier, usage should  
13          be calculated, costed and priced as one component in determining the cost  
14          for a particular category of business services. If utilized in this manner, flat  
15          rate pricing will recover the cost. It would be inappropriate to utilize a  
16          measured rate to recover these costs, given the relatively small and  
17          diminishing role that usage driven costs plays in relation to the balance of  
18          costs associated with business services. Staff witness Cimerman agreed  
19          in his prefiled testimony in the United Tel case:

20                    "Moreover, as the network becomes increasingly digital, the  
21                    portion of the total cost that is traffic sensitive is expected to  
22                    decrease. To base the relative rate levels for a group of  
23                    services on what is now a small and decreasing portion of  
24                    the total costs, does not seem appropriate."

25          3) The additional functionalities element should include signalling and  
26          conditioning (for PBX trunks) and hunting equipment (for rotary business  
27          lines and PBX trunks). This element would cover the costs of the equip-

1           ment and/or software needed to provide network performance and  
2           signalling, and the hunting functionality.

3           This same cost structure should apply to B-1 (including hunting), ESSX (including  
4           access lines), PBX trunks and private lines and special access.

5

6           **Q:     How would these elements be combined to formulate a rate for each  
7           business service?**

8           **A.     SBT's current proposal is not based on comparable or equitable pricing  
9           principles, as it should be. Accordingly, I submit that the Commission should  
10          require the Company, in this proceeding, to separate and cost its various business  
11          services by their individual elements, and price them on that basis. Ad Hoc  
12          recognizes the propriety of a Commission directed contribution to continue the  
13          support of residential and lifeline type services.**

14

15          **Q:     Can you provide an example of how this pricing would work?**

16          **A:     Yes. My example will compare PBX and ESSX. Both services should reflect  
17          a loop cost that is quantified using the same methodology. While identifying these  
18          costs can be accomplished using several different techniques, such as measuring  
19          loop costs by distance or technology type (copper, pair gain or fiber), the  
20          methodology used must be applied uniformly. Thus, the cost of a 1000 foot ESSX  
21          copper loop should not vary from the cost of a 1000 foot PBX or private line  
22          copper loop. Then, service specific cost studies should be accomplished to develop  
23          average usage and actual functionality requirements.**

24                    **Once total costs have been developed for each service, an appropriate but  
25                    relatively equal contribution should be added to develop the prices for each service.**

1 This contribution should be determined by the Commission and should subsidize  
2 those services the Commission directs.

3

4 **Q: How would this method change SBT's proposal in this case?**

5 If the Commission were to adopt this rate structure with these elements, in  
6 place of the B-1 line rate today, a customer would pay a flat rate which combines  
7 a local loop element and a network usage element. The network usage element  
8 could vary according to rate group.

9 A rotary B-1 customer would pay a rate based on a local loop element, a  
10 functionality element to cover the additional central office equipment needed for  
11 rotary, and a network usage element. The network usage element for rotary B-1  
12 service might be different than the non-rotary B-1 network usage element, if the  
13 usage studies reflected a higher or lower average usage.

14 A PBX customer would pay a rate based on a local loop element, a signal-  
15 ling/conditioning/hunting element, and a network usage element charge. The usage  
16 element for a PBX customer would probably be higher than that paid by rotary B-1  
17 customers, reflecting the expected higher average usage on PBX trunks.

18 The ESSX customer would pay a rate based on a structure similar to that  
19 paid today, with today's station line charge separated into two elements: a local  
20 loop and an intercom functionalities element. The network access register (NAR)  
21 and telco switch usage would become the network usage element. I would expect  
22 that the network usage portion of the usage element for PBX trunks and for ESSX  
23 NAR's would be similar, but the average usage element applied to ESSX should be  
24 larger, since every call made through that service uses the central office switch,  
25 while any intra-company calls using a PBX would not use telco switch facilities or

1 usage. Under this concept a customer could not pick and choose to subscribe only  
2 to certain elements.

