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Mark Richard
Attorney At Law

June 23, 1995

VIA FEDERAL EXPRESS

Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32301

Attention: Director
Division of Records & Reporting

Re: Docket No. 920260-TL
Locals 3121, 3122 and 310
Communication Workers of America, AFL-CIO

Dear Sir or Madam:

Enclosed please find an original and fifteen (15) copies of the Direct Testimony of William I. Knowles, Jr. in behalf of Locals 3121, 3122, 3107 Communication Workers of America, AFL-CIO. Please file same.

Copies of the Direct Testimony were mailed today to those individuals named on the attached distribution list, except that they were sent via Federal Express to the Office of the Public Counsel and to counsel for Southern Bell Telephone and Telegraph Company, McCaw Cellular and the Public Service Commission.

Thank you.

Sincerely,

Mark Richard / Bes
Mark Richard

Dictated By Mark Richard
But Signed in His Absence
To Avoid Delay.

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- AFA 2
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive Review of)
the Revenue Requirements and Rate)
Stabilization Plan of Southern Bell)
Telephone and Telegraph Company.)

Docket No. 920260-TL

DIRECT TESTIMONY OF

WILLIAM I. KNOWLES, JR., PRESIDENT OF LOCAL 3122
OF THE COMMUNICATION WORKERS OF AMERICA, AFL-CIO,

Date: June 26, 1995

Respectfully submitted,

Mark Richard, Esq.
Attorney for CWA Locals
3121, 3122, 3107
Fla. Bar No. 305979
304 Palermo Avenue
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305-443-5125

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1 Q.: State your name and provide your background?

2 A.: My name is William I. Knowles, Jr. My business
3 address is Communication Workers of America, AFL-CIO, Local
4 3122 ("CWA"), 13012 S.W. 133rd Court, Miami, Florida,
5 33186. The union's telephone number is 305-232-1333.

6 I am currently the President of CWA Local 3122. Our
7 union is the exclusive collective bargaining agent for some
8 2000 employees of Southern Bell Telephone Company ("SBT").
9 Our union along with the other two (2) unions that filed
10 the suggested refund plan (CWA Locals 3121 and 3107) are
11 the representatives for a total of approximately 5000
12 employees ("CWA Locals"). Almost all of our members are
13 customers of SBT.

14 Q.: Why did the three "CWA Locals" submit a proposal
15 suggesting how the Commission should distribute the \$25
16 Million refund?

17 A.: Our unions have a long history of involvement in
18 telecommunication issues. Obviously, our activities arise
19 in part out of our natural interest in issues that affect
20 us as workers in the industry. However, our organizations
21 are also dedicated to those consumer efforts seeking to
22 bring about fairness, equity and affordability in the
23 telecommunications marketplace.

24 We were excited by that part of the settlement secured
25 by the Public Counsel and PSC Staff that offered interested
26 parties the opportunity to submit proposals on how to

1 distribute refund monies. This chance for everyday
2 citizens to participate in what appears as a prohibitive
3 and distant arena was relished by thousands of CWA
4 employees. We forwarded a proposal covering the last
5 refund issue and later withdrew it after a settlement was
6 reached between us and SBT.

7 We were almost dissuaded from submitting the instant
8 proposal because of our negative experience during the last
9 proposal process. Our efforts were seen as bothersome,
10 instead of an exercise in democracy. It appeared as if our
11 involvement was resented, as we were treated as outsiders
12 to the regulatory forum. But, as workers we are not
13 unfamiliar with this type of response. We nevertheless
14 decided to go forward because of our respect for the
15 Commission and our commitment to our membership.

16 Q.: What is the CWA Locals' proposal?

17 A.: The specifics of the proposal are outlined in the
18 initial pleading which was previously filed. The plan
19 calls for an equal distribution of \$5 million to five (5)
20 classes of taxpayers. This refund would be applied against
21 basic service for each group. The actual refund formulae
22 and the determination of eligible ratepayers would be
23 established by the Commission.

24 The general refund distribution is as follows:

25 (a) \$5 million rate reduction to the basic "lifeline"
26 senior citizen telephone service.

1 (b) \$5 million rate reduction to the basic
2 residential telephone service.

3 (c) \$5 million rate reduction to the basic telephone
4 service to any organization that is non-profit with 501(c)
5 tax exempt status.

6 (d) \$5 million rate reduction to the basic telephone
7 service of any public school, community college and state
8 university.

9 (e) \$5 million rate reduction for telephone service
10 to any qualified disabled ratepayer.

11 Q.: Why should the CWA Locals' proposal be adopted?

12 A.: The Locals expended great efforts in analyzing the
13 most equitable manner for refunding the settlement monies.
14 In reaching the above proposed plan, we were guided by four
15 (4) regulatory principles.

16 First, the refund dollars should be directed toward
17 basic universal service. Basic telephone service is the
18 communication backbone of our nation. Simple dialtone is
19 the fundamental element of the telephone network. Any
20 refund plan should be designed to offset only basic
21 service.

22 Areas like long distance, special features (e.g.,
23 speed dialing) and even touchtone service, while valuable
24 and important are dependent upon basic service. Thus, the
25 refund should focus upon that service which underlies every
26 other aspect of the system. This guarantees that the

1 greatest number of ratepayers will receive the greatest
2 breadth of a refund. This will eliminate the possibility
3 of discrimination against those who cannot afford extra
4 features. This will help us not forget that long distance
5 is often a budgeted luxury for some. However, dialtone
6 defines a way of life.

