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Tracy Hatch
Attorney

Suite 700
101 N. Monroe St.
Tallahassee, FL 32301
904 425-6364
FAX: 904 425-6361

September 23, 1996

Mrs. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Docket No. 950737-TP

Dear Mrs. Bayo:

Enclosed for filing in the above referenced dockets are an original and fifteen (15) copies of AT&T's Direct Testimony of Mike Guedel.

Copies of the foregoing are being served on all parties of record in accordance with the attached Certificate of Service.

Yours truly,

Tracy Hatch
Tracy Hatch

- ACK ✓
- AFA _____
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- CMD *Taha*
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- OTH _____

Attachments

cc: Parties of Record

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DIRECT TESTIMONY OF MIKE GUEDEL
ON BEHALF OF AT&T COMMUNICATIONS
OF THE SOUTHERN STATES INC.

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950737-TP
FILED: SEPTEMBER 23, 1996

Q. WILL YOU PLEASE IDENTIFY YOURSELF?

A. My name is Mike Guedel and my business address is AT&T, 1200 Peachtree Street, NE, Atlanta, Georgia, 30309. I am employed by AT&T as Manager-Access Management.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCES.

A. I received a Master of Business Administration with a concentration in Finance from Kennesaw State College, Marietta, GA in 1994. I

1 received a Bachelor of Science degree in
2 Business Administration from Miami University,
3 Oxford, Ohio. Over the past years, I have
4 attended numerous industry schools and seminars
5 covering a variety of technical and regulatory
6 issues. I joined the Rates and Economics
7 Department of South Central Bell in February of
8 1980. My initial assignments included cost
9 analysis of terminal equipment and special
10 assembly offerings. In 1982, I began working
11 on access charge design and development. From
12 May of 1983 through September of 1983, as part
13 of an AT&T task force, I developed local
14 transport rates for the initial NECA interstate
15 filing. Post divestiture, I remained with
16 South Central Bell with specific responsibility
17 for cost analysis, design, and development
18 relating to switched access services and
19 intraLATA toll. In June of 1985, I joined
20 AT&T, assuming responsibility for cost analysis
21 of network services including access charge
22 impacts for the five South Central States
23 (Alabama, Kentucky, Louisiana, Mississippi, and
24 Tennessee).

25

1 Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.

2

3 A. My current responsibilities include directing
4 analytical support activities necessary for
5 AT&T's provision of intrastate communications
6 service in Florida and other southern states.
7 This includes detailed analysis of access
8 charges and other Local Exchange Company (LEC)
9 filings to assess their impact on AT&T and its
10 customers. In this capacity, I have
11 represented AT&T through formal testimony
12 before the Florida Public Service Commission,
13 as well as regulatory commissions in the states
14 of Georgia, Kentucky, and South Carolina.

15

16

17 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

18

19 A. The purpose of my testimony is to: 1)
20 demonstrate that the cost recovery method
21 adopted by the Florida Public Service
22 Commission (FPSC) with respect to interim local
23 number portability is not consistent with the
24 Telecommunications Act of 1996 (Act), and 2)
25 recommend an alternative method of cost

1 recovery that is consistent with the federal
2 statute and the Federal Communications
3 Commission's (FCC) regulations.
4
5

6
7 **Q. IS ORDER NO. PSC-95-1604-FOF-TP INCONSISTENT**
8 **WITH THE FEDERAL COMMUNICATIONS COMMISSION'S**
9 **ORDER AND FURTHER NOTICE OF PROPOSED RULEMAKING**
10 **IN THE MATTER OF TELEPHONE NUMBER PORTABILITY**
11 **IN CC DOCKET NO. 95-116 WITH RESPECT TO COST**
12 **RECOVERY?**

13
14 **A. Yes. In Order No. PSC-95-1604-FOF-TP, the FPSC**
15 **prescribed a method of cost recovery that**
16 **entitled the incumbent Local Exchange Companies**
17 **(ILECs) to charge new entrants a rate equal to**
18 **or greater than the incumbents incremental cost**
19 **of providing the portability service. This**
20 **method now appears to be inconsistent with the**
21 **ACT and contrary to the FCC's First Report and**
22 **Order and Further Notice of Proposed Rulemaking**
23 **released July 2, 1996 in CC Docket No. 95-116**
24 **(``FCC Order'').**

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Specifically, the FCC states at paragraph 138 of the FCC Order:

... requiring the new entrants to bear all of the costs, measured on the basis of incremental costs of currently available number portability methods, would not comply with the statutory requirements of section 251(e)(2). Imposing the full incremental cost of number portability solely on new entrants would contravene the statutory mandate that all carriers share the cost of number portability.