3

4 **Q: How is your concept an improvement over the current system?**

5 **A: Implementation of this pricing approach would introduce a greater degree  
6 of objectivity into the pricing process for business services by offering a more  
7 reasoned basis on which to establish relative rate relationships. This approach,  
8 while taking into consideration differences in network usage, would not be solely  
9 based on usage differences.**

10 **Business service rates have traditionally been determined by applying  
11 multipliers to the basic R-1 rate. These multipliers were originally derived from  
12 usage differences. Over time the usage relationships have changed but changes  
13 in the rate relationships have not kept pace. The result is that these multipliers  
14 bear no real relationship to current cost or traffic differences between these  
15 services. This has led to the inconsistent pricing of similar, competitive business  
16 services.**

17 **Southern Bell's more recent offerings like ESSX, SyncroNet® and FlexServ®  
18 are priced based on cost studies or marketing plans. The prices are significantly  
19 different, though the facilities used to provide them are similar.**

20

21 **Q: How does SBT's proposed business rate design stack up against your plan?**

22 **A: In Ms. Sims' testimony, the Company's proposed business rate design  
23 reflects a little progress in recognizing that some business services must be based  
24 on cost relationships between other similar offerings, though this is not specifically  
25 stated. But there are still serious shortcomings in SBT's pricing proposals.**

1           First, there is no attempt by the Company to measure business service costs  
2 based on an elemental analysis such as I have described.

3           Second, even though the Company lessened the substantial pricing  
4 disparities among a few similar services, it has not proposed or recognized the need  
5 for a complete overhaul of all business service pricing. Their proposed pricing  
6 perpetuates the distortions which arise from the indexing of business to residential  
7 prices under the historic residual pricing regime. As the Commission knows,  
8 residual pricing is wholly divorced from cost based ratemaking.

9           Third, the Company's flawed pricing approach appears to have been  
10 selectively applied to exclude private line and ESSX service from any "levelizing"  
11 change under its new pricing proposal. Ad Hoc submits that all of SBT's business  
12 services should be repriced using the element-by-element approach, which would  
13 necessarily include ESSX and private lines/special access.

14           The contribution of each business service which is used to subsidize other  
15 services should also be levelized under my proposal. ESSX currently produces a  
16 lower contribution to common costs than does PBX access with which ESSX  
17 competes. Since SBT's plan does not address these anti-competitive rate or  
18 contribution disparities, the current cross subsidy will continue.

19

20

#### COMPETITION

21       **Q:    Witness Denton, apparently in an attempt to justify the Company's**  
22       **proposal, talks about growth in competition that has occurred since the**  
23       **Company's last incentive plan was proposed. Denton Direct pp 21-30.**

24       **Would you comment on Mr. Denton's remarks?**

1       A:     Yes. First, Mr. Denton's complaints that bypass has grown, including Very  
2       Small Aperture Terminal (VSAT) deployment and private line bypass, ring  
3       particularly hollow when viewed in a historic context. Specifically, Ad Hoc has  
4       often opposed Southern Bell's high pricing of private line, special access and some  
5       switched services. Then and now we stated that, if SBT would price services on  
6       a consistent basis, for the long term, and in some way reflective of cost, large  
7       users would not have the incentive to purchase capital equipment and get off the  
8       network completely. Further, it was SBT's constant threats and requests for  
9       unjustified increases in excess of 100% in private line rates during the mid-1980's  
10      that caused users to look at alternate vendors and equipment.

11                 The LECs often state that they have lowered their prices, and that  
12      they offer competitive or better quality than their competitors, and in some cases  
13      that may be true. But users who left the network cannot throw their capital  
14      equipment away until its cost is recovered. And users are not likely to come back  
15      or continue to support the costs of the total network until they see that they can  
16      buy any effective telephone offering, and know that the prices for the facilities they  
17      use won't vary drastically because of some marketing plan of the provider over  
18      which users have no control. Large users make business decisions on their  
19      telecommunications needs for the long term. They buy technologies and services  
20      which meet their needs and they choose these services on a "payback" basis.  
21      Threats of telco facility and price instability directly impact their decisions.

22                 Despite Ad Hoc's opposition and warnings of bypass, SBT has maintained  
23      unreasonably high rates for services used by the business community. That SBT's  
24      uneconomic pricing of these services has produced some limited migration to  
25      alternatives is not surprising. However, the truly limited use of these alternatives

1 demonstrates the basic service nature of the Company's private line and private  
2 line-like services, for which few practical alternatives are available on a local basis.

