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August 14, 1996

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

BY HAND DELIVERY

Re: Docket No. 920260-TL

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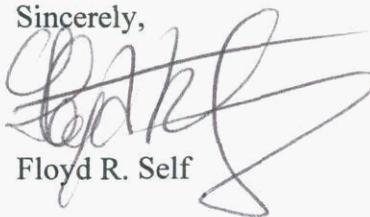
Dear Ms. Bayo:

Enclosed is the original and fifteen copies the Direct Testimony of Kurt C. Maass on behalf of AT&T Wireless Services of Florida, Inc. in the above-referenced docket.

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

Your attention to this filing is appreciated.

Sincerely,



Floyd R. Self

FRS/amb
Enclosures

cc: William Higgins, Esq.
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

AT&T WIRELESS SERVICES OF FLORIDA, INC.

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Kurt C. Maass. My business address is 5400 Carillon Point,
3 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 by AT&T Wireless
6 Services, Inc. ("AWS").

7 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.

8 A. I received a Bachelor's Degree in Business Administration with a
9 concentration in Accounting from Pacific Lutheran University in 1980. I also
10 hold a Certified Public Accountant certificate from the State of Washington.

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

12 A. I am testifying on behalf of AT&T Wireless Service of Florida, Inc. (formerly
13 known as McCaw Communications of Florida, Inc.), which provides cellular
14 and paging service in many communities in Florida and elsewhere.

15 Q. WHAT IS YOUR PROFESSIONAL EXPERIENCE IN THE FIELD OF
16 TELECOMMUNICATIONS?

17 A. I have been employed by the company since April, 1985. Since that time I
18 have been responsible for external business affairs for AWS's cellular and
19 paging operations. This encompasses interconnection of our cellular systems
20 with local landline telephone companies and ensuring compliance with state
21 regulatory requirements. I have also participated in policy-making
22 proceedings at both the state and federal level and am a past member of the

1 Board of Directors of the Personal Communications Industry Association
2 ("PICA") (formerly Telocator Network of American), the industry
3 association for cellular and paging carriers. I currently serve on PICA's
4 Interconnection Committee. I have represented the company on numerous
5 occasions through testimony before several state commissions and
6 legislatures on various issues related to the cellular industry.

7 Prior to April 1985, I was employed for approximately five years with
8 the Telecommunications Consulting Group of Ernst & Young (formerly Ernst
9 & Whinney) in Tacoma, Washington. With Ernst & Whinney, I performed
10 numerous cost-separation, access charge, and local rate development studies
11 for a variety of telephone company clients throughout the United States. In
12 this capacity, I was exposed to basic telephone engineering, regulatory issues,
13 industry practices and procedures, and rate and cost study development.

14 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

15 A. Yes. I was the company's witness in both the original mobile interconnection
16 proceeding (Docket No. 870675-TL) and the more recent review of mobile
17 interconnection policies (Docket No. 940235-TL). In addition, I have
18 previously filed testimony in this docket.

19 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

20 A. I am testifying in support of the Joint Proposal filed by Florida Ad Hoc
21 Telecommunications Users' Committee, MCI Telecommunications
22 Corporation, AT&T Communications of the Southern States, Florida

1 Interexchange Carriers Association, Sprint Communications Company
2 Limited Partnership, and AWS (the "Joint Petitioners"). While my testimony
3 generally supports the Joint Proposal, I will offer specific testimony with
4 respect to the proposed reductions in mobile interconnection service rates.

5 Q. COULD YOU EXPLAIN THE JOINT PROPOSAL?

6 A. Yes. The Joint Petitioners have proposed that \$11 million be used to reduce
7 the rates for BellSouth's PBX trunks and DID service associated with PBX
8 trunks; \$35 million be used to eliminate the Residual Interconnection Charge
9 ("RIC") within the local transport rate of BellSouth's switched access
10 service; and \$2 million be used to reduce the usage rates of BellSouth's
11 mobile interconnection services with the exception of the Type 2B rate which
12 would not change.

