



1 **APPEARANCES:**

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3 Telecommunications Association, Inc., 310 North Monroe  
4 Street, Tallahassee, Florida 32301, appearing on  
5 behalf of **Florida Cable Telecommunications**  
6 **Association.**

7           **MARK LOGAN**, Bryant, Miller & Olive, 201  
8 South Monroe Street, Suite 500, Tallahassee, Florida  
9 32301 and **ROBIN DUNSON**, AT&T Communications of the  
10 Southern States, Inc., 1200 Peachtree Street,  
11 Room 4038, Atlanta, Georgia 30309, appearing on behalf  
12 of **AT&T Communications of the Southern States, Inc.**

13           **FLOYD SELF** and **GWEN JACOBS**, Messers,  
14 Caparello, Metz, Maida & Self, P. O. Box 1876,  
15 Tallahassee, Florida 32302-1876, appearing on behalf  
16 of **AT&T Wireless Services of Florida, Inc.**

17           **PATRICK K. WIGGINS**, Wiggins & Villacorta,  
18 P.A., Post Office Drawer 1657, Tallahassee, Florida  
19 32302, appearing on behalf of **Intermedia**  
20 **Communications, Inc. and BellSouth Mobility Inc.**

21           **RICHARD RINDLER**, Swidler & Berlin,  
22 Chartered, 3000 K Street, N. W., Suite 300,  
23 Washington, D. C. 20007, appearing on behalf of **MFS**  
24 **Communications Company, Inc.**

25

1 **APPEARANCES CONTINUED:**

2 **NANCY B. WHITE and PHILLIP CARVER, BellSouth**  
3 **Telecommunications, Inc., 150 South Monroe Street,**  
4 **Room 400, Tallahassee, Florida 32301 on behalf of**  
5 **BellSouth Telecommunications, Inc.**

6 **KIMBERLY CASWELL, One Tampa City Center,**  
7 **P.O. Box 110, FLTC0007, Tampa, Florida 33601,**  
8 **appearing on behalf of GTE Florida.**

9 **SUE WEISKE, 160 Inverness Drive West,**  
10 **Englewood, Colorado 80112, appearing on behalf of**  
11 **Time Warner Axs of Florida, L.P.'s d/b/a Time Warner**  
12 **Communications and Digital Media Partners.**

13 **J. JEFFRY WAHLEN, Ausley & McMullen, Post**  
14 **Office Box 391, Tallahassee, Florida 32302, appearing**  
15 **on behalf of Central Telephone Company of Florida.**

16 **MARTHA McMILLIN, 780 Johnson Ferry Road,**  
17 **Suite 700, Atlanta, Georgia 30342, appearing on behalf**  
18 **of MCI Telecommunications Corporation and MCImetro**  
19 **Access Transmission Services.**

20 **WILLIAM P. COX and MONICA BARONE, Florida**  
21 **Public Service Commission, Division of Legal**  
22 **Services, 2540 Shumard Oak Boulevard, Tallahassee,**  
23 **Florida 32399-0870, appearing on behalf of the**  
24 **Commission Staff.**

25

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1 of Wiggins and Villacorta, P. O. Box 1657, Tallahassee  
2 32302, on behalf of BellSouth Mobility, Inc. and also  
3 on behalf of Intermedia Communications, Inc.

4 **MS. McMILLIN:** Martha McMillin, 780 Johnson  
5 Ferry Road, Suite 700, Atlanta, Georgia 30342,  
6 representing MCI Telecommunications Corporation and  
7 MCI Metro Access Transmission Services, Inc. which  
8 we'll refer to as MCI in this case.

9 **MR. RINDLER:** Richard Rindler, law firm of  
10 Swidler and Berlin, Washington, D.C. 3000 K Street  
11 Northwest, representing Metropolitan Fiber Systems of  
12 Florida, Inc.

13 **MS. WILSON:** Laura Wilson, 310 North Monroe  
14 Street, Tallahassee, Florida 32301, representing  
15 Florida Cable Telecommunications Association.

16 **MS. WEISKE:** Sue Weiske representing Time  
17 Watner AxS of Florida, L.P. and Digital Media  
18 Partners, 160 Inverness Drive West, Englewood,  
19 Colorado 80112.

20 **MS. DUNSON:** Robin Dunson, 1200 Peachtree  
21 Street, Room 4038, Atlanta, Georgia 30309,  
22 representing AT&T Communications of the Southern  
23 States, Inc. I'd also like to enter an appearance for  
24 Mark Logan from the law firm of Bryant, Miller &  
25 Olive, 201 South Monroe Street, Tallahassee, Florida

1 32301.

2           **MS. JACOBS:** Gwen Jacobs and Floyd Self of  
3 the Messer Caparello law firm, 215 South Monroe, Suite  
4 701, Tallahassee, Florida 32302, on behalf of AT&T  
5 Wireless Services of Florida, Inc.

6           **MR. COX:** William Cox and Monica Barone,  
7 Florida Public Service Commission, Division of Legal  
8 Services, 2540 Shumard Oak Boulevard, Tallahassee,  
9 Florida 32399-0870, appearing on behalf of the Public  
10 Service Commission Staff.

11           **CHAIRMAN CLARK:** Mr. Cox, do we have any  
12 preliminary matters we need to take up at this time?

13           **MR. COX:** Chairman Clark, Staff has two  
14 preliminary issues to address.

15           First, the parties have agreed to stipulate  
16 to Staff's exhibits and we'd like to go ahead and have  
17 the exhibits moved into the record.

18           The first exhibit -- a stack should be in  
19 front of you of the exhibits.

20           **CHAIRMAN CLARK:** What is the second thing?

21           **MR. COX:** The second thing is regarding  
22 taking official recognition of several orders.

23           **CHAIRMAN CLARK:** Okay. Let me ask a  
24 question. Do we have besides -- Mr. Gianella, are we  
25 going to stipulate any more testimony into the record?



1 Did we reach an agreement on that?

2 MR. COX: Chairman Clark, we were going to  
3 take up the parties' stipulated issues after Staff.

4 CHAIRMAN CLARK: So we should go ahead with  
5 the exhibits then.

6 MR. COX: Yes, ma'am.

7 CHAIRMAN CLARK: All right.

8 MR. COX: The first exhibit is the November  
9 13, 1996, deposition transcript of AT&T Wireless,  
10 witness Mike Guedel; ID, MG-1 and errata sheet. Staff  
11 requests that this be marked.

12 CHAIRMAN CLARK: I don't find it. Do you  
13 have it?

14 COMMISSIONER KIESLING: You have it right in  
15 front of you.

16 CHAIRMAN CLARK: Thank you.

17 MR. COX: Staff requests that this exhibit  
18 be marked as Exhibit No. 1.

19 CHAIRMAN CLARK: It will be marked as  
20 Exhibit 1 and admitted into the record without  
21 objection.

22 (Exhibit 1 marked for identification and  
23 received in evidence.)

24 MR. COX: The second exhibit is BellSouth's  
25 responses to interrogatories and temporary number

1 portability tariff; ID number AJV-3. Staff requests  
2 this be marked as Composite Exhibit 2.

3 **CHAIRMAN CLARK:** It will be marked as  
4 Composite Exhibit 2 and admitted in the record.

5 (Exhibit 2 marked for identification and  
6 received in evidence.)

7 **MR. COX:** The third exhibit.

8 **COMMISSIONER GARCIA:** Go back to that one.  
9 Which one are you on?

10 **MR. COX:** Second exhibit and BellSouth's  
11 responses to interrogatories. It's ID number AJV-3.

12 **COMMISSIONER GARCIA:** I'm sorry. Thank you.

13 **MR. COX:** The third exhibit is requested  
14 confidential by BellSouth and is Exhibit No. 11 filed  
15 in the initial proceeding of 950737-TP; that's ID  
16 number AJV-4. Staff requests this be marked as  
17 Confidential Exhibit 3.

18 **CHAIRMAN CLARK:** It will be marked as  
19 Confidential Exhibit No. 3 and it will be admitted  
20 into the record without objection.

21 (Confidential Exhibit 3 marked for  
22 identification and received in evidence.)

23 **MR. COX:** The fourth exhibit is the November  
24 14th, 1996, deposition transcript of GTEFL witness  
25 Beverly Y. Menard; ID number BYM-1. Staff requests

1 this be marked as Exhibit 4.

2           **CHAIRMAN CLARK:** It will be marked as  
3 Exhibit 4 and admitted in the record without  
4 objection.

5           (Exhibit 4 marked for identification and  
6 received in evidence.)

7           **MR. COX:** The fifth exhibit is GTE Florida's  
8 responses to interrogatories in Florida temporary  
9 number portability tariff; ID number BYM-2. Staff  
10 requests this be marked as composite Exhibit 5.

11           **CHAIRMAN CLARK:** It will be marked as  
12 Composite No. 5 and admitted in the record without  
13 objection.

14           (Exhibit 5 marked for identification and  
15 received in evidence.)

16           **MR. COX:** The sixth exhibit is GTE Florida's  
17 response for Staff's request for production of  
18 documents; ID number BYM-3. Staff requests this be  
19 marked as Exhibit No. 6.

20           **CHAIRMAN CLARK:** It will be marked as  
21 Exhibit No. 6 and admitted in the record without  
22 objection.

23           (Confidential Exhibit 6 marked for  
24 identification and received in evidence.)

25           **COMMISSIONER KIESLING:** Is this

1 confidential?

2           **MR. COX:** Oh, excuse me. Can we scratch  
3 that? This should be marked as confidential exhibit.

4           **CHAIRMAN CLARK:** Exhibit 6 will be a  
5 confidential exhibit.

6           **MR. COX:** Yes. Thank you. The seventh  
7 exhibit is the November 14, 1996, deposition  
8 transcript of MCI witness Elizabeth Kistner; ID number  
9 EK-1 and Staff requests this be marked as Exhibit 7.

10           **CHAIRMAN CLARK:** It will be marked as  
11 Exhibit No. 7 and admitted in the record without  
12 objection.

13                   (Exhibit 7 marked for identification and  
14 received in evidence.)

15           **MR. COX:** The eight exhibit is the November  
16 15th, 1996, deposition transaction of  
17 Sprint/United/Centel witness Ben Poag and late-filed  
18 deposition Exhibit 3; ID number FBP-2. Staff requests  
19 this be marked as Composite Exhibit 8.

20           **CHAIRMAN CLARK:** It will be marked as  
21 Composite Exhibit 8 and admitted in the record without  
22 objection.

23                   (Composite Exhibit 8 marked for  
24 identification and received in evidence.)

25           **MR. COX:** The ninth exhibit is requested

1 confidential by Sprint/United/Centel and is a  
2 late-filed deposition exhibits No. 1 and 2 to the  
3 November 15th, 1996, deposition of Ben Poag; ID number  
4 FBP-3. Staff requests this be marked as a  
5 confidential Composite Exhibit No. 9.

6 **CHAIRMAN CLARK:** It will be marked as  
7 Confidential Composite Exhibit 9 and admitted into the  
8 record without objection.

9 (Exhibit 9 marked for identification and  
10 received in evidence.)

11 **MR. COX:** The tenth exhibit is  
12 Sprint/United/Centel's responses to interrogatories in  
13 the Florida temporary number portability tariff; ID  
14 number FBP-4. Staff requests this be marked as  
15 Composite Exhibit 10.

16 **CHAIRMAN CLARK:** It will be marked as  
17 Composite Exhibit 10 and admitted into the record  
18 without objection.

19 (Composite Exhibit 10 marked for  
20 identification and received in evidence.)

21 **MR. COX:** The 11th exhibit is the November  
22 13, 1996, deposition transcript of Time Warner witness  
23 Paul McDaniel and errata sheet; ID number PRM-1.  
24 Staff requests this be marked as Exhibit 11.

25 **CHAIRMAN CLARK:** It will be marked as

1 Exhibit 11 and entered into the record without  
2 objection.

3 (Exhibit 11 marked for identification and  
4 received in evidence.)

5 MR. COX: The 12th exhibit is the November  
6 6th, 1996, deposition transcript of Florida Cable  
7 Telecommunications witness Joseph P. Cresse; ID number  
8 JPC-3. Staff requests that this be marked as  
9 Exhibit 12.

10 CHAIRMAN CLARK: It will be marked as  
11 Exhibit 12 and entered into the record without  
12 objection.

13 (Exhibit 12 marked for identification and  
14 received in evidence.)

15 MR. COX: Staff's second preliminary issue  
16 is as follows: The Staff requests that the Commission  
17 take official recognition of the following orders:  
18 First order is FPSC order number PSC-95-1214-AS-TP  
19 issued October 3, 1995, the approval of initial  
20 stipulation establishing remote call forwarding as a  
21 temporary number portability solution.

22 The second order is FPSC order number  
23 PSC-95-1604-FOF-TP issued December 28th, 1995. It's  
24 the final order approving initial proceeding in Docket  
25 950737-TP.

1           Third order is order number FCC-96-286  
2 issued July 2nd, 1996, the FCC's first report and  
3 order on number portability.

4           The fourth order is order number FCC-96-325  
5 issued August 8th, 1996. And it's the FCC's first  
6 report and order in FCC Docket 96-98.

7           **CHAIRMAN CLARK:** Mr. Cox, we're going to go  
8 ahead and label as an exhibit the list you just read.  
9 And the document I have is entitled "Official  
10 Recognition List for 11-25-1996 hearing in Docket  
11 No. 950737-TP." We'll mark that as Exhibit 13 and  
12 admit it into the record without objection.

13           (Exhibit 13 marked for identification and  
14 received in evidence.)

15           **MR. COX:** Thank you. That concludes Staff's  
16 preliminary issues.

17           Chairman Clark, I believe the parties have  
18 several preliminary issues they want to address to the  
19 Commission.

20           **CHAIRMAN CLARK:** Mr. Carver, do you have  
21 any?

22           **MR. CARVER:** No, ma'am, we have none.

23           **CHAIRMAN CLARK:** Ms. Caswell.

24           **MS. CASWELL:** We have none. Mr. Wahlen.  
25 Mr. Wiggins.

1           **MR. WIGGINS:** No, ma'am.

2           **CHAIRMAN CLARK:** Ms. McMillin.

3           **MS. McMILLIN:** No, ma'am.

4           **CHAIRMAN CLARK:** Mr. Rindler.

5           **MR. RINDLER:** Yes, I have one.

6           I've left in front of each of the  
7 Commissioners substitute biographical information.

8           Mr. Harris who was the witness is on jury  
9 duty in New York City and Mr. Devine is going to be  
10 substituting. Staff is aware of that.

11           **CHAIRMAN CLARK:** And there is no objection  
12 from the other parties? Is that correct?

13           **MR. RINDLER:** Yes.

14           **CHAIRMAN CLARK:** Okay. Ms. Wilson.

15           **MS. WILSON:** I have one. I had handed out  
16 three potential exhibits, and those exhibits are now  
17 subsumed within three of the Staff's exhibits so it  
18 won't be necessary to have these anymore. They are  
19 contained in Staff Exhibits 2, 5 and 10.

20           **CHAIRMAN CLARK:** So we don't need these  
21 documents. Do you want them back?

22           **MS. WILSON:** You can trash them.

23           **CHAIRMAN CLARK:** Well, you may need them  
24 again. You don't want to carry them back.

25 Ms. Weiske.



1           **MS. WEISKE:** Yes, Your Honor. Time Warner  
2 would request that this Commission take official  
3 recognition of a recent Texas PUC decision in dockets  
4 16189, 16196, 16226, 16285 and 16290 that was a  
5 consolidated arbitration docket under the Federal  
6 Telecommunications Act, Section 252. And I've handed  
7 out copies to all of the Commissioners and all of the  
8 parties.

9           **CHAIRMAN CLARK:** Okay. We will take  
10 official recognition of the Texas order in the  
11 arbitration proceedings.

12           **MR. COX:** Chairman Clark, is that to be  
13 marked as an exhibit?

14           **CHAIRMAN CLARK:** No. I just marked as an  
15 exhibit your list, because you did not pass out copies  
16 of it; is that correct?

17           **MR. COX:** That's correct.

18           **CHAIRMAN CLARK:** Okay. We'll just take  
19 official recognition of that order. Ms. Dunson.

20           **MS. DUNSON:** No.

21           **CHAIRMAN CLARK:** Mr. Self.

22           **MR. SELF:** Yes, Madam Chairman. I believe  
23 we have a stipulation of the parties to stipulate into  
24 the record of direct testimony of John Giannella. If  
25 this is the time to do that, we can do it now or at

1 your pleasure.

2           **CHAIRMAN CLARK:** Okay. Let's go ahead and  
3 do that.

4           **MR. SELF:** Thank you. AT&T Wireless  
5 Services of Florida, Inc. has sponsored the direct  
6 testimony of John Giannella consisting of five pages.  
7 There are no changes or corrections to that testimony  
8 and we would move it into the record.

9           **CHAIRMAN CLARK:** I'm sorry. Did he have  
10 rebuttal testimony?

11           **MR. SELF:** No, he did not.

12           **CHAIRMAN CLARK:** And no exhibits?

13           **MR. SELF:** That's correct.

14           **CHAIRMAN CLARK:** The prefiled direct  
15 testimony of John Giannella will be entered into the  
16 record as though read.

17           **MR. SELF:** Thank you. We have nothing  
18 further.

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1 AT&T, ITT, DSC, and others.

2 Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.

3 A. I first began work in the telecommunications industry about 10 years ago  
4 working on statistical multiplexers and modems at Timeplex in New Jersey.  
5 I have subsequently been employed by Telescan in Phoenix working on  
6 computerized telephone answering systems. I have been a private  
7 telecommunications consultant, and worked at MCI as an engineering end  
8 user technician. My first job in the cellular industry was with Metro One in  
9 New York. I moved to Florida in 1988 and began work with AWS, then  
10 known as McCaw Communications/Cellular One, as the interconnection  
11 manager. In my current position I am responsible for all interconnection  
12 arrangements between our Florida systems and the local exchange companies  
13 ("LECs").

14 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

15 A. The purpose of my testimony is to present AWS's position on the issues in  
16 this docket. Any interim number portability cost recovery should involve  
17 only those carriers who are involved in porting numbers, with each carrier  
18 recovering its own costs. Specifically, any commercial mobile radio service  
19 ("CMRS") or wireless carrier not participating in interim number portability  
20 should not be subject to any interim number portability cost recovery.

21 Q. WHAT IS THE PURPOSE OF THIS PROCEEDING?

1 A. This proceeding arises from the Federal Communications Commission's First  
2 Report and Order in CC Docket No. 95-116, issued July 2, 1996 (the "FCC  
3 Order") to implement the Federal Telecommunications Act of 1996 ("the  
4 Act"). In this Order, the FCC established certain guidelines for the cost  
5 recovery of interim and permanent number portability. While the Florida  
6 PSC issued its own order on interim number portability on December 28,  
7 1995 (Order No. PSC-95-1604-FOF-TP) ("the "Florida Order") pursuant to  
8 Florida law, it is now necessary to determine whether the Florida Order is  
9 inconsistent with the FCC Order.

10 Q. IS THE FLORIDA ORDER INCONSISTENT WITH THE FCC ORDER?

11 A. Yes.

12 Q. WHY IS THE FLORIDA ORDER INCONSISTENT WITH THE FCC  
13 ORDER?

14 A. The essential problem with the Florida Order is that it imposes the recovery  
15 of all interim number portability costs on the carrier that needs a number  
16 ported to it, contrary to the "competitively neutral" requirements of section  
17 251(e)(2) of the Act. The FCC's Order does not permit such an approach  
18 (see paragraph 138 in the FCC Order).

19 Q. WHAT INTERIM NUMBER PORTABILITY COST RECOVERY DOES  
20 THE FCC ORDER PERMIT?

21 A. Paragraph 136 of the FCC Order identifies several alternatives that meet the

1 Act's competitively neutral criteria. These include:

- 2 1. A formula based upon the number of ported numbers relative  
3 to the total number of working numbers in the local service  
4 area, as has been approved by the New York DPS.
- 5 2. A mechanism that allocates costs based upon a carrier's  
6 number of active lines or numbers to the total number of lines  
7 or numbers in the area.
- 8 3. A mechanism that allocates the costs among all  
9 telecommunications carriers based upon gross revenues less  
10 charges paid to other carriers.
- 11 4. A mechanism that requires each carrier to pay its own costs.

12 Q. WHAT APPROACH DO YOU RECOMMEND?

13 A. We recommend that each carrier pay its own costs. Consequently, wireless  
14 carriers that do not use interim number portability should not participate in  
15 any interim cost recovery mechanism.

16 Q. IF THE FLORIDA PSC ADOPTS A DIFFERENT ALTERNATIVE, HOW  
17 SHOULD THAT IMPACT WIRELESS CARRIERS?

18 A. Any cost recovery mechanism approved by this Commission should not seek  
19 recovery from any carriers that do not participate in interim number  
20 portability. I recognize that the FCC Order states that cost recovery for  
21 interim number portability may include all telecommunications carriers,

1 including CMRS carriers (paragraph 130). However, the FCC Order  
2 provides that the states may apportion the interim cost recovery “among  
3 relevant carriers.” For CMRS providers not participating in interim number  
4 portability, they are not relevant carriers. To otherwise allocate cost recovery  
5 to non-participating wireless carriers would be inappropriate and unfair and  
6 would not meet the FCC criteria of competitive neutrality.

7 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

8 A. Yes, it does.

1           **CHAIRMAN CLARK:** We have no further  
2 preliminary matters?

3           **MR. COX:** No further preliminary matters,  
4 Chairman Clark.

5           **CHAIRMAN CLARK:** Okay. And Mr. Guedel is  
6 our first witness.

7           Mr. Guedel, if you would come to the stand  
8 and would all of the other remaining witnesses that  
9 are in the room please stand and be sworn in at the  
10 same time.

11                   (Witnesses collectively sworn.)

12           **CHAIRMAN CLARK:** Ms. Dunson.

13                   - - - - -

14                                 **MIKE GUEDEL**

15 was called as a witness on behalf of AT&T of the  
16 Southern States, Inc. and, having been duly sworn,  
17 testified as follows:

18                                 **DIRECT EXAMINATION**

19 **BY MS. DUNSON:**

20           **Q** Good morning, Commissioners. I'm Robin  
21 Dunson representing AT&T.

22                   Mr. Guedel, would you please state your name  
23 and business address for the record?

24           **A** Yes. My name is Mike Guedel. My business  
25 address is 1200 Peachtree Street Northeast, Atlanta,



1 Georgia 30309.

2 Q By whom are you employed and in what  
3 capacity?

4 A I'm employed by AT&T as a manager in the  
5 Network Services Division.

6 Q Mr. Guedel, did you cause to be prepared ten  
7 pages of direct testimony which was prefiled on behalf  
8 of AT&T in this proceeding on September 23rd, 1996?

9 A Yes, I did.

10 Q Do you have any changes or corrections to  
11 make to that testimony?

12 A No, I do not.

13 Q If I asked you the same questions today as  
14 are contained in that direct testimony would your  
15 answers be the same?

16 A Yes, they would.

17 MS. DUNSON: Madam Chairman, I'd like to  
18 move for the admission of Mr. Guedel's direct  
19 testimony into the record.

20 CHAIRMAN CLARK: The direct testimony of  
21 Mr. Guedel will be entered into the record as though  
22 read.

23 Q (By Ms. Dunson) Mr. Guedel, did you also  
24 cause to be prepared rebuttal testimony of seven pages  
25 which was also prefiled on behalf of AT&T in this

1 proceeding on October 7th, 1996?

