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May 23, 1994

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IN REPLY REFER TO:
Tallahassee

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32301

Re: In re: Expanded Interconnection Phase II and
Local Transport Restructure; Docket Nos. ~~931004-TP~~,
930955-TL, 940014-TL, 940020-TL and 931196-TL

Dear Ms. Bayo:

Enclosed for filing in the above-styled docket are the original and fifteen (15) copies of ALLTEL's Prepared Direct Testimony of Harriet E. Eudy.

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

ACK Thank you for your assistance in this matter.

AFA _____

AFB _____

C/F _____

CIT Reits

CTP _____

EAG CSU

LEG Enclosures

LI: also 6 Parties of Record (w/encl.)

C: all/bayo

F: _____

E: 1

W: _____

G: _____

RECEIVED & FILED
men
EPSC-BUREAU OF RECORDS

Sincerely

J. Jeffrey Wahlen
J. Jeffrey Wahlen

DOCUMENT NUMBER-DATE

04991 MAY 23 94

FPSC-RECORDS/REPORTING

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 PREPARED DIRECT TESTIMONY

3 OF

4 HARRIET E. EUDY

5
6 Q. Please state your name and business address.

7
8 A. My name is Harriet E. Eudy. My business address is 206
9 White Avenue, Live Oak, Florida, 32060.

10
11 Q. By whom and in what capacity are you employed?

12
13 A. I am employed by ALLTEL Florida, Inc. ("ALLTEL Florida"
14 or the "Company") as Manager, Regulatory Matters. In
15 that position, I am responsible for the preparation of
16 various studies and reports filed periodically with the
17 Florida Public Service Commission ("FPSC" or the
18 "Commission"), general oversight of other Commission
19 related matters, and monitoring of the service
20 performance results filed quarterly with the Commission.

21
22 Q. Please describe your educational background.

23
24 A. I was graduated from North Florida Junior College in 1966
25 with an Associate in Arts degree. I began working for

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

1 North Florida Telephone Company (now ALLTEL Florida) in
2 1973, where I served in various capacities in the
3 accounting and cost separations areas. I became a
4 supervisor in the regulatory department in 1987, and I
5 have held my current position in that department since
6 1991.

7
8 Q. What is the purpose of your testimony?

9
10 A. The purposes of my rebuttal testimony are to (1) describe
11 ALLTEL, (2) explain why the Florida Public Service
12 Commission should not require mandatory switched access
13 expanded interconnection for Tier 2 local exchange
14 companies ("LECs") like ALLTEL at this time, and (3)
15 explain ALLTEL's position on the local transport issues
16 in this case.

17
18 Q. Have you prepared an exhibit which you sponsor in this
19 proceeding?

20
21 A. Yes. Exhibit ___ (HEE-1), titled "Exhibit of H. E.
22 Eudy," consists of one document and was prepared under my
23 direction and supervision for filing in this proceeding.
24
25

I.

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Q. Please describe ALLTEL Florida, Inc.

A. ALLTEL Florida, Inc., a Florida corporation, is a wholly-owned subsidiary of ALLTEL Corporation, a Delaware corporation. As of March 31, 1994, ALLTEL Florida had 179 employees and was the fifth largest local exchange company ("LEC") in Florida.

Q. What are the areas of Florida in which ALLTEL Florida provides local exchange service?

A. ALLTEL Florida renders telephone service to all or parts of thirteen (13) counties in North Central Florida. Service is provided under authority from the Commission as evidenced by Certificates of Public Convenience and Necessity. We serve all of the counties of Suwannee, Hamilton and Lafayette and parts of the counties of Alachua, Gilchrist, Bradford, Nassau, Marion, Putnam, Clay, Columbia, St. Johns, and Union.

Q. How many exchanges has ALLTEL Florida established to serve this area?

A. The Company presently has twenty-seven (27) exchanges

1 which are located at Alachua, Branford, Brooker,
2 Callahan, Citra, Crescent City, Dowling Park, Florahome,
3 Florida Sheriffs Boys Ranch, Fort White, Hastings, High
4 Springs, Hilliard, Interlachen, Jasper, Jennings, Lake
5 Butler, Live Oak, Luraville, Mayo, McIntosh, Melrose,
6 Orange Springs, Raiford, Waldo, Wellborn and White
7 Springs.

8
9 **Q.** What is the geographical size and density of the area the
10 Company serves?

11
12 **A.** ALLTEL Florida's service territory is approximately 3,568
13 square miles. As of December 31, 1992, we served 61,554
14 access lines. This equates to approximately 17 access
15 lines per square mile, as compared to Central Telephone
16 Company of Florida with 302,647 access lines at
17 approximately 48 access lines per square mile.

18
19 **Q.** Is there any significance to this density figure?

20
21 **A.** Yes. It is indicative of the type of area we serve, a
22 predominately rural agricultural area. We serve no major
23 urban area or city. Such an area tends to be more costly
24 to serve, both in terms of the cost of initial
25 construction and in terms of operating and maintenance

1 costs. Our density ratio is less than half that of the
2 next largest LEC, Central Telephone Company of Florida,
3 which has five times the number of access lines as ALLTEL
4 Florida.