Q. DID THE FCC OFFER ANY GUIDANCE IN THE FCC ORDER REGARDING APPROPRIATE COST RECOVERY METHODS?

A. Yes. The FCC concluded that an appropriate charge should be "competitively neutral." Further the FCC established two criteria for establishing competitive neutrality. Paragraph 132 of the FCC Order provides:

1 First, a ``competitively neutral'' cost
2 recovery mechanism should not give one
3 service provider an appreciable,
4 incremental cost advantage over another
5 service provider, when competing for a
6 specific subscriber. ... We thus interpret
7 our first criteria as meaning that the
8 incremental payment made by a new entrant
9 for winning a customer that ports his
10 number cannot put the new entrant at an
11 appreciable cost disadvantage relative to
12 any other carrier that could serve that
13 customer.

14
15 At paragraph 135 of the FCC Order, the FCC
16 states:

17
18 The second criterion for a ``competitively
19 neutral'' cost recovery mechanism is that
20 it should not have a disparate effect on
21 the ability of competing service providers
22 to earn normal returns on their
23 investment.

24

1 Within the scope of these guidelines, the FCC
2 suggested several mechanisms that it believed
3 to be consistent with the ACT. The suggested
4 mechanisms included: 1) a distribution of costs
5 based upon total working telephone numbers in
6 an area, 2) a distribution of costs based upon
7 total revenues minus carrier to carrier
8 revenues, and 3) ``a mechanism that requires
9 each carrier to pay for its own costs of
10 currently available number portability
11 measures."

12
13

14 **Q. WHAT COST RECOVERY METHOD SHOULD THE FLORIDA**
15 **PUBLIC SERVICE COMMISSION ADOPT?**

16

17 **A.** The Commission should adopt a mechanism which
18 requires each carrier to pay for its own costs
19 of providing interim local number portability.
20 In other words, the service should be provided
21 as requested (of either the incumbent or the
22 new entrant) at no charge.

23

24 In support of this position, the Commission
25 should consider the following:

1 First, the prescription effects interim number
2 portability - an arrangement that will become
3 obsolete in Florida within the next 12 to 18
4 months.

5
6 Second, the capability of providing interim
7 number portability currently exists in the
8 switching equipment of both the incumbent LECs
9 and the new entrants. No additional investment
10 should be required.

11
12 Third, it is not likely that a significant
13 amount of revenue would be effected. Interim
14 portability has been available in Florida since
15 the beginning of this year and to my knowledge
16 no customers have been ported to date. It is
17 likely that demand for this service will grow
18 slowly as new entrants struggle to finds ways
19 to enter the incumbents' territories.

20
21 These realities do not seem to justify the
22 creation of a complex recovery mechanism.

23
24

1 Q. IF THE COMMISSION DECIDES TO IMPLEMENT A
2 MECHANISM THAT REQUIRES DOLLAR PAYMENTS, WHAT
3 MECHANISM SHOULD IT ADOPT?
4

5 A. If the Commission elects to adopt a mechanism
6 that requires dollar payments (and it should
7 only consider such a system if it finds the
8 representation of interim number portability
9 stated in the above response to be in error),
10 then it should adopt the mechanism that has
11 been approved by the NY DPS in the New York
12 metropolitan area. The formula as filed in the
13 NYNEX tariff is:

14
$$\frac{\text{total ported minutes} * (\text{switching} + \text{transport costs})}{\text{total working telephone numbers provided by NYNEX}}$$

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18
19 The charge per working telephone number times
20 the number of ported telephone numbers used by
21 the new entrant would equal the charge per new
22 entrant. The new entrant would charge the
23 incumbent the same rate for similarly ported
24 numbers.
25

1 This mechanism will allow each LEC to recover
2 an appropriate portion of the costs that it
3 incurs in providing interim number portability,
4 but it can only be justified if the anticipated
5 dollars changing hands exceed the additional
6 costs of developing and maintaining the
7 mechanism.

