

Anthony P. Gillman
Legal Department



FLTC0007
201 North Franklin Street (33602)
Post Office Box 110
Tampa, Florida 33601-0110

Phone 813 483-2615
Fax 813 204-8870
anthony.gillman@verizon.com

November 26, 2003

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 030867-TL
Petition of Verizon Florida Inc. to Reform Its Intrastate Network Access and Basic
Local Telecommunications Rates in Accordance with Florida Statutes, Section
364.164

Docket No. 030961-TI
Flow-through of LEC switched access reductions by IXC's, pursuant to Section
364.163(2), Florida Statutes

Dear Ms. Bayo:

Please find enclosed for filing an original and 15 copies of the Rebuttal Testimony of John Broten on behalf of Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance, NYNEX Long Distance Company d/b/a Verizon Enterprise Solutions and Verizon Select Services Inc. in the above matters. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this filing, please contact me at 813-483-2615.

Sincerely,

A handwritten signature in cursive script that reads "Anthony P. Gillman".

Anthony P. Gillman

APG:tas
Enclosures

DOCUMENT NUMBER DATE

12099 NOV 26 8

FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the Rebuttal Testimony of John Broten on behalf of Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance, NYNEX Long Distance Company d/b/a Verizon Enterprise Solutions and Verizon Select Services Inc. in Docket Nos. 030867-TL and 030961-TI were sent via electronic mail and overnight delivery on November 26, 2003 to:

Staff Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Nancy White c/o Nancy Sims
BellSouth Telecomm. Inc.
150 S. Monroe Street, Suite 400
Tallahassee, FL 32301-1556

Tracy Hatch
AT&T
101 N. Monroe, Suite 700
Tallahassee, FL 32301

Michael Gross
Florida Cable Telecomm. Assn.
246 East 6th Avenue
Tallahassee, FL 32303

Susan Masterton
Charles Rehwinkel
Sprint-Florida
1313 Blairstone Road
MC FLTLHO0107
Tallahassee, FL 32301

Donna McNulty
MCI WorldCom, Inc.
1203 Governors Square Blvd.
Suite 201
Tallahassee, FL 32301-2960

Charles J. Beck
H. F. Mann
Office of Public Counsel
111 W. Madison Street, Room 812
Tallahassee, FL 32399-1400

Jonh Fons
Ausley & McMullen, P.A.
227 South Calhoun Street
Tallahassee, FL 32302

Michael B. Twomey
AARP
8903 Crawfordsville Road
Tallahassee, FL 32305

Mark Cooper
AARP
504 Highgate Terrace
Silver Spring, MD 20904

Floyd Self
Messer Law Firm
215 S. Monroe Street
Suite 701
Tallahassee, FL 32301

George Meros
Gray Harris & Robinson
301 S. Bronough Street
Suite 600
Tallahassee, FL 32301

John Feehan
Knology, Inc.
1241 O.G. Skinner Drive
West Point, GA 31833



Anthony P. Gillman

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Verizon Florida Inc. to Reform Its Intrastate Network Access and Basic Local Telecommunications Rates in Accordance with Florida Statutes, Section 364.164)	Docket No. 030867-TL
)	
)	
)	
)	
)	
)	
<hr/>)	
In re: Flow-through of LEC switched access reductions by IXCs, pursuant to Section 364.163(2), Florida Statutes)	Docket No. 030961-TI
)	
)	
<hr/>)	

**REBUTTAL TESTIMONY OF
JOHN BROTEN
ON BEHALF OF
BELL ATLANTIC COMMUNICATIONS, INC. D/B/A VERIZON LONG DISTANCE,
NYNEX LONG DISTANCE COMPANY D/B/A VERIZON ENTERPRISE SOLUTIONS,
AND VERIZON SELECT SERVICES INC.**

November 26, 2003

1 **Q. Please state your name, title, and business address.**

2 A. John D. Broten, President, Verizon Long Distance. My business
3 address is 1320 N. Courthouse Road, 9th Floor, Arlington VA 22201.

4

5 **Q. Are you the same John Broten who submitted direct testimony**
6 **on behalf of Verizon Long Distance, Verizon Enterprise**
7 **Solutions, and Verizon Select Services Inc. (collectively**
8 **referred to as the VZ Affiliates) in this proceeding?**

9 A. Yes.

10

11 **Q. What is the purpose of your rebuttal testimony?**

12 A. My testimony addresses certain points made in the Direct
13 Testimony of Bion C. Ostrander on behalf of the Office of Public
14 Counsel (OPC).