13 Q. WHY SHOULD THE COMMISSION APPROVE THE JOINT
14 PROPOSAL?

15 A. The Commission should approve the Joint Proposal because it is the only
16 proposal that is in the best interests of the ratepayers. In addition, it is the
17 only proposal that is consistent with the original objectives of the Stipulation
18 and Implementation Agreement, and it is the only proposal that encourages
19 and fosters the development of competition.

20 Q. HOW DOES APPROVAL OF THE JOINT PROPOSAL PROVIDE THESE
21 BENEFITS?

22 A. The Settlement and Implementation Agreements that led to these proceedings

1 were entered into as a compromise to settle several dockets involving
2 continuation of BellSouth's "rate stabilization plan," a review of BellSouth's
3 rates and earnings, and several investigations into various billing and repair
4 practices. The Commission recognized that the Settlement provided for
5 substantial rate reductions and that the settlement "when viewed as a whole,
6 provides substantial benefits to the Company's ratepayers." (Order No. PSC-
7 94-0172-FOF-TL, at 4 (February 11, 1994).)

8 In order to assure fulfillment of the Stipulation, the Commission
9 should now address those rate categories where the current price is greatly in
10 excess of cost, there is a competitive inequality between customer service
11 classes, or important public policy objectives can be advanced.

12 The rate reductions targeted in the Joint Proposal are the only
13 proposed rate reductions that fairly meet these objectives. Intrastate access
14 charges and mobile interconnection usage rates are priced so high above cost
15 as to be confiscatory. It is my general understanding that PBX trunk rates are
16 priced significantly higher than the functionally equivalent Centrex-type
17 service BellSouth offers end users. As monopoly services, or services that
18 likely will retain monopoly service characteristics for the foreseeable future,
19 movement of these rates closer to cost will maximize the most efficient use
20 of the network and prove an incentive to engage in the most efficient conduct.
21 Thus, approval of the Joint Proposal will best encourage the development of
22 a more competitive telecommunications market in Florida, to the benefit of

1 Florida's consumers.

2 Q. PLEASE DESCRIBE THE SPECIFIC REDUCTIONS IN THE JOINT
3 PROPOSAL FOR MOBILE INTERCONNECTION USAGE RATES.

4 A. The parties to the Joint Proposal are requesting an aggregate reduction of \$2
5 million for mobile interconnection usage rates. The specific rates to be
6 reduced are the mobile-to-land usage rates for Type 1, Type 2A, Type 2A-
7 CCS7, MSP lines, and MSP trunks and the land-to-mobile option. This
8 proposal excludes Type 2B usage rates.

9 Q. WHAT WOULD BE THE RESULTING RATE LEVELS IF THE \$2
10 MILLION RATE REDUCTION FOR MOBILE INTERCONNECTION
11 USAGE RATES IS APPROVED?

12 A. We are currently pursuing discovery with BellSouth to make this
13 determination. When we receive the information, I will make a more specific
14 proposal as to the specific rate reductions. Without this information I cannot
15 presently make a detailed recommendation.

16 Q. WHY ARE THESE MOBILE INTERCONNECTION USAGE RATES
17 BEING TARGETED FOR REDUCTIONS UNDER THE JOINT
18 PROPOSAL?

19 A. There are two reasons. The most important reason is that at their current rate
20 levels, these mobile interconnection usage rates are greatly in excess of cost.
21 The current price levels, being greatly in excess of cost for a monopoly
22 service, discourage investment and are anticompetitive.

1 Q. TO WHAT EXTENT ARE THE CURRENT RATES IN EXCESS OF
2 COST?

3 A. We have requested discovery from BellSouth with respect to their cost
4 studies. Until such information is available I do not have a precise reply but,
5 I would like to make several preliminary points.

6 First, the current Type 1 and Type 2A rate is \$.0204 peak and \$.0150
7 off-peak. The land-to-mobile option rate is \$.0447 for intracompany and
8 \$.1422 for intercompany terminations.

9 Second, the FCC, in its August 1, 1996 First Report and Order (FCC
10 96-325) in the Local Competition proceeding (CC Docket No. 96-98) and
11 LEC-CMRS Interconnection proceeding (CC Docket No. 95-185),
12 established default interconnection prices in the range of 0.2 to 0.4 cents per
13 minute for switching, with a preference for the lower end of the range, and
14 a default ceiling of .15 cents for tandem switching. Applying these rates,
15 which are based upon a TELRIC analysis plus a reasonable share of forward-
16 looking joint and common costs reveals that the current rates are significantly
17 in excess of cost.