3  
4 **Q. Has Southern Bell reacted to this competition well?**

5 **A. No. In fact for all of the \$1.18 billion they claim to have spent to update**  
6 **and improve their network and lower their costs, they have refused to do the major**  
7 **thing that would have kept most of their lost business customer revenue — adjust**  
8 **the prices for their services to challenge the competitive alternatives. If they are**  
9 **not going to do this voluntarily, but are only going to expound on the actual and**  
10 **potential lost revenue, then the Commission must direct that these changes be**  
11 **made in order to protect further permanent revenue loss, a problem which will**  
12 **force unnecessary future rate increases on the remaining residual ratepayers.**

13  
14 **Q. Mr. Denton specifically mentioned a grocery chain that has made the**  
15 **decision to install a VSAT network early in 1994. Denton Direct page 9.**  
16 **Please identify this SBT customer and discuss their decision.**

17 **A. Publix Supermarkets, an Ad Hoc member who has given me permission to**  
18 **use their name, is a statewide company also currently expanding into Georgia.**  
19 **According to Southern Bell's response to Staff Interrogatory No. 683, SBT may**  
20 **lose \$720,000 of the \$1,217,000 (59.2%) it receives each year from this**  
21 **customer if the VSAT network is fully deployed. General Tel, United Tel and the**  
22 **other LECs and IXC's will lose proportionately similar amounts because of this**  
23 **business and financial decision. *Under today's switched and special access tariffs,***  
24 ***and with little or no expectation of a price change in the foreseeable future, VSAT***  
25 ***makes economic sense!* The technology works — the prices are fixed — VSAT**



1 provides a return to the company — users manage their own network and don't  
2 have to deal with 15 LECs — and with a private network users have control of  
3 their third or fourth largest expense item.

4 The decision was not made without a thorough evaluation of the  
5 alternatives. Publix has discussed it's options with SBT and the other LECs to no  
6 avail for the last four years. Earlier, Barnett Bank and First Union had similar  
7 discussions with the LECs before making the same decision. None were offered  
8 any relief or options that were as financially attractive as VSAT, even with that  
9 technology's limitations.

10  
11 **Q. Interrogatory Response 683 indicates that SBT may lose five percent of the**  
12 **total revenue for their profitable SyncroNet® and FlexServ® tariffs because**  
13 **of Publix's decision. What is the impact beyond the money?**

14 **A.** The major impact is that this revenue, and the contribution it provides to the  
15 residual ratepayers, is probably gone forever. It will take a few years to achieve  
16 a return on the investment, but the VSAT network will perform satisfactorily for  
17 several years after that. The decision to come back to an LEC or any alternative  
18 carrier's network will be made when the carriers have a new technology so  
19 overwhelmingly superior, that the decision to discard the VSAT equipment or turn  
20 it into a backup role seems prudent.

21  
22 **Q. Could the Commission or SBT have done anything about this decision?**

23 The decision to go with VSAT was not made because of the superior  
24 technology, but because of the price — *and price is within the control of the*  
25 *Commission and the LECs.* I believe that the Commission could apply more

1 pressure on the LECs to avoid losing profitable customers and contribution.  
2 Further, the Commission could allow more freedom to the AAVs to capture this  
3 revenue. To me, it seems better to keep the revenue on some carrier's network  
4 where SBT has a chance of getting it back, than to encourage users to build private  
5 networks, thus losing forever any contribution that was available.

6  
7 **Q. On page 5, line 14 of his testimony, Mr. Denton states that regulatory**  
8 **incentive plans are designed to reward both long term planning and short**  
9 **term actions to reduce costs and improve service. Somewhat later (page**  
10 **9, line 11) he bemoans the increasing onslaught of competition. Do his**  
11 **arguments square with Southern Bell's actions regarding business rates?**

12 **A. No. Southern Bell has proposed some minor rate changes in this case which**  
13 **move slightly toward the restructuring Ad Hoc has proposed. However, they offer**  
14 **no solution to prevent the loss of \$720,000 per year from one grocery chain which**  
15 **has decided to go VSAT. According to SBT's response to Staff Interrogatory No.**  
16 **683, 59.2% of the total Florida revenue from Publix will be lost by the purchase**  
17 **of this network. This was profitable revenue to Southern Bell which will be lost**  
18 **because they have refused to restructure business services to be price competitive**  
19 **against alternatives, even when using in-place, sunk-cost facilities.**

20  
21 **Q. Mr. Denton highlights SBT's improvements in its efficiency and ratios for**  
22 **cost of service and expense control. How do you feel about that?**

23 **A. To it's credit, Southern Bell has improved some of it's ratios, though the**  
24 **improvements have been assisted by the growth in access lines and by a growing**  
25 **state. Had they put the same amount of corporate emphasis on improving the**

1 offerings and price options of their most profitable business customers, they would  
2 be highlighting the growth in that usage category also.