2 A Yes, I did.

3 Q Do you have any changes or corrections to  
4 make to that testimony?

5 A No, I do not.

6 Q If I asked you the same questions today as  
7 are contained in your prefiled rebuttal testimony,  
8 would your answers be the same?

9 A Yes, they would.

10 MS. DUNSON: Madam Chairman, I'd also like  
11 to move for the admission of Mr. Guedel's testimony  
12 testimony into the record.

13 CHAIRMAN CLARK: Mr. Guedel's prefiled  
14 rebuttal testimony will be entered into the record as  
15 though read.

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1 DIRECT TESTIMONY OF MIKE GUEDEL  
2 ON BEHALF OF AT&T COMMUNICATIONS  
3 OF THE SOUTHERN STATES INC.

4  
5 BEFORE THE  
6 FLORIDA PUBLIC SERVICE COMMISSION  
7 DOCKET NO. 950737-TP  
8 FILED: SEPTEMBER 23, 1996

9  
10  
11

12 Q. WILL YOU PLEASE IDENTIFY YOURSELF?

13

14 A. My name is Mike Guedel and my business address  
15 is AT&T, 1200 Peachtree Street, NE, Atlanta,  
16 Georgia, 30309. I am employed by AT&T as  
17 Manager-Access Management.

18

19

20 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND  
21 WORK EXPERIENCES.

22

23 A. I received a Master of Business Administration  
24 with a concentration in Finance from Kennesaw  
25 State College, Marietta, GA in 1994. I

1 received a Bachelor of Science degree in  
2 Business Administration from Miami University,  
3 Oxford, Ohio. Over the past years, I have  
4 attended numerous industry schools and seminars  
5 covering a variety of technical and regulatory  
6 issues. I joined the Rates and Economics  
7 Department of South Central Bell in February of  
8 1980. My initial assignments included cost  
9 analysis of terminal equipment and special  
10 assembly offerings. In 1982, I began working  
11 on access charge design and development. From  
12 May of 1983 through September of 1983, as part  
13 of an AT&T task force, I developed local  
14 transport rates for the initial NECA interstate  
15 filing. Post divestiture, I remained with  
16 South Central Bell with specific responsibility  
17 for cost analysis, design, and development  
18 relating to switched access services and  
19 intraLATA toll. In June of 1985, I joined  
20 AT&T, assuming responsibility for cost analysis  
21 of network services including access charge  
22 impacts for the five South Central States  
23 (Alabama, Kentucky, Louisiana, Mississippi, and  
24 Tennessee).

25

1 Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.

2

3 A. My current responsibilities include directing  
4 analytical support activities necessary for  
5 AT&T's provision of intrastate communications  
6 service in Florida and other southern states.  
7 This includes detailed analysis of access  
8 charges and other Local Exchange Company (LEC)  
9 filings to assess their impact on AT&T and its  
10 customers. In this capacity, I have  
11 represented AT&T through formal testimony  
12 before the Florida Public Service Commission,  
13 as well as regulatory commissions in the states  
14 of Georgia, Kentucky, and South Carolina.

15

16

17 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

18

19 A. The purpose of my testimony is to: 1)  
20 demonstrate that the cost recovery method  
21 adopted by the Florida Public Service  
22 Commission (FPSC) with respect to interim local  
23 number portability is not consistent with the  
24 Telecommunications Act of 1996 (Act), and 2)  
25 recommend an alternative method of cost

1 recovery that is consistent with the federal  
2 statute and the Federal Communications  
3 Commission's (FCC) regulations.  
4  
5

6  
7 **Q. IS ORDER NO. PSC-95-1604-FOF-TP INCONSISTENT**  
8 **WITH THE FEDERAL COMMUNICATIONS COMMISSION'S**  
9 **ORDER AND FURTHER NOTICE OF PROPOSED RULEMAKING**  
10 **IN THE MATTER OF TELEPHONE NUMBER PORTABILITY**  
11 **IN CC DOCKET NO. 95-116 WITH RESPECT TO COST**  
12 **RECOVERY?**

13  
14 **A.** Yes. In Order No. PSC-95-1604-FOF-TP, the FPSC  
15 prescribed a method of cost recovery that  
16 entitled the incumbent Local Exchange Companies  
17 (ILECs) to charge new entrants a rate equal to  
18 or greater than the incumbents incremental cost  
19 of providing the portability service. This  
20 method now appears to be inconsistent with the  
21 ACT and contrary to the FCC's First Report and  
22 Order and Further Notice of Proposed Rulemaking  
23 released July 2, 1996 in CC Docket No. 95-116  
24 ("FCC Order").

1

2

Specifically, the FCC states at paragraph 138

3

of the FCC Order:

4

5

... requiring the new entrants to bear all

6

of the costs, measured on the basis of

7

incremental costs of currently available

8

number portability methods, would not

9

comply with the statutory requirements of

10

section 251(e)(2). Imposing the full

11

incremental cost of number portability

12

solely on new entrants would contravene

13

the statutory mandate that all carriers

14

share the cost of number portability.

15

16

17

**Q. DID THE FCC OFFER ANY GUIDANCE IN THE FCC ORDER**

18

**REGARDING APPROPRIATE COST RECOVERY METHODS?**

19

20

A. Yes. The FCC concluded that an appropriate

21

charge should be ``competitively neutral.''

22

Further the FCC established two criteria for

23

establishing competitive neutrality. Paragraph

24

132 of the FCC Order provides:

25

1           First, a ``competitively neutral'' cost  
2           recovery mechanism should not give one  
3           service provider an appreciable,  
4           incremental cost advantage over another  
5           service provider, when competing for a  
6           specific subscriber. ... We thus interpret  
7           our first criteria as meaning that the  
8           incremental payment made by a new entrant  
9           for winning a customer that ports his  
10          number cannot put the new entrant at an  
11          appreciable cost disadvantage relative to  
12          any other carrier that could serve that  
13          customer.

14

15          At paragraph 135 of the FCC Order, the FCC  
16          states:

17

18           The second criterion for a ``competitively  
19           neutral'' cost recovery mechanism is that  
20           it should not have a disparate effect on  
21           the ability of competing service providers  
22           to earn normal returns on their  
23           investment.

24



1           Within the scope of these guidelines, the FCC  
2           suggested several mechanisms that it believed  
3           to be consistent with the ACT. The suggested  
4           mechanisms included: 1) a distribution of costs  
5           based upon total working telephone numbers in  
6           an area, 2) a distribution of costs based upon  
7           total revenues minus carrier to carrier  
8           revenues, and 3) "a mechanism that requires  
9           each carrier to pay for its own costs of  
10          currently available number portability  
11          measures."

12  
13  
14   **Q.   WHAT COST RECOVERY METHOD SHOULD THE FLORIDA**  
15   **PUBLIC SERVICE COMMISSION ADOPT?**

16  
17   **A.**   The Commission should adopt a mechanism which  
18          requires each carrier to pay for its own costs  
19          of providing interim local number portability.  
20          In other words, the service should be provided  
21          as requested (of either the incumbent or the  
22          new entrant) at no charge.

23  
24          In support of this position, the Commission  
25          should consider the following:

1 First, the prescription effects interim number  
2 portability - an arrangement that will become  
3 obsolete in Florida within the next 12 to 18  
4 months.

5  
6 Second, the capability of providing interim  
7 number portability currently exists in the  
8 switching equipment of both the incumbent LECs  
9 and the new entrants. No additional investment  
10 should be required.

11  
12 Third, it is not likely that a significant  
13 amount of revenue would be effected. Interim  
14 portability has been available in Florida since  
15 the beginning of this year and to my knowledge  
16 no customers have been ported to date. It is  
17 likely that demand for this service will grow  
18 slowly as new entrants struggle to find ways  
19 to enter the incumbents' territories.

20  
21 These realities do not seem to justify the  
22 creation of a complex recovery mechanism.

23  
24

1 Q. IF THE COMMISSION DECIDES TO IMPLEMENT A  
2 MECHANISM THAT REQUIRES DOLLAR PAYMENTS, WHAT  
3 MECHANISM SHOULD IT ADOPT?

4  
5 A. If the Commission elects to adopt a mechanism  
6 that requires dollar payments (and it should  
7 only consider such a system if it finds the  
8 representation of interim number portability  
9 stated in the above response to be in error),  
10 then it should adopt the mechanism that has  
11 been approved by the NY DPS in the New York  
12 metropolitan area. The formula as filed in the  
13 NYNEX tariff is:

14  
15 
$$\frac{\text{total ported minutes} * (\text{switching} + \text{transport costs})}{\text{total working telephone numbers provided by NYNEX}}$$
  
16  
17

18  
19 The charge per working telephone number times  
20 the number of ported telephone numbers used by  
21 the new entrant would equal the charge per new  
22 entrant. The new entrant would charge the  
23 incumbent the same rate for similarly ported  
24 numbers.

25

1           This mechanism will allow each LEC to recover  
2           an appropriate portion of the costs that it  
3           incurs in providing interim number portability,  
4           but it can only be justified if the anticipated  
5           dollars changing hands exceed the additional  
6           costs of developing and maintaining the  
7           mechanism.

8

9

10   **Q.   DOES THIS CONCLUDE YOUR TESTIMONY?**

11

12   **A.   Yes.**

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24

REBUTTAL TESTIMONY OF

MIKE GUEDEL

ON BEHALF OF AT&T COMMUNICATIONS

OF THE SOUTHERN STATES, INC.

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 950737-TP

FILED: OCTOBER 7, 1996

**Q. WILL YOU PLEASE IDENTIFY YOURSELF?**

A. My name is Mike Guedel and my business address is AT&T, 1200 Peachtree Street, NE, Atlanta, Georgia, 30309. I am employed by AT&T as Manager-Network Services Division.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCES.**

A. I received a Master of Business Administration with a concentration in Finance from Kennesaw State College, Marietta, GA in 1994. I received a Bachelor of Science degree in Business Administration from Miami University, Oxford, Ohio.

1 Over the past years, I have attended numerous  
2 industry schools and seminars covering a variety of  
3 technical and regulatory issues. I joined the Rates  
4 and Economics Department of South Central Bell in  
5 February of 1980. My initial assignments included  
6 cost analysis of terminal equipment and special  
7 assembly offerings.

8  
9 In 1982, I began working on access charge design and  
10 development. From May of 1983 through September of  
11 1983, as part of an AT&T task force, I developed  
12 local transport rates for the initial National  
13 Exchange Carrier Association (NECA) interstate  
14 filing. Post divestiture, I remained with South  
15 Central Bell with specific responsibility for cost  
16 analysis, design, and development relating to  
17 switched access services and intraLATA toll. In  
18 June of 1985, I joined AT&T, assuming responsibility  
19 for cost analysis of network services including  
20 access charge impacts for the five South Central  
21 States (Alabama, Kentucky, Louisiana, Mississippi,  
22 and Tennessee).

23

24 **Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.**

25

1 A. My current responsibilities include directing  
2 analytical support activities necessary for AT&T's  
3 provision of intrastate communications service in  
4 Florida and other southern states. This includes  
5 detailed analysis of access charges and other Local  
6 Exchange Company (LEC) filings to assess their  
7 impact on AT&T and its customers. In this capacity,  
8 I have represented AT&T through formal testimony  
9 before regulatory commissions in the states of  
10 Florida, Georgia, Kentucky, and South Carolina.

11

12

13 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

14

15 A. The purpose of my testimony is to rebut some of the  
16 assertions and specific conclusions of witness  
17 Menard on behalf of GTE and witness Harris on behalf  
18 of MFS Communications Company.

19

20

21 **Q. MS. MENARD STATES AT PAGE 3, LINES 6 THROUGH 8, THAT**  
22 **"TO THE EXTENT THE COMMISSION HAS ALREADY DONE THIS**  
23 **[REQUIRED THAT TARIFFS FOR INTERIM NUMBER**  
24 **PORTABILITY BE FILED], IT [THE COMMISSION] HAS**  
25 **COMPLIED WITH THE NUMBER PORTABILITY ORDER AND THE**

1           **INQUIRY INTO COST RECOVERY METHODOLOGY SHOULD BE AT**  
2           **AN END." DO YOU AGREE WITH THIS POSITION?**

3  
4    A.    No.    The Federal Communications Commission (FCC)  
5           clearly recognizes the freedom of states to require  
6           tariffs for Interim Number Portability (INP)  
7           solutions (paragraph 127, CC Docket No. 95-166,  
8           First Report and Order and Further Notice of  
9           Proposed Rulemaking, released July 2, 1996).  The  
10          FCC also sought to "give the states some  
11          flexibility" in adopting cost recovery mechanisms  
12          that are "consistent with the statutory mandate."  
13          However, there does not appear to be any language in  
14          the above referenced FCC Order that would relieve  
15          companies (or permit the states to relieve  
16          companies) of their statutory obligations simply by  
17          filing a tariff.

18  
19          The Telecommunications Act of 1996 requires that  
20          cost recovery be done in a competitively neutral  
21          manner.  The FCC has determined that "competitive  
22          neutrality" requires that the incumbent LECs share  
23          proportionately in the recovery of the costs  
24          associated with the provision of INP.  The existence  
25          of a tariff will not change these requirements.



1

2 Q. MR. HARRIS STATES AT PAGE 6, LINES 12 AND 13, THAT  
3 "MFS BELIEVES THAT CARRIERS SHOULD ABSORB THEIR OWN  
4 COSTS OF PROVIDING PORTABILITY ARRANGEMENTS." DO  
5 YOU AGREE WITH THAT POSITION?

6

7 A. Yes. This position, expressed by Mr. Harris,  
8 appears to be consistent with the position that I  
9 have advocated through my direct testimony. It is  
10 the most straightforward method of meeting the FCC's  
11 standard of competitive neutrality.

12

13

14 Q. MR. HARRIS ARGUES LATER IN HIS TESTIMONY THAT IF THE  
15 COMMISSION WERE TO REJECT HIS INITIAL PROPOSAL THEN  
16 IT SHOULD CONSIDER AS AN ALTERNATIVE A RECOVERY  
17 SYSTEM BASED UPON "NET REVENUES." DO YOU AGREE WITH  
18 HIS POSITION?

19

20 A. No. The "net revenue" mechanism is unduly  
21 complicated and not justified by the anticipated  
22 duration or anticipated provisioning cost of interim  
23 portability.

24

25 First, this mechanism would require all providers of

1 telecommunications services to account for, and  
2 report appropriate revenues to, I presume, some  
3 central clearing source. The revenue reporting  
4 must be auditable and presumably audited  
5 periodically to ensure compliance with the proposed  
6 rule.

7  
8 Second, the mechanism would require a determination  
9 of what appropriately constitutes "intrastate  
10 telecommunications revenues." Proponents of this  
11 revenue mechanism generally seek a broad application  
12 - including revenues from Local Exchange Service  
13 Providers, Mobile Carriers, Interexchange Carriers,  
14 and perhaps Pay Telephone providers, Alternative  
15 Access Vendors, Cable TV providers, etc. Such a  
16 scope would not be appropriate because it would  
17 essentially allow the "taxation" of service revenues  
18 not associated with portability arrangements. But  
19 in any event, a line would have to be drawn  
20 somewhere.

21  
22 Third, once the appropriate scope is determined, a  
23 further company specific, service specific analysis  
24 might be required. Assume, for example, that cable  
25 TV revenues were not to be included in the adopted

1 mechanism. If, under this arrangement, a particular  
2 service provider were to offer a package of basic  
3 local service and basic cable TV service for a flat  
4 rate per month (say \$50.00), what part of that  
5 revenue should be associated with "local telephone  
6 service"?

7  
8 Arguably all of these issues could ultimately be  
9 answered or decided by this Commission, and rules  
10 could be established. Could such rules, once  
11 determined, be enforced? Maybe. Would the process  
12 be worth the effort? Probably not. Given the brief  
13 anticipated life of the interim portability  
14 arrangements, a less complex solution would seem to  
15 be more useful at this time.

16

17

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19

20 **A. Yes.**

1 BY MS. DUNSON:

2 Q Mr. Guedel, did you prepare a summary of  
3 your testimony?

4 A Yes, I have.

5 Q Would you please give it for the record?

6 A Yes. In December of 1985 the Florida Public  
7 Service Commission issued its order regarding interim  
8 number portability. Included in that order was a  
9 presubscription for a cost recovery mechanism which  
10 allowed incumbent LECs to charge a rate equal to or  
11 greater than the incumbent LEC's cost incurred in  
12 providing the local number portability solution.

13 On July 2nd, 1996, the Federal  
14 Communications Commission released its first report  
15 and order regarding number portability in light of the  
16 Telecommunications Act of 1996. Through that order  
17 the FCC determined that the recovery mechanisms which  
18 would impose the full cost of number portability on  
19 the new entrants would contravene the statutory  
20 mandate that all carriers share the cost of number  
21 portability.

22 Thus it now appears that the Florida  
23 prescription is inconsistent with the FCC rules and  
24 thereby inconsistent with the Telecommunications Act  
25 of 1996. Through this proceeding we, therefore, need

1 to find an alternative mechanism for cost recovery.

2           In its search for a more appropriate  
3 alternative mechanism, the FCC's recommendation  
4 focused on the concept of competitive neutrality. The  
5 FCC describes competitive neutrality as an  
6 arrangement, that one, does not give one provider an  
7 appreciable incremental cost advantage over another  
8 service provider, and two, does not have a desperate  
9 effect on the ability of competing service providers  
10 to earn normal returns on their investment. Within  
11 this context, the FCC offered several possible  
12 approaches.

13           First, an approach that would distribute  
14 cost recovery over working telephone numbers within a  
15 region or a state.

16           Second, an approach that would distribute  
17 cost recovery over the relative revenues of competing  
18 service providers.

19           And finally, a method that would require  
20 each company, both ALEC and incumbent LEC, to pay for  
21 its own cost of providing currently available number  
22 portability.

23           Consistent with these findings I recommend  
24 that the Florida Public Service Commission adopt a  
25 cost recovery mechanism that requires each carrier to

1 pay for its own cost of currently available number  
2 portability.

3           In support of this position I ask the  
4 Commission to consider the following: First, the  
5 anticipated short duration of interim number  
6 portability 12, 18, 24 months down the road and this  
7 system will be replaced by a permanent system.

8           Secondly, to note that the capability of  
9 providing interim number portability exists today in  
10 most ILEC and ALEC switches. No new investment will,  
11 therefore, be required.

12           And finally, demand for this service will no  
13 doubt continue to be low relative to the total number  
14 of lines of service provided in the state of Florida.  
15 And, therefore, the amount of revenue involved will  
16 not be significant to any carrier. Any, incumbent  
17 carrier.

18           These realities do not seem to justify the  
19 creation of a complex recovery mechanism. Indeed the  
20 least complex method consistent with competitive  
21 neutrality is probably the best choice at this time.

22           If the Commission were to, however, opt for  
23 a solution that would require specific monetary  
24 calculations, then I would recommend a solution that  
25 distributes the cost based upon in-service telephone

1 numbers. Again, I believe that is the least complex  
2 method of calculating a monetary solution at this  
3 time.

4 Thank you. That concludes my summary.

5 MS. DUNSON: The witness is available for  
6 cross examination.

7 CHAIRMAN CLARK: Who should I start with  
8 here? Ms. White.

9 CROSS EXAMINATION

10 BY MS. WHITE:

11 Q Mr. Guedel, good morning. Nancy White for  
12 BellSouth Telecommunications. I just have couple of  
13 questions this morning.

14 Your first alternative, or really your  
15 primary recommendation is that each party should bear  
16 its own cost of interim number portability; is that  
17 correct?

18 A Yes.

19 Q Would you agree that the majority of the  
20 cost for interim number portability are going to be  
21 borne by the incumbent local exchange?

22 A Yes, as an absolute dollar amount the  
23 majority of the costs will probably be incurred by the  
24 company that has the vast majority of the market share  
25 today. However, on a customer-specific basis, or on a

1 per subscribership basis, the costs of incurring  
2 interim solution would be about the same between the  
3 ILEC and ALEC under my recommendation. And that is  
4 what meets the criteria of competitive neutrality.

5 Q Have you done any cost studies to determine  
6 if the cost on an individual customer basis between an  
7 ALEC and an ILEC for providing interim number  
8 portability are going to be the same?

9 A No. I've not performed any specific  
10 studies. However, my knowledge is -- my understanding  
11 is that both the incumbent LECs and the alternative  
12 LECs will be using very similar switching equipment,  
13 and consequently incurring very similar costs.

14 And keep in mind we're looking at a 12- to  
15 18-month period when this particular solution will be  
16 in service. And the short run incremental costs,  
17 which are probably the appropriate costs to be  
18 considered here, are going to be very small on behalf  
19 of either ALEC or ILEC.

20 Q Now, you speak of this as being a short-term  
21 possibility, anywhere from 18 to 24 months. Is that  
22 because you believe permanent number portability will  
23 be available within that time frame?

24 A That's correct.

25 Q Now, in 24 months is permanent number



1 portability going to be available statewide in  
2 Florida?

3       A     It probably will not be available at all  
4 switches within the state of Florida within 24 months.  
5 It should be available at the switches that the FCC  
6 has determined to be the most competitive areas within  
7 the state, and, quite frankly, at the switches where  
8 most ALECs have asked for number portability to be  
9 made available.

10       Q     So to some extent the interim number  
11 portability cost recovery mechanism will have to  
12 remain in place beyond the input of permanent number  
13 portability, at least for those offices that do not  
14 have permanent number portability; is that correct?

15       A     Yes. There is likely to be an exception to  
16 the rule. There may be a few offices where you still  
17 need the interim number portability solution.

18               However, I would like to add to that that  
19 competition in number portability takes place when an  
20 ALEC puts a switch in a particular location. It is  
21 most likely that the ALEC's competition via  
22 facility-based switching will only occur in the larger  
23 areas, at least at first, which means the need for  
24 number portability will not be universal statewide; it  
25 will be concentrated in the larger metropolitan areas.

1 It will be converted to the permanent solution first.

2 Q So you're saying the more rural areas won't  
3 need interim number portability because there will be  
4 no competition there?

5 A No, I did not say that. I believe there  
6 could be competition in those areas, but I believe  
7 that competition will begin in methods other than an  
8 alternative vender establishing a full-blown local  
9 switching capability.

10 An alternative vendor, for example, could  
11 provide competitive alternatives by a resale of an  
12 incumbent service or possibly through the purchase of  
13 unbundled networks elements from the incumbent LEC to  
14 contrive its own service. So competition can well  
15 exist in the rural areas if the Commission provides  
16 this kind of flexibility for resale in the purchase of  
17 unbundled elements. But it's not likely -- those  
18 solutions don't require local number portability  
19 porting.

20 Q Your alternative cost recovery method for  
21 interim number portability is a formula that the total  
22 ported minutes -- it's the total ported minutes times  
23 the cost divided by total working telephone numbers;  
24 is that correct?

25 A Yes, that would be my alternative

1 recommendation.

2 Q If the Commission chose that recommendation,  
3 the costs that are in the formula, the Commission  
4 would have to look at the cost of each provider of  
5 interim number portability, ALECs as well as incumbent  
6 LECs; is that correct?

7 A No, that isn't my recommendation. My  
8 recommendation is that the formula would be looked at  
9 with respect to information provided by the incumbent  
10 LEC based upon the incumbent LEC's network. And once  
11 the charge is developed, that charge would be neutral  
12 amongst all carriers.

