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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive Review of the) Docket No. 920260-TL
Revenue Requirements and Rate)
Stabilization Plan of Southern Bell) Filed: 8-14-96
Telephone and Telegraph Company)

INTERMEDIA COMMUNICATIONS INC.'s
DIRECT TESTIMONY OF
THOMAS ERWIN ALLEN, JR.

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1 Q. Please state your name, employer and business address.

2 A. My name is Thomas E. Allen, Jr. I am employed by
3 Intermedia Communications Inc. ("Intermedia") as Vice
4 President, Strategic Planning and Regulatory Policy. My
5 business address is Cobb Corporate Center, 450 Franklin
6 Road, Suite 170, Marietta, Georgia, 30067.

7 Q. What are your responsibilities in that position?

8 A. I am the primary interface between Intermedia
9 Communications and the Local Exchange Companies. I am also
10 responsible for the setting of regulatory policy. In
11 addition to those responsibilities, I also oversee private
12 line and special access marketing activities.

13 Q. Please give a brief description of your background and
14 experience.

15 A. I graduated from Emory University in 1976 with a Bachelor
16 of Arts in Political Science. In 1978, I received a Master
17 of Public Administration degree with a concentration in
18 Public Finance from the University of Georgia. I joined
19 Southern Bell in 1979 as an Installation Foreman. From
20 that position I subsequently had assignments in the
21 Customer Services organization. In 1985, I accepted a
22 position in the Southern Bell Headquarters' Rates and
23 Tariffs group with responsibility for dedicated service
24 tariffs. In 1986, I was promoted to Manager in the Rates
25 and Tariffs group maintaining my same responsibilities. In

1 1991, my organization was consolidated into the BellSouth
2 Regulatory Policy and Planning Department. There I was
3 responsible for developing and analyzing local competition
4 policies and strategies. The last several years were spent
5 specifically looking at the subjects of local competition,
6 unbundling and resale. I joined Intermedia in October,
7 1995.

8 Q. What is the purpose of your testimony?

9 A. ICI opposes several of the reductions offered by BellSouth.
10 ICI does not oppose the reductions of switched access
11 charges, waiver of secondary service charges, elimination
12 of usage charges for RCF, reduction of the SNAC for
13 business, reductions of MegaLink/DS1 interoffice rates and
14 the credit for ECS routes. We believe these reductions
15 provide the correct signals for the changing environment.
16 These reductions account for \$26 Million.

17 ICI does not believe, however, that the balance of \$22
18 Million should be used to (a) reduce line connection
19 charges for only business customers, (b) reduce PBX monthly
20 rates and introduce term contracts for that purpose, (c)
21 reduce DID recurring and Nonrecurring charges, (d) reduce
22 WATS & 800 service access line, or (e) eliminate secondary
23 service charges for WatsSaver and Reduce Business line
24 monthly rates. These rate reductions would widen
25 BellSouth's competitive advantage in the state.

- 1 Q. What should the Commission do with the remaining \$22
2 million?
- 3 A. ICI recommends that the Commission use the remaining \$22
4 Million to encourage competition. For example, the
5 Commission should reduce Remote Call Forwarding recurring
6 rates. In addition, the Commission should reduce
7 LightGate, MegaLink and SynchroNet rates (local channel and
8 interoffice rates). The corresponding High Capacity
9 Service and Digital Data Access Service rate should also be
10 reduced. Specifically, the Commission should require a
11 flat-rated local channel and reduce inter-office rates
12 (both fixed and per mile).
- 13 Q. Why does Intermedia Communications Inc. oppose PBX rate
14 reductions?
- 15 A. The restructure of PBX rates and the elimination or
16 reduction of NRCs provides little if no relief for the
17 average rate payer and only improve BellSouth's competitive
18 advantage. These reductions are to reduce BellSouth's
19 earnings because of its earning beyond its revenue cap.
- 20 Q. Does ICI favor reduction of rates for any services other
21 than competitive services?
- 22 A. If the Commission is unable to determine which competitive
23 rates to reduce, ICI would also support the reduction of
24 both R1 and B1 rates by \$22 Million dollars. These
25 reductions should be made to recurring rates and to the

1 largest amount of rate payers. This is similar to the
2 approach the Commission took last year in its approval of
3 the over 250 ECS routes.

4 Q. Why does ICI oppose the reduction of line connection
5 charges for business customers?

6 A. Service connection charges historically are cost based; in
7 fact, many of the LECs have raised service connection
8 charges because of increased labor cost in recent years.
9 Thus, it is troubling that BellSouth now proposes a
10 reduction of its line connection charge only for business
11 customers. BellSouth is proposing to reduce the business
12 rate from \$56.00 to \$40.00. The \$40.00 is the same rate it
13 charges residential customers. The company in the past
14 argued successfully that the business rate should be more
15 because the higher engineering cost typically associated
16 with serving business customers (typically more lines and
17 features are provided to business customers). Now with the
18 advent of competition, BellSouth seems to be claiming that
19 the cost of serving business customers has instantaneously
20 declined but that the cost for serving residential services
21 has not. ICI believes that Nonrecurring charges, which are
22 typically been cost based, should not be reduced as
23 requested unless the company can provide support for a 29%
24 cost reduction.

