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June 26, 1995

Ms. Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
Room 110, Easley Building
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

HAND DELIVERY

Re: Docket No. 920260-TL

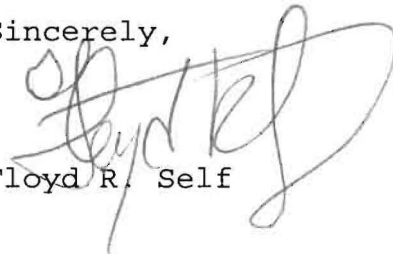
Dear Ms. Bayo:

Enclosed for filing are an original and fifteen copies of the Direct Testimony of Kurt C. Maass on behalf of McCaw Cellular Communications, Inc. in the above-referenced docket.

Please indicate receipt of this document by stamping the enclosed extra copy of this letter.

Your attention to this filing is appreciated.

Sincerely,


Floyd R. Self

- ACK
- AFA 2
- APP _____
- CAF _____
- CMU Norton
- CTR _____
- EAG _____
- LEG 1 FRS/amb
- LIN 5 Enclosures
- GFC _____
- RCH Vinson cc: William H. Higgins, Esq.
- SEC 1 Mr. Kurt C. Maass
- WAS _____ Parties of Record
- OTH _____

RECEIVED & FILED

EPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

05970 JUN 26 1995

FPSC-RECORDS/REPORTING

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Direct Testimony of Kurt C. Maass on behalf of McCaw Cellular Communications, Inc. in Docket No. 920260-TL has been sent by Hand Delivery (*) and/or U.S. Mail on this 26th day of June, 1995 to the following parties of record:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 920260-TL

DIRECT TESTIMONY

OF

KURT C. MAASS

ON BEHALF OF

MCCAW CELLULAR COMMUNICATIONS, INC.

DOCUMENT NUMBER-DATE

05970 JUN 26 82

FPSC-RECORDS/REPORTING

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Kurt C. Maass. My business address is

3 5400 Carillon Point, Kirkland, Washington 98033.

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

5 A. I'm employed as Vice President of External Affairs

6 by McCaw Cellular Communications, Inc. ("McCaw").

7 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

8 A. I received a Bachelor's Degree in Business

9 Administration with a concentration in Accounting

10 from Pacific Lutheran University in 1980. I also

11 hold a Certified Public Accountant certificate for

12 the State of Washington.

13 Q. FOR WHOM ARE YOU TESTIFYING IN THIS PROCEEDING?

14 A. I am testifying on behalf of McCaw, which provides

15 cellular and paging service in many communities in

16 Florida and elsewhere.

17 Q. WHAT IS YOUR PROFESSIONAL EXPERIENCE IN THE FIELD

18 OF TELECOMMUNICATIONS?

19 A. I have been employed by McCaw since April 1985.

20 Since that time I have been responsible for

21 external business affairs for McCaw's cellular and

22 paging operations. This encompasses intercon-

1 necting our cellular systems with local landline
2 telephone companies and ensuring compliance with
3 state regulatory requirements. I have also
4 participated in policy-making proceedings at both
5 the state and federal level and am a past member of
6 the Board of Directors of the Personal
7 Communications Industry association (PCIA)
8 (formerly Telocator Network of America), the
9 industry association for cellular and paging
10 carriers. I also currently serve on PCIA's
11 Interconnection Committee. I have participated as
12 a witness in both of this Commission's mobile
13 interconnection dockets and have testified before a
14 number of other state commissions and legislatures
15 on various issues related to the cellular industry.

16 Prior to April 1985, I was employed for
17 approximately five years with the
18 Telecommunications Consulting Group of Ernst &
19 Young (formerly Ernst & Whinney) in Tacoma,
20 Washington. With Ernst & Whinney, I performed
21 numerous cost-separation, access charge, and local
22 rate development studies for a variety of telephone

1 company clients throughout the United States. In
2 this capacity, I was exposed to basic telephone
3 engineering, regulatory issues, industry practices
4 and procedures, and rate and cost study
5 development.

6 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

7 A. I am here to support the Commission's adoption of
8 the Issue 1(c) proposal to have some of the
9 available \$25 million in unallocated rate
10 reductions used to implement the Commission's
11 mobile interconnection policy decision in Docket
12 No. 940235-TL. My testimony also generally touches
13 upon those matters within the scope of Issues 1
14 and 3.