13 Q So you're saying don't include the cost of  
14 ALECs in your formula?

15 A That's correct. You would include only the  
16 costs that are incurred by the incumbent local  
17 company.

18 Q Now, one of the other issues in this case is  
19 the retroactivity of whatever decision this Commission  
20 reaches. To your knowledge has AT&T, or its ALEC,  
21 ordered interim number portability from BellSouth to  
22 date?

23 A Could you repeat that?

24 Q Yes. Has either AT&T or its ALEC ordered  
25 interim number portability from BellSouth as of this

1 day? (Pause)

2           **A**     I don't believe we have any working number  
3 portability arrangements with BellSouth today. I  
4 believe we've asked for the capability through the  
5 arbitrations process. I don't believe we have any  
6 working telephone numbers today.

7           **Q**     So would you agree that if nothing has been  
8 ordered then there's nothing to be retroactive?

9           **A**     Yes, I would agree with that.

10           **MS. WHITE:** Thank you, I have nothing  
11 further.

12           **CHAIRMAN CLARK:** Ms. Caswell.

13                           **CROSS EXAMINATION**

14           **BY MS. CASWELL:**

15           **Q**     Good morning, Mr. Guedel.

16           **A**     Good morning.

17           **Q**     Do you agree or disagree with the following  
18 statement with regard to interim number portability:  
19 The rate structure should consist of a single rate  
20 element billed by the provider of the number  
21 portability service to the LEC receiving the ported  
22 number.

23           **COMMISSIONER GARCIA:** Could you ask the  
24 question again?

25           **MS. CASWELL:** Sure.

1           **Q**        **(By Ms. Caswell)** Do you agree or disagree  
2 with the following statement with regard to interim  
3 number portability: The rate structure should consist  
4 of a single rate element billed by the provider of the  
5 number portability service to the LEC receiving the  
6 ported number.

7           **A**        That statement would not be consistent with  
8 my primary recommendation in this docket. It would be  
9 consistent with my alternative, I believe.

10          **Q**        Do you agree or disagree with the following  
11 statement: The price should be set at the cost, the  
12 TSLRIC, that the LEC incurs in providing the service?

13          **A**        Again, that would not be consistent with my  
14 primary recommendation, although the LEC would have  
15 the opportunity to recover all of the costs that it  
16 incurs from the number portability arrangements that  
17 it provides. I would simply have each company recover  
18 its own costs.

19          **Q**        Those statements came from your own  
20 testimony in this docket, didn't they?

21          **A**        I'm not sure. Not in what I have before me  
22 today.

23          **Q**        Do you recall the testimony you submitted in  
24 the earlier stage of this docket in 1995?

25          **A**        Yes, I do.

1 Q Do you recall if they came from that  
2 testimony?

3 A I certainly don't recall those words. It's  
4 possible that they did come from my testimony. And,  
5 again, that was prior to my understanding of the  
6 Telecommunications Act of 1996.

7 Q Okay. Ms. White is bringing a copy of your  
8 previous testimony to you.

9 (Hands document to witness.)

10 Do you see on Page 7 -- I'm sorry, would you  
11 like to look at the cover sheet?

12 A Yes.

13 Q Does that look like the testimony you  
14 submitted previously in this docket?

15 A Yes.

16 Q Would you look at Page 7 at the top?

17 A Yes.

18 Q Do you see the part I've got sort of  
19 outlined in blue and there's a number "1" there, the  
20 first statement that I just read, can you read that to  
21 us? Starting with the words "The rate structure  
22 should consist."

23 A "The rate structure should consist of a  
24 single rate element billed by the provider of number  
25 portability service to the LEC receiving the ported

1 number."

2 Q And what that means is that it would be  
3 proper for the LEC to charge the ALEC and vice versa,  
4 for the number portability service; isn't that right?

5 A Yes, that's what that means.

6 Q Can you look down at the bottom of Page 7,  
7 continuing on to Page 8, and the statement beginning  
8 with the words "The price should be set at the cost"  
9 can you read that sentence?

10 A "The price should be set at the cost, the  
11 TSLRIC, that the LEC incurs in providing the service."

12 Q Okay. And I think you said that you made  
13 those statements before the FCC came out with its  
14 order; is that correct?

15 A Yes, that's correct.

16 Q Before you understood what is --

17 A That is correct.

18 Q But for the FCC's order, those positions --  
19 you don't have a conceptual problem with those  
20 positions, is that right, that you took earlier?

21 A No. At the time I did not have any problem  
22 with those positions.

23 Q Right. So the only reason you changed your  
24 point of view was the FCC order. Is that a fair  
25 statement?

1           **A**     Yes. We reached the consideration that  
2 those presubscriptions are not consistent with the  
3 FCC's concept of competitive neutrality and,  
4 therefore, we're recommending something different.

5           **Q**     Okay. In going back again to the early  
6 stage of this proceeding, did AT&T stipulate that  
7 ILECs should be able to charge ALECs rates for interim  
8 number portability that covered their cost?

9           **A**     If that was in one of the statements I've  
10 read -- to my knowledge we didn't stipulate the  
11 recovery. That was part of the hearing process. But  
12 I could be -- I could be mistaken in that.

13          **Q**     Okay. Ms. White is going to bring another  
14 document there for you to read and I believe this is  
15 the order approving the stipulation in which AT&T  
16 joined. (Hands document to witness.)

17                   Does that that document look like the order  
18 approving the stipulation?

19          **A**     Without scrutinizing it in detail it does.

20          **Q**     Okay. And does it look like the stipulation  
21 itself is attached there?

22          **A**     Yes.

23          **Q**     And can you -- I think that's Page 3 of the  
24 stipulation. I've got some marking in blue on that.

25          **A**     Yes.



1           Q     Could you read that sentence, it's about  
2 cost.

3           A     "The price charged by an individual LEC for  
4 remote call forwarding shall not be below the cost  
5 that the LEC -- to provide remote call forwarding for  
6 purposes of providing temporary number portability."

7           Q     Could you read the sentence before as well?

8           A     "The recurring price for remote call  
9 forwarding will be on a per line per month basis and  
10 will be uniform throughout an individual LEC's  
11 existing service territory."

12          Q     And those stipulations that AT&T agreed to  
13 are now inconsistent with at least your primary  
14 recommendation; is that right?

15          A     Well, I'd have to read them more closely.

16 (Pause)

17                   Essentially we're not -- I don't know that  
18 they are inconsistent at this point. It doesn't say  
19 who or how these things will be billed.

20                   We're not recommending at this point through  
21 either of my recommendations that the LEC forgo cost  
22 recovery, and we're not necessarily -- that they forgo  
23 it on a per line per month basis. We're simply saying  
24 that it should be distributed in a manner differently  
25 than it was distributed in the Florida order of

1 December 28th.

2 Q Okay. Maybe I don't understand your first  
3 recommendation. And as I understand that  
4 recommendation it's cost absorption; that each carrier  
5 should absorb the costs it incurs to provide number  
6 portability; is that right?

7 A Yes, it should pay for its own cost. Now,  
8 that doesn't mean it does not recover those costs. It  
9 simply recovers them in a manner differently than what  
10 the Florida Commission prescribed on December 28th.

11 Q And recovery would not be from the ALECs, is  
12 that true, under your new recommendation?

13 A Not directly in the ALECs, that's correct.

14 Q And that's inconsistent with the stipulation  
15 in the first part of the proceeding; isn't that true?

16 A It's inconsistent with the Florida order.  
17 Now, the language that I'm reading here, that I just  
18 read from the stipulation, doesn't appear to prescribe  
19 recovery from the ALECs. Now, I can read it again and  
20 again and see if I'm missing something. But it  
21 doesn't seem to prescribe recovery directly from  
22 ALECs.

23 Q And if it didn't come from ALECs who would  
24 the recovery come from?

25 A It would come from other subscribers at a

1 local company. It would be recovered primarily from  
2 the beneficiaries of the local number portability  
3 arrangement and that would be the ratepayers in the  
4 state of Florida.

5 Q So you believe that cost recovery, the term  
6 "cost recovery" includes recovering the cost from a  
7 company's subscribers?

8 A Cost recovery by definition is simply the  
9 recovery of costs.

10 Q Okay.

11 A The term doesn't specify, you know, whom or  
12 how.

13 Q Okay. Are the existing tariffed rates  
14 designed to recover the ILEC's cost of providing  
15 number portability to the ALECs?

16 A I'm not sure what existing tariffed rates  
17 you're referring to.

18 Q The remote call forwarding tariffed rates  
19 that were put in place after the Commission's decision  
20 in the earlier stage of this proceeding.

21 A It's my understanding that the Commission  
22 selected those rates in a manner that they felt would  
23 recover the ILECs' cost of providing the service.

24 Q And the Commission's understanding at least  
25 of cost recovery in the early stage of this proceeding

1 was cost recovery from the ALEC, or from the ILEC as  
2 the case might be, because those rates are reciprocal;  
3 is that right?

4 A That was the original prescription.

5 Q Okay. AT&T has had plans to enter the local  
6 market for over a year now, isn't that right?

7 A I haven't seen any specifics on that but  
8 yes, we have been talking about that.

9 Q So AT&T was prepared to pay the remote call  
10 forwarding rates that the Commission has approved; is  
11 that right?

12 A Certainly if we became a facilities-based  
13 provider and we put a switch in a particular  
14 territory, we would have paid what the Commission  
15 ordered us to pay with respect to number portability.  
16 To my knowledge we have not done that yet so it's hard  
17 for me to say we've made one commitment one way or the  
18 other.

19 Q And if you're going to be just a reseller  
20 you don't need portability, right? I'm going back to  
21 something you just said; if you're going to become a  
22 facilities based provider you don't need to?

23 A Right. If you resell a current service,  
24 then in theory the number can stay with the customer.  
25 I'm not -- I don't want to get into the issue of

1 whether or not the incumbent would deny that  
2 possibility, but it would certainly be very simple to  
3 allow the number to stay with the customer when the  
4 customer is ported or changed under a resale basis.

5 Q Okay. Going back to the existing RCF rates.  
6 Since AT&T was prepared to pay those rates, we can  
7 assume, can't we, that those rates would not have made  
8 AT&T's entry into the local market economically  
9 infeasible assuming that you were providing  
10 facilities-based services?

11 A Since we haven't entered the market yet I  
12 don't think you can make that assumption.

13 Q Okay. But you were prepared to enter the  
14 market under those rates, correct?

15 A Again, I don't know the answer to that  
16 question.

17 Q Okay. Do you agree or disagree with the  
18 following statement: In the early stages of local  
19 competition most number porting will be from the  
20 incumbent local exchange companies to entrants, which  
21 means that the incumbent will incur a disproportionate  
22 amount of the cost while the entrants will receive a  
23 disproportionate amount of the benefit.

24 A No, I'm not going to agree with that  
25 statement. And I don't agree is because you have to

1 make an assumption about the proportion. And if you  
2 do your proportionality based upon market share they  
3 are going to be essentially the same.

4 Q Are you aware that what I just read is the  
5 Commission's stated view as to why cost absorption by  
6 each carrier is not the preferable method of interim  
7 number portability cost recovery?

8 A Again, I don't know where you came up with  
9 that statement.

10 Q Okay. Has AT&T made any public predictions  
11 about the share of the local market it's likely to  
12 capture in the next year or two?

13 A I'm sure that there have been statements  
14 made. I have not made any.

15 Q Are you familiar with any of the statements  
16 made? Have you read any of them?

17 A I can't recall the specifics of any of them.  
18 I know Mr. Allen made one shortly after the  
19 Telecommunications Act was passed but I can't remember  
20 specifically.

21 Q Do you remember what percentage of the  
22 market he said AT&T would capture? (Pause)

23 A It comes to me it was 30% over a period of  
24 years but again I'm not totally sure of that.

25 Q Over a period of how many years?

1           A     I don't know. I don't remember.

2           Q     Okay. As an alternative to cost absorption  
3 your primary recommendation, I think you recommended  
4 the method adopted by the New York Commission; is that  
5 right?

6           A     Yes. With respect to NYNEX.

7           Q     But you state that that method can only be  
8 justified if the anticipated dollars changing hands  
9 exceeds the additional cost of developing and  
10 maintaining the mechanism. How do you propose that  
11 the Commission figure out the level of anticipated  
12 dollars changing hands?

13          A     Well, to figure that out you have to make  
14 some kind of an assumption about how many numbers will  
15 be moving from the incumbent LEC to the ALECs over a  
16 period of time. And I would suggest that period of  
17 time would be somewhere in the 18-month time frame  
18 because certainly after 12 to 18 months it's going to  
19 decline rather than increase. So you would make an  
20 estimate based upon that. And then you would have to  
21 get some information from the incumbents if they  
22 wanted to pursue this as to how much it would cost to  
23 process that and to bill it and to audit it and to do  
24 whatever they have to do to make it work.

25          Q     So you would need to make some sort of

1 estimate about market share; is that right?

2 A Yes, you would.

3 Q Okay. Would the New York approach excuse  
4 AT&T from the obligation of sharing portability costs?

5 A Not to the extent that AT&T was an  
6 alternative provider participating in the porting of  
7 numbers.

8 Q Okay. Are you testifying in this proceeding  
9 as AT&T the interexchange carrier or AT&T the ALEC?

10 A I'm testifying in this proceeding on behalf  
11 of AT&T Communications of the Southern States,  
12 Incorporated, which to my understanding incorporates  
13 both functions. It is my testimony, however, that  
14 ALECs and ILECs should be the players in this  
15 particular distribution of revenues or costs.

16 Q Okay. I'm going to go back to something I  
17 think you said earlier about cost recovery; that the  
18 concept of cost recovery in your mind includes  
19 recovery of the costs from the company's end users as  
20 well as perhaps from the other carrier.

21 Now, if we went with your cost absorption  
22 approach and GTE couldn't recover its cost from the  
23 ALEC and instead it had to turn to its customers,  
24 would that mean potentially that GTE's prices for its  
25 services would go up? (Pause)



1           A     I don't think so. I don't think there's  
2 going to be enough costs involved and enough numbers  
3 ported to make any difference to GTE's bottom line one  
4 way or the other.

5           Q     If there aren't going to be that many costs  
6 involved then why is it so important for you not to  
7 have to pay those costs? Why are we here today if the  
8 costs are going to be so small?

9           A     We're here today to establish a method of  
10 recovering costs that will meet the competitively  
11 neutral standard of the Telecommunications Act of  
12 1996.

13          Q     Mr. Guedel, would you say that price of a  
14 service is a very important factor in a customer's  
15 choice of who to take the service from?

16          A     That's certainly a factor, yes. It's an  
17 important factor to some customers.

18          Q     Okay. And let's assume that GTE will have  
19 significant costs in establishing and maintaining  
20 number portability. And it can't recover those costs  
21 from you as an ALEC. And that it needs to raise its  
22 service prices. Wouldn't that result benefit AT&T as  
23 a competitor to GTE?

24          A     No, because however large the costs happen  
25 to be, the methodologies, particularly the alternative

1 methodology that I propose, will establish the fact  
2 that with respect to number portability the cost  
3 incurred on a per subscriber basis is going to be  
4 exactly the same for the incumbent as well as the  
5 ALEC. So there's not going to be any disproportion  
6 there between those two carriers.

7 Q But the fact remains doesn't it, and I think  
8 you admitted this earlier, that the ILECs, incumbent  
9 LECs, will incur the vast majority of the cost for  
10 interim number portability at least initially,  
11 correct?

12 A Again, I believe I said in a absolute dollar  
13 amount that's true. But as a function of market share  
14 or as a function of subscribed lines, they are going  
15 to incur about the same amount that the ALECs do.

16 MS. CASWELL: Thank you, Mr. Guedel. That's  
17 all I have.

18 CHAIRMAN CLARK: Mr. Wahlen.

19 CROSS EXAMINATION

20 BY MR. WAHLEN:

21 Q Good morning, Mr. Guedel, it's Jeff Wahlen  
22 for Sprint.

23 A Good morning.

24 Q Am I correct in understanding that one of  
25 your objections to the cost methodology previously

1 approved by the Florida Public Service Commission is  
2 that it requires the new entrants to bear all of the  
3 costs of RCF as the temporary number portability  
4 solution?

5       **A**     I believe that that method has been found to  
6 be inconsistent with the federal statute based upon  
7 the FCC's interpretation of that statute. And that's  
8 why we're here today. Not necessarily my opinion one  
9 way or the other; we don't have a lot of choice.

10       **Q**     Well, I was looking on Page 5 of your  
11 testimony and you've quoted from the FCC order where  
12 it talks about requiring new entrants to bear all of  
13 the costs and I'm just inquiring --

14       **A**     Yes.

15       **Q**     That's one of the key factors in your  
16 position, isn't it?

17       **A**     Yes.

18       **Q**     Are you familiar with Sprint's proposal in  
19 this case?

20       **A**     I believe I am. If it's the proposal that  
21 Mr. Poag presented in his direct testimony, I'm  
22 familiar to some extent with that.

23       **Q**     Would you agree with me that that proposal  
24 does not require the new entrant to bear all of the  
25 costs?

1           A     I would agree with that. The difference, I  
2 believe, in Mr. Poag's method and my method are in  
3 degree rather than in direction. If I understand  
4 Mr. Poag's recommendation, it would split the costs  
5 about 50/50. Whereas my proposal would split it  
6 closer to market share, which is a little bit  
7 different number than 50/50 I think. But yes, both of  
8 them would do what you've just suggested.

9           Q     Okay. One of the other criticisms you've  
10 leveled against I think maybe GTE's cost recovery  
11 proposal is that it's complex; is that correct?

12          A     I don't recall saying anything about GTE's  
13 complexity. I did mention I believe that the proposal  
14 of Metropolitan Fiber Systems was more complex than  
15 what I would recommend.

16          Q     But you're concerned about the complexity of  
17 the cost recovery mechanism?

18          A     I am.

19          Q     And under your alternative proposal the  
20 Public Service Commission would need to keep track of  
21 the total number of minutes ported; is that correct?

22          A     Yes.

23          Q     And it would also need to keep track of the  
24 total number of total working telephone numbers ported  
25 by the ILEC; is that correct?

1           **A**     Yes, and let me clarify. I'm not so sure  
2 that the Commission has to keep track of that. The  
3 ILEC would have to keep track of it and it would have  
4 to be auditable. But yes, to that extent I agree with  
5 you.

6           **Q**     You need to identify the per minute of use  
7 cost of switching and transport?

8           **A**     Yes.

9           **Q**     Wouldn't you agree with me that if you  
10 compare the need to keep track of all of those things  
11 against Sprint's proposal, which simply divides the  
12 TSLRIC cost in half, that Sprint's proposal is less  
13 complex than your alternative proposal?

14          **A**     Yes. Sprint's proposal, after further  
15 review, appears to be less complex than the number  
16 portability -- the alternative method that I've  
17 recommended. It's probably a little more complex than  
18 my up-front proposal. It would be less complex than  
19 telephone number distribution.

20                   My concern is that it may not -- in fact, I  
21 don't believe it does meet the competitively neutral  
22 criteria that has been recommended by the FCC.

23           **MR. WAHLEN:** Okay. Thank you very much.

24           **MR. WIGGINS:** No questions.

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## CROSS EXAMINATION

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BY MS. McMILLIN:

Q Good morning, Mr. Guedel. I'm

Martha McMillin with MCI.

A Good morning.

Q I have a few questions on the topic of the issue of remote call forwarding and how long that will be necessary.

After local number portability and the top 100 MSAs is deployed, which my understanding would be after 1998, is it your understanding that if an ALEC wants to serve a customer on a facilities basis outside of the top 100 MSAs, then the ALEC could submit a bona fide request to an incumbent local exchange company for long term or permanent local number portability?

A Yes, I believe that to be correct.

Q And if an alternative local exchange company wanted to serve in that type of area, that is outside of the top 100 MSAs, do you think the ALEC would be likely to request long term or permanent local number portability, or do you think that ALEC would request remote call forwarding, the temporary method, in order to serve a customer?

A My belief is that the ALEC would select the

1 permanent method if it's up and running because it's  
2 simply more efficient than the interim method.

3 Q So as a practical matter what do you think  
4 will really be the likelihood of needing remote call  
5 forwarding even outside of the top 100 MSAs after  
6 December of 1998?

7 A Well, as I've testified, I think it's going  
8 to be very small. I can't say it will be zero but I  
9 think it would be a very small number that would  
10 require it.

11 MS. McMILLIN: I have no further questions.  
12 Thank you.

13 CHAIRMAN CLARK: Mr. Rindler.

14 MR. RINDLER: I just have a couple of  
15 questions.

16 CROSS EXAMINATION

17 BY MR. RINDLER:

18 Q Mr. Guedel, Rich Rindler representing MFS.

19 A Good morning.

20 Q Good morning. Responding to an earlier  
21 question you indicated that your alternative approach  
22 would not include any payment from AT&T the long  
23 distance carrier; is that correct?

24 A That's correct.

25 Q Why is that appropriate?

1           **A**     The recommendation that I've put forth in  
2 the alternative would require co-payments among  
3 participants in a ported number arena. In other  
4 words, alternative LECs and incumbent LECs. Those who  
5 are providing service to end-user customers.

6           **Q**     Is that consistent with your understanding  
7 of what the FCC has provided for for permanent number  
8 portability?

9           **A**     My understanding -- and something could have  
10 happened very recently, but it's my understanding the  
11 FCC has not made a final recommendation on cost  
12 recovery for permanent number portability.

13          **Q**     Do you understand what its proposed  
14 recommendation is?

15          **A**     I have read its proposed recommendation that  
16 was included in the July 2nd order. I'm not as  
17 familiar with that as I am with the interim  
18 recommendation at this point.

19          **Q**     Does AT&T expect -- long distance carrier  
20 expect it will have to pay some amount towards  
21 permanent number portability?

22          **A**     That approach was not consistent with the  
23 comments that we filed in conjunction with the further  
24 notice of rulemaking.

25          **Q**     And going back to the first question, the



1 rationale for not including long distance carriers is  
2 what?

3       **A**     Long distance carriers do not directly  
4 participate in the porting of numbers. They do not  
5 receive ported numbers and they do not provide ported  
6 numbers.

7       **Q**     Do long distance carriers benefit from  
8 competition in the local exchange?

9       **A**     I think everybody is going to benefit from  
10 competition.

11           **MR. RINDLER:** Thank you. I have no further  
12 questions.

13           **MS. WILSON:** No questions.

14           **CHAIRMAN CLARK:** Ms. Weiske?

15           **MS. WEISKE:** No questions.

16           **CHAIRMAN CLARK:** Ms. Dunson?

17           **MS. DUNSON:** No questions.

18           **CHAIRMAN CLARK:** Ms. Jacobs.

19           **MS. JACOBS:** No questions.

20           **CHAIRMAN CLARK:** Staff.

21           **MS. BARONE:** Yes, Madam Chairman.

22

23

24

25

## 1 CROSS EXAMINATION

2 BY MS. BARONE:

3 Q Good morning, Mr. Guedel.

4 A Good morning.

5 Q Earlier you were discussing your primary  
6 proposal, and on Page 5 of your rebuttal testimony at  
7 Line 9 you state that "This proposal is the most  
8 straightforward method of meeting the FCC standard of  
9 competitive neutrality." Would you please explain why  
10 you believe it's the most straightforward and what you  
11 believe competitive neutrality is?