18 Third, applying the \$2 million in proposed rate reductions for non-
19 Type 2B rates produces only slightly lower rates that would still remain
20 significantly above cost and the FCC's pricing guidelines.

21 Q. WHAT IS THE OTHER REASON FOR REDUCING MOBILE
22 INTERCONNECTION USAGE RATES?

1 A. The other basic problem with the current rate levels arises from the way that
2 these usage rates were set. Originally, all MSP interconnection usage rates
3 were linked to access charges under the formula approved in Order No.
4 20475. Therefore, each time there was a reduction in access charges, there
5 would be a corresponding reduction in the MSP usage rates. In 1995, when
6 the Commission broke the linkage to access charges, the rates for all non-
7 Type 2B usage rates were frozen at their then effective price levels. Thus,
8 with the October, 1995, and October, 1996 access charge reductions, there
9 will be no reduction in the MSP usage rates. The result of this decision is
10 that the mobile carriers are now paying more than the IXC's for essentially
11 the same service.

12 Q. PLEASE EXPLAIN HOW THIS IS POSSIBLE.

13 A. The easiest way to see this is with the land-to-mobile option rate. Under the
14 formula, the mobile-to-land option was set to equal the rate for originating
15 access charges. This made sense since the LATA-wide origination made
16 available through the land-to-mobile option roughly corresponds to the
17 service associated with originating access charges.

18 Q. IS THIS ALSO TRUE FOR THE MOBILE-TO-LAND USAGE RATES?

19 A. Yes. The original formula for the mobile-to-land usage rates consisted of two
20 separate rates blended together -- a local component and a toll component.
21 The toll component consisted of terminating access charges -- the same
22 terminating access charges paid by the IXCs. Thus, with the October 1995

1 and October 1996 access charge reductions, the former toll component is
2 more than the corresponding terminating access charges .

3 Q. GIVEN THE FACT THAT THE COMMISSION COMPREHENSIVELY
4 REVIEWED MOBILE INTERCONNECTION RATES IN 1995, WHY
5 SHOULD THE COMMISSION CONSIDER THEM AGAIN SO SOON?

6 A. The Commission should examine these rates now because there have been
7 significant legislative changes by both the Florida Legislature and the
8 Congress that dramatically change the telecommunications landscape. Under
9 the 1995 amendments to Chapter 364, the Florida Legislature has declared
10 that the competitive provision of telecommunications service is in the public
11 interest and has directed this Commission to encourage and promote such
12 competition. More recently, with the adoption of the federal
13 Telecommunications Act of 1996, the Congress has determined that
14 telecommunications competition now is the national policy. These two
15 enactments change the focus of regulation to the implementation of policies
16 that promote competition. With reformulated universal service protections
17 under both the Florida and federal enactments, this Commission should work,
18 as quickly as possible, to reduce interconnection rates so the full benefits of
19 a competitive market can be brought to Florida's consumers.

20 Q. IF APPROVED, WILL THE RATE REDUCTIONS IN THE JOINT
21 PROPOSAL BE PASSED THROUGH TO END USERS?

22 A. Each company must individually respond to this question in order to avoid

1 even the appearance of collusive price setting. For wireless service, end user
2 rates have decreased over the last ten years, and will continue to be reduced
3 due to reductions in interconnection charges and as we add value to our
4 networks through new technology and services.

5 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

6 A. The Commission should approve the Joint Proposal. It is the best plan for
7 competition and consumers. The proposed mobile interconnection rate
8 reductions further the objectives of the Settlement and Implementation
9 Agreement and are necessary to ensure that mobile interconnection usage
10 rates move toward cost and at least stay in line with, and not exceed, the
11 corresponding access charge elements.

12 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

13 A. Yes.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Direct Testimony of Kurt C. Maass on behalf of AT&T Wireless Services of Florida, Inc. in Docket No. 920260-TL has been sent by Hand Delivery (*) and/or U.S. Mail on this 14th day of August, 1996 to the following parties of record:

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