7 This concept of addressing universal service is not
8 alien to the regulatory and legislative environment. The
9 Florida Legislature and Governor have endorsed universal
10 service. Almost every consumer group and advocate have
11 agreed upon this universal service pledge. Morton Bahr,
12 President of the Communication Workers of America
13 International, (representing nearly one million workers
14 nationwide) has made the reality of universal service one
15 of our union's most prominent goals.

16 Second, the refund formulae should seek to assist
17 those who need it the most. Cross-subsidies have always
18 been accepted in the regulatory arena. Certain business
19 customers have historically underwritten residential
20 service costs. We have long prioritized types of service.
21 Additionally, the Commission has recognized the needs of
22 special groups, like the elderly, with the establishment of
23 "Lifeline" and other similar rates.

24 With this principle as guidance, CWA identified four
25 (4) groups of ratepayers who have certain special needs.
26 The needs of senior citizens are already recognized and

1 warrant no discussion. Our public educational
2 institutions, who themselves are facing critical funding
3 shortages, prepare our future generations to lead society.
4 Basic telephone service is a vital requisite to the
5 operation of our schools, colleges and universities. Next,
6 disabled citizens have recently won nationwide protection
7 through the passage of long awaited legislation. Our
8 communities have addressed basic concerns for these
9 citizens in the areas of accessibility of buildings,
10 special transit services and even educational
11 opportunities. Now the time has come for the
12 telecommunications industry to make its contribution.
13 Finally, our state and local governments have recognized
14 the role of 501(c) exempt non-profit organizations. These
15 entities play philanthropic, charitable, educational and
16 scientific roles in our communities. They are beacons of
17 selfless acts. Because they often have financial
18 constraints, this refund would represent greatly
19 appreciated assistance.

20 Third, those who suffered from the alleged
21 improprieties leading to the settlement should be directly
22 compensated. The underlying settlement was reached in part
23 because it ended the allegations of improper sales tactics
24 leveled against SBT. While such allegations were never
25 proven, it is clear that the settlement put closure on this
26 regrettable chapter in our company's history. The basic

1 residential customer would have been the most frequent
2 target of the alleged sales actions. It is almost
3 impossible to identify the victims by any demographic
4 variables. Thus, CWA included all such ratepayers as a
5 recipient class under the proposed settlement.

6 Fourth, the refund should be singularly directed to
7 assist consumers and not utilized to directly benefit the
8 company. We are loyal and committed employees of SBT. We
9 care about our company and would, at first glance, like
10 nothing better than to have the money help us with a
11 competitive edge. But this would be disingenuous. SBT
12 entered the settlement to redress consumer issues. Any
13 refund plan should mirror that intent. A lowering of basic
14 rates will not provide SBT or any potential competitor with
15 any advantage. It simply allows for the most equitable
16 redistribution of monies.

17 Q.: Are the CWA Locals opposed to the SBT plan?

18 A.: Yes. We are very supportive of lowering intrastate
19 long distance rates and applaud the Company's efforts in
20 that direction. But, the \$25 million refund should not be
21 used for such a purpose. The reasons are clear.

22 First, long distance rate reduction has the appearance
23 of being self-serving to SBT. It has more benefit to the
24 LEC in establishing a competitive edge, than in aiding
25 ratepayers. "The money is being refunded anyway, why not
26 help ourselves?" is an unacceptable philosophy given the

1 need to compensate the public for the alleged wrongdoing.

2 Second, the long distance refund plan does not meet
3 the four principles outlined above which have been long
4 embraced by regulators. In fact, it has the opposite
5 effect. For example, lower income ratepayers, who are
6 least likely to make long distance calls, will not receive
7 any benefit. There is also no correlation between the
8 alleged sales tactics and long distance activities.
9 Overall, intrastate long distance is not an area that will
10 maximize the benefit of the refund.

11 Finally, the SBT plan has inherent problems. There is
12 no free tracking device for the consumer to monitor
13 improperly billed calls. The company plans to charge for
14 this, which would undermine the spirit of the refund.
15 Also, the fixed price per call can actually end up costing
16 consumers more money. This would result in a net loss
17 instead of a savings. This would be an outrageous result.
18 There are other such negative consequences.

19 Q.: Would the CWA Locals accept any other alternative
20 plan?

21 A.: Yes. We would like nothing better than to work with
22 SBT, Staff, the Public Counsel, consumer groups and the
23 citizenry to identify an agreed-upon refund mechanism.
24 Unfortunately, the real "players" in the regulatory forum
25 smugly ignore the everyday observers.

26 This attitude must change. The information highway

1 brings with it new political, economic and technological
2 challenges. While these challenges are formidable, they
3 must be resolved in an equitable manner. The very notions
4 of democracy are threatened if our nation's
5 telecommunications system is expropriated by expensive
6 lawyers, corporate giants, regulatory bureaucrats and
7 lobbyists. So far the industry has not truly brought the
8 debate to the public. Rather, the surfacing of public
9 questioning has been viewed as an irritant. Consumer and
10 labor involvement has been met with fast-talking newspeak,
11 back door lobbying and legislative dinners and frolic.

12 But the situation is not totally grim. The Commission
13 has opened the process to the public by accepting proposals
14 such as the one proffered by the CWA Locals. The PSC has
15 encouraged the involvement of our 5000 members by allowing
16 these dedicated and caring employees and consumers to jump
17 into the process. We recognize this good faith gesture and
18 in keeping with its spirit, would consider any fair plan.

19 Certificate of Service

20 I HEREBY CERTIFY that a true and correct copy of the
21 foregoing Direct Testimony of William I. Knowles, Jr. was
22 mailed to those individuals named on the attached
23 distribution list on this 23rd day of June, 1995.

24 
25 _____
26 MARK RICHARD, ESQ.