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ORIGINAL
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September 16, 1996

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

BY HAND DELIVERY

Re: Docket No. 920260-TL

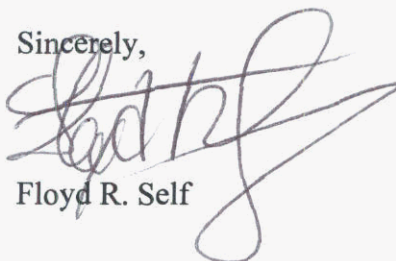
Dear Ms. Bayo:

Enclosed are an original and fifteen copies of the Rebuttal Testimony for Kurt C. Maass on behalf of AT&T Wireless Service of Florida, Inc. in the above- referenced docket.

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

Thank you for your assistance in this matter.

Sincerely,



Floyd R. Self

FRS/amb

Enclosures

cc: William H. Higgins, Esq.
Parties of Record

09856-96

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Rebuttal 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 16th day of September, 1996 to the following parties of record:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 920260-TL

REBUTTAL TESTIMONY

OF

KURT C. MAASS

September 16, 1996

DOCUMENT NUMBER-DATE
09856 SEP 16 1996
FPSC-RECORDS/REPORTING

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: ARE YOU THE SAME KURT MAASS WHO FILED DIRECT
5 TESTIMONY ON BEHALF OF MCCAWE?

6 A: Yes, I am.

7 Q: HAVE YOU REVIEWED THE PREFILED DIRECT TESTIMONY OF
8 THE OTHER PARTIES IN THIS DOCKET?

9 A: Yes, I have.

10 Q: WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

11 A: I have three points to make in rebuttal. First, the rate reductions proposed by
12 BellSouth hamper the development of competition. Second, the other
13 pending proposals are unnecessary and inappropriate at this time. Third,
14 mobile interconnection rate reductions requested in this proceeding by the
15 Joint Proposal are a necessary and appropriate use of the unspecified rate
16 reductions.

17 Q: TURNING TO YOUR FIRST POINT, HOW WOULD BELL SOUTH'S
18 PROPOSAL FOR DISPOSITION OF THE UNSPECIFIED RATE
19 REDUCTIONS HAMPER THE DEVELOPMENT OF COMPETITION?

20 A: As is clear from the testimony of both Mr. Varner and Mr. Hendrix for
21 BellSouth, BellSouth's proposals are specifically targeted to unfairly

1 protecting and expanding BellSouth's customer base in the face of
2 competition. For example, waiver of secondary service charges (Varner, p.7),
3 reduction in first line connect charges (Varner, p.8), elimination of secondary
4 service charges for WatsSaver (Varner, p.10), and more extended local
5 calling for business in Area Plus (Varner, p.12), all make competition less
6 viable. Indeed, a comparison of the two areas targeted by both BellSouth and
7 the Joint Proposal further illuminates BellSouth's efforts to protect itself in
8 the face of new competition. BellSouth's proposals for PBX/DID Service
9 primarily benefit those who lock themselves into long term contracts or
10 request new service (Varner, pp.9-10), while the zone pricing proposal for
11 access charges is expressly intended to position BellSouth "to compete with
12 AAVs for high volume access customers." (Hendrix, p.7).

13 On the other hand, the Joint Proposal would benefit all existing and
14 future PBX/DID, long distance, and wireless customers by reducing the rates
15 of bottleneck monopoly services which competitors require. This will
16 strengthen the competitive choices available to end users and facilitate the
17 robust competition intended by the Federal Telecommunications Act of 1996
18 and the 1995 amendments to chapter 364. Acceptance of the BellSouth
19 proposal would delay the entry of new competitors and the expansion of
20 competitive alternatives.

21 Q: BUT IF THE COMMISSION DENIES BELLSOUTH'S PROPOSED

1 REDUCTIONS, WON'T BELLSOUTH BE PROHIBITED FROM
2 COMPETING EFFECTIVELY?

3 A: No. Mr. Hendrix at page 7 of his direct testimony raises this point, but he is
4 wrong. First, denying BellSouth's proposal will not prevent BellSouth from
5 making any of the changes it has advanced in this proceeding. If competition
6 is putting pressure on any of the services BellSouth has identified, now or in
7 the future, BellSouth will be able to implement these or any other changes.