3  
4 **ACCESS CHARGE REDUCTIONS**

5 **Q. Are the Company's proposals regarding access charges sufficient?**

6 **A. All of the users in Florida benefit from lower access charges. Ad Hoc is**  
7 **aware that the witnesses for AT&T and the Florida Interexchange Carrier's**  
8 **Association will make a strong case for decreases in this area, and we strongly**  
9 **endorse their effort and agree with their positions.**

10  
11 **EXPANDED LOCAL SERVICE**

12 **Q: What are your concerns with SBT's Optional Expanded Local Service Plan?**

13 **A: The Company is proposing to implement a form of mandatory local**  
14 **measured service (LMS) by offering a 40 mile local calling area. While it does not**  
15 **appear that SBT has provided evidence that the public demands the substantial**  
16 **expansion of local calling areas proposed in this case, and certainly not of**  
17 **mandatory LMS for the privilege, it can be concluded that some minor and short**  
18 **term benefits accrue to the users, while long term benefits accrue to SBT.**

19  
20 **Q: Why do you say that SBT's users will only benefit users in the short term?**

21 **A: The expansion of calling areas as proposed by SBT will, practically speaking,**  
22 **foreclose effective toll competition within SBT's territory. Even though the**  
23 **Commission allowed intraLATA toll competition effective January 1, 1992, SBT's**  
24 **scheme creates conditions that will effectively limit an IXC's ability to enter the**  
25 **marketplace because SBT's discounted toll rates are lower than the access charges**

1 that IXCs must pay to serve their customers. This diminution of choice may, in the  
2 long term, cause customers to pay higher rates and to have fewer choices. In sum,  
3 under their ELS scheme, the only long term beneficiary appears to be SBT.  
4

5 **Q. What problems are created for business users by SBT's seven-digit dialing**  
6 **plan?**

7 **A. The primary problem is a loss of corporate control over toll calling by**  
8 **employees. Many of the PBX and key systems currently in use can be programmed**  
9 **to block toll calls but most allow any seven-digit number to be dialed. The**  
10 **additional equipment necessary to block individual NXXs costs as much as**  
11 **\$10,000 for some PBXs. There is strong sentiment among the Ad Hoc members**  
12 **both for 1 + presubscription and for intralata competition, which should, over time,**  
13 **achieve toll rates for all similar to those proposed by SBT.**  
14

15 **Q: If the Commission decides to make the changes you have recommended in**  
16 **your testimony, and the new rate setting point or other factors make**  
17 **additional revenue available, why should they first attend to business user**  
18 **rates before residential rates?**

19 **A: First, the present method of pricing business service is a continuing problem**  
20 **that will only get worse with time. All of the users of Florida need the revenue**  
21 **contribution that the large users provide. It is time to stop talking about**  
22 **competition and lost revenue, and start making the changes necessary to retain the**  
23 **most profitable users.**

24 **Second, I would remind the Commission that, as a result of the 1988 SBT**  
25 **hearings, residential but not business user rates were lowered \$1 per month, even**

1        though the record was clear that the overearnings which were the subject of that  
2        hearing came from business services and toll revenues rather than residential  
3        services. Business users are large contributors to the subsidy pool now. We  
4        expect to continue to contribute — but we believe that a more equitable overall  
5        distribution of our contributions could be made by the enactment of our recosting  
6        and repricing methodology.

7  
8        **Q:     What is your recommendation to the Commission in this case?**

9        **A:     The Commission should direct the immediate implementation of the business  
10        service restructuring, in the manner it's staff has proposed. I recommend that the  
11        Company's proposal to deploy ELS on an expanded basis be rejected because of  
12        the long term threat it poses to interexchange competition, and its insidious  
13        attempt to force mandatory measured service on users who are willing to pay for  
14        the expansion of the current EAS, but who don't want LMS as a result. Since it  
15        appears that the Office of Public Counsel's positions in this case are sound and  
16        may result in additional available revenue, I suggest that the Commission examine  
17        Southern Bell's revenue requirement and rates, and lower those rates where appro-  
18        priate. I specifically suggest that the Commission eliminate the touchtone element  
19        in the tariffs for all services, and I also suggest that SBT's intrastate access  
20        charges be lowered toward interstate access levels.**

21  
22        **Q:     Does this conclude your testimony?**

23        **A:     Yes, it does.**