12 A Could you point that out to me again?

13 Q Sure.

14 A Did you say rebuttal testimony?

15 Q Yes. Your rebuttal testimony on Page 5.

16 A Okay. I'm with you.

17 Q You're responding to a question regarding  
18 Mr. Harris' proposal?

19 A Yes. Okay. Specifically with respect to  
20 what competitive neutrality is all about, I believe in  
21 my direct testimony I pretty much summarize what the  
22 FCC had said. And they have a couple of points on  
23 competitive neutrality. And the first one is,  
24 essentially it would be a mechanism that would not  
25 give one service provider an appreciable incremental

1 cost over the other one.

2 And the second criteria I believe is that it  
3 would not inhibit competing carriers from earning a  
4 reasonable rate of return.

5 Given those two criteria, the FCC put forth  
6 two or three possibilities for recovery. There's  
7 probably more. United, for example, Sprint has put  
8 forth a possibility here, although I'm not sure it  
9 meets the competitive neutrality criteria.

10 My position is that my recommendation is the  
11 most straightforward because it is simply the least  
12 complex. It will meet the criteria. In fact, it is a  
13 method that the FCC included in their docket,  
14 specifically said it would meet the criteria that they  
15 talked about, and it would require absolutely no  
16 calculations. It would require nobody preparing bills  
17 for customers. And it would require no auditing by  
18 this Commission, the Staff of this Commission, or any  
19 of the ALECs. And to that extent I believe it's the  
20 most straightforward way of getting the job done.  
21 Particularly in light of the fact that this thing is  
22 not going to last forever and there's not going to be  
23 a lot of revenue involved.

24 Q Did you just say earlier that you don't  
25 think Sprint's primary proposal meets the competitive

1 neutrality test set forth?

2       A     Correct.

3       Q     Could you explain why you believe that?

4       A     Yes. And, again, it refers to Point 1 of  
5 the competitive neutrality that the FCC spoke of.  
6 Which is essentially that the mechanism should not  
7 give one service provider an appreciable incremental  
8 cost advantage over another service provider.

9             The Sprint methodology, when reduced to a  
10 per subscribership analysis, would most likely mean  
11 the ALEC's cost of providing local service, because of  
12 number portability, would be higher than the cost that  
13 Sprint would incur in providing local service, simply  
14 as a function of the number portability factor. And  
15 therefore it probably wouldn't meet the FCC's  
16 criteria.

17       Q     Because of that factor?

18       A     Yes. Because it would -- other things being  
19 equal, and let me explain -- other things being equal,  
20 if the ALECs' cost of providing local service and the  
21 ILECs' cost of providing local service were exactly  
22 the same, except for this portability thing, United's  
23 method of implementing number portability would mean  
24 that the ALECs cost of providing local service would  
25 be incrementally higher than Sprint's because on a per

1 subscribership basis the ALEC would be recovering or  
2 forced to recover a larger portion of the number  
3 portability expense.

4 Q Sir, are you familiar with Witness Varner's  
5 alternative proposal in his rebuttal testimony? If  
6 you're not --

7 A I don't believe I am.

8 Q That's located on Page 9 of his rebuttal  
9 testimony. The question is "Does BellSouth propose an  
10 alternative to the FPSC simply maintaining their  
11 current order?" And on Line 4 the witness states  
12 "Yes. As an alternative, BellSouth recommends that  
13 each company be required to track and record their  
14 costs of providing interim number portability. When  
15 the cost recovery mechanism for long-term number  
16 portability becomes effective, the cost incurred by  
17 each company of providing interim number portability,  
18 including adjustments for interest, will be recovered  
19 using the same long-term number portability cost  
20 recovery mechanism approved by the FCC."

21 What is your opinion of that proposal?

22 A I don't support that proposal.

23 Q Why not?

24 A I believe we can solve the problem here. If  
25 we're going to go through the problem of tracking

1 costs, we're going to go through the problems of doing  
2 the inventory, let's go ahead and bill the customers  
3 right now and get it over with.

4           If you start collecting this cost and come  
5 up with a large pot of what will probably be  
6 nonrecurring dollars at the advent of permanent number  
7 portability, you're going to try to recover those on  
8 some kind of a recurring rate, and then you're going  
9 to have mixups and problems and more complications  
10 than we need. Permanent number portability recovery  
11 is going to take a thorough investigation also and we  
12 need to keep these things as clean as we possibly can.

13           And BellSouth's proposal won't save us any  
14 time because they are still asking to track the cost;  
15 they are still asking to do all of the mechanics that  
16 you would have to do except rendering the bill. So I  
17 would oppose it.

18           Q     Sir, I think you just stated that we should  
19 go ahead with the mechanism and begin the billing of  
20 customers.

21                    Could you please explain to me that process  
22 because your primary proposal is to -- that the  
23 companies will absorb their costs. Would you please  
24 explain to me what you meant by a billing of customers  
25 and how that will be done?

1           A     Yes. My primary proposal would not require  
2 any billing of any customers. I was responding  
3 specifically to what I understood the BellSouth  
4 proposal would be, and that proposal seemed to be more  
5 similar to my alternative proposal than my first  
6 proposal in this case.

7                     And in responding to that I'm simply saying  
8 if the Commission wants to move in that direction,  
9 that they want to track costs and they want to  
10 calculate these things and they believe that that's  
11 the important thing to do, then let's go ahead and  
12 bill it right now.

13           Q     Earlier you stated that Sprint's primary  
14 proposal is not competitively neutral. And earlier  
15 when Mr. Wahlen was questioning you, you stated that  
16 you believe the second proposal was a less complex but  
17 not as -- excuse me, strike that -- it was perhaps a  
18 second alternative. Do you believe that Sprint's  
19 alternative proposal is competitively neutral?

20           A     I don't believe I ever responded to  
21 Sprint's, quote, "alternative proposal." I'm not sure  
22 I know what that is.

23           Q     Okay. Thank you.

24                     Sir, are you aware of other temporary number  
25 portability solutions other than RCF?

1           A     Yes, I'm aware there are some.

2           Q     Can you identify any of those?

3           A     Well, I believe the concept of flexible  
4 direct inward dialing, or DID, has been discussed. I  
5 believe there's the concept of LERG reassignment that  
6 has been discussed.

7           Q     Sir, if the LECs are required to provide  
8 these other solutions, do you think the cost recovery  
9 mechanism developed in this proceeding should apply to  
10 all of those temporary number portability mechanisms?

11          A     Yes. Now, again if my primary  
12 recommendation is adopted that's no problem as far as  
13 implementation. If the secondary is adopted or some  
14 other form is adopted that requires cost recovery, the  
15 formula that I have in here may not be the formula  
16 that you need for a LERG reassignment for example,  
17 because the cost may be functioning a little bit  
18 differently, but you would basically do the same kinds  
19 of calculations.

20          Q     Could you explain how the FPSC should  
21 require terminating access charges to be split between  
22 an ILEC and an ALEC?

23          A     Yes. If I could propose an example to  
24 explain that.

25                   Essentially what my position would be is it



1 would be consistent with the current meet-point  
2 billing arrangements that exist between incumbent LECs  
3 today. In other words, he who provides the service  
4 bills the access charges or receives the money with  
5 respect to the access charges.

6           So, for example, if a telephone call came in  
7 from a interexchange carrier to Incumbent LEC A, and  
8 that number was subsequently ported to Alternative LEC  
9 B, then Alternative LEC B would be in the position to  
10 bill all of the end users -- excuse me, all of the end  
11 office related switched access charges which would  
12 include local switching, residual interconnection  
13 charge if they chose to bill it -- I'm not  
14 recommending that but they would be entitled if they  
15 chose to bill it -- carrier common line, again not  
16 recommending they bill one but if they charge one then  
17 they would be the carrier who would be in the position  
18 to bill the carrier common line charge.

19           Elements such as local transport and tandem  
20 switching would be billed by, or the access revenue  
21 would be accrued by the carrier that actually provided  
22 those kinds of transport functions.

23           The Incumbent LEC A would be compensated in  
24 this whole process through its number portability  
25 compensation mechanism.

1           Q     So you're aware that different parties have  
2 negotiated various rates for temporary number  
3 portability in Florida, aren't you?

4           A     I believe that to be the case.

5           Q     And understanding that you're not an  
6 attorney, I'd like to ask your opinion, do you believe  
7 that cost recovery mechanism established in this  
8 proceeding will affect those negotiated rates?

9           A     Again, they could. And I say that because  
10 several of the interconnection agreements that I have  
11 seen that have been signed between BellSouth, for  
12 example, and alternative LECs included causes in there  
13 to the extent that if BellSouth were to offer terms  
14 better on a particular element or service to another  
15 ALEC than were included in this contract, that those  
16 terms would have to be made available in lieu of the  
17 contract that was signed.

18                     So to the extent that kind of language is in  
19 the BellSouth agreements, then the determinations that  
20 this Commission makes could affect the handling of  
21 those clauses and the prices that are ultimately  
22 charged.

23           Q     Sir, I believe in your testimony you stated  
24 that the cost for interim number portability should be  
25 spread over all carriers; is that correct?

1           A       Essentially that's correct, yes. And again,  
2 I believe in my deposition I clarified that to mean  
3 those who participated in the porting of numbers,  
4 ALECs and ILECs. I don't include cable TV companies  
5 or interexchange carriers in that recovery.

6           Q       Do you include CMRS providers?

7           A       CM -- I believe you're referring to wireless  
8 services.

9           Q       Yes, sir.

10          A       No. Because they are not participating in  
11 the porting of the numbers. Now, I will say this: If  
12 at some point a wireless company wants to begin  
13 participating in the porting arrangements where they  
14 can actually receive ported numbers from an incumbent  
15 and pass ported numbers backwards, then they would be  
16 participating and then under those circumstances they  
17 should contribute. As long as they don't participate  
18 in that kind of an arrangement, then they shouldn't  
19 have to pay anything.

20          Q       Is it your understanding that the FCC's  
21 order exempts certain categories of service providers  
22 rather than individual service providers?

23          A       I'm not familiar with that language.

24          Q       Would you agree, subject to check, that the  
25 order states the ability to exempt certain categories

1 of service providers?

2 A Yes, I believe that is true.

3 Q Do you exclude IXCs or do you include IXCs?

4 A Well, my primary recommendation, there's  
5 really no inclusion or exclusion. It's whoever  
6 provides the service incurs the cost in providing the  
7 service and they recover it the best way they can.

8 Q And do you believe that's consistent with  
9 the FCC's determination that costs be spread amongst  
10 all carriers?

11 A Yes, I do. And I support that position with  
12 the fact that the FCC included my recommendation, or I  
13 should say my recommendation reflected an option that  
14 the FCC would meet their criteria.

15 Q Now, going back to my question I asked  
16 earlier, I asked if you believe the cost recovery  
17 mechanism established in this proceeding will affect  
18 negotiated rates.

19 Could you clarify your answer for me? I  
20 believe you stated that to the effect that contracts  
21 between companies contemplate perhaps picking and  
22 choosing from other carriers, then that would be how  
23 they would be affected. Was that correct?

24 A Yes, essentially.

25 Q Do you think that the negotiated rates, if

1 the Commission decides to spread the cost amongst all  
2 carriers, do you think that the negotiated rates would  
3 be affected in any way from this proceeding?

4       **A**     It would -- again, nonlegal opinion, it  
5 would be based entirely upon the way the contract was  
6 written. If the contract had a clause in there that  
7 said "subsequent activity can affect the rates in this  
8 contract "then they may very well be affected. If the  
9 contract said "outside or further activity or other  
10 agreements would not affect these rates," then they  
11 probably would not be affected, although, again, I  
12 guess everybody would have a chance to adjudicate the  
13 contracts if they wanted to.

14       **Q**     Do you think that the cost recovery  
15 mechanism could affect not the rates, but how the  
16 companies recover costs from each other in those  
17 negotiated agreements? And again this is not a legal  
18 opinion.

19       **A**     Other than I have stated I don't have any  
20 other opinion on that.

21               **MS. BARONE:** Thank you. That's all I have.

22               **CHAIRMAN CLARK:** Redirect.

23               **MS. DUNSON:** I just have a couple of  
24 questions.

25               **COMMISSIONER DEASON:** Excuse me, I have a

1 question.

2           **CHAIRMAN CLARK:** I'm sorry.

3           **COMMISSIONER DEASON:** Mr. Guedel, under your  
4 primary proposal with each carrier recovering their  
5 own costs, how do you propose the incumbent LEC  
6 recover those costs?

7           **WITNESS GUEDEL:** Well, essentially those  
8 costs would be recovered in the general course of  
9 doing business. Incumbent LECs, major incumbent LECs  
10 in the state of Florida, I understand it, are now in  
11 price cap regulation. And, again, to the extent that  
12 any money is involved here that's going to cause them  
13 to take rate action -- which I doubt there would be --  
14 I think we would have the flexibility to manage some  
15 of their rates in the future to adjust for this factor  
16 as well as cost savings factors that may be  
17 appropriate and realized over the course of a period  
18 of time.

19           All of that would be part of their pricing  
20 mechanism under a price cap formula. But they do have  
21 the flexibility to move prices if costs do increase.

22           **COMMISSIONER DEASON:** If we went with your  
23 proposal, could that be characterized as a government  
24 mandate on a local exchange company, thereby allowing  
25 them to increase local rates regardless of the cap on

1 those rates?

2           **WITNESS GUEDEL:** Again, I'm not an attorney  
3 but I sure wouldn't read it that way.

4           **COMMISSIONER DEASON:** Earlier in your  
5 testimony you discussed the fact that number  
6 portability is a concept which would be utilized by  
7 facility-based carriers; is that correct.

8           **WITNESS GUEDEL:** Essentially that's correct.  
9 You have to have a switch out there really.

10           **COMMISSIONER DEASON:** And there's going to  
11 be facilities-based competition only in select areas  
12 of the state; that also is your testimony.

13           **WITNESS GUEDEL:** I think initially it's  
14 going to develop that way. Switching machines are not  
15 inexpensive. It would be very unrealistic for me to  
16 assume that alternative vendors throughout the state  
17 are going to deploy switches within the next 12  
18 months.

19           I would assume they are going to deploy them  
20 in the more densely populated metropolitan areas  
21 first. Again that's Mike's assumption so that issue.

22           **COMMISSIONER DEASON:** Then would it be  
23 possible under your proposal that carriers throughout  
24 the state -- I mean customers throughout the state  
25 would be asked to pay the cost of call forwarding

1 which benefit only those customers in a select few  
2 areas?

3           **WITNESS GUEDEL:** No. I think we have to  
4 look at this in a much broader sense than that. And I  
5 think we have to look at the provision of portability  
6 as a method to remove barriers to competition, and  
7 indeed a method to promote competition throughout the  
8 state.

9           Now, an alternative vendor may decide he's  
10 going to put a switch in a certain particular place in  
11 the state of Florida. He may, likewise, have a  
12 business plan in the rural communities I'm not going  
13 to buy a switch, I'm going to use unbundled elements  
14 to provide local service or something to that nature.  
15 But the entire scope of what he plans to do is going  
16 to be in his business plan. And the number  
17 portability option is going to allow him to get into  
18 one place; is going to allow him the scope of business  
19 that he needs to go into other places.

20           So I don't think that's really true. I  
21 think the entire state is going to benefit from  
22 competition, and having them, you know, therefore,  
23 bear the cost of that I think is relatively fair.

24           **COMMISSIONER DEASON:** Is it possible that  
25 some customers do not need or require that the same



1 number be utilized if they chose to change their  
2 service to an ALEC?

3           **WITNESS GUEDEL:** Yes, it is possible that a  
4 customer would not keep the same number. It's  
5 possible the customer wouldn't want the same number.  
6 I mean those are possibilities.

7           **COMMISSIONER DEASON:** Would it then be that  
8 those customers would be paying for the cost being  
9 imposed by those customers who do want their number  
10 ported?

11           **WITNESS GUEDEL:** In a very narrow sense  
12 that's probably true. In the broader sense that I  
13 think we have established and probably moved past the  
14 point that the introduction of competition,  
15 particularly in the local arena, does benefit the  
16 ratepayers in the state of Florida, as a general  
17 matter, and moving forward on this thing is probably a  
18 good idea.

19           Now, is there one customer out there that  
20 would say, or a number of customers that would say, "I  
21 don't want competition. It's just costing me money."  
22 There's probably a couple that are like that. I run  
23 into people who still say divestiture of AT&T should  
24 never have happened. And maybe it shouldn't. But  
25 we're past that. And I think once we make the

1 determination that competition is in the best interest  
2 of the Florida ratepayers, then recovery of these  
3 costs is fairly recovered from all of them.

4 **COMMISSIONER DEASON:** I'm not debating that.  
5 You're missing the purpose of my question.

6 The purpose of my question is let's assume  
7 there's two customers out there; they both think  
8 competition is great. They want to switch to an  
9 incumbent LEC. One wants their same telephone number;  
10 one does not. The one that does not would be more  
11 inclined to switch if he had a lower rate and he would  
12 be imposing lower cost on the system because he's  
13 willing to take a new telephone number. Why is it not  
14 competitively neutral and competitively effective to  
15 give that customer the lower rate and impose the cost  
16 on the customer who wants their number ported.  
17 Doesn't that send the right price signal in a  
18 competitive environment? (Pause)

19 **WITNESS GUEDEL:** Well, I guess you could  
20 craft a situation that would give a positive answer to  
21 that question.

22 My response would be, however, that even in  
23 that situation the price that the -- the cost that the  
24 ALEC would incur in providing service to that customer  
25 you suggested would still be the same as the cost that

1 the incumbent LEC incurs in providing that service to  
2 that customer, because neither one of them in that  
3 case would incur a porting cost.

4 So assuming people are competing based on  
5 their costs, the rates that the customer would have in  
6 moving to the ALEC or back are going to be basically  
7 the same. And that's what we're trying to maintain in  
8 this proposal, is to keep those relative costs the  
9 same.

10 **COMMISSIONER DEASON:** You mentioned that an  
11 FCC imposed standard is competitive neutrality and you  
12 agree with that standard; is that correct?

13 **WITNESS GUEDEL:** The FCC proposed standards  
14 of competitive neutrality, yes, sir.

15 **COMMISSIONER DEASON:** And they -- one of  
16 their criteria I think as you mentioned was that new  
17 entrants should be -- I forget how exactly you phrased  
18 it but something to the effect that the new entrants  
19 should be allowed an opportunity to earn a reasonable  
20 rate of return; is that correct?

21 **WITNESS GUEDEL:** Yes. I believe the FCC  
22 used the word "normal" rate of return.

23 **COMMISSIONER DEASON:** Normal. Is there  
24 something different between normal rate of return and  
25 reasonable rate of return?

1           **WITNESS GUEDEL:** Not to me, sir.

2           **COMMISSIONER DEASON:** Okay. If this is a  
3 competitive neutrality standard, how do you, in your  
4 own opinion, reconcile the concept of reasonable rate  
5 of return which is normally associated with rate base  
6 regulation, how do you reconcile that with a new  
7 competitive era in that that should be one of the  
8 criteria we utilize in developing competitive  
9 neutrality?

10           **WITNESS GUEDEL:** Yes. I believe that the  
11 concept here is that whatever we do with respect to  
12 number portability, with the recovery of these costs,  
13 should not disproportionately impair one company from  
14 being profitable vis-a-vis another company.

15           I agree in a fully competitive world the  
16 concept of regulated rate of return should go away and  
17 it should not be a criteria in pricing services. It  
18 should not be a criteria at all in managing the  
19 companies.

20           But I think what the FCC was trying to point  
21 out here is that if you do not implement the proper  
22 method of recovery -- as they define competitively  
23 neutral method of recovery -- you could force a  
24 situation where you arbitrarily inflate the  
25 incremental cost of the new entrant, vis-a-vis the

1 incumbent. And in the FCC's way of explaining that,  
2 they said that if you inflate that effectively too  
3 much, you can begin to inhibit that company's ability  
4 to earn a normal return, vis-a-vis the LEC, because  
5 they are going to be using a lot of ported numbers.

6           If their incremental cost per number of  
7 providing service is higher, they are either going to  
8 have to raise their rates higher, which wouldn't  
9 benefit customers; lower their rates in which case  
10 they won't be able to earn the same kind of return  
11 that the incumbent LECs are currently earning as a  
12 result of their monopoly experience.

13           I think it's a relative thing. I think what  
14 the FCC was really saying is that unless we do this  
15 thing competitively neutral, we might not get much  
16 competition because an ALEC is not going to come into  
17 a market if it doesn't feel it can earn what it may  
18 consider a fair return on its investment.

19           **COMMISSIONER DEASON:** Has AT&T made any  
20 determination as to whether the methodology previously  
21 ordered by this Commission for recovery of ported  
22 numbers would prevent AT&T from earning a normal rate  
23 of return?

24           **WITNESS GUEDEL:** I'm not aware of any such  
25 studies.

1           **COMMISSIONER DEASON:** That's all the  
2 questions I have.

3           **CHAIRMAN CLARK:** Ms. Dunson.

4           **MS. DUNSON:** I just have a few questions.

5                           **REDIRECT EXAMINATION**

6 **BY MS. DUNSON:**

7           **Q**     Mr. Guedel, Ms. Caswell asked you several  
8 questions earlier about your testimony that you filed  
9 last year in this docket?

10          **A**     Yes.

11          **Q**     Was that testimony filed prior to the  
12 issuance of the FCC's order?

13          **A**     Yes.

14          **Q**     Was it also filed prior to the Telecom Act  
15 of '96?

16          **A**     Yes.

17          **Q**     Did the passage of that Act affect your  
18 opinion and recommendations on number portability?

19          **A**     Yes. And specifically the FCC's order of  
20 July 2nd which told me what the Act was really saying  
21 with respect to number portability did influence my  
22 opinion.

23          **Q**     And just to clarify, do you believe that the  
24 Commission's order in this docket in December of '95  
25 is consistent with the Act and the FCC's

1 interpretation of the Act?

2           **A**     No, I do not believe the Florida's order is  
3 consistent with respect to the cost recovery aspects.

4           **Q**     Earlier I believe you also stated that all  
5 consumers benefit from local number portability; is  
6 that correct?

7           **A**     Yes, I believe they ultimately will.

8           **Q**     A customer who chooses not to port their  
9 number, would they benefit from number portability if  
10 they happen to call a customer who ported their  
11 number?

12           **A**     Yes, they probably would. It would  
13 facilitate the completion of that call without having  
14 to figure out what the new telephone number might be.

15           **MS. DUNSON:** That's all the questions I  
16 have. Thank you, Mr. Guedel.

17           **CHAIRMAN CLARK:** Thank you, Mr. Guedel.

18 We'll take a break until quarter after 11.

19           **MS. DUNSON:** Is Mr. Guedel excused?

20           **CHAIRMAN CLARK:** You are excused.

21           (Witness Guedel excused.)

22                                 - - - - -

23           (Brief recess taken.)

24           **CHAIRMAN CLARK:** Call the hearing back to  
25 order. Mr. Varner.





1 direct or rebuttal testimony?

2 A No.

3 Q If I were to ask you the questions that  
4 appear in your direct and rebuttal testimony, would  
5 your answers be the same?

6 A Yes, they would.

7 MR. CARVER: Madam Chairman, I request  
8 Mr. Varner's direct and rebuttal testimony be inserted  
9 into the record as though read.