15 Q. DID YOU PARTICIPATE IN DOCKET NO. 940235-TL?

16 A. Yes, I provided both direct and rebuttal
17 testimony in that proceeding for McCaw.

18 Q. WHAT IS THE STATUS OF DOCKET NO. 940235-TL?

19 A. Hearings were held before the Commission in March
20 of this year, all parties have filed their
21 posthearing briefs, and the Commission has recently
22 rescheduled the case for a decision from the June

1 27, 1995 Agenda Conference to the July 18, 1995
2 Agenda Conference.

3 Q. WHAT WAS THE PURPOSE OF DOCKET NO. 940235-TL?

4 A. The Commission opened Docket No. 940235-TL to
5 conduct an extensive review of the mobile
6 interconnection policies adopted by the Commission
7 in 1988 and 1989 and to determine whether any of
8 those policies should be changed. The key issue in
9 the case was whether the mobile interconnection
10 rates should continue to be linked to access charge
11 rates or set on some other basis. If the
12 Commission determines that the link to access
13 charges should be maintained, then any reductions
14 in access charge rate elements should continue to
15 be flowed-through to the corresponding mobile
16 interconnection rate elements.

17 Q. HOW IS IT THAT IT MAY BE NECESSARY FOR THE
18 COMMISSION TO "IMPLEMENT" THE DOCKET NO. 940235-TL
19 DECISION IN THIS DOCKET?

20 A. The issue arises from the adoption of Senate Bill
21 1554, which became effective July 1, 1995. Under
22 section 17 of this bill, mobile service provider

1 interconnection appears within the definition of
2 "network access service," with network access rates
3 being capped at July 1, 1995 levels until January
4 1, 1999. We believe that under the new law access
5 charge reductions should be flowed-through to
6 mobile interconnection rates if the Commission
7 maintains the link with access charges in Docket
8 No. 940235-TL. However, we are concerned, given
9 the lack of clarity in the new law, that the local
10 exchange companies will not flow-through access
11 charge reductions to the mobile interconnection
12 rates even if the Commission determines in Docket
13 No. 940235-TL that such a policy continues to be in
14 the public interest. Specifically, if Southern
15 Bell successfully disputed its obligation to make
16 the flow-through, Southern Bell would not have to
17 reduce mobile interconnection rates when it makes
18 the promised October 1995 (and October 1996) access
19 charge reductions required by Order No. PSC-94-
20 0172-FOF-TL.

21 Alternatively, the Commission may determine in
22 Docket No. 940235-TL that the current rates should

1 be reduced to some specific level or the Commission
2 could direct the parties to negotiate some new
3 interconnection arrangements. However, the new law
4 potentially may be applied to avoid the
5 implementation of some of the policies that may be
6 adopted in Docket No. 940235-TL.

7 Q. WHAT IS MCCAWE'S PROPOSAL FOR THIS SOUTHERN BELL
8 DOCKET?

9 A. If the Commission finds in Docket No. 940235-TL
10 that as a matter of policy the link between access
11 charges and mobile interconnection rates should be
12 continued but that the effectiveness of Senate Bill
13 1554 might somehow preclude the October 1995 access
14 charge reductions from being flowed-through to the
15 mobile interconnection rates, then consistent with
16 that policy decision Southern Bell in this docket
17 should be required to make the required flow-
18 through to the mobile interconnection rates.

19 Q. WHAT IS THE RATIONALE FOR THIS PROPOSAL?

20 A. The Commission and parties have just concluded
21 in Docket No. 940235-TL extensive proceedings
22 involving a full review of the Commission's

1 successful mobile interconnection policies.
2 If on the basis of that record the Commission
3 has determined that the linkage between access
4 charges and mobile interconnection rates is
5 appropriate and should be continued, then the
6 new law should not operate to prevent the
7 implementation of that policy, especially when
8 the Commission has the clear ability to
9 implement it here in this docket. I should
10 add that last year, before there was a Senate
11 Bill 1554, the Commission used some of the
12 1994 unallocated \$10 million in rate
13 reductions to implement the 1994 access charge
14 rate reduction flow-through to mobile
15 interconnection rates.