25 Q. Why does ICI oppose reduction of PBX monthly rates?

- 1 A. The majority of the \$22 Million balance (13.5 Million)
2 would be used to reduce PBX rates and to add term contracts
3 for PBX service. PBX trunks are a very competitive service
4 and rate reductions concentrated in this area only enhance
5 BellSouth's competitive advantage. The \$29.00 rate for 49
6 to 60 months is close to or perhaps below cost. ICI trusts
7 that the Commission will review the cost information to
8 insure that BellSouth has complied with the cost
9 requirements.
- 10 Q. Why does Intermedia Communications Inc. oppose reduction of
11 PBX rates through term contracts?
- 12 A. The proposal to introduce the term contracts are just
13 another in a series of recent actions by BellSouth to lock
14 up market share. ICI has recently filed a protest to
15 BellSouth's CSA tariff that allowed CSA's on a much broader
16 range of services. ICI is not against contracts or
17 reduction of these rates in general, but it is the timing
18 and the effort by BellSouth to restrict customers' choices
19 in the near term. BellSouth understands that competitors
20 are gearing up to provide similar services to business
21 customers and will also be willing to provide attractive
22 pricing for these services. Therefore, it is attempting to
23 restrict customer choice.
- 24 Q. What is the problem with offering customers a better deal
25 through contracts?

1 A. BellSouth can use these discounts to lock up the market and
2 effectively deny both the contracting customer and other
3 customers as well the benefit of a variety of competitive
4 choices.

5 With customers being bombarded with contract offers by
6 the incumbent before competitors can bring their services
7 to market (much of the delay of getting products to market
8 is the current negotiating environment), vendor choices are
9 limited. Consequently, competitors will have fewer
10 customers to market their services if BellSouth is allowed
11 to implement contracts without some "Fresh Look" provision.
12 There will be some customers, of course, but the market
13 will be greatly reduced. In addition, those customers in
14 long term contracts will be denied the opportunity to get
15 similar services at reduced rates, from alternative
16 providers. ICI believes that customers should have the
17 ability to take advantage of new competitors. The customer
18 should be able to "shop" the market and determine based on
19 its particular situation which option is best.

20 Q. Does Intermedia Communications Inc. oppose any rate
21 reduction for PBX or business rates?

22 A. ICI believes that these rates may need to be reduced in
23 general, but the Commission should not allow the dramatic
24 reduction proposed and should not allow term contracts at
25 this time. Once the Commission has adopted a "Fresh Look"

1 policy and there are bona fide competitors for PBX services
2 then the Commission could allow term contracts.

3 Q. Why does Intermedia Communications Inc. oppose reduction of
4 DID recurring and nonrecurring charges?

5 A. BellSouth is proposing to reduce DID Trunk Termination
6 recurring rates from \$31.00 to \$20.00 and reduce the
7 nonrecurring charge from \$90.00 to \$65.00. In addition,
8 the Company proposes to reduce the Establishment Trunk
9 Group NRC from \$915.00 to \$55.00. BellSouth has decided to
10 reduce these rates and charges at this time for the same
11 reason it has proposed the PBX rate reductions:
12 competition. NRCs are typically established at cost and if
13 the cost for DID establishment has been reduced by 940%,
14 then BellSouth efficiency increase in response to
15 anticipated competition has been miraculous. With all due
16 respect to BellSouth, however, Intermedia suggests that
17 this proposed reduction is not due to any efficiency-based
18 cost reductions. In addition, the Commission should not
19 approve these reductions because NRCs typically affect
20 future customers and the reductions in this proceeding
21 should benefit current customers.

22 To recap, ICI believes that these rates should not
23 reduced using the revenues identified in this proceeding.
24 BellSouth is reducing rates that do not benefit the general
25 body of rate payers, nor, for the most part, current

1 customers. Moreover, ICI believes the proposed dramatic
2 change in the NRCs are not cost based.

3 Q. Why does Intermedia Communications Inc. oppose reduction of
4 WATS & 800 Service Access Line, and the elimination of the
5 Secondary Service Charge for WatsSaver?

6 A. BellSouth is proposing to reduce that WATS access line rate
7 and eliminate the secondary service order charge. Again,
8 these are reductions that affect a small number of
9 customers in a narrow competitive environment. As the
10 Commission is aware, there are costs associated with adding
11 services, and BellSouth apparently believed that the
12 current secondary service charge was necessary to cover the
13 cost of adding WatsSaver service.

14 ICI believes that WATS Access line rates and the
15 secondary service order charge should not be reduced using
16 the revenues identified in this proceeding. BellSouth is
17 again proposing a rate reduction that would not benefit the
18 general body of ratepayers, nor for the most part, current
19 customers.

20 Q. Why does Intermedia Communications Inc. oppose reduction in
21 Business Line Monthly Rates?

22 A. BellSouth proposes reducing the rate group 12 monthly flat
23 rate from \$29.10 to \$29.00. BellSouth states that the
24 rates exceed their cost and reducing the rate brings them
25 in line with the proposed PBX trunk rates (under 49 to 60

1 month contract).

2 ICI believes that while business rates may need to be
3 reduced the rationale for BellSouth's proposal is flawed.
4 We believe that these rates should not be reduced just
5 because of the changes in PBX trunk rates.

6 Q. Does this conclude your testimony?

7 A. Yes it does.

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CERTIFICATE OF SERVICE

Docket No. 920260-TL

I HEREBY CERTIFY that a copy of the foregoing Intermedia Communications Inc.'s Direct Testimony of Thomas Erwin Allen, Jr. has been furnished by United States Mail this 14th day of August, 1996, to:

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