10 CHAIRMAN CLARK: It will be inserted into  
11 the record as though read.

12 MR. CARVER: And if we could have his two  
13 exhibits marked for identification.

14 CHAIRMAN CLARK: AJV-1 will be marked as  
15 Exhibit 14 and AJV-2 will be marked as Exhibit 15.

16 MR. CARVER: Thank you.

17 (Exhibits 14 and 15 marked for  
18 identification.)

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25

1 BELLSOUTH TELECOMMUNICATIONS, INC.  
2 DIRECT TESTIMONY OF ALPHONSO J. VARNER  
3 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
4 DOCKET NO. 950737-TP  
5 SEPTEMBER 23, 1996  
6

7 Q. Please state your name, address and position with BellSouth  
8 Telecommunications, Inc. ("BellSouth" or "The Company").  
9

10 A. My name is Alphonso J. Varner. I am employed by BellSouth as Senior  
11 Director for Regulatory Policy and Planning for the nine state BellSouth  
12 region. My business address is 675 West Peachtree Street, Atlanta, Georgia,  
13 30375.  
14

15 Q. Please give a brief description of your background and experience.  
16

17 A. I graduated from Florida State University in 1972 with a Bachelor of  
18 Engineering Science Degree in systems design engineering. I immediately  
19 joined Southern Bell in the division of revenues organization with the  
20 responsibility for preparation of all Florida investment separations studies for  
21 division of revenues and for reviewing interstate settlements. Subsequently, I  
22 accepted an assignment in the rates and tariffs organization with  
23 responsibilities for administering selected rates and tariffs including  
24 preparation of tariff filings. In January 1994, I was appointed Senior Director  
25

1 of Pricing for the nine state region. I assumed my current responsibilities in  
2 August 1994.

3

4 Q. Have you testified before the Florida Public Service Commission on previous  
5 occasions?

6

7 A. Yes. I have testified before the Florida Commission on several occasions.

8

9 Q. What is the purpose of your testimony?

10

11 A. The purpose of my testimony is to provide BellSouth's current assessment of  
12 the Federal Communications Commission's (FCC) First Report and Order and  
13 Further Notice of Proposed Rulemaking in FCC Docket No. 95-116 ("Order")  
14 on the issue of cost recovery for interim number portability. My testimony  
15 explains BellSouth's position on each of the issues in Attachment A of the  
16 September 4, 1996 Notice by the Florida Public Service Commission (FPSC),  
17 and will specifically address the following:

18

19 • I describe briefly the action taken by the Federal Communications  
20 Commission in its First Report & Order on number portability, in  
21 particular, as it relates to interim number portability.

22

23 • I describe why BellSouth included the issue of cost recovery of interim  
24 number portability in its Petition for Reconsideration of the FCC Order.

25

- 1           •       I explain why the FPSC should take no action to modify its existing  
2                   order or the associated current tariffs on interim number portability  
3                   (Order No. PSC-95-1604-FOF-TP).

4  
5           **General Discussion**

6 Q.       Please provide a brief background of some of the significant events leading up  
7           to this proceeding.

8  
9 A.       On July 1, 1995, the revised Section 364.16(4), Florida Statutes, became  
10           effective. This Statute requires the Florida Public Service Commission to  
11           ensure the implementation of a temporary number portability solution prior to  
12           the introduction of competition in the local exchange market. In part, this  
13           Section states:

14  
15                   In order to assure that consumers have access to different local  
16                   exchange service providers without being disadvantaged,  
17                   deterred, or inconvenienced by having to give up the  
18                   consumer's existing local telephone number, all providers of  
19                   local exchange services must have access to local telephone  
20                   numbering resources and assignments on equitable terms that  
21                   include a recognition of the scarcity of such resources and are  
22                   in accordance with national assignment guidelines.

23  
24           Although both temporary and permanent number portability are addressed in  
25           Section 364.16(4), on June 29, 1995, the Commission originally opened this

1 proceeding (Docket No. 950737-TP) to investigate the appropriate temporary  
2 local number portability solution as contemplated by the Statute.

3

4 After a workshop and several meetings among the parties and the FPSC Staff,  
5 the parties submitted a proposed Stipulation and Agreement on August 31,  
6 1995, which addressed some, but not all, of the issues identified in this docket.

7 The proposed Stipulation and Agreement was approved by the Florida  
8 Commission on October 3, 1995, and evidentiary hearings were held on  
9 October 20, 1995 to examine the remaining issues not covered in the  
10 Stipulation. During the course of these proceedings, BellSouth submitted a  
11 cost study to support its cost of providing interim number portability. On  
12 December 28, 1995, the Commission issued its decision in Order No. PSC-95-  
13 1604-FOF-TP.

14

15 Q. Please briefly describe the outcome of this Order.

16

17 A. Among other findings, the Commission incorporated by reference, the  
18 Stipulation and Agreement which provided that the local exchange companies  
19 (LECs) agreed to offer Remote Call Forwarding (RCF) to certificated  
20 alternative local exchange companies (ALECs) as a temporary number  
21 portability mechanism, effective January 1, 1996. Similarly, ALECs agreed to  
22 offer RCF to LECs as a temporary number portability mechanism, effective on  
23 the date they began to provide local exchange telephone service.

24

25

1 Furthermore, the recurring price for RCF was established to be on a per-line,  
2 per-month basis, and to be uniform throughout an individual LEC's existing  
3 service territory. The price charged for RCF offered by an ALEC would be  
4 equivalent to the price charged by the LEC. In addition, the parties were  
5 allowed to continue to negotiate on other mechanisms, such as flexible direct  
6 inward dialing (DID), if so desired.

7  
8 The Florida Commission's Order, unlike the FCC's July 2, 1996 Order, was  
9 based on an evidentiary proceeding in which the parties were allowed to  
10 submit evidence as to the cost of providing interim number portability.  
11 Additionally, the Florida Statutes require that the price for interim number  
12 portability "shall not be below cost". (Section 364.16(4), Florida Statutes.)

13  
14 Q. On February 8, 1996, the Telecommunications Act was enacted. What does  
15 the Act state about cost recovery for number portability?

16  
17 A. The Telecommunications Act of 1996 (the "Act") states that: "the cost of  
18 establishing telecommunications numbering administration arrangements and  
19 number portability shall be borne by all telecommunications companies on a  
20 competitively neutral basis as determined by the Commission." (Section  
21 251(e)(2) of the Act.) The Act distinguishes between *number portability* and  
22 *interim number portability* methods, such as DID and RCF. The FCC Order  
23 uses the phrase "currently available number portability" to mean remote call  
24 forwarding (RCF) and flexible direct inward dialing (DID). The FCC Order  
25 uses the phrase *long term number portability* to mean "number portability" as

1 used in the Act. For convenience, I refer to “currently available number  
2 portability” as interim number portability and I refer to long term number  
3 portability as number portability. BellSouth believes that the Act gives  
4 authority to the FCC only for cost recovery of *long term* number portability.

5

6 Q. What action has the FCC taken on cost recovery of interim number portability  
7 and permanent number portability?

8

9 A. On July 2, 1996, the FCC released its First Report and Order and Further  
10 Notice of Proposed Rulemaking in FCC Docket No. 95-116 which included  
11 rules for the implementation of long term number portability and adopted a  
12 Further Notice of Proposed Rulemaking seeking comment on the appropriate  
13 methods of cost recovery for *long term* number portability. The Order also  
14 included the FCC’s guidelines for cost recovery of *interim* number portability.  
15 Thus, in the First Report & Order, the FCC addresses interim number  
16 portability and in the Further Notice of Proposed Rulemaking, the FCC  
17 addresses cost recovery of long term number portability.

18

19 Q. What is BellSouth’s general assessment of the FCC Order?

20

21 A. BellSouth does not agree with several points in the FCC Order and on August  
22 26, 1996, filed a Petition for Reconsideration or Clarification of the Order.  
23 Among the points that BellSouth takes issue with are:

24

25

- 1           •       The FCC’s cost recovery guidelines for RCF and DID do not permit  
2                   LECs to fully recover their costs of providing intrastate services. In  
3                   spite of the fact that rate setting for such intrastate functionalities has  
4                   been historically outside federal jurisdiction, the FCC established  
5                   “guidelines” that effectively preempt state intrastate ratemaking  
6                   authority. Furthermore, by expressly prohibiting the payment by an  
7                   ALEC cost-causer for payment of an amount that is not “close to zero”,  
8                   the FCC has in effect directed states to require incumbent LECs such as  
9                   BellSouth to provide intrastate services below cost and at confiscatory  
10                  levels.
- 11
- 12           •       The FCC’s attempt to direct the states to disregard cost-causative  
13                   principles when pricing intrastate services operates to illegally preempt  
14                   state authority as well as to abrogate and impair LEC contracts.  
15                   Although rates for interim number portability solutions that are “not  
16                   close to zero” have been negotiated by BellSouth with other companies,  
17                   have been examined, deemed appropriate, and have been approved by  
18                   the Florida Public Service Commission, the FCC nonetheless, seeks to  
19                   undo the work done by the state commissions and furthermore, to  
20                   disrupt and threaten the ability of companies to establish mutually  
21                   negotiated contracts with other companies.

22

23           A copy of BellSouth’s Petition for Reconsideration is furnished as Exhibit No.  
24           AJV-1 attached to my testimony.

25



1 Q. What guidelines does the FCC Order give on cost recovery of interim number  
2 portability?

3

4 A. The FCC has set guidelines for cost recovery for interim number portability  
5 that depart from the FCC's own "cost causer" principles. The FCC Order  
6 reasons that the incremental payment made by a new entrant for winning a  
7 customer that ports his number cannot put the new entrant at an appreciable  
8 cost disadvantage relative to any other company that could serve that customer.  
9 In fact, paragraph 134 of the FCC Order expressly states that a cost recovery  
10 mechanism that imposes the entire incremental cost of currently available  
11 number portability on a new entrant would not be permissible. Absent an  
12 appropriate cost recovery mechanism, and given the reasoning by the FCC  
13 stated above, the ILEC will be forced to bear most of the incremental cost of  
14 interim number portability.

15

16 This additional cost support, to be funded by the ILECs for new entrants, will  
17 almost certainly drive the ILEC's costs for interim number portability (i.e.,  
18 RCF and/or DID) above the ILEC's prices for these services. Not only is this  
19 detrimental for the ILEC's business and for competition in general, but it  
20 constitutes an unlawful confiscation of property. This is also clearly contrary  
21 to the express wording of Section 364.16(4), Florida Statutes, which states:

22

23 In the event the parties are unable to satisfactorily negotiate  
24 the prices, terms, and conditions, either party may petition  
25 the commission and the commission shall, after opportunity

1                   for a hearing, set the rates, terms, and conditions. *The*  
2                   *prices and rates shall not be below cost.* (emphasis added)

3

4                   **Issue 1: Is Order No. PSC-95-1604-FOF-TP inconsistent with the Federal**  
5                   **Communications Commission’s First Report & Order and Further Notice**  
6                   **of Proposed Rulemaking in the Matter of Telephone Number Portability**  
7                   **in CC Docket no. 95-116?**

8

9 Q.           Is the pricing structure set forth in Order No. PSC-95-1604-FOF-TP (“FPSC  
10           Order”) inconsistent with the FCC’s guidelines?

11

12 A.           Yes, the pricing structure appears to be inconsistent with the FCC’s guidelines.  
13           However, as previously mentioned, BellSouth disagrees with the FCC’s Order  
14           pertaining to cost recovery for interim number portability. BellSouth believes  
15           that the FCC’s cost recovery provisions for interim number portability are  
16           unlawful and confiscatory.

17

18 Q.           Please explain why BellSouth believes that the FCC’s cost recovery provisions  
19           for interim number portability are unlawful.

20

21 A.           As noted earlier, the Act distinguishes between [permanent] number portability  
22           and interim number portability. Although I am not a lawyer, it seems clear that  
23           in section 251(b)(2) of the Act, Congress imposes the duty on all LECs to  
24           provide number portability, and then in section 251(e)(2) of the Act, the FCC  
25           is granted the authority to prescribe cost recovery principles to ensure that the

1 costs of number portability are borne by *all companies on a competitively*  
2 *neutral basis.*

3  
4 However, the Act does not refer to interim number portability until Section  
5 271. Section 271(c)(2)(B)(xi) allows the use of interim number portability  
6 methods, such as DID and RCF, until the FCC issues rules pursuant to section  
7 251 of the Act. Thus, Congress clearly differentiates between number  
8 portability (“permanent number portability”) and interim number portability,  
9 and intended for the FCC to address cost recovery of only long term number  
10 portability.

11  
12 Indeed, the FCC itself, makes the distinction between number portability and  
13 interim number portability when it states in its Order that *interim* methods,  
14 such as DID and RCF, do not meet its performance criteria for number  
15 portability. It is BellSouth’s belief that the FCC’s authority to address cost  
16 recovery only applies to permanent number portability as defined in section  
17 251(e)(2) of the Act, and not to interim number portability. Thus, any attempt  
18 by the FCC to address cost recovery for interim number portability is unlawful.

19  
20 Q. Please explain why BellSouth believes that the FCC’s cost recovery guidelines  
21 for interim number portability are also confiscatory.

22  
23 A. The FCC reasons in its First Report and Order that the incremental payment  
24 made by a new entrant for winning a customer that ports his number cannot put  
25 the new entrant at an appreciable cost disadvantage relative to any other carrier

1 that could serve that customer. The FCC then concludes that the incremental  
2 payment made by a new entrant for winning a customer would have to be  
3 “close to zero”, to approximate the incremental number portability cost borne  
4 by the incumbent LEC if it retains the customer. Essentially, the FCC is  
5 ordering the incumbent LEC to subsidize new entrants by stating that the cost  
6 to the new entrant for interim number portability will have to be close to zero.  
7 Thus, the FCC has directed states to require LECs to provide intrastate services  
8 at a price “close to zero”, apparently without regard to the actual costs incurred  
9 by the incumbent LEC, and at confiscatory levels in violation of the Fifth and  
10 Fourteenth Amendments to the Constitution of the United States.

11

12 Q. Are there costs associated with providing interim number portability ?

13

14 A. Absolutely. There are very definite costs associated with proving interim  
15 number portability. Indeed, after full evidentiary hearings and cost studies  
16 submitted by various parties, the Florida Public Service Commission  
17 recognized that there are costs associated with providing interim number  
18 portability. The FPSC Order approved the Stipulation and Agreement among  
19 the LECs and ALECs that the price charged for interim number portability  
20 (i.e., Remote Call Forwarding) offered by an ALEC would mirror the price  
21 charged by the incumbent LEC. The FCC’s Report and Order would drive the  
22 LEC’s price for interim number portability to an ALEC well below cost, which  
23 would not only violate Florida law but also appear to contradict one of the  
24 FCC’s own guidelines.

25

1 Q. How does it contradict the FCC's guidelines ?

2

3 A. As stated earlier, the FCC concludes that the incremental payment made by a  
4 new entrant for winning a customer would have to be close to zero. The FCC  
5 also states that an interim cost recovery mechanism must not have a disparate  
6 effect on the ability of service providers to earn a normal return on their  
7 investment. This is unclear and contradictory. The FCC never defines  
8 "normal return", but, by ordering BellSouth to provide interim number  
9 portability well below cost, it is unclear to BellSouth how it can earn a "normal  
10 return" on its investment.

11

12 **Issue 2: What is the appropriate cost recovery mechanism for temporary**  
13 **number portability?**

14

15 Q. What does BellSouth believe is an appropriate cost recovery mechanism for  
16 interim number portability?

17

18 A. BellSouth, along with other ILECs, ALECs, and the Florida Public Service  
19 Commission (FPSC) have participated in proceedings that have established a  
20 pricing structure for interim number portability in Florida. This structure is  
21 based on the premise that the cost of interim number portability should be  
22 recovered from the companies who make use of these arrangements.  
23 BellSouth believes that the price of such services should be based on the cost  
24 of providing the network elements and include a reasonable profit. The Florida  
25 Order should simply be maintained until such time as the solution for

1 permanent number portability can be implemented. This is consistent with the  
2 Florida Statutes.

3

4 Q. Do the FCC's interim number portability guidelines mandated in its July 2,  
5 1996 Order in Docket No. 96-116 provide cost recovery for ILECs that is  
6 consistent with that directed in the FCC's August 8, 1996 First Report and  
7 Order in CC Docket No. 96-98?

8

9 A. No. In its First Report and Order in CC Docket 96-98 ("96-98 Order"), the  
10 FCC proposed that a Total Element Long Run Incremental Cost (TELRIC)  
11 methodology be used as the basis for pricing interconnection and unbundled  
12 elements. The 96-98 Order further directs (para. 693) that states may conduct  
13 studies in a rulemaking and apply the results in various arbitrations involving  
14 ILECs. Based on BellSouth's initial review of the TELRIC methodology,  
15 BellSouth expects that if this methodology were to be applied to interim  
16 number portability, ironically, the resulting rates would be *higher* than the rates  
17 currently approved in the Florida Order for interim number portability. In fact,  
18 new entrants would be paying higher interim number portability rates, certainly  
19 not rates "closer to zero".

20

21 It is BellSouth's position that the FCC was wrong to depart from its long  
22 recognized general principle that "the cost-causer should pay for the costs that  
23 he or she incurs" for determining the cost recovery mechanism for interim  
24 number portability.

25

1 **Issue 3: Should there be any retroactive application of the Commission's**  
2 **decision in this proceeding. If so what should be the effective date?**

3

4 Q. Is it necessary for the FPSC to implement any retroactive application of the  
5 FCC's decision in this proceeding?

6

7 A. Absolutely not. In fact, I understand that if such actions were taken by the  
8 FPSC, they could be in violation of the retroactive ratemaking principles  
9 covered in the Florida Statutes. (Section 366.06(2), Florida Statutes.)

10

11 Thus, it seems clear that if the FPSC were to find that it must reconsider the  
12 interim number portability rates established in its December 28, 1995 decision  
13 (Order No. PSC-95-1604-FOF-TP), then any resulting rate adjustments would  
14 need to be implemented on a going forward (or "thereafter") basis. No  
15 retroactive adjustments should be considered.

16

17 Q. How should previously agreed upon arrangements be viewed?

18

19 A. Before the passage of the Act, Order No. PSC-95-1604-FOF-TP, issued  
20 December 28, 1995, established Remote Call Forwarding (RCF) as the  
21 temporary number portability mechanism to be provided in Florida. BellSouth  
22 has negotiated and entered into a number of local interconnection agreements  
23 that established interim number portability rates prior to the FPSC Order and  
24 prior to the Telecommunications Act. These agreements were negotiated by  
25 the parties in good faith and many were made before the FCC's July 2nd, 1996

1 Order on number portability. Nothing in the Act alters the exclusive  
2 jurisdiction of the states on this matter and, thus, BellSouth does not believe  
3 that there should be any retroactive application of the FCC's decision.

4  
5 Q. In light of the fact that BellSouth believes that the FPSC Order on interim  
6 number portability is inconsistent with the FCC's First Report and Order, and  
7 that no retroactive adjustments should be taken by the FPSC, what action  
8 would BellSouth suggest for the Florida Public Service Commission?

9  
10 A. One possibility would be for the FPSC to adopt a "wait and see" position  
11 pending the resolution of BellSouth's August 26, 1996 Petition for  
12 Reconsideration or Clarification and the other appeals and petitions taken by  
13 various parties on the FCC's Report and Order in Docket No. 95-116.

14  
15 Q. Would you please summarize your testimony?

16  
17 A. Yes. Fundamentally, BellSouth believes that the FCC exceeded its authority  
18 when setting guidelines for cost recovery of interim number portability.  
19 BellSouth further believes that the costs of interim number portability solutions  
20 should be recovered from the companies who make use of these arrangements.

21  
22 Furthermore, BellSouth believes that the FCC's guidelines for interim number  
23 portability as set forth in its 95-116 Report and Order are inconsistent with the  
24 FCC's own cost recovery directives included in its 96-98 Order. Based on  
25 BellSouth's experience with the TELRIC methodology, BellSouth believes



1 that the results of these studies would clearly justify a higher rate than that  
2 currently ordered by the FPSC. Moreover, BellSouth believes that the interim  
3 number portability guidelines in the 95-116 Report and Order are unlawful and  
4 confiscatory.

5  
6 In any case, BellSouth believes that no retroactive application of the FCC's  
7 Order should be taken since it would in effect constitute unlawful retroactive  
8 ratemaking. Before the passage of the Act, by Order No. PSC-95-1604-FOF-  
9 TP, issued December 28, 1995, the FPSC established RCF as the temporary  
10 number portability mechanism to be provided in Florida. The Florida order  
11 established the price to be charged and the cost recovery mechanism to be used  
12 for RCF. Many of the agreements reached between BellSouth and ALECs  
13 were made before the FCC's July 2nd, 1996 Report and Order on number  
14 portability and were negotiated in good faith. It would be wrong to now try  
15 and undo these negotiated rates. BellSouth does not believe that there should  
16 be any retroactive application of the FCC's decision on any agreement made  
17 prior to issuance of the FCC's Order.

18

19 Q. Does this conclude your testimony?

20

21 A. Yes.

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BELLSOUTH TELECOMMUNICATIONS, INC.  
REBUTTAL TESTIMONY OF ALPHONSO J. VARNER  
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 950737-TP  
OCTOBER 7, 1996

Q. Please state your name, address and position with BellSouth  
Telecommunications, Inc. (“BellSouth” or “The Company”).

A. My name is Alphonso J. Varner. I am employed by BellSouth as Senior  
Director for Regulatory Policy and Planning for the nine state BellSouth  
region. My business address is 675 West Peachtree Street, Atlanta, Georgia,  
30375.

Q. Have you filed direct testimony in this case?

A. Yes. I filed direct testimony on behalf of BellSouth on September 13, 1996.

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony will address the direct testimony filed by other parties in  
this case. Specifically, my rebuttal testimony will discuss policy issues raised  
with regard to cost recovery of interim number portability.

1 Q. Mr. Poag, representing United Telephone Company of Florida, says that the  
2 Federal Communications Commission's (FCC) First Report & Order in CC  
3 Docket 95-116, dated July 2, 1996, gives the states flexibility to adopt varying  
4 mechanisms for cost recovery of interim number portability. Do you agree  
5 with this position?

6  
7 A. Yes. The FCC's First Report & Order provides that states may apportion the  
8 incremental costs of interim number portability among relevant carriers by  
9 using competitively neutral allocators. In addition, the Order indicates that  
10 states may require all telecommunications carriers--including the incumbent  
11 local exchange companies (ILECs), new local exchange companies (LECs),  
12 commercial mobile radio service (CMRS) providers and interexchange carriers  
13 (IXCs)--to share in the costs incurred in the provisioning of interim number  
14 portability.

15  
16 Q. Mr. McDaniel, representing Time-Warner, states that the alternative of each  
17 local exchange company absorbing its own cost of providing interim number  
18 portability will motivate the ILEC to implement long term number portability.  
19 Do you agree with this?