5
6 Q. What is the significance of these size and density
7 statistics?

8
9 A. These size and density statistics are very significant.
10 Because ALLTEL is smaller and has fewer customers than
11 the Tier 1 LECs operating in Florida, it is relatively
12 more difficult for ALLTEL to respond to competitive
13 pressures caused by AAVs and other potential competitors.
14 The advent of competition for customers using switched
15 access will make it more difficult for ALLTEL to earn its
16 authorized rate of return without increasing the prices
17 it charges to its basic residential and business
18 customers. ALLTEL's ability to recover "lost" revenues
19 from its remaining customers is less than that of Tier 1
20 LECs which have large numbers of business and residential
21 customers and a wide variety of vertical services over
22 which to spread any "lost" revenues.

23
24 Q. How does ALLTEL's size compare to the size of the other
25 LECs in Florida?

1 Order No. 94-0285 at 14.

2

3 Q. Why should the FPSC continue this policy during Phase II
4 of this docket?

5

6 A. The FPSC should continue this policy during Phase II of
7 this docket because it allows Tier 2 companies like
8 ALLTEL to respond to expanded interconnection requests
9 for AAVs on a case-by-case basis without incurring the
10 time and expense associated with preparing and filing
11 extensive expanded interconnection tariffs. This policy
12 also provides a forum for dispute resolution if the
13 parties are unable to reach an agreement on the terms and
14 conditions of expanded interconnection.

15

16 Q. Has the FCC mandated any form of expanded interconnection
17 for Tier 2 LECs like ALLTEL?

18

19 A. No. The FCC's first order on expanded interconnection
20 for private line and special access exempted Tier 2 LECs
21 like ALLTEL. I understand that the FCC's recent decision
22 on expanded interconnection for switched access also
23 exempted Tier 2 LECs like ALLTEL.

24

25 Q. Why did the FCC exempt Tier 2 LECs like ALLTEL from its

1 expanded interconnection requirement?

2

3 **A.** The reasons behind the FCC's decision to exempt Tier 2
4 LECs from the private line/special access expanded
5 interconnection requirement were made clear in the FCC
6 report and order released October 19, 1992. The FCC
7 report and order released October 19, 1992, states:

8 Small LECs argue that expanded
9 interconnection requirements should not apply
10 either to small LECs or to Tier 1 LECs in
11 rural areas or in Puerto Rico because of
12 potential adverse effects on universal
13 service and infrastructure development, and
14 because the demand for collocation is likely
15 to be limited in rural area. TVS
16 specifically states that rural areas often
17 have only one or two large business
18 customers, adding that the diversion of these
19 customers' traffic would have a far greater
20 impact than the loss of one or two customers
21 in an urban area.

22 * * *

23 While requiring all LECs to provide expanded
24 interconnection would ensure that customers
25 in all areas can benefit from the expanded

1 interconnection, it is unlikely that there
2 would be great demand for expanded
3 interconnection in small LEC service areas,
4 at least in the near term. Requiring smaller
5 LECs to offer expanded interconnection might
6 also tax their resources and harm universal
7 service and infrastructure development in
8 rural areas. We believe that the demand for
9 expanded interconnection that does exist in
10 rural areas typically would come from a
11 single large user. The use of expanded
12 interconnection offered by such customers
13 could create substantial stranded LEC
14 investment that could not readily be reused,
15 possible threatening economic viability of a
16 small LEC.

17
18 We therefore adopt our proposal to limit the
19 requirement to Tier 1 LECs. This would
20 ensure the availability of expanded
21 interconnection in most urban and suburban
22 areas where demand is likely to be greatest.

23
24 I believe these policy reasons apply with equal force to
25 the decisions facing the FPSC in the second phase of this

1 docket.

2

3 Q. If the FPSC requires mandatory expanded interconnection
4 for Tier 2 LECs, would ALLTEL and its customers be
5 harmed?

6

7 A. Yes.

8

9 Q. How?

10

11 A. Imposing an expanded interconnection for switched access
12 on Tier 2 LECs will serve to increase the competitive
13 pressures faced by ALLTEL. While ALLTEL is not opposed
14 to competition, ALLTEL is concerned that the increased
15 competition from expanded interconnection will (1) create
16 downward pressure on some of ALLTEL's switched access
17 rates, (2) result in the loss of large switched access
18 customers, or (3) a combination of (1) and (2). Any of
19 these alternatives will put pressure on ALLTEL's other
20 rates, especially the rates ALLTEL charges to its basic
21 local business and residential customers.

22

23 Q. Are switched access revenues important to ALLTEL?

24

25 A. Yes. While ALLTEL's switched access revenues are not

1 primarily dependent on a small number of large customers,
2 the loss of one or two large switched access customers to
3 an AAV would have an adverse impact on ALLTEL and its
4 customers. The loss of switched access revenues will
5 create upward pressure on the basic local business and
6 residential rates charged by ALLTEL. This would harm
7 ALLTEL and its customers.

