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March 16, 1998

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

Re: Docket Nos. 870248-TL, 870790-TL, 900039-TL, 910022-TL,  
910528-TL, 910529-TL, 911185-TL, and 921193-TL

Dear Ms. Bayo:

Please find enclosed for filing an original and fifteen copies of the Direct Testimony of Charles M. Scobie on behalf of GTE Florida Incorporated in the above matters. Service has been made as indicated on the Certificate of Service. If there are any questions with regard to this matter, please contact the undersigned at 813-483-2617.

ACK \_\_\_\_\_ Very truly yours,

AFA \_\_\_\_\_  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CMU \_\_\_\_\_

Kimberly Caswell

CTR \_\_\_\_\_ KC:tas  
EAG \_\_\_\_\_ Enclosures

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DIRECT TESTIMONY OF CHARLES M. SCOBIE

DOCKET 910529-TL, et al

**Q. PLEASE STATE YOUR NAME AND ADDRESS.**

A. My name is Charles Michael Scobie. My business address is One Tampa City Center, Tampa, Florida.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am employed by GTE Service Corporation (GTEFL) as Manager-Regulatory Affairs.

**Q. WILL YOU BRIEFLY STATE YOUR EXPERIENCE WITH THE COMPANY?**

A. I have been employed by GTE for over twenty seven years. For the past nine and one-half years I have been employed in the regulatory and governmental affairs area of GTE Florida and GTE Service Corporation. Prior to my present assignment, I held the positions of South Area Regulatory Affairs Manager, Tariff Administrator and Service Cost Coordinator in the same department. During my career, I have also held positions in Sales, Market Planning, and Forecasting with GTE Florida and positions in Market Planning with GTE Service Corporation.

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

A. The purpose of my testimony is to provide GTEFL's position on the issues raised in this proceeding. GTEFL has two routes impacted by

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1 this proceeding, the Hudson Exchange to BellSouth's Brooksville  
2 Exchange and the Haines City Exchange to BellSouth's Orlando  
3 Exchange.

4  
5 **Q. ON THESE ROUTES, IS ONE-WAY ECS APPROPRIATE?**

6 A. Ideally, competitive market forces would provide the most  
7 economically efficient alternatives for customers on these interLATA  
8 routes. With toll prices potentially being substantially reduced in the  
9 coming years and with the ILEC and ALEC being able to offer  
10 competitive local calling plans, the marketplace will determine the  
11 appropriate service and rate level for this interLATA traffic where  
12 some community of interest exists. However, since the Commission  
13 has previously determined that some form of toll relief is warranted on  
14 the Hudson to Brooksville route, GTEFL is not opposed to providing  
15 ECS. Likewise, if the Commission determines that some type of toll  
16 relief is warranted for the Haines City to Orlando route, GTEFL would  
17 not be opposed to providing ECS in that limited case.

18  
19 **Q. IF ECS IS DETERMINED TO BE APPROPRIATE ON THESE**  
20 **ROUTES, WHAT IS THE RATE THAT BELL SOUTH SHOULD**  
21 **CHARGE TO TERMINATE THIS TRAFFIC?**

22 A. If the Commission determines that one-way ECS is appropriate on the  
23 interLATA routes in question, then GTEFL believes that BellSouth  
24 would be justified in charging terminating switched access for this  
25 traffic.

1 Q. WHY DOES GTEFL BELIEVE THAT SWITCHED ACCESS IS THE  
2 APPROPRIATE RATE FOR THIS TRAFFIC?

3 A. This would be consistent with previously executed local  
4 interconnection agreements between GTE and BellSouth in other  
5 states where both GTE and BellSouth serve.

6

7 Q. ARE THERE ANY ISSUES RELATIVE TO THE PROVISION OF  
8 THIS LOCAL, INTERLATA ECS SERVICE?

9 A. Yes. Since GTEFL and BellSouth do not currently interconnect and  
10 exchange local traffic, there would have to be a Local Interconnection  
11 Agreement negotiated and executed between the two companies.

12

13 Q. WHAT TIME FRAME ARE WE LOOKING AT TO FINALIZE AN  
14 AGREEMENT?

15 A. It is not known exactly how long it would take to finalize a local  
16 interconnection agreement. It shouldn't take very long if an  
17 agreement similar to existing agreements between GTE and  
18 BellSouth in other states can be used as a model.

19

20 Q. IF A TERMINATION CHARGE IS APPROPRIATE ON THESE  
21 INTERLATA, ECS ROUTES, WHAT IS THE APPROPRIATE RATE  
22 STRUCTURE FOR GTEFL TO UTILIZE?

23 A. The current ECS rate structure would be appropriate. Business  
24 customers would pay on a per minute basis and residential  
25 customers would pay on a per message basis.

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**Q. WHAT WOULD BE THE APPROPRIATE RATE LEVELS TO CHARGE?**

A. On both the Hudson to Brooksville route and the Haines City to Orlando route, the present level of \$.10 for the first minute and \$.06 for each additional minute would be appropriate to charge business customers. On these routes, a charge of \$.30 per message would be appropriate for residential customers.

**Q. IS THE RESIDENTIAL MESSAGE CHARGE DIFFERENT THAN IS CURRENTLY CHARGED ON OTHER ECS ROUTES?**

A. Yes. The current residential message charge on all other GTEFL ECS routes is \$.25 per message.

**Q. WHY IS GTEFL PROPOSING A DIFFERENT RESIDENTIAL CHARGE ON THE ROUTES IN THIS PROCEEDINGS?**

A. In order to cover the costs of the call, given the average call length of residential ECS calls, and provide a contribution to joint and common costs, a message charge of \$.30 is required.