20  
21 A. No. In its Report & Order on long term number portability, the Federal  
22 Communications Commission mandates the implementation of long term  
23 number portability beginning in October, 1997, with completion in the top 100  
24 Metropolitan Statistical Areas (MSAs) in the United States by year end 1998.  
25 BellSouth believes that the imposition of a cost recovery mechanism for

1 interim number portability that does not allow for the full recovery of costs is  
2 punitive and certainly will not force an earlier implementation schedule of long  
3 term number portability. In fact, as BellSouth states in its Petition for  
4 Reconsideration (p. 9) filed with the FCC, a copy of which was attached to my  
5 direct testimony, the FCC was in error to impose cost recovery mechanisms in  
6 an attempt to create incentives for LECs to implement long term number  
7 portability. Also, as outlined in our Petition for Reconsideration, BellSouth  
8 believes that the FCC's Order, in so far as it regards cost recovery for interim  
9 number portability, was unlawful and confiscatory.

10

11 Q. Several parties, including Florida Cable Telecommunications Association,  
12 AT&T Wireless and MCI state that "bill and keep" or "each carrier bear their  
13 own costs" are appropriate cost recovery methods and comply with the 1996  
14 Act. Does BellSouth agree that "bill and keep" and "each carrier bearing their  
15 own costs" are acceptable methodologies for cost recovery for interim number  
16 portability?

17

18 A. Absolutely not. As stated previously, BellSouth believes that the cost of  
19 interim portability should be recovered from the companies who make use of  
20 these arrangements. ILECs and LECs, with the approval of the Florida  
21 Public Service Commission (FPSC), have agreed upon a pricing structure for  
22 interim number portability in Florida. This structure is based on the  
23 assumption that the cost of interim number portability should be recovered  
24 from the companies who make use of these arrangements. A cost recovery  
25 mechanism where each carrier bears its own cost or a "bill and keep" type of

1 arrangement would require the LECs to provide intrastate services at no costs  
2 and without any regard to the actual costs incurred by the incumbent LEC  
3 which would violate the Fifth and Fourteenth Amendments of the  
4 Constitution of the United States. As stated in my previous testimony, this  
5 also would be in clear violation of the Florida Statutes which expressly  
6 require that prices and rates for interim number portability shall not be below  
7 cost.

8 Indeed, the Florida PSC, in its comments to the FCC on long term number  
9 portability has recognized that in the early stages of local competition most  
10 number porting will be from the ILEC to the new entrants and that the ILEC  
11 will incur a disproportionate amount of the cost, while the new entrants will  
12 receive all the benefit. Given this recognized fact, which no reasonable party  
13 could deny, a "bill and keep" type of approach is not a cost recovery  
14 mechanism at all, but rather, a means for ALECs to have services such as  
15 RCF and DID paid for by the incumbent LECs.

16

17 Q. Several parties suggest that if the FPSC modifies the price of interim number  
18 portability, the LECs should file new costs studies for interim number  
19 portability. Do you agree with this?

20

21 A. Yes. If the FPSC does modify the price in its Order, then BellSouth believes  
22 that all LECs should submit new cost studies. In fact, BellSouth has been  
23 directed by the FPSC to submit new studies by March 31, 1997.

24

25

1 Q. Mr. Harris, representing MFS, proposes that if the FPSC modifies its current  
2 Order and proposes a cost recovery mechanism other than each carrier bear  
3 their own costs, then the FPSC should request new cost studies based on Total  
4 Element Long Run Incremental Cost (TELRIC) methodology. Does BellSouth  
5 support this?

6  
7 A. No. The TELRIC methodology was first ordered in the FCC's First Report &  
8 Order in CC Docket 96-98. This order was issued a month *after* the First  
9 Report and Order on CC Docket 95-116 and should not apply to interim  
10 number portability. BellSouth believes that it would be inappropriate for  
11 TELRIC methodology to be used in interim number portability cost studies.

12  
13 Q. Mr. Harris, representing MFS, recommends that cost allocation for both  
14 interim number portability and long term number portability should be based  
15 on each company's total revenues from intrastate telecommunications  
16 operations minus payments made to other carriers. Does BellSouth agree with  
17 this?

18  
19 A. BellSouth does not agree that gross retail revenues minus access payments is  
20 "competitively neutral". This would not be competitively neutral because this  
21 proposal decreases the contribution made by resellers and increases the burden  
22 on facilities-based competitors. Thus, this methodology would favor one type  
23 of service provider over another which is not competitively neutral. The FCC  
24 has clearly stated that a competitively neutral cost recovery mechanism should  
25 not give one service provider a cost advantage over another service provider.

1

2 Q. What does BellSouth believe is a competitively neutral allocator?

3

4 A. In its Reply Comments in the FCC's Further Notice of Proposed Rulemaking  
5 (FNPRM) on cost recovery of long term number portability, BellSouth  
6 supported Southwestern Bell's proposal of using the perceived uses of access  
7 lines (i.e., local use, intraLATA use, and interLATA use) as a cost allocation  
8 mechanism. A copy of BellSouth's Reply Comments in the FNPRM are  
9 attached as Exhibit AJV-2 to my rebuttal testimony.

10

11 Q. Ms. Kistner, representing MCI Telecommunications, Inc., states that the FPSC  
12 should direct LECs to adopt meet-point billing arrangements for access charges  
13 paid by IXC's for terminating calls to new entrants via LEC-provided RCF or  
14 DID. Do you agree with this?

15

16 A. No. BellSouth believes that meet point billing for access charges for ported  
17 calls should be addressed by the parties in the appropriate interconnection  
18 negotiations and/or arbitration proceedings. Thus, no action is needed by the  
19 FPSC to address this issue. In fact, MCI and BellSouth have already reached  
20 agreement on meet point billing for access charges associated with ported calls.

21

22 Q. Ms. Kistner also states that the cost recovery mechanism that the FPSC adopts  
23 must apply to the provisioning of Direct Inward Dialing (DID) as an interim  
24 number portability method. Do you agree?

25

1 A. Yes. The FCC Order requires LECs to provide number portability through  
2 RCF and DID. However, it is important to note that the Florida Order only  
3 addressed the provision of interim number portability using RCF. In the  
4 stipulation attached to the Florida Order, certain parties agreed that DID could  
5 be used as an alternative interim number portability solution. Parties agreeing  
6 to the stipulation recognized that DID involves certain technical and  
7 administrative issues that need to be addressed to provide interim number  
8 portability via DID. If directed by the FPSC, BellSouth will submit cost  
9 studies on DID as an interim number portability solution.

10

11 Q. Is it necessary for the FPSC to retroactively apply the FCC's decision in this  
12 proceeding?

13

14 A. Absolutely not. Although I am not a lawyer, I understand that if such actions  
15 were taken by the FPSC, they could be in violation of the retroactive  
16 ratemaking principles covered in the Florida Statutes. (Section 366.06(2),  
17 Florida Statutes.) Thus, it seems clear that if the FPSC were to find that it  
18 must reconsider the interim number portability rates established in its  
19 December 28, 1995 decision (Order No. PSC-95-1604-FOF-TP), then any  
20 resulting rate adjustments would need to be implemented on a going forward  
21 (or "thereafter") basis. No retroactive adjustments should be considered for  
22 agreements or tariffs made prior to the effective date of FCC's First Report and  
23 Order in CC Docket 95-116.

24

25 Q. How should previously agreed upon arrangements be viewed?



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A. Before the passage of the federal Telecommunications Act, FPSC Order No. PSC-95-1604-FOF-TP, issued December 28, 1995, established Remote Call Forwarding (RCF) as the temporary number portability mechanism to be provided in Florida. BellSouth has negotiated and entered into a number of local interconnection agreements that established interim number portability rates prior to the FPSC Order and prior to the Telecommunications Act. These agreements were negotiated by the parties in good faith and many were made before the FCC's July 2nd, 1996 Order on number portability. Nothing in the Act alters the exclusive jurisdiction of the states on this matter and, thus, BellSouth does not believe that there should be any retroactive application of the FCC's decision.

Q. What is BellSouth's proposal for cost recovery of interim number portability?

A. As explained more fully in my direct testimony, the current Florida Order should simply be maintained until such time as the solution for permanent number portability can be implemented. This is consistent with the Florida statutes. BellSouth suggests that the FPSC could adopt a "wait and see" position pending the resolution of BellSouth's August 26, 1996 Petition for Reconsideration or Clarification and the other appeals and petitions taken by various parties on the FCC's First Report and Order in CC Docket No. 95-116. BellSouth firmly believes that the FCC's Order as it pertains to cost recovery of interim umber portability is unlawful and confiscatory.

1 Q. GTE presented an alternative proposal. Does BellSouth propose an alternative  
2 to the FPSC simply maintaining their current Order?

3

4 A. Yes. As an alternative, BellSouth recommends that each company be required  
5 to track and record their costs of providing interim number portability. When  
6 the cost recovery mechanism for long term number portability becomes  
7 effective, the costs incurred by each company of providing interim number  
8 portability, including adjustments for interest, will be recovered using the same  
9 long term number portability cost recovery mechanism approved by the FCC.  
10 Thus, the recording and tracking of costs for interim number portability would  
11 be a simple monthly calculation of the number of customers who are porting  
12 telephone numbers, times the current interim number portability rate ordered  
13 by the Florida PSC. When the mechanism for long term number portability  
14 cost recovery becomes effective, the costs of interim number portability,  
15 including appropriate interest, would then be allocated back to each carrier  
16 using the FCC approved long term number portability cost recovery  
17 mechanism. If the Florida Order is still viewed as inconsistent with the cost  
18 recovery mechanism for long term number portability, then the FPSC would  
19 still have the option of modifying their Order at that time.

20

21 Q. Does this conclude your testimony?

22

23 A. Yes.

24

25

1 BY MR. CARVER:

2 Q Mr. Varner, could you please summarise your  
3 testimony?

4 A Yes. First I want to thank you for the  
5 opportunity to give you BellSouth's views on our  
6 position concerning cost recovery for interim number  
7 portability.

8 First of all I want to point out that  
9 BellSouth strongly supports competition in the  
10 Telecommunications Act of 1996. We believe in the  
11 benefits of competition. However, the FCC's  
12 interpretation of the Act as evidence in the cost  
13 recovery guidelines for remote call forwarding and  
14 direct inward dialing do not permit local exchange  
15 companies to fully recover their costs of providing  
16 these services.

17 In spite of the fact that the rate setting  
18 for these services has traditionally been left to the  
19 state commissions, the FCC established guidelines that  
20 effectively preempts intrastate ratemaking authority.

21 BellSouth believes that the Telecom Act  
22 gives the FCC authority only over cost recovery for  
23 permanent number portability, or as they term it long  
24 term number portability. I think the definition of  
25 number portability in the Act clearly identifies that

1 this is the case.

2           Furthermore, by expressly prohibiting the  
3 payment by an ALEC cost causer for payment of an  
4 amount that is not close to zero, in quotes, the FCC  
5 has required incumbent LECs, such as BellSouth, to  
6 provide intrastate services below cost and at  
7 confiscatory levels. The Florida Statute, however,  
8 requires that the price for interim number portability  
9 shall not be below costs.

10           As I previously stated, BellSouth believes  
11 in and wants competition. But -- and this is  
12 important -- we should not be asked to have our  
13 customers and stockholders pay the business expenses  
14 of our competitors. I don't believe that's what  
15 Congress meant by competition. Number portability,  
16 whether it is interim or long term, is meant to  
17 increase or enhance competition, not negate it.

18           What we really have here is a set of very  
19 conflicting situations. We have the Telecom Act  
20 which we believe is a very clear statement of the  
21 FCC's authority over long term number portability. We  
22 have an FCC order which at best can be called  
23 confusing and contradictory within itself. And we  
24 have a Florida Statute which is very clear in that the  
25 cost of number portability shall not be below cost.

1           Given this situation, what I would recommend  
2 that the best course of action for this Commission to  
3 take would be to stand pat with what it has done. The  
4 Commission is now here for the second time hearing  
5 about interim number portability and I think would  
6 like to avoid having to do this a third time. I think  
7 the easiest way to do that at this point is to hold  
8 with what the Commission has done until such time as  
9 the smoke clears somewhat around the FCC's order.  
10 It's subject to reconsideration, and as of last week  
11 as I understand it, US West had filed something in the  
12 US Court of Claims asking for some \$20 million for  
13 implementation.

14           If the Commission doesn't feel comfortable  
15 standing with the order that it's previously issued  
16 and based on the evidentiary record that it had, the  
17 alternative that I propose, which would be to have  
18 everyone just track their costs and insert those costs  
19 into the cost recovery mechanism for long term number  
20 portability would be another alternative that I think  
21 provides the Commission with a way of dealing with the  
22 degree of conflict that currently exists.

23           In any event, the last issue I'd like to  
24 discuss is the issue of retroactivity. I don't  
25 believe there's any retroactive application of the

1 FCC's order that should be taken since it would, in  
2 effect, constitute unlawful retroactive ratemaking.  
3 The Florida order established the price to be charged  
4 in the cost recovery mechanism for remote call  
5 forwarding. It should be uphill and maintained as  
6 appropriate.

7           As I previously stated, the directives  
8 surrounding the number portability situation at this  
9 time are pretty confusing, and to a large extent in  
10 conflict. I believe this Commission should leave its  
11 current order in place, or if it feels uncomfortable  
12 doing that, to put in place the alternative that I  
13 recommend which is have everyone track their own costs  
14 and put that into the permanent mechanism. Thank you.

15           That concludes my summary.

16           **MR. CARVER:** Mr. Varner is available for  
17 cross examination.

18           **CHAIRMAN CLARK:** Ms. Caswell.

19           **MS. CASWELL:** No questions.

20           **CHAIRMAN CLARK:** Mr. Wahlen.

21           **MR. WAHLEN:** No questions.

22           **CHAIRMAN CLARK:** Mr. Wiggins.

23           **MR. WIGGINS:** No questions.

24           **CHAIRMAN CLARK:** Ms. McMillin.

25           **MS. McMILLIN:** No questions.

1           **CHAIRMAN CLARK:** Mr. Rindler.

2           **MR. RINDLER:** I just have a couple of  
3 questions.

4                           **CROSS EXAMINATION**

5 **BY MR. RINDLER:**

6           **Q**     Good morning, Mr. Varner. Rich Rindler  
7 representing MFS.

8                         The Florida order has been in place now  
9 since January?

10          **A**     I think that's right, January or February.

11          **Q**     What has been the demand for number  
12 portability from ALECs in Florida?

13          **A**     I'm not sure. I've tried to ascertain that.  
14 If there is any demand it is very small. I know MCI  
15 and AT&T, we've asked them. They don't have any and I  
16 haven't been able to find anyone who is in business  
17 who says they bought any.

18          **Q**     You were speaking a minute ago about the  
19 Florida Statute. I believe you were talking about  
20 Section 364.16; is that right?

21          **A**     I think that's right. I've got it quoted  
22 somewhere in my testimony. Subject to check, I'll  
23 accept that.

24          **Q**     Page 5 of your testimony.

25          **A**     I don't see it on Page 5. But subject to

1 check I'll accept that. Actually it's on Pages 3 and  
2 8.

3 Q You were talking a minute ago about the fact  
4 that the FCC's order was confusing and perhaps  
5 inconsistent. Do you recall that?

6 A Yes.

7 Q Could you show me where it is in this  
8 statute that it says that rates for temporary number  
9 portability should be set at or above cost?

10 A I didn't hear the last part. You said at or  
11 above?

12 Q Yes.

13 A Yes. On Page 8 -- well, I guess the section  
14 actually starts being quoted on Page 3 but the  
15 relevant part is on Page 8 of my testimony, which says  
16 "In the event the parties are unable to satisfactorily  
17 negotiate the prices, terms and conditions --" it's  
18 referring to number portability, "either party may  
19 petition the Commission, and the Commission shall,  
20 after an opportunity for a hearing, set the rates and  
21 conditions. The prices and rates shall not be below  
22 cost."

23 Q Do you have the full text of that in front  
24 of you?

25 A Not the full text. I have the first part of



1 it which is on Page 3 of my testimony.

2 Q Isn't the sentence that you read "if the  
3 parties aren't able to successfully negotiate --"

4 COMMISSIONER GARCIA: Is there something we  
5 can do about the mikes, maybe turn down the volume or  
6 something?

7 MR. RINDLER: I'll just step back --

8 COMMISSIONER GARCIA: No, it's not your  
9 fault. I know, but --

10 CHAIRMAN CLARK: I think they heard you.  
11 Joy, are they listening in?

12 THE REPORTER: I think so.

13 CHAIRMAN CLARK: If we don't get it  
14 addressed in a little bit I'll give them a call. Go  
15 ahead, Mr. Rindler.

16 BY MR. RINDLER:

17 Q The sentence you were reading "If the  
18 parties aren't able to successfully negotiate the  
19 prices, terms and conditions," isn't that for  
20 temporary number portability solutions?

21 MR. CARVER: I'm going to object. If the  
22 witness is going to be asked questions about the full  
23 text, I think he should be provided with a copy of the  
24 text so he can look at it rather than trying to do  
25 this from memory.

1           **MR. RINDLER:** Actually I was asking about  
2 the questions that were in his testimony, but we'll  
3 provide him with a full copy.

4           (Hands document to witness)

5           **CHAIRMAN CLARK:** Is there a question  
6 pending?

7           **MR. RINDLER:** He just answered that he sees  
8 that.

9           **Q**        **(By Mr. Rindler)** So it does apply to  
10 temporary number portability; is that correct?

11          **A**        It does apply to temporary number  
12 portability, yes.

13          **Q**        And the statute then goes on to talk about  
14 permanent number portability. Do you see that? The  
15 statute then discusses permanent number portability.  
16 Do you see that?

17          **A**        Following the section that I just quoted in  
18 my testimony, yes.

19          **Q**        And it then says -- does the statute then  
20 provide for a mechanism for setting rates for  
21 permanent number portability?

22          **A**        Yes. Essentially it's the same mechanism  
23 that is used for temporary number portability; that  
24 "The Commission shall have the opportunity for  
25 hearings, set the rates, terms and conditions, and the

1 prices of rates shall not be below cost." That's the  
2 same wording it has for temporary.

3 Q Where do you see that the prices should not  
4 be below cost?

5 A This doesn't have line numbers on it so I  
6 can't refer you to a line number, but it's the next to  
7 last sentence.

8 Q And it's clear to you that that sentence, in  
9 fact, relates to temporary and permanent number  
10 portability?

11 A Yes.

12 Q On what do you base that?

13 A The way that it is written.

14 MR. RINDLER: Thank you. I have no further  
15 questions.

16 CHAIRMAN CLARK: Ms. Wilson.

17 CROSS EXAMINATION

18 BY MS. WILSON:

19 Q Thank you. Good morning, Mr. Varner.

20 A Good morning.

21 Q Following up on a question from Mr. Rindler  
22 a minute ago regarding the provisions of a law that  
23 state that the price shall not be below cost, does the  
24 statute delineate any particular cost standard?

25 A No, it does not.

1 Q Would you agree that would be within the  
2 Commission's discretion?

3 A Yes.

4 Q Okay. As I understand your position it's  
5 that the cost causer should pay the cost he or she  
6 imposes on BellSouth in this proceeding; is that  
7 correct?

8 A Yes.

9 Q Do you have a copy of FCTA's First Set of  
10 Interrogatories or BellSouth's Responses to FCTA's  
11 First Set of Interrogatories?

12 A Not with me, no.

13 (Hands document to witness.)

14 Q Just so the record is clear I'm referring to  
15 hearing exhibit number 2, beginning about Page 32.

16 Would you agree, Mr. Varner, that  
17 BellSouth's retail call forwarding services have been  
18 available for some time in all major switch types?

19 A Yes.

20 Q Okay. Has BellSouth determined the  
21 incremental cost incurred to provide call forwarding  
22 to ALECs as the interim number portability solution?

23 A I can't really answer that one yes or no.  
24 We submitted a cost study in the previous proceeding.  
25 I think that was done in '95. We have been directed

1 by the Commission to go back and do another cost study  
2 and submit it by March of '97 and we're in the process  
3 of doing that now.

4 I think the cost study we submitted was  
5 sufficient, but evidently there were some concerns  
6 about that and we were directed to go back and do  
7 another cost study. That's what we're doing.

8 Q But does the 1995 cost study show the  
9 incremental costs over and above call forwarding that  
10 are incurred to provide interim number portability to  
11 the ALEC?

12 A Just the incremental cost of using remote  
13 call forwarding as the interim number portability  
14 solution. The issue was not what were the costs over  
15 and above call forwarding. Remote call forwarding was  
16 the solution. So it was what was the cost of  
17 utilizing remote call forwarding as the interim number  
18 portability.

19 Q So you don't really know how much additional  
20 cost BellSouth incurs to provide call forwarding to  
21 ALECs as number portability, isn't that correct?

22 A It would be -- no, it's not correct. It  
23 would be whatever it cost us to provide remote call  
24 forwarding to the ALEC as an interim number  
25 portability solution. We would not first provide call

1 forwarding and then have costs over and above call  
2 forwarding that are unique to the ALEC. We would be  
3 providing them remote call forwarding as the interim  
4 number portability solution.

5 Q So you are saying then that there are no  
6 costs that are unique to providing remote call  
7 forwarding as interim number portability over and  
8 above call forwarding.

9 A No, that's not what I'm saying.

10 Q Okay. Would you clarify what you are  
11 saying?

12 A What I'm saying is we're using remote call  
13 forwarding as the interim number portability solution.  
14 We did a cost study in 1995 to identify the cost of  
15 doing that. We were instructed by the Commission to  
16 do another cost study of that and submit it by March  
17 31st of 1997. We are doing that cost study now, but  
18 it is the cost of utilizing that capability for the  
19 interim number portability solution. It's not the  
20 cost of identifying what it would cost to provide call  
21 forwarding and then trying to identify what it would  
22 cost over and above providing call forwarding that  
23 will be used for interim number portability. Because  
24 that's not what the ALEC would do. They are not  
25 coming in and saying, "We want call forwarding and

1 then we want to buy something else that is unique."  
2 We want to use remote call forwarding and that's what  
3 we're identifying the cost of.

4 Q Has BellSouth determined the additional or  
5 incremental cost it would incur in billing ALECs for  
6 interim number portability?

7 A It would be included in the cost study. It  
8 would have been included in the one we filed in  
9 October of '95 and it would be included in the new one  
10 we that filed in March of '97.

11 Q Would you agree that if the incremental cost  
12 of billing and collecting exceeds the incremental cost  
13 of providing interim number portability that you  
14 should just use the bill and keep method?

15 A No.

16 Q Why not?

17 A I don't see how you even reach that  
18 conclusion.

19 Remote call forwarding is not something new  
20 and special. It's been around for years. Like with  
21 any service, if you offer the service you have to bill  
22 the service. That's an integral part of providing the  
23 service is what it costs you to render a bill.

24 So I don't understand why that would mean  
25 that for some reason, because it costs something to

1 bill the service that you shouldn't bill it because  
2 you are already offering it.

3 Q But as I understand your testimony earlier  
4 your March 1997 study will include the incremental  
5 cost that BellSouth will incur in billing ALECs for  
6 interim number portability; is that correct?

7 A Billing it?

8 Q Yes, for billing it?

9 A As it was included in the '95 cost study.

10 MS. WILSON: Okay. Thank you. No further  
11 questions.

12 CHAIRMAN CLARK: Ms. Weiske.

13 CROSS EXAMINATION

14 BY MS. WEISKE:

15 Q Good morning, Mr. Varner.

16 A Good morning.

17 Q My name is Sue Weiske and I'm here

18 representing Time Warner Communications.

19 I'm a little puzzled by your recommendation

20 to the Commission that they maintain the current

21 tariffed rates in place for RCF for ALECs.

