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September 1, 1995

IN REPLY REFER TO:

Tallahassee

**BY HAND DELIVERY**

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Investigation into temporary local telephone number portability solution to implement competition in local exchange telephone markets; Docket No. 950737-TP

Dear Ms. Bayo:

Enclosed for filing in the above-styled docket are the original and fifteen (15) copies of the Direct Testimony of F. Ben Poag on behalf of Sprint United/Centel.

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

Thank you for your assistance in this matter.

Sincerely,

J. Jeffrey Wahlen

- ACK
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CEM  Taylor
- OTR \_\_\_\_\_
- EAG \_\_\_\_\_ JJW/bjm
- LEG  Enclosures
- LIN
- OPC \_\_\_\_\_ cc: All Parties of Record (w/encls.)
- ROH \_\_\_\_\_
- SEC
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

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EPSC-RECORDS/REPORTING

DOCUMENT NUMBER-DATE

08591 SEP-1 95

FPSC-RECORDS/REPORTING

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 PREPARED DIRECT TESTIMONY

3 OF

4 F. BEN POAG

5

6 Q. Please state your name, business address and title.

7

8 A. My name is F. Ben Poag. I am employed as Director-Tariff  
9 and Regulatory Management for United Telephone Company of  
10 Florida. My business mailing address is Post Office Box  
11 165000, Altamonte Springs, Florida 32716-5000.

12

13 Q. What is your business experience and education?

14

15 A. I have over 30 years experience in the telecommunications  
16 industry. I started my career with Southern Bell, where  
17 I held positions in Marketing, Engineering, Training,  
18 Rates and Tariffs, Public Relations, and Regulatory. In  
19 May 1985, I assumed a position with United Telephone  
20 Company of Florida as Director-Revenue Planning and  
21 Services Pricing. I held the position until February  
22 1988, at which time I was appointed to the position of  
23 Director-Tariffs and Regulatory. In January 1990, the  
24 pricing and tariffs organizations were combined and I was  
25 appointed Director-Revenue Planning and Regulatory. In

DOCUMENT NUMBER-DATE

08591 SEP-1 1995

FPSC-RECORDS/REPORTING

1 June 1993, in conjunction with a restructuring, I have  
2 assumed new responsibilities and title. In my current  
3 position, I am responsible for costing, tariffs and  
4 regulatory matters. I am a graduate of Georgia State  
5 University with a Bachelor's Degree in Business.

6  
7 Q. On whose behalf are you testifying?

8  
9 A. I am testifying for United Telephone Company of Florida  
10 and Central Telephone Company of Florida.

11  
12 Q. What is the purpose of your testimony?

13  
14 A. The purpose of my testimony is to address the issues  
15 remaining for resolution now that the parties have  
16 stipulated and agreed on a temporary number portability  
17 mechanism. More specifically, the purpose of my  
18 testimony is to provide Sprint United/Centel's proposed  
19 pricing methodology for Remote Call Forwarding ("RCF")  
20 service when used for temporary number portability and to  
21 explain why prices for that service must exceed  
22 incremental costs.

23  
24 Q. How does RCF service provide temporary number  
25 portability?

1     **A.**    The purpose of temporary number portability is to allow  
2            an existing customer of a LEC, or in time an ALEC, to  
3            subscribe to the service of a competing local exchange  
4            carrier and retain his, her or its existing telephone  
5            number.

6  
7            The customer who is changing local service carriers would  
8            actually be assigned a new telephone number from the new  
9            local service provider.  However, calls to the existing  
10           telephone number of the former carrier are reswitched to  
11           the customer by the former carrier's switch to the new  
12           carrier's switch.  By using RCF, a customer can retain  
13           his/her same listing in the telephone directory and does  
14           not need to notify potential callers of the change.  
15           Importantly, the customer remains at the same physical  
16           premises, but changes local exchange companies.  The  
17           customer, however, will have two telephone numbers,  
18           although the customer may elect not to publicize the new  
19           telephone number.  Conversely, the customer may elect to  
20           publicize the new telephone number and over time  
21           eliminate the original telephone number.

22  
23     **Q.**    What rate elements does United/Centel propose for the use  
24            of RCF service for temporary number portability?