16 Q. WHAT DO YOU PROPOSE IF THE COMMISSION BREAKS
17 THE LINK BETWEEN ACCESS CHARGES AND THE MOBILE
18 INTERCONNECTION RATES?

19 A. If the link with access is broken and there is
20 a decision to reduce mobile interconnection
21 rates it may be appropriate to account for
22 such a reduction within the \$25 million.

1 Again, all of the parties have participated in
2 an extensive review of the Commission's
3 policies and it would be appropriate to assure
4 implementation of the Commission's decision.

5 Q. IF THE LINK WITH ACCESS IS MAINTAINED, WHAT IS
6 THE REVENUE IMPACT OF MCCA W'S PROPOSAL ON THE
7 TOTAL \$25 MILLION IN RATE REDUCTIONS AVAILABLE
8 IN THIS PROCEEDING?

9 A. Based upon information supplied to us by Southern
10 Bell, we estimate that the revenue impact of our
11 proposal is \$__ million.

12 Q. AGAIN, IF THE LINK WITH ACCESS IS MAINTAINED AND
13 THE COMMISSION ADOPTS YOUR PROPOSAL, SUCH ACTION
14 MAY NOT DISPOSE OF THE ENTIRE \$25 MILLION. SHOULD
15 THE COMMISSION THEN APPROVE EITHER OF THE OTHER TWO
16 PROPOSALS IDENTIFIED AS ISSUES 1(A) AND 1(B)?

17 A. From my review of the two other proposals that have
18 been made, it does not seem appropriate for the
19 Commission to approve either of them, in full or in
20 part. Southern Bell's EAS proposals appear
21 directed to giving Southern Bell an unfair
22 competitive advantage in the intraLATA toll market.

1 The CWA's proposals appear unnecessary given the
2 present price levels of the targeted services and
3 the availability of lifeline in Florida.

4 Q. IF THE COMMISSION REJECTS THE SOUTHERN BELL AND CWA
5 PROPOSALS AND BY IMPLEMENTATION OF THE DOCKET NO.
6 940235-TL POLICIES DOES NOT UTILIZE THE FULL \$25
7 MILLION, WHAT ACTION SHOULD THE COMMISSION TAKE
8 WITH RESPECT TO THE BALANCE OF THE \$25 MILLION?

9 A. It seems that the overall objective of the rate
10 reductions identified in the original Stipulation
11 and Implementation Agreement approved by the
12 Commission was to address those rate categories
13 requiring special attention due to their price
14 levels in comparison to cost, to address
15 competitive inequalities between customer service
16 classes, or to otherwise advance important public
17 policy objectives. Given the foregoing, it is
18 appropriate to use some of this money to implement
19 those reductions in interconnection prices that we
20 believe will be ordered in Docket No. 940235-TL.
21 As for the balance of the money, the Commission
22 should look to those monopoly services where the

1 rate levels are greatly in excess of cost (like
2 interexchange access or mobile interconnection) or
3 to those services where there are competitive
4 inequalities between classes of customers,
5 especially as between Southern Bell retail services
6 versus wholesale services (for example, PBX trunk
7 lines). These types of services seem especially
8 appropriate for examination given the limitations
9 that may exist because of the new legislation.

10 Q. WHEN SHOULD TARIFFS BE FILED AND WHAT SHOULD BE
11 THEIR EFFECTIVE DATE?

12 A. The tariffs should be filed no later than two weeks
13 after the Agenda Conference decision to be
14 effective October 1, 1995.

15 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

16 A. McCaw is not attempting to relitigate the issues in
17 Docket No. 940235-TL or to prejudge the outcome in
18 that case. Rather, the mobile interconnection
19 proceeding, Docket No. 940235-TL, represents a
20 significant policy review undertaking. If there
21 is any possibility the new telecommunications law
22 would operate to defeat implementation of the

1 policies rendered in that proceeding or it is
2 otherwise appropriate to account for rate
3 reductions in this docket, then the Commission
4 should utilize some of the \$25 million to implement
5 those decisions. This action is especially
6 appropriate in view of the weaknesses in the other
7 alternatives that are on the table.

8 Q. DOES THIS CONCLUDE YOUR PREFILED DIRECT TESTIMONY?

9 A. Yes it does.