22 Is it your belief that the current tariffed  
23 rates recover your cost of offering RCF to the various  
24 ALECs?

25 A I think they are very close. If I remember



1 right, the tariff rate was actually a little bit below  
2 the cost study that we submitted in 1995. But we were  
3 directed to do another cost study and submit it in  
4 March of '97. And I won't be able to tell whether the  
5 tariff rates are below or above that amount until the  
6 cost study is completed and submitted.

7 Q But the rates that are in place by tariff  
8 generally recover your costs for RCF for ALECs, right,  
9 to offer that service to the ALECs?

10 A I think it's pretty close. As I said, my  
11 memory serves me correctly, I believe the tariff rate  
12 is slightly below the cost that we submitted in the  
13 study that was submitted in '95.

14 Q Does BellSouth in the tariffed approach  
15 absorb any of the costs of offering RCF to Time Warner  
16 for example?

17 A Absorb. I don't believe so, no.

18 Q Is the current FCC order that you talked  
19 about in your summary as contradictory, has that order  
20 been stayed by any court that you are aware of?

21 A No, it has not.

22 Q Is it your understanding as a nonlawyer if  
23 that order has not been stayed that it is currently in  
24 effect?

25 A Yes.

1           Q     Okay. Paragraph 138 of that order that says  
2 "Requiring the new entrants to bear all of the costs  
3 measured on the basis of incremental costs of  
4 currently available number portability methods would  
5 not comply with the statutory requirement of Section  
6 251(e)(2)."

7                     Do you think keeping a current tariffed rate  
8 in place where all the costs are incurred by the ALEC  
9 is consistent with the concern the FCC raised in that  
10 paragraph?

11           A     No. In fact, I don't believe that proposal  
12 is consistent with the FCC's order. However, I don't  
13 believe that that interpretation by the FCC is  
14 consistent with the Telecom Act, first in that it -- I  
15 believe the Telecom Act really states that they have  
16 the authority to establish a cost recovery mechanism  
17 for long term number portability. And if you look at  
18 the definition of long term number portability that's  
19 true. But if you put that aside there are a number of  
20 contradictions in the order.

21                     For example, the Order says that the rates  
22 negotiated by parties in Florida are appropriate. All  
23 right. Now, if you take that, you would have to  
24 believe that the Order also says that even though we  
25 believe those rates are appropriate, we don't think

1 it's appropriate for them to be applied. To me that's  
2 a direct contradiction. It says "parties, all  
3 carriers," not just ALECs, should be allowed to earn  
4 normal returns. However, the ILEC cannot recover any  
5 of its cost, so how can it earn a normal return on its  
6 cost?

7 That's just a couple of examples. If you  
8 read through the thing there are a number of conflicts  
9 and contradictions, which hopefully will be cleared up  
10 in the reconsideration process. And until that  
11 happens, I'm suggesting the best thing for the  
12 Commission to do is to stand pat with what they have  
13 because they have a very clear Florida statute that  
14 says the prices can't be below cost, and currently I  
15 think that's where they are.

16 Q But I didn't ask you about the Florida  
17 statute, Mr. Varner. I asked you if you agreed that  
18 Paragraph 138 of a FCC order that is currently in  
19 effect would preclude this Commission from continuing  
20 to permit a tariff that puts all of the costs on the  
21 ALEC to exist. And I thought you said you agreed that  
22 that would not be permissible under Paragraph 138.  
23 Did I misunderstand your earlier response to me?

24 A I think the question is a little bit  
25 different. I can't answer the question of whether or

1 not it precludes anything. I think that calls for a  
2 legal opinion beyond my ability. I can answer this:  
3 I don't think that keeping the tariff rates in place  
4 is consistent with that provision of the order. I  
5 believe there's definitely an inconsistency there.  
6 The only point I was trying to make, there are a  
7 number of inconsistencies within the order itself.

8 Q And I appreciate that. But I was asking you  
9 about Paragraph 138, and I think you said now for the  
10 second time that the tariffed rates in place are not  
11 consistent with that paragraph; is that fair?

12 A That's fair.

13 MS. WEISKE: That's all I have. Thank you.

14 MS. DUNSON: No questions.

15 CHAIRMAN CLARK: Mr. Self.

16 CROSS EXAMINATION

17 BY MR. SELF:

18 Q I'm going to try to do this in one question.  
19 Mr. Varner, Floyd Self for AT&T Wireless.

20 Should the carriers not using interim number  
21 portability be excluded from the interim number  
22 portability cost recovery?

23 A Yes, I think they should.

24 MR. SELF: That's all I have.

25 CHAIRMAN CLARK: Thank you. Staff.

1           **MR. COX:** Staff has several questions.

2                           **CROSS EXAMINATION**

3 **BY MR. COX:**

4           **Q**     Good morning, Mr. Varner, this is Will Cox  
5 appearing for Commission Staff.

6           **A**     Good morning.

7           **Q**     Staff has several questions referring to  
8 your direct testimony and your rebuttal testimony if  
9 you have a copy of those in front of you.

10                   On Page 5 of your direct testimony, Line 21  
11 you state that "The Act distinguishes between number  
12 portability and interim number portability."

13           **A**     Yes.

14           **Q**     Where in the Act is this distinction made,  
15 to your recollection?

16           **A**     Yes. When you look at the Act it references  
17 number portability, I think, in three places. It's  
18 251(b)(2), 251(e)(2) and 271 -- I can't remember the  
19 subsection of 271.

20                   In 251(b)(2) and (e)(2) it talks about  
21 number portability. And if you go back and look at  
22 the definition of number portability in the Act it  
23 says "The term number portability means the ability of  
24 users of telecommunications services to retain at the  
25 same location existing telecommunications numbers

1 without impairment of quality, reliability or  
2 convenience when switching from one telecommunications  
3 carrier to another." That's what it says for number  
4 portability.

5           The first time it mentions interim number  
6 portability is in 271, which is the checklist entry in  
7 interLATA. Both the FCC, this Commission and I think  
8 virtually all of the parties agree that RCF and DID  
9 do, in fact, impair the quality and reliability of the  
10 service they provide. It is not a number portability  
11 mechanism that is, I would guess, on a par with long  
12 term. It does, in fact -- it's an inferior mechanism.

13           Given that it's an inferior mechanism, I  
14 think that part of the Act's definition was  
15 specifically designed to exclude those type  
16 mechanisms.

17           Q     As far as the reference in Section 271,  
18 doesn't the reference to interim number portability in  
19 Section 271 only apply to the RBOCs?

20           A     Yes. It's a checklist item that we have to  
21 meet for entry into long distance.

22           Q     If so, why does BellSouth believe the  
23 reference to number portability in Section 251(e)(2)  
24 only applies to permanent number portability?

25           A     As I said, when you look at the definition

1 in the Act, it says that number portability -- and I  
2 won't go through the whole thing -- but the relevant  
3 part is that without impairment of quality,  
4 reliability or convenience. And virtually everybody  
5 agrees, that RCF and DID do not beat that criteria.  
6 So consequently it can't be number portability as  
7 contemplated under 251(e)(2) and (b)(2)

8 Q My next question refers to Page 7 of your  
9 direct testimony, Line 15 through 21. And in lines 15  
10 through 21 you seem to indicate that the FCC decision  
11 requires BellSouth to renegotiate all of the  
12 interconnection agreements approved pursuant to  
13 Section 252 of the Act in order to address the pricing  
14 of interim number portability.

15 A I'm sorry, I didn't hear the page number.

16 Q Page 7.

17 A 7.

18 Q That's Line s 15 through 21 on Page 7 and  
19 I'll restate that. In lines 15 through 21 you seem to  
20 indicate that the FCC decision requires BellSouth to  
21 renegotiate all of the interconnection agreements  
22 approved pursuant to Section 252 of the Act in order  
23 to address the pricing of interim number portability.

24 A On Page 7? (Pause)

25 Q Page 7, Lines 15 through 21.

1 MS. WHITE: Of the direct testimony?

2 WITNESS VARNER: That's what I'm looking at.  
3 I don't see that. Page 7 -- ask the question again.

4 Q (By Mr. Cox) Yes. In Lines 15 through 21  
5 you seem to imply in those lines, that the FCC  
6 decision requires BellSouth to renegotiate all of the  
7 interconnection agreements approved pursuant to  
8 Section 252 of the Act in order to address the pricing  
9 of interim number portability.

10 A Oh, no. That's where I was confused. Those  
11 are not the decisions -- that's not the agreements I  
12 was referring to. I was referring to the agreements  
13 we have negotiated for interim number portability, and  
14 Florida's order that approved the stipulation and  
15 established a tariff for interim number portability.  
16 I'm not talking about the interconnection agreements  
17 that were negotiated under 252.

18 Q Would you agree that Section 252(1)(a)  
19 allows the parties to negotiate any agreement  
20 regardless of the requirements of Section 251 of the  
21 Act?

22 A No. I think it requires -- it allows the  
23 parties to negotiate an agreement to carry out the  
24 duties of Section 251, but they don't have to comport  
25 with the conditions that are prescribed under 251 but



1 it's the same duties that are listed under 251.

2 Q On Page 13 of your testimony, starting at  
3 Line 9, Page 13, you discuss TELRIC. In your opinion  
4 is the Commission required to price interim number  
5 portability based on TELRIC?

6 A No. That part -- the TELRIC methodology was  
7 stayed by the 8th circuit. This was pointing out that  
8 even if, in fact -- pointing out somewhat of a  
9 contradiction. That in this order the Commission has  
10 issued it doesn't even comport with what they  
11 determined in their interconnection order to be the  
12 proper way to price elements and introduce  
13 competition.

14 Q Now, I'd like to go to your rebuttal  
15 testimony. Page 6 of your rebuttal testimony. On  
16 Page 6 you state that BellSouth supports Southwestern  
17 Bell's proposal of cost recovery. Could you explain  
18 what Southwestern Bell's proposal for cost recovery  
19 is?

20 A That has to do with long term. It's not an  
21 interim mechanism.

22 As I understand it -- I'm doing this  
23 somewhat from memory and it's been a while since I've  
24 looked at it -- what they've proposed to do is  
25 establish a national pool wherein the cost of long

1 term number portability are put into that pool. And  
2 each carrier will have to cover a portion of that cost  
3 based on a distribution utilizing access lines -- and  
4 they had a name for it; I can't recall what it is.  
5 But for example, a local exchange company would count  
6 the access lines that it serves for local exchange  
7 service. An IXC would count each of its presubscribed  
8 access lines for interLATA, and I guess ALECs would  
9 count their presubscribed lines. Then you would  
10 divide up the cost in that pool and say, "Okay, an IXC  
11 would have to cover X part and an ALEC would have to  
12 cover X part and an incumbent LEC to have to cover X  
13 part." The way that would be recovered would be  
14 through an end user surcharge that would apply until  
15 those costs are recovered and then the surcharge would  
16 go away.

17           So if BellSouth had to recover -- if its  
18 assessment of this total national pool amount,  
19 BellSouth in Florida was \$10 million, let's say, what  
20 we would have to do is establish a surcharge that  
21 would be on each of our customer's bills for a period  
22 of time, and I think they said three to five years is  
23 the length of time to recover that \$10 million, and  
24 then that surcharge would go away.

25           Q       That would be strictly a long term --

1           A     Yes, that's a long term number portability  
2 cost recovery mechanism.

3           Q     The next question refers again to Page 6 and  
4 Line 16 this time.

5                     Line 16 of your rebuttal testimony on Page 6  
6 you state that you do not agree with MCI's proposal of  
7 meet-point billing for access charges?

8           A     Yes, that's correct.

9           Q     Now, is this approach to your understanding  
10 required or recommended in the FCC order on number  
11 portability?

12          A     No, it's not. Not to my understanding.

13          Q     What is your understanding?

14          A     Okay. The FCC did address this, and the  
15 reason I disagree with the MCI approach is one, it's  
16 unnecessary, and second, it can't be done anyway.

17                     Trying to determine how to properly bill  
18 access charges is not something that is unique to  
19 number portability. It's an issue that is a part of  
20 interconnection.

21                     What the FCC really said was that well, the  
22 best way to probably deal with this is to deal with it  
23 the same way you do with independent companies, and  
24 there's kind of two ways to do that.

25                     One is that whoever -- the first company is

1 that receives the call from the carrier bills the  
2 carrier in its entirety, and then they have a billing  
3 arrangement with the other company that the call is  
4 send to.

5 A simple example would be AT&T or MCI sends  
6 the call through our switch, we bill them the access.  
7 And if the call subsequently goes to Indiantown  
8 Telephone Company, Indiantown may bill us access for  
9 the part that they handle.

10 The other way is that both parties could  
11 bill the carrier individually, which works on long  
12 distance calls but it wouldn't work on number  
13 portability because the ALEC wouldn't know who to  
14 bill.

15 That's why I said it's really unnecessary  
16 because we have mechanisms in place and we have been  
17 negotiating mechanisms on how to deal with that, with  
18 ALECs anyway. You ought to use the same mechanism  
19 here.

20 And it can't be done because what they are  
21 saying is each carrier would bill it individually, and  
22 in the case of ALECs they wouldn't know who to bill.

23 Q Is the method you're referring to the method  
24 how today LECs terminate their tariff? Is that what  
25 you mean by that?

1           **A**     By --? I was referring to the method that  
2 we used today with independent companies and the  
3 method we have been negotiating with other ALECs.

4           **Q**     In that mechanism, who collects the CCL and  
5 RIC? R-I-C?

6           **A**     What happens in that type of a mechanism --  
7 if you assume it's a a single bill method, what would  
8 happen is we would bill the full access to the IXC,  
9 and then the independent would bill us access. So I  
10 guess technically we actually collect it for the IXC,  
11 but then they have to turn around and pay some part of  
12 it to the independent.

13                   **CHAIRMAN CLARK:** Mr. Cox, what was your  
14 question again?

15                   **MR. COX:** The question was regarding the  
16 mechanism we were discussing, and --

17                   **CHAIRMAN CLARK:** You asked with respect to  
18 RIC and what else?

19                   **MR. COX:** CCL which is -- carrier common  
20 line.

21                   **CHAIRMAN CLARK:** Be specific. Would you  
22 keep the RIC?

23                   **WITNESS VARNER:** If we were providing a  
24 transport function, yes, we would keep the RIC.

25                   **CHAIRMAN CLARK:** Okay.

1           Q           (By Mr. Cox) Again on Page 6 of your  
2 rebuttal testimony, Line 6, and you state that "MCI  
3 and BellSouth have already reached an agreement on  
4 meet-point billing for access charges associated with  
5 ported calls." Could you explain what this agreement  
6 is?

7           A           I don't really recall what the agreement is.  
8 I remember that we had reached -- if I remember right  
9 I think it was part of the partial agreement we had  
10 with MCI on interconnection, if I remember correctly.  
11 I just don't remember the details of it.

12          Q           Mr. Varner, are you aware of other temporary  
13 number portability solutions in addition to remote  
14 call forwarding?

15          A           Yes.

16          Q           If the LECs are required to provide these  
17 other solutions, should the cost recovery mechanisms  
18 developed in this proceeding apply to all temporary  
19 solutions?

20          A           All of them that are solutions, that's  
21 correct. And the reason I qualify that answer is that  
22 there are a couple of things that have been -- at  
23 least one, anyway, I know of that's been, I guess,  
24 proposed as a solution which is not really a viable  
25 solution, and that's the local exchange ruling guide

1 reassignment. I don't believe that's a viable  
2 solution. But for use of direct inward dialing, I  
3 think the same mechanism would apply. And for the  
4 root index portability hub I think the same mechanism  
5 would apply.

6 Q So the same mechanism for all of those  
7 methods?

8 A For those methods, yes.

9 Q Has BellSouth provided temporary number  
10 portability to any carrier in Florida to your  
11 knowledge as of this date?

12 A Not to my knowledge.

13 Q Does BellSouth expect to route traffic that  
14 is ported in the same manner as any other traffic is  
15 routed to a specific ALEC?

16 A Well, no, it would have to be different.

17 Q How would it be different?

18 A Well, if it's a ported number and it was a  
19 customer who was formerly ours so the number is in our  
20 switch, then what is happening is the call is coming  
21 into us and then it's going to turn around and be sent  
22 over to the ALEC; we're going to do some translations  
23 and so forth in the switch. If it was not a ported  
24 number then we wouldn't be doing those translations.

25 So that functionality is what gives rise to

1 the cost associated with utilizing remote call  
2 forwarding as an interim number portability mechanism.

3 Q For number portability, would the ALEC  
4 receive traffic in the same manner that it receives  
5 for interconnection traffic?

6 A I don't believe so. Because as I said,  
7 we'll have the functionality to provide the remote  
8 call forwarding, assuming it's remote call forwarding  
9 is the mechanism that is being used, which would not  
10 exist on just a regular call that was, say, originated  
11 with one of our customers and terminated with the  
12 ALEC.

13 MR. COX: That concludes Staff's questions.

14 CHAIRMAN CLARK: Commissioners. Redirect?

15 MR. CARVER: No redirect.

16 CHAIRMAN CLARK: Thank you, Mr. Varner. You  
17 are excused.

18 (Witness Varner excused.)

19 - - - - -

20 CHAIRMAN CLARK: Ms. Menard.

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**BEVERLY Y. MENARD**

was called as a witness on behalf of GTE of Florida  
and, having been duly sworn, testified as follows:

**DIRECT EXAMINATION**

**BY MS. CASWELL:**

**Q** Please state your name and business address?

**A** My name is Beverly Y. Menard. My business  
address is One Tampa City Center, Tampa, Florida  
33601.

**Q** By whom are you employed and in what  
capacity?

**A** I'm employed by GTE Florida as the Regional  
Director, Regulatory and Industry Affairs.

**Q** Did you submit direct testimony in this  
proceeding?

**A** Yes, I did.

**Q** Do you have any changes to that testimony?

**A** No, I do not.

**Q** So if I asked you those same questions today  
your answers would remain the same?

**A** Yes, they would.

**MS. CASWELL:** Madam Chairman, I move to have  
the direct testimony of Ms. Menard inserted into the  
record as though read.

**CHAIRMAN CLARK:** It will be inserted into

1 the record as though read.

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## 1 GTE FLORIDA INCORPORATED

## 2 TESTIMONY OF BEVERLY Y. MENARD

## 3 DOCKET NO. 950737-TP

4

5 Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND  
6 POSITION WITH GTE FLORIDA INCORPORATED (GTEFL).

7 A. My name is Beverly Y. Menard. My business address is One Tampa  
8 City Center, Tampa, Florida 33601-0110. My current position is  
9 Regional Director - Regulatory and Industry Affairs.

10

11 Q. WILL YOU BRIEFLY STATE YOUR EDUCATIONAL  
12 BACKGROUND AND BUSINESS EXPERIENCE?

13 A. I joined GTEFL in February 1969. I was employed in the Business  
14 Relations Department from 1969 to 1978, holding various positions  
15 of increasing responsibility, primarily in the area of cost separations  
16 studies. I graduated from the University of South Florida in June of  
17 1973 receiving a Bachelor of Arts Degree in Business Administration  
18 with an Accounting Major. Subsequently, I received a Master of  
19 Accountancy Degree in December of 1977 from the University of  
20 South Florida. In March of 1978, I became Settlements Planning  
21 Administrator with GTE Service Corporation. In January of 1981, I  
22 was named Manager-Division of Revenues with GTE Service  
23 Corporation, where I was responsible for the administration of the  
24 GTE division of revenues procedures and the negotiation of  
25 settlement matters with AT&T. In November of 1981, I became

1 Business Relations Director with GTEFL. In that capacity, I was  
2 responsible for the preparation of separations studies and connecting  
3 company matters. Effective February 1987, I became Revenue  
4 Planning Director. In this capacity, I was responsible for revenue,  
5 capital recovery and regulatory issues. On October 1, 1988, I  
6 became Area Director - Regulatory and Industry Affairs. In that  
7 capacity, I was responsible for regulatory filings, positions and  
8 industry affairs in eight southern states plus Florida. In August 1991,  
9 I became Regional Director - Regulatory and Industry Affairs for  
10 Florida. I am responsible for regulatory filings, positions and industry  
11 affairs issues in Florida.

12

13 **Q. HAVE YOU EVER TESTIFIED BEFORE THE FLORIDA PUBLIC**  
14 **SERVICE COMMISSION?**

15 A. Yes. I have testified before this Commission on numerous occasions.

16

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
18 **DOCKET?**

19 A. The purpose of my testimony is to present GTEFL's positions on the  
20 issues on interim number portability (INP) in this docket.

21

22 **Q. DID THE FCC SET FORTH GUIDELINES FOR THE RECOVERY OF**  
23 **COSTS ASSOCIATED WITH NUMBER PORTABILITY?**

24 A. Yes. The FCC set forth guidelines for the recovery of the costs of  
25 INP. These guidelines, however, were not intended to preempt state

1 tariffs, where such tariffs have been or may be established. After the  
2 FCC stated that it sought to articulate "general criteria" for cost  
3 recovery in the Number Portability Order, it went on to state that  
4 "States are also free, if they so choose, to require that tariffs for the  
5 provision of currently available number portability measures be filed  
6 by the carriers." Id. ¶ 127. To the extent the Commission has already  
7 done this, it has complied with the Number Portability Order and the  
8 inquiry into cost recovery methodology should be at an end.

9  
10 With regard to the FCC's guidelines, however, the FCC has  
11 interpreted the Act to require that the costs of INP be borne by all  
12 carriers on a competitively neutral basis. Section 251(e)(2) is the  
13 source of this requirement. Section 251(e)(2), however, does not  
14 mention INP, as the Act itself does not distinguish long-term number  
15 portability from INP -- this was a distinction made by the FCC in order  
16 to implement number portability required by the Act as soon as  
17 possible. See Number Portability Order, ¶ 110. Nevertheless, the  
18 idea that the costs of number portability be borne by all carriers on a  
19 competitively neutral basis would seem to imply that these are costs  
20 incurred by all carriers to support a single system, such as a  
21 database system for long-term number portability. The concept  
22 makes very little sense, however, in the context of INP. First, INP is  
23 only a temporary, stop-gap measure designed to implement number  
24 portability as soon as possible. Second, virtually all of the costs of  
25 INP are incurred solely by the ILEC providing the service. As such,

1 GTE submits that competitively neutral cost principles are not  
2 applicable in the context of INP, despite the FCC's interpretation.

3

4 Nevertheless, assuming that INP must, under the Act, be provided  
5 according to competitive neutrality, some of the ALEC's interpretation  
6 of competitive neutrality would essentially place GTE's costs at zero.  
7 This, however, is by no means what Congress intended by  
8 competitive neutrality, nor what the FCC had in mind when they  
9 interpreted the term. "Competitive neutrality" means that INP cannot  
10 be priced such that it places any provider in a competitively  
11 disadvantaged position. In discussing and setting forth  
12 methodologies for the pricing of INP, the FCC focused on competitive  
13 neutrality as regards ALECs -- that is, INP should not require ALECs  
14 to pay more to service a customer and thus place the ALEC at a  
15 competitive disadvantage. See Number Portability Order, ¶ 132.  
16 Competitive neutrality, however, has another side -- to the extent an  
17 ILEC providing number portability cannot recover its costs, that  
18 carrier incurs a loss occasioned solely by being required to provide  
19 INP. This loss could, of course, be passed on to the ILEC's  
20 customers if this were allowed by the Commission. However, the  
21 ILEC would then be at a competitive disadvantage as its rates would  
22 be higher because of number portability.

