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January 26, 1996

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: Resolution of Petition to Establish Non-Discriminatory Rates, Terms, and Conditions for Interconnection Involving Local Exchange Companies and Alternative Local Exchange Companies pursuant to Section 364.162, Florida Statutes; Docket No. 950985-TP

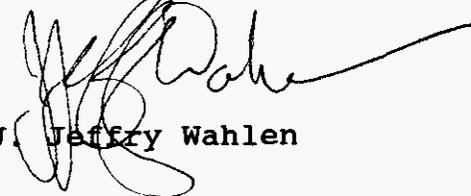
Dear Ms. Bayo:

Enclosed for filing are the original and fifteen (15) copies of the Rebuttal Testimony of F. Ben Poag on behalf of Sprint United/Centel in the above styled docket. Also enclosed is the diskette in Word Perfect format.

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
- CMU Chase
- CTR
- EAG JJW/bjm
- LEG 1 Enclosures
- LIN 5 ~~to go~~
- OPC
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cc: All Parties of Record (w/encls.)

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1 sensitive pricing for interconnection services are not
2 compatible." Do you agree?
3

4 A. No, for several reasons. First, many local service
5 providers have already signed a stipulation which provides
6 usage sensitive pricing of interconnection. Secondly,
7 local service is not totally usage insensitive. That is,
8 when subscribers have higher usage, they buy additional
9 lines and/or call waiting service. Thus, the monies they
10 expend for local service, even when the basic units of
11 service are priced on a flat rate basis, are usage
12 sensitive. Third, ALECs wish to be considered to be co-
13 carriers rather than customers. Usage sensitive rates are
14 typical among services provided by LECs to other carriers.
15

16 Q. Mr. Cresse proposed bill and keep or payment in kind for
17 local interconnection. Do you agree?
18

19 A. No, for the same reasons as provided in my direct
20 testimony, bill and keep or payment in kind is not
21 appropriate.
22

23 Q. What about Mr. Cresse's position that "Any charge for
24 terminating calls provides an incentive to serve customers
25 who receive more calls (airline reservations), than those

1 who generally place more calls that (sic) they receive
2 (residential)"?

3
4 A. Airline reservations centers, as well as other large
5 businesses, will clearly be prime targets of all the local
6 service providers. And clearly, some local service
7 providers, especially the AAVs, will primarily target large
8 business customers, but it will be based on the total
9 package of services and revenues, not a segment of their
10 business. On the other hand, CATV companies will serve the
11 residence market as a complement to the CATV services.
12 Their decision to serve these customers will not be driven
13 by the net difference in terminating versus originating
14 usage, but the total revenues available from local, access,
15 toll and ancillary services.

16
17 In order to make a determination about which customers to
18 serve based on usage, an ALEC would not only need to know
19 the total volume of originating and terminating local usage
20 as to where the calls terminate, their own network or the
21 networks of the LECs, which LECs and the rates charged by
22 the LECs as well as whether the usage was direct trunked or
23 tandem switched. Thus, even if Mr. Cresse's theoretical
24 hypothesis were correct, which it is not, it would be
25 virtually impossible to accurately target customers based

1 only on their local usage characteristics.

2

3 **Q.** What is your response to Mr. Creese's assertion that LECs
4 are using usage sensitive interconnection rates as the
5 "first step in a long journey to local measured rates."?

6

7 **A.** It's good that Mr. Cresse hasn't lost his sense of humor.
8 Given his opposition to usage sensitive rates, he will
9 undoubtedly persuade all his clients to select
10 Sprint/United-Centel's per port alternative.

11

12 **Q.** On Page 16 of his testimony, Mr. Guedel states that LECs
13 have an overwhelming advantage because LECs have
14 essentially all of the existing customers in the local
15 exchange telephone market, do you agree?

16

17 **A.** The incumbent, whether an IXC or a LEC, may have certain
18 advantages, but may also have disadvantages. For example,
19 LECs's local telephone services, access charges, and toll
20 services have been priced more from a social perspective
21 than an economic perspective. Thus, because of the
22 historical manner in which prices have been set, the LECs
23 have substantial risks and, in low cost high density
24 markets, are very vulnerable to competitors. In fact, it
25 is the competitors' ability to pick and choose their

1 markets, customers and prices that provide a competitive
2 opportunity.

3

4 Q. Mr. Guedel proposes that both interLATA access charges and
5 local interconnection charges be priced at TSLRIC cost. Do
6 you agree?

7

8 A. No, for several reasons. First, if LECs were to reduce
9 their prices to TSLRIC for access services, they would not
10 be financially viable and would not be able to raise
11 capital. Secondly, because LECs' prices would be very low,
12 and thus the LECs potentially unprofitable, it is doubtful
13 that new entrants would make the necessary investments to
14 enter the business.

15

16 This is not to say that Sprint/United-Centel do not believe
17 access charges should be reduced. The companies agree that
18 reductions over time are appropriate and will occur.
19 However, the market should be the final judge as to the
20 prices, not some theoretical model which will never serve
21 as a substitute for real world market conditions.

22

23 Additionally, with current technologies, incremental cost
24 by the economists' definition excludes shared costs. In
25 most cases, these shared costs are a significant portion of

1 total costs. The revenues from the services with volume
2 sensitive shared cost should, at a minimum, cover both
3 these shared and incremental costs and hopefully provide
4 some additional revenue to cover a portion of the overhead
5 costs.
6
7 Q. Does that conclude your rebuttal testimony?
8
9 A. Yes.
10

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 26th day of January, 1996, to the following:

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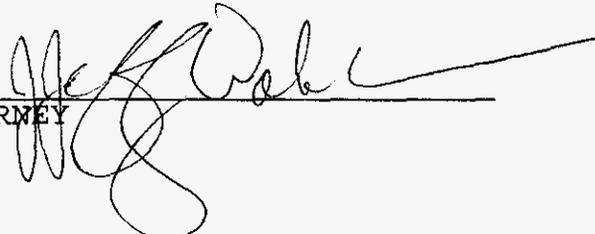
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