15

16 **Q. OPC recommends that the Commission impose significant**
17 **reporting requirements on IXC's that paid \$1 million or more in**
18 **intrastate switched access. Are these requirements**
19 **necessary?**

20 A. No. The Commission should not impose the significant record-
21 keeping and reporting burdens that OPC recommends. Detailed
22 reporting is not required by statute and IXC's should only be
23 required to show, through tariff filings (where required), that
24 residential and business customers will benefit from actual, not
25 estimated, access reductions realized by IXC's. Imposition of

1 detailed reporting requirements favored by OPC (e.g., calculation of
2 the long distance rate reduction by class of service, type of service,
3 and plan) will add unnecessary costs and no benefits.

4

5 **Q. Should IXCs be required to flow-through long distance rate**
6 **reductions simultaneously with the approved ILEC access rate**
7 **reductions?**

8 A. No. IXCs should be obligated to flow through to their residential
9 and business customers only those rate reductions that they
10 actually realize. All IXCs should have a reasonable period of time
11 after the LECs' access rate reductions take effect to modify their
12 rate plans, billing, and other systems to flow through realized
13 access rate reductions. And for the reasons stated in my direct
14 testimony, resale IXCs may need additional time to determine the
15 extent of access reductions from their underlying providers. Any
16 delays in flow-through of access reductions for the reasonable
17 grounds described above should not be cause for concern because
18 the VZ LD Affiliates will, and other IXCs should be required by the
19 Commission to, flow-through any reductions they actually realize.
20 Stated otherwise, any reductions that the IXCs receive during the
21 reasonable delay period will be required to be passed on to IXC end
22 users.

23

24 **Q. For each access rate reduction that an IXC receives, how long**
25 **should the associated revenue reduction last?**

1 A. In its testimony, OPC states that Section 364.163(1) requires that
2 IXCs cap and maintain their long distance rate reductions for three
3 years after parity. This is not correct. The statute states: "After a
4 local exchange telecommunications company's intrastate switched
5 network access rates are reduced to or below parity, as defined in
6 s. 364.164(5), the company's intrastate switched network access
7 rates shall be, and shall remain, capped for 3 years." The three-
8 year requirement to keep prices below a cap is an obligation
9 imposed on local exchange carrier access rate reductions. Neither
10 this section nor any other section of the Tele-Competition
11 Innovation and Infrastructure Enhancement Act dictates how long
12 interexchange carriers must pass through rate reductions.

13
14 As I stated in my direct testimony, competition will ensure that IXCs
15 flow through access reductions without any need for the
16 Commission to dictate pricing levels. Given the highly competitive
17 nature of the long distance market in Florida, IXCs will price their
18 products toward actual costs. An IXC could not compete effectively
19 if it failed to pass through cost savings. For this reason, it is not
20 necessary for the Commission to place an arbitrary time period
21 during which IXCs must maintain certain rates. Nonetheless, the
22 VZ LD Affiliates have agreed to flow through the reductions year
23 over year for three years and to reflect those reductions in tariff
24 filings, where tariff filings are required.

25

1 **Q. OPC recommends a variety of remedies that the Commission**
2 **should impose if an IXC does not pass through rate reductions.**
3 **Are those remedies appropriate?**

4 A. No. Under Section 364.285, Florida Statutes, the Commission has
5 the authority to enforce its rules and orders and to impose
6 appropriate penalties for violations (i.e., not more than \$25,000 per
7 day per violation). Consequently, there is no good reason to
8 establish another, duplicative set of specific remedies and penalties
9 solely for this proceeding.

10

11 **Q. How should the IXC flow-through of the benefits from the ILEC**
12 **access rate reductions be allocated between residential and**
13 **business customers?**

14 A. The statute only requires that access rate reductions benefit both
15 residential and business customers. It does not require, as the
16 OPC has recommended, that residential customers receive
17 proportionately greater long distance rate reductions. Nonetheless,
18 in my direct testimony, the VZ LD Affiliates have proposed to flow
19 through the substantial majority of benefits to residential customers
20 because, in our customer base, residential customers are the
21 primary users of access minutes.

22

23 **Q. Will all residential and business customers experience a**
24 **reduction in their long distance bills? If not, which residential**
25 **and business customers will and will not experience a**

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

reduction in their long distance bills?

A. OPC recommends that customers of all calling plans experience rate reductions so long as the plan includes usage by “average residential customers”. It is not clear what OPC means by “average residential customers” and OPC does not define that phrase.

In any event, OPC’s recommendation is not appropriate because the statute does not require that customers of all calling plans experience rate reductions and, as I explained in my direct testimony, the VZ LD Affiliates do not plan to reduce prices on all of their calling plans. For example, Verizon Freedom customers already receive unlimited in-state interLATA usage as part of the monthly plan price. Passing through reductions in access rates to this customer base will not provide an incentive for customers to use more long distance services. Moreover, these customers, on average, already receive the Company’s lowest per minute rates. For these reasons, VLD does not plan to flow through rate reductions to Freedom customers. IXCs should have, and under the statute they do have, discretion to pass through cost savings in a fashion that makes sense in light of marketplace conditions.

Q. Does this conclude your testimony at this time?

A. Yes.