23

24 Alternatively, GTE could pass the costs of number portability on to its  
25 shareholders, resulting in a patently unconstitutional taking under the

1 Fifth Amendment of the United States Constitution as I have been  
2 advised by my lawyers.

3  
4 It is possible, however, to apply principles of competitive neutrality  
5 that will comport with the FCC's regulations by recognizing that  
6 ILECs, while they are presumed to be the primary parties to bear the  
7 costs of INP, will not be the only parties bearing such costs. To the  
8 extent an ILEC wins customers from a ALEC, ALECs will also bear  
9 costs of number portability to the extent they are required to switch  
10 and transfer calls to the ILEC. Allowing the parties to charge each  
11 other their tariffed rates for INP will permit each party to recover its  
12 respective costs while maintaining competitive neutrality insofar as all  
13 parties will be required to reimburse each other for the cost of INP.

14  
15 GTE also submits that the Commission can, alternatively, recognize  
16 that all costs of number portability ultimately pass to the consumer  
17 and, accordingly, establish an explicit pooling mechanism to recover  
18 those costs. GTE originally suggested such a system in the FCC's  
19 continuing number portability proceeding. See In re Telephone  
20 Number Portability, Comments of GTE, CC Docket No. 95-116, RM  
21 8535 (dated Aug. 16, 1996). As the FCC has left cost recovery for  
22 INP to the states, the Commission is free to adopt this system  
23 regardless of whether it is nationally implemented. Even under the  
24 methods proposed by the FCC's Number Portability Order, costs will  
25 be apportioned among carriers and, eventually, passed on to

1 customers, unless a carrier is expected to absorb an anti-competitive  
2 and possibly unconstitutional loss. See Number Portability Order, ¶  
3 136. Thus, if the Commission were to assess an end user charge on  
4 all local service and interexchange toll service customers to recover  
5 the costs of INP and, eventually, long-term number portability, it  
6 would simply make this charge explicit. Such a charge would be  
7 competitively neutral in the true meaning of the term: a common,  
8 unavoidable charge across all carriers that will prevent any  
9 competitive distortion resulting from customers gravitating to carriers  
10 assessing lower charges.

11  
12 Accordingly, a competitively neutral end user charge would have to  
13 be (1) explicitly identified as a separate line item charge for number  
14 portability on the customer's bill, (2) set at a uniform amount for all  
15 customers and (3) mandatory, in that all carriers would be required to  
16 collect it. Funds generated through the end user charge would be  
17 forwarded to a cost recovery pool administered by the Commission or  
18 its designee. The level of funding for this pool would be determined  
19 as follows. All carriers in the state would submit their estimates of  
20 costs incurred by the industry as a whole for number portability and  
21 all carrier specific costs for number portability. These estimates  
22 would be pooled, allowing the Commission to estimate total number  
23 portability costs for the coming year.

24  
25 The pool would then be funded through a mandatory, uniform charge



1 on all customers of local service and through charges collected by  
2 interexchange carriers for interexchange toll service. These charges  
3 would be established and collected as follows:

- 4
- 5 • The Commission estimates the total number of local service  
6 and interexchange calls for the coming year.
- 7
- 8 • The estimated annual cost, determined from the data received  
9 by the Commission from carriers, would be divided by the total  
10 number of calls to develop a per-call cost of number portability.
- 11
- 12 • The estimated annual cost would be divided between local  
13 service and interexchange toll service calls by multiplying the  
14 per-call cost by the number of calls in each category.
- 15
- 16 • The portion attributable to local service calls would be divided  
17 by the total number of end user service lines, resulting in a  
18 uniform charge collected from all end users on a monthly basis  
19 by their service providers.
- 20
- 21 • Interexchange carriers would collect the per-call cost times the  
22 number of calls from their customers and forward those funds  
23 to the pool. (The FCC has already impliedly authorized State  
24 commissions to assess such charges against IXCs. In  
25 discussing cost recovery methods based on the total revenues

1 of carriers, the FCC stated that "a state's calculation of gross  
2 revenues for IXCs should include only those revenues  
3 generated in the state in which the charges are being  
4 assessed, on both an interstate and intrastate basis." Number  
5 Portability Order, ¶ 134 n. 380. Thus, all telecommunications  
6 carriers, including IXCs, are included in cost recovery  
7 mechanisms for INP.)

8  
9 Periodic distributions could then be made by the Commission to all  
10 carriers submitting cost reports, and each carrier would receive a pro-  
11 rata distribution based on its share of total costs for the year. Any  
12 excess amount could be carried over and used against the following  
13 year's funding requirement. Any costs not covered could be carried  
14 over and used in calculating the next year's total costs.

15  
16 The above system is simple, equitable and competitively neutral  
17 among carriers. Additionally, it provides the advantage of being  
18 easily adaptable to recovering the costs of long-term number  
19 portability. By using this system, all carriers can recover their costs,  
20 and avoid being placed at a competitive disadvantage.

21

22 **Q. SHOULD THERE BE ANY RETROACTIVE APPLICATION OF THE**  
23 **COMMISSION'S DECISION IN THIS PROCEEDING?**

24 A. No. GTEFL's tariffs were filed after hearings and a Commission  
25 Order in accordance with Chapter 364. If there is any change made,

1           which GTE does not believe is required, it should only be done on a  
2           going-forward basis.

3

4       **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

5       **A.    Yes, it does.**

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1 BY MS. CASWELL:

2 Q Ms. Menard, do you have a brief summary for  
3 us today?

4 A Yes.

5 Q Would you give that to us, please?

6 A GTE believes that existing tariffs should  
7 remain in place. The Florida Statute says that rates  
8 shall not be below cost. Cost absorption means that  
9 LECs will not be able to recover their costs as  
10 contemplated by the statute. GTE believes that  
11 tariffs are competitively neutral because they are  
12 reciprocal and recognize each carriers' cost providing  
13 interim number portability. However, if the  
14 Commission finds its approved method to be  
15 inconsistent with the FCC guidelines, then as an  
16 alternative, a method of cost sharing could be  
17 implemented, such as those recommended by GTE or  
18 Southern Bell, to reduce the chance of forcing ILECs  
19 to subsidize their competitors' entry into the market.

20 MS. CASWELL: Ms. Menard is available for  
21 cross examination.

22 CHAIRMAN CLARK: Mr. Carver, do you have any  
23 questions?

24 MR. CARVER: Yes, ma'am, just a couple.  
25

## 1 CROSS EXAMINATION

2 BY MR. CARVER:

3 Q Good morning Ms. Menard.

4 A Good morning.

5 Q Are you familiar with BellSouth's  
6 alternative proposal?

7 A Yes, I am.

8 Q Would that alternative proposal be  
9 acceptable to GTE?10 A We would prefer our initial proposal,  
11 keeping the existing tariffs, but as an alternative,  
12 yes, that proposal is acceptable.

13 MR. CARVER: Thank you. That's all I have.

14 CHAIRMAN CLARK: No questions Mr. Wahlen?  
15 Mr. Wiggins. Ms. McMillin.

16 MS. McMILLIN: I do have some.

## 17 CROSS EXAMINATION

18 BY MS. McMILLIN:

19 Q Good morning, Ms. Menard, I'm Martha  
20 McMillin with MCI.

21 A Good morning.

22 Q I do have a few questions about the pooling  
23 and surcharge mechanism that you propose as the  
24 mechanism for interim local number portability cost  
25 recovery.

1           If you would, turn to Page 18 of your  
2 testimony. At Lines 16 through 17 you advocate your  
3 method as one that is, quote, "simple, equitable and  
4 competitively mutual among the carriers."

5           I'd like to ask you some questions about  
6 that and walk through the different components that  
7 you recommend to make sure I understand each element.

8           First of all, would I be correct in  
9 understanding that your proposal would require all  
10 carriers to submit cost studies for direct inward  
11 dialing and remote call forwarding to determine the  
12 appropriate incremental cost?

13          A     The preferred approach, yes, or as has been  
14 suggested, ALECs could choose to use the ILECs' cost  
15 studies.

16          Q     And then would the next step be reviewing  
17 IXC, ILEC, ALEC and commercial mobile radio service  
18 track information, and then estimating the total  
19 number of local service and interexchange calls and  
20 updating the data on a periodic basis?

21          A     Yes.

22          Q     And then would the third step be you would  
23 determine an estimated annual cost of interim local  
24 number portability and compute that on a per-call  
25 basis?

1           **A**     Correct.

2           **Q**     And then would the next step after that be  
3 you would manage the allocation of cost to IXCs,  
4 ILECs, ALECs and CMRS providers and collect the funds  
5 from those carriers?

6           **A**     Correct.

7           **Q**     Would the next step after that be you would  
8 require and review ILEC and ALEC cost reports on a  
9 regular basis to determine the amount of remote call  
10 forwarding and direct inward dialing usage for  
11 reimbursement?

12          **A**     Correct.

13          **Q**     And then after that the next step, the sixth  
14 step, would be you would manage periodic distribution  
15 of funds to ILECs and ALECs, including dispute  
16 resolution?

17          **A**     Correct.

18          **Q**     And then the next step, the seventh, would  
19 be you would have the Commission determine an end user  
20 surcharge and oversee customer notification and  
21 reaction?

22          **A**     Yes.

23          **Q**     And then the final step would be the  
24 Commission would determine and manage shortfalls or  
25 excesses in the fund and reapportion as needed?

1           **A**     Correct.

2           **Q**     That's the method you recommend as the  
3 simple approach to solving this problem?

4           **A**     That is the method that my understanding the  
5 FCC is looking at for the long term type number  
6 portability, which is what this method is based on.

7           **MS. McMILLIN:** I have no further questions.

8           **CHAIRMAN CLARK:** Mr. Rindler.

9           **MR. RINDLER:** I have no questions.

10          **CHAIRMAN CLARK:** Ms. Wilson.

11                                   **CROSS EXAMINATION**

12          **BY MS. WILSON:**

13           **Q**     Good afternoon, Ms. Menard. Do you believe  
14 that interim number portability is only a temporary  
15 stop gap measure designed to implement permanent  
16 number portability as soon as possible?

17           **A**     I believe it's a temporary measure. I think  
18 that's one of the things that we have gone to the FCC  
19 on reconsideration, is to ask when we do implement the  
20 permanent number portability, that we be allowed to  
21 take away the interim number portability solutions.  
22 At this point I don't know that that's a guarantee.

23           **Q**     I refer you to your direct testimony,  
24 Page 3, Line 22. Don't you state there that interim  
25 number portability is only a temporary stop gap



1 measure?

2           **A**     I believe it is. What I'm saying is I don't  
3 know if the FCC order at this point definitely ensures  
4 that.

5           **Q**     Okay. Has GTE determined the additional  
6 cost that GTE will incur solely for providing interim  
7 number portability?

8           **A**     GTE has done two sets of cost studies. We  
9 did the cost studies we did in the first part of this  
10 proceeding which were long run incremental cost  
11 studies, and as part of the arbitration cases we have  
12 done TELRIC cost studies for providing interim number  
13 portability for ALECs.

14          **Q**     You have not provided just the incremental  
15 costs?

16          **A**     They are incremental cost studies.

17          **Q**     But they are long run incremental cost; is  
18 that correct?

19          **A**     That's correct.

20               **MS. WILSON:** Okay. I have no further  
21 questions.

22               **CHAIRMAN CLARK:** Ms. Weiske.

23

24

25

## 1 CROSS EXAMINATION

2 BY MS. WEISKE:

3 Q Good afternoon Ms. Menard.

4 A Good afternoon.

5 Q I thought you said in your summary that the  
6 currently tariffed rates were competitively neutral?

7 A Yes.

8 Q Is that what you said?

9 A Yes.

10 Q Am I correct that the current tariff rate is  
11 \$1 for the first path and 50 cents for each additional  
12 path?

13 A Yes.

14 Q Is it your belief that those current  
15 tariffed rates recover GTE's costs of offering remote  
16 call forwarding?17 A It depends on what definition of cost you  
18 want me to look at. Those cost studies were based on  
19 a LRIC cost study for strictly the DMS and the 5ESS  
20 machines, as I testified in the last phase of the  
21 proceeding. If I include any GTD5, which is 75% of my  
22 access lines, no, the rates do not cover my costs.23 Q If I use in my question the term "costs" to  
24 refer to LRIC, do you believe that those current  
25 tariffed rates recover your LRIC cost?

1           A     What I just testified to: It recovers my  
2 LRIC for strictly the DMS and the 5ESS. It does not  
3 recover the LRIC for my GTD5.

4           Q     Am I correct you also stated in your summary  
5 that one of the reasons you believe the current  
6 tariffed rates are competitively neutral is because  
7 they are reciprocal?

8           A     Yes. And that's one of the things the FCC  
9 says, I think it's in Paragraph 137 of the Order.

10          Q     If I purchase RCF as Time Warner from GTE,  
11 who pays the dollar for the first path?

12          A     Time Warner.

13          Q     Time Warner pays that dollar to GTE.

14          A     Correct.

15          Q     And if I pay for an additional path, I then  
16 again, as Time Warner, pay that 50 cents to GTE. Is  
17 that fair?

18          A     That's correct.

19          Q     How is that reciprocal?

20          A     Because when then Time Warner has a customer  
21 that has a Time Warner number who decides to go to  
22 GTE, I'm going to pay Time Warner \$1 for the first  
23 line and 50 cents for additional paths when they come  
24 to GTE.

25          Q     How does that tariff rate reflect a

1 consistency with Paragraphs 133 and 134 of the FCC  
2 order? The quote I'm thinking of is where the FCC  
3 states -- I'll wait until you get to your order --  
4 (Pause) Are you with me?

5 A Yes, I'm with you now.

6 Q I'm looking at the quote that states "The  
7 cost recovery mechanism that imposes the entire  
8 incremental cost of currently available number  
9 portability on a facilities-based new entrant would  
10 violate this criterion."

11 Now, in the situation we just discussed  
12 where Time Warner is paying GTE \$1 for the first path,  
13 and 50 cents for each additional path, isn't that a  
14 cost recovery mechanism that puts the entire  
15 incremental cost on Time Warner?

16 A For that particular thing, and this is where  
17 we talked in the depositions of some of the  
18 inconsistencies. Because in Paragraph 137 it says  
19 "for competitive neutrality you have reciprocal  
20 compensation arrangements with the new entrant." So  
21 it depends on what paragraphs of the FCC order you  
22 compare it to.

23 Q But you would agree with me that comparing  
24 it to Paragraphs 133 and 134 would put the current  
25 method in violation of those paragraphs?

1           A     Yes, I would agree with that.

2           Q     Wouldn't it also violate not having an  
3 effect on the ability of competing service providers  
4 to even normal returns on their investment?

5           A     That I don't know. I mean I look upon the  
6 proposal by some of the parties in this case to  
7 violate that paragraph for GTE of Florida.

8           Q     You are generally familiar with the  
9 recommendation in this case of a number of the ALECs  
10 that each company would bear its own costs related to  
11 interim number portability?

12          A     That is correct.

13          Q     Do you believe that that recommendation is  
14 permitted by the FCC order?

15          A     I believe the FCC's order says it's  
16 permitted. I don't believe it is consistent with all  
17 of the paragraphs in the FCC order.

18          Q     Would you look for a moment at Paragraph 136  
19 of the FCC order where they state that a mechanism  
20 that requires each carrier to pay its own cost of  
21 currently available number portability measures would  
22 also be permissible. Would you agree with me at least  
23 as to that paragraph the recommendation of the ALECs  
24 is consistent with that?

25          A     I would agree it's consistent with that

1 paragraph. I likewise don't think it's consistent  
2 with some of the other paragraphs.

3 Q Were you present in the room earlier when  
4 Mr. Varner testified that he did not believe  
5 meet-point billing was an appropriate response to how  
6 you would handle the revenues for ported numbers; the  
7 access revenues from ported numbers?

8 MS. CASWELL: Madam Chairman, I have to  
9 object. I don't think meet-point billing or any of  
10 those related issues are presented for resolution in  
11 this docket. I believe they are arbitration issues  
12 instead. And her testimony talked -- I don't think it  
13 talks about meet-point billing.

14 Q (By Ms. Weiske) Is that outside the scope  
15 of your testimony?

16 A I did not address that issue in my testimony  
17 because I did not see that as one of the issues in  
18 this case.

19 Q So you can't tell me if you agree or  
20 disagree with Mr. Varner's comments based on his  
21 direct testimony?

22 A I can truthfully say during part of his  
23 testimony I was trying to read the arbitration  
24 recommendation in my case.

25 Q So you're not generally familiar with that

1 portion of his direct testimony?

2           **A**     I did not hear all of that portion. I heard  
3 parts of his testimony.

4           **Q**     If I refer you to that portion of his  
5 testimony and you look at it, are you prepared to tell  
6 me if you agree or disagree, or is that something  
7 you're not comfortable doing here?

8           **A**     If my attorney let's me do it, I don't mind  
9 looking at it.

10           **MS. CASWELL:** I'm going to have to get a  
11 copy.

12           **Q**     **(By Ms. Weiske)** Let me try to give you a  
13 cite because I didn't take a note on it when Staff  
14 asked about it.

15           **CHAIRMAN CLARK:** While they are doing that,  
16 Ms. Menard, when you have a customer who leaves GTE  
17 and goes to Time Warner, Time Warner will have to pay  
18 \$1.

19           **WITNESS MENARD:** That's if the customer  
20 keeps his number and doesn't do it through resale.

21           **CHAIRMAN CLARK:** All right. And then if he  
22 comes back to you, what do you pay Time Warner and he  
23 wants his same number?

24           **WITNESS MENARD:** If he keeps the same number  
25 in that case I would not. What we're talking about

1 is, I mean like in my case I haven't looked at the  
2 list recently, but we have at least eight or nine NXXs  
3 that have already been assigned to the ALECs. I'm  
4 talking about a case where a new customer comes in,  
5 goes with Time Warner, takes a new number and then  
6 decides later he wants to go with GTE.

7 CHAIRMAN CLARK: Okay.

8 MS. WEISKE: May I proceed?

9 CHAIRMAN CLARK: Yes.

10 Q (By Ms. Weiske) Ms. Menard, I was thinking  
11 of Page 6 of Mr. Varner's rebuttal testimony.

12 A Yes, I have that in front of me.

13 Q There Mr. Varner is responding to  
14 Ms. Kistner on behalf of MCI's recommendation that  
15 LECs should adopt meet-point billing arrangements for  
16 access charges paid by IXC's for terminating calls to  
17 new entrants via LEC-provided RCF or DID.

18 I was curious if you believe that that was  
19 the appropriate approach to take to recover the access  
20 charges paid by the IXCs for ported numbers?

21 A My position would be no, I do know that's  
22 one of the things GTE has asked for reconsideration of  
23 the FCC order. We've talked about interim number  
24 portability being a temporary solution.

25 I'd have to do major billing system



1 modifications to try to do true meet-point billing for  
2 these calls. Because it comes into my switch as an  
3 IXC call, there an is second call made that looks like  
4 a local call, and the two are not related in my  
5 systems so I have no way to do meet-point billing on  
6 those RCF calls.

7 Q I don't want to get too far afield, but I'm  
8 not familiar with the position that GTE has taken for  
9 Florida in arbitration proceedings. What is GTE's  
10 position on how those revenues should be recovered?

11 A For instance, in the negotiations that --  
12 the ICI agreement that has been approved by the  
13 Commission, what we're doing is doing a proxy to  
14 approximate those access charges. Of course, first  
15 somebody has got to start porting the numbers before I  
16 have to worry about the access charges.

17 Q So if I understand you correctly, if Time  
18 Warner has some access revenues that its entitled to  
19 based on some IXC calls that were terminated to ported  
20 numbers, you're trying to use a surrogate or proxy to  
21 estimate what that portion would be?

22 A That is correct.

23 Q Thank you.

24 MS. McMILLIN: That's all I have.

25 CHAIRMAN CLARK: Ms. Dunson.

1 MS. DUNSON: I have no questions.

2 CHAIRMAN CLARK: Mrs. Jacobs.

3 CROSS EXAMINATION

4 BY MS. JACOBS:

5 Q Ms. Menard, with respect to GTE's alternate  
6 plan, does it apply to landline carrier and end users?  
7 Does it only apply --

8 A Under the alternative as I understand it  
9 with what we filed with the FCC it would apply to all  
10 carriers, so it would include wireless.

11 MS. JACOBS: Okay.

12 CHAIRMAN CLARK: Staff.

13 CROSS EXAMINATION

14 BY MR. COX:

15 Q Ms. Menard, earlier you mentioned GTE's used  
16 a surrogate to split access charges. Could you  
17 explain what you mean by that?

18 A What we would do is -- one of the things we  
19 do is we have a common trunk group that has got both  
20 local and intraLATA toll traffic on it. So if I were  
21 to say that I think the correct PLU, percent local  
22 usage for that group would be 80%, so that 20% of the  
23 calls they should get toll access. Then what we might  
24 do is actually say we'll use 75/25, so I give them an  
25 extra 5% traffic that I give them access charges to

1 approximate giving them access charges for ported  
2 calls.

3 Q Earlier you mentioned two GTE cost studies,  
4 one being from the initial part of these proceedings  
5 in this docket, the other from the arbitration  
6 proceedings. (Hands document to witness.)

7 A Yes.

8 Q We want to clarify one issue with regard to  
9 the cost study from the arbitration proceedings.

10 You stated earlier that it was TELRIC. Did  
11 you mean TSLRIC cost study?

12 A Yes. My recollection is in those  
13 proceedings we had done TSLRICs as our estimation of  
14 TELRICs.

15 Q Thank you. The next question refers to  
16 provision of temporary number portability by GTE in  
17 Florida. To your knowledge has GTE provided temporary  
18 number portability to any carrier in Florida as of  
19 this date?

20 A No. As of the time we checked for the  
21 interrogatories no one had ordered service at this  
22 date.

23 Q Could you explain how the Florida Public  
24 Service Commission should require terminating access  
25 charges to be split between the ILEC and an ALEC?

1           **A**     Apparently I think that should be left to  
2 the interconnection negotiations. I hope they will  
3 not order us to implement meet-point billing because  
4 that is very costly.

5           **Q**     Why would it be costly?

6           **A**     Because I have to make major billing system  
7 modifications for something that may only be in place  
8 12 to 18 months. By the time -- I probably would get  
9 the billing system implemented about the time I don't  
10 need it.

11                   **MR. COX:** That concludes Staff's questions.

12                   **CHAIRMAN CLARK:** Commissioners. Redirect.

13                                   **REDIRECT EXAMINATION**

14           **BY MS. CASWELL:**

15           **Q**     Just a couple of questions.

16                   Ms. Menard, has this Commission to your  
17 knowledge ever required or endorsed the use of a  
18 so-called short run incremental cost study?

19           **A**     Not to my knowledge.

20           **Q**     And to your knowledge has GTE ever prepared  
21 such a study?

22           **A**     Not to my knowledge.

23                   **MS. CASWELL:** Thank you, that's all I have.

24                   **CHAIRMAN CLARK:** Thank you, Ms. Menard. You  
25 are excused. We'll take a break until 1:00 and we'll

1 start up with Ms. Kistner.

2 (Witness Menard excused.)

3 (Thereupon, lunch recess was taken at

4 12:20 p.m.)

5 - - - - -

6 (Transcript continues in sequence in

7 Volume 2.)

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