8 Second, the fact that BellSouth ignored and opposes reductions in the
9 services identified in the Joint Proposal confirms the monopolistic character
10 of these services, their necessity for BellSouth's competitors, and their need
11 for rate relief. Without action now, in this proceeding, to reduce the services
12 identified in the Joint Proposal, which are all priced substantially above cost,
13 BellSouth has little incentive to reduce these rates. Thus, by approving
14 BellSouth's plan, and denying the Joint Proposal, competition and consumers
15 will be harmed twice: excessively priced monopoly services needing
16 reductions won't be reduced while BellSouth is able to further entrench itself
17 in those markets subject to competitive pressure. This cannot be what the
18 Florida Legislature and Congress intended. Nor can this be what this
19 Commission intended when the Stipulation and Implementation Agreement
20 were approved.

21 Q. DO YOU HAVE ANY RESPONSE TO THE OTHER PROPOSALS THAT

1 HAVE BEEN FILED IN THIS PROCEEDING?

2 A. Yes. The Broward Economic Development Council request for a fund to
3 deal with further implementation of the 954 area code in Broward County is
4 both speculative and unnecessary. It is not appropriate to set up a fund on the
5 assumption that there will continue to be long term problems.

6 As for the Palm Beach Newspapers' request, Professor Freeman
7 makes numerous valuable points regarding the importance of proper pricing
8 signals to a competitive market. However, given the excessiveness of the
9 rates and longevity of the access charge, PBX/DID, and mobile
10 interconnection charge pricing problems, it would be more appropriate for the
11 Commission to now focus on these areas than on N11 pricing.

12 Q: CAN YOU RESPOND TO MR. VARNER'S TESTIMONY (P.5)
13 REGARDING BELLSOUTH'S OPPOSITION TO REDUCING MOBILE
14 INTERCONNECTION USAGE RATES?

15 A: Yes. His testimony is that these interconnection rates should not be
16 considered at this time because of the appeal to the Florida Supreme Court
17 of Order No. PSC-95-1247-FOF-TL and the FCC's pending review of mobile
18 interconnection.

19 As for the appeal, its pendency does not change the fact that the
20 mobile interconnection usage rates identified in my direct testimony are
21 excessive and should be reduced. As for the FCC, it agrees with me: in its

1 August 8, 1996 Order, the FCC has significantly restructured interconnection
2 between the mobile carriers and the LECs to redress numerous long standing
3 issues. Essentially, the FCC's order mandates cost based rates and reciprocal
4 compensation. At this time, the FCC's Order and new rules have not yet
5 become final. But if the FCC's Order and rules stand, as we expect, they will
6 require BellSouth, as all of the LECs, to make substantial changes in mobile
7 interconnection to the benefit of the carriers and consumers.

8 While the time frame in which these changes are to occur is not well
9 defined at this point, this Commission at this time has the opportunity to
10 begin the corrective process. Even Mr. Varner did not say the requested
11 mobile interconnection reductions were inappropriate, only untimely. But as
12 the FCC has made clear, now is the time, and this Commission is not
13 precluded from today moving mobile interconnection into the future.

14 Q: DO YOU HAVE ANY OTHER COMMENTS AT THIS TIME?

15 A: Yes. We have now received from BellSouth some information through
16 discovery. Accepting this data at face value, it only confirm the points I
17 made on direct regarding the discriminatory treatment and excessive price
18 levels associated with the current mobile interconnection tariff. But more
19 importantly, this data should not be accepted at face value. First, looking at
20 BellSouth's response to our production of documents requests numbers 36-
21 40, as we demonstrated in Docket No. 940235-TL, BellSouth has overloaded

1 this cost study. BellSouth has packed in independent LEC access charges.
2 As we showed in Docket No. 940235-TL, intercompany terminations are
3 minimal to nonexistent, and nowhere near the 6 percent level relied upon by
4 BellSouth. Thus, evaluating just calls that terminate on BellSouth's network,
5 BellSouth's own data shows the rates are more than double the cost of
6 \$.00751 shown in its study.

7 Second, the cost information produced by BellSouth are not TELRIC
8 or TSLRIC cost studies. Based upon the information in the FCC's local
9 interconnection order, we believe that a proper cost analysis would reveal a
10 cost below the \$.00751 level I have already identified.

11 Third, this analysis demonstrates that the current rates I identified in
12 my direct testimony are substantially above cost and grossly exceed the
13 FCC's pricing standards. In the final analysis, the current mobile
14 interconnection price levels raise the same problems that have long been
15 identified for interexchange carrier access charges. These rates should come
16 down, and this is the perfect opportunity for this Commission to begin to
17 address the problem.

18 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

19 A. Yes.