**Q. HOW DID YOU ARRIVE AT THE \$.30 PER MESSAGE AMOUNT?**

A. We took the average ECS residential message length of 6.2 minutes and multiplied that by the GTEFL local interconnection origination rate of \$.004 per minute and the BellSouth terminating switched access rate of \$.023189 per minute. That total was slightly over \$.20

1 for an average call. That number was then multiplied by the GTEFL  
2 overhead factor of 47 % to arrive at a rate of \$.294 per message.

3

4 **Q. WHAT IS THE ECONOMIC IMPACT ON GTEFL OF PROVIDING**  
5 **ONE-WAY ECS AND HAVING TO PAY TERMINATING CHARGES**  
6 **ON A MINUTE OF USE BASIS?**

7 A. In attempting to examine the impact of changing from an offering  
8 where GTEFL is receiving originating access from an interexchange  
9 carrier to an offering where it is receiving usage revenues from  
10 business customers and message charges from residential customers  
11 there is an unknown that makes such a direct comparison difficult.

12

13 **Q. WHAT IS THE UNKNOWN DATA?**

14 A. Because the proposed routes are interLATA, and the traffic was  
15 carried by interexchange carriers, the call durations for business and  
16 residence toll calls on the proposed routes were unavailable.

17

18 **Q. HOW, THEN, COULD YOU ESTIMATE THE ECONOMIC IMPACT**  
19 **OF THE PROPOSED CHANGE?**

20 A. If one assumes that the residential call duration would be less as an  
21 interLATA toll call than as an ECS message-rated call and also that  
22 the call duration is five minutes, the access revenues to GTEFL would  
23 be \$.256 per call under an access environment versus our proposed  
24 \$.30 in as ECS environment.

25

1 Q. WHAT ABOUT BUSINESS CALLING?

2 A. Again, I didn't have the average business call length of the interLATA  
3 toll calls but if you assume a 2.5 minute per call duration, which is the  
4 same as the average ECS business call length, GTEFL is receiving  
5 slightly over \$.128 per business message in access revenues. Under  
6 an ECS usage sensitive structure GTEFL would receive \$.19 per  
7 average business message.

8

9 Q. WHY DID YOU ASSUME THE SAME CALL DURATION FOR  
10 INTERLATA TOLL CALLS AND ECS BUSINESS CALLS?

11 A. Because it was assumed that a business call was much less price  
12 elastic over the price ranges we are examining and a business would  
13 be much more likely to talk the same duration on a call that had a  
14 business purpose.

15

16 Q. GIVEN THOSE ASSUMPTIONS, WHAT IS THE ECONOMIC  
17 IMPACT?

18 A. At the current business ECS rates, the business contribution per  
19 message would be approximately the same under an access scenario  
20 and an ECS scenario. Given a residential message rate of \$.30 per  
21 message, residential contribution under the access scenario would be  
22 approximately \$.236 per message and under the ECS scenario the  
23 contribution would be approximately \$.10 per message. This can be  
24 demonstrated in Exhibit No. CMS-1.

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**Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

A. A competitive marketplace should ultimately determine appropriate calling plans and rate levels. However, if the Commission finds one-way ECS appropriate on the two GTEFL routes in this proceeding, GTEFL would not be opposed to its provision in these limited instances. GTEFL would also agree to pay BellSouth terminating switched access on ECS calls on these two routes. The existing ECS rate structure is appropriate but the rate for residential ECS messages on the Hudson to Brooksville route and the Haines City to Orlando route should be \$.30.

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

A. Yes, it does.



**ECONOMIC IMPACT OF ONE-WAY ECS TO BELLSOUTH EXCHANGES**


**UNDER A COST ANALYSIS**

<b>CURRENT</b>	<b>BUSINESS (2.5 MOU/MSG)</b>	<b>RESIDENCE (5.0 MOU/MSG)</b>
<b>REVENUE</b>	<b>\$.128/MSG (2.5 X GTEOA)</b>	<b>\$.256/MSG (5.0 X GTEOA)</b>
<b>COST</b>	<b>\$.01 (2.5 X .004)</b>	<b>\$.02 (5.0 X .004)</b>
<b>CONTRIBUTION</b>	<b>\$.118</b>	<b>\$.236</b>
<b>PROPOSED</b>		
<b>REVENUE</b>	<b>\$.19 (.10+(1.5x.06))</b>	<b>\$.30</b>
<b>COST</b>	<b>\$.081 (LOA+BSTSA)x 2.5</b>	<b>\$.200 (LOA+BSTSA)x 6.2</b>
<b>CONTRIBUTION</b>	<b>\$.109</b>	<b>\$.10</b>

GTEOA     GTE ORIGINATING SWITCHED ACCESS  
 LOA        GTE LOCAL ORIGINATING ACCESS  
 BSTSA     BELLSOUTH TERMINATING SWITCHED ACCESS

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a copy of the Direct Testimony of Charles M. Scobie on behalf of GTE Florida Incorporated in Docket No. 870248-TL, et al. was sent via U.S. mail the 16th day of March, 1998 to the parties on the attached list.

  
for Kimberly Caswell

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