25

1     **A.**   Sprint United/Centel proposes that a recurring monthly  
2           rate be established for the telephone number and first  
3           path.     A second recurring monthly rate for each  
4           additional path associated with the same telephone number  
5           should also be established.   In addition, a nonrecurring  
6           service ordering charge would be applicable to cover the  
7           cost associated with establishing the service.   Sprint  
8           United/Centel would pay these same rates and charges  
9           where an ALEC provides the service for Sprint  
10          United/Centel.

11

12     **Q.**   Should these rates cover their incremental costs?

13

14     **A.**   Yes, the rates should exceed the direct incremental costs  
15          and provide additional margin to cover shared costs.

16

17     **Q.**   What are examples of shared costs which are not included  
18          in the incremental or average cost of RCF service?

19

20     **A.**   Examples include the operating system software, billing,  
21          collections and common overhead expenses.   Allocating  
22          postage, associated with billing for example, only to the  
23          service would result in a substantial percentage increase  
24          in the cost.

25

1 Q. Please explain the logic of why the rates need to cover  
2 shared costs?

3

4 A. Any telecommunications firm that is only covering  
5 incremental cost would soon be out of business. This can  
6 be explained with the following hypothetical price/cost  
7 relationship analogy.

8

9 Assume in the airline business that the incremental cost  
10 of the next passenger to fill a vacant seat is the  
11 capacity cost of the seat, the paper for the ticket, a  
12 little extra fuel, and the peanuts and beverage; an  
13 incremental cost of say, \$40.00. If this incremental  
14 cost was the price charged for all passengers, it becomes  
15 obvious very quickly that the airline could not cover its  
16 expenses. In fact, just to cover the expenses of the  
17 flight, the total prices paid by all passengers would  
18 have to equal the costs of the flight. However, even at  
19 this revenue level there would still be many other shared  
20 costs that would need to be recovered for the airline to  
21 be financially viable.

22

23 Q. What are examples of the shared costs?

24

25 A. Such costs would include ticket counters, the

1 reservations system, the baggage handling system, airport  
2 terminal fees and legal and executive management  
3 resources. These costs must also be covered in the  
4 overall revenues for the airline to be financially  
5 viable.

6  
7 Q. How does this relate to pricing telephone services?

8  
9 A. The point is that the revenues of individual services  
10 must, in aggregate, must cover all the costs of the firm.  
11 In many cases the price for individual services will be  
12 substantially above its incremental cost in order to  
13 recover all the costs of the business. In the airline  
14 example, again, assuming the incremental cost of the  
15 additional passenger was \$40.00, the price for the one  
16 way ticket would be substantially above the incremental  
17 cost, e.g., \$200 or more.

18  
19 There are many similar cost/pricing relationships for  
20 telephone services. Examples include access charges,  
21 intraLATA toll and custom calling features; all of these  
22 services have prices which are multiples of the cost of  
23 the individual services.

24  
25 Even more directly related to the price/cost issue for

1 RCF in this docket is the now existing tariffed rate for  
2 Remote Call Forwarding service. The current tariffed  
3 rate for United is \$17.60, substantially above the cost  
4 of that service.

5

6 Q. How are you proposing that this Commission develop rates  
7 for RCF service used for temporary number portability?

8

9 A. Assuming the parties cannot agree among themselves as to  
10 appropriate rates and the Commission is required to act,  
11 my recommendation is that the price be set sufficiently  
12 above incremental cost to ensure all direct costs are  
13 recovered and that the price provides some margin to  
14 cover the shared costs of providing the service.

15

16 Q. Does that conclude your prepared direct testimony?

17

18 A. Yes, it does.

19

20 jjw\utd\poag.por

CERTIFICATE OF SERVICE  
DOCKET NO. 950737-TP

I HEREBY CERTIFY that a true copy of the foregoing Petition to Intervene on behalf of Sprint/Centel and Sprint/United has been furnished by U. S. Mail this 1st day of September, 1995 to the following:

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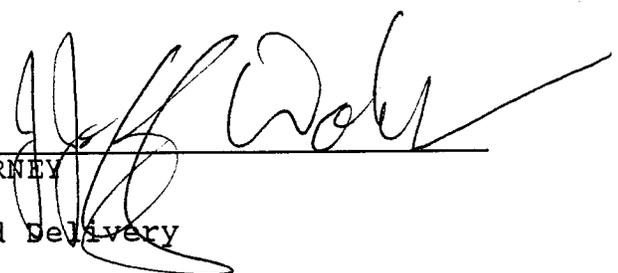
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