8
9 Imposing a mandatory expanded interconnection requirement
10 for switched access on ALLTEL and the other Tier 2 LECs
11 will increase the likelihood that AAVs will compete for
12 these revenues. This, in turn, will increase the
13 competitive pressure on ALLTEL's switched access rates.

14
15 III.

16 Local Transport

17
18 Q. Please describe ALLTEL's interest in the local transport
19 part of this proceeding.

20
21 A. ALLTEL has traditionally concurred in the local transport
22 tariff of Southern Bell. Since ALLTEL expects to concur
23 in the new local transport tariff rates and structure
24 filed by Southern Bell, we agree with the testimony of
25 Jerry Hendrix with regard to the local transport issues.\

1 Q. Will ALLTEL mirror Southern Bell's new LTR tariff for
2 each of the individual rate elements?

3

4 A. No. In order to achieve revenue neutrality, the residual
5 interconnection rates will be different for those LECs,
6 like ALLTEL, that concur in Southern Bell's tariff.

7

8 Q. How does Southern Bell's LTR tariff affect the MABC?

9

10 A. We agree with Southern Bell that the current MABC plan,
11 rates, and rate structure should remain in place until
12 LTR is fully implemented and the Commission determines
13 that it is appropriate to introduce the proposed
14 transport structure into the MABC.

15

16 Q. How would Southern Bell's Zone Density Pricing tariff
17 filing affect ALLTEL?

18

19 A. ALLTEL does not expect to concur in Southern Bell's Zone
20 Density Pricing tariff and would not expect to be
21 affected by this filing. If, however, there is any
22 residual effect on ALLTEL because of changes in the rates
23 Southern Bell charges ALLTEL for carrying its traffic, we
24 would elect to make a tariff filing to achieve revenue
25 neutrality.

1 IV.

2 Conclusion

3
4 Q. Please summarize your testimony.

5
6 A. This Commission should be particularly aware of and
7 sensitive to the effect the Commission's actions in this
8 docket might have on residential and small business
9 customers, especially those in rural areas. This
10 Commission's decision should have little adverse impact
11 on these customers if (1) the Commission's decision
12 imposes a mandatory switched access expanded
13 interconnection obligations only on the largest LECs, the
14 Tier 1 carriers. Consequently, this Commission should
15 not require smaller companies serving rural areas to
16 provide expanded interconnection. This action is
17 consistent with the FPSC's actions in Phase I of this
18 docket and with the FCC's actions in the matter of
19 expanded interconnection with local telephone company
20 facilities.

21
22 While this Commission should take a significant step
23 toward providing the benefits of competition in the
24 provisions of telecommunications service, it should be a
25 measured step. That measured step should include the

1 consideration of expanded interconnection only for Tier
2 1 companies.

3
4 The complexity of the issues surrounding expanded
5 interconnection and the time necessary for a state
6 regulatory body such as the Florida Public Service
7 Commission to carefully evaluate the merits and impacts
8 of intrastate expanded interconnection point clearly to
9 a limitation in the scope of this Commission's order.
10 The application of the obligations imposed in this docket
11 should be limited to Tier 1 LECs. In this way, the
12 Commission can take a measured step towards providing
13 competition, while assessing the effects of that action
14 in giving the small LECs additional time to prepare for
15 the advent of competition. This competition can be
16 proportionately far more devastating for the small LECs.

17

18 Q. Does this conclude your testimony?

19

20 A. Yes.

21

22

23

24 jje'ull'ceady-dlr.net

ALLTEL FLORIDA, INC.
DOCKET NO. 921074-TP
WITNESS: EUDY
EXHIBIT NO. _____ (HEE-1)

EXHIBIT
OF
H. E. EUDY

ALLTEL FLORIDA, INC.
DOCKET NO. 921074-TP
WITNESS: EUDY
EXHIBIT NO. _____ (HEE-1)
DOCUMENT NO. 1
PAGE 1 OF 1

LOCAL EXCHANGE COMPANY
COMPARATIVE STATISTICS
DECEMBER 31, 1992

<u>Company Name</u>	<u>Exchanges</u>	<u>Total Access Lines</u>
Southern Bell	100	4,901,037
GTE Florida	24	1,794,759
United	68	1,160,896
Centel	35	302,647
ALLTEL	27	61,554
St. Joseph	13	23,842
Quincy	3	10,211
Gulf	2	7,916
Vista-United	1	6,624
Northeast	2	6,248
Southland	2	3,329
Indiantown	1	2,763
Floral	<u>2</u>	<u>1,864</u>
TOTALS	<u>280</u>	<u>8,283,690</u>

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U. S. Mail or hand delivery (*) this 23rd day of May, 1994, to the following:

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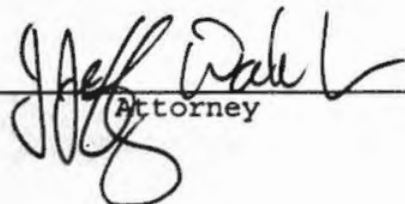
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