8

9

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11

12 **A. Yes.**

CERTIFICATE OF SERVICE

DOCKET NO. 950737-TP

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by U. S. Mail or hand-delivery to the following parties of record this 23rd day of September, 1996:

Martha McMillin, Esq.
MCI Telecommunications Corp.
Suite 700
780 Johnson Ferry Road
Atlanta, GA 30346

Richard D. Melson, Esq.
Hopping Green Sams & Smith
P. O. Box 6526
Tallahassee, FL 32314

Tony Key
Sprint Communications Co.
3100 Cumberland Circle, N0802
Atlanta, GA 30339

Vicki Gordon Kaufman, Esq.
McWhirter, Grandoff & Reeves
117 S. Gadsden Street
Tallahassee, FL 32301

C. Everett Boyd, Jr., Esq.
Ervin, Varn, Jacobs, Odom
P. O. Drawer 1170
Tallahassee, FL 32302

Anthony Gillman, Esq.
GTE Florida Incorporated
P. O. Box 110, FLTC0007
Tampa, FL 33601-0110

Peter Dunbar, Esq.
Pennington Culpepper, P.A.
P. O. Box 10095
Tallahassee, FL 32302

Laura Wilson, Esq.
FL Cable Telecommunications
310 North Monroe Street
Tallahassee, FL 32301

Lee Willis, Esq.
Jeffry Wahlen, Esq.
Macfarlane Ausley
P. O. Box 391
Tallahassee, FL 32302

William Higgins, Esq.
Cellular One
250 S. Australian Avenue
West Palm Beach, FL 33401

Floyd R. Self, Esq.
Messer, Vickers, Caparello
P. O. Box 1876
Tallahassee, FL 32302-1876

David Erwin, Esq.
Young, van Assenderp, Varnadoe
P. O. Box 1833
Tallahassee, FL 32302-1833

Robert Beatty, Esq.
c/o Nancy Sims
BellSouth Telecommunications
150 S. Monroe St., Suite 400
Tallahassee, FL 32301-1556

Douglas Metcalf
Communications Consultants
P. O. Box 1148
Winter Park, FL 32790-1148

Monica Barone, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Richard M. Rindler, Esq.
Swidler & Berlin, Chartered
3000 K. Street, N. W., Suite 300
Washington, DC 20007

Patrick K. Wiggins, Esq.
Wiggins & Villacorta, P.A.
P. O. Drawer 1657
Tallahassee, FL 32302

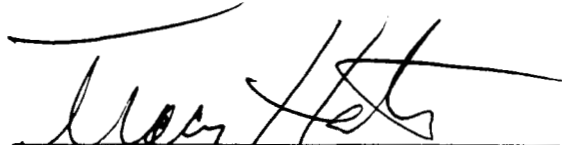
Angela B. Green, Esq.
FL Public Telecommunications
125 S. Gadsden St., Suite 200
Tallahassee, FL 32301

Charles J. Beck, Esq.
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison St., Room 812
Tallahassee, FL 32399-1400

Timothy Devine
MFS Communications Co., Inc.
Six Concourse Pkwy, Suite 2100
Atlanta, GA 30328

Jill Butler
Digital Media Partners/Time
Warner Communications
2773 Red Maple Ridge
Tallahassee, FL 32301

Sue E. Weiske, Esq.
Senior Counsel
Time Warner Communications
160 Inverness Drive West
Englewood, CO 80112



Tracy Hatch

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I HEREBY CERTIFY that a true copy of the foregoing has been furnished by U. S. Mail or hand-delivery to the following parties of record this 23^d day of September, 1996:

Martha McMillin, Esq.
MCI Telecommunications Corp.
Suite 700
780 Johnson Ferry Road
Atlanta, GA 30346

Richard D. Melson, Esq.
Hopping Green Sams & Smith
P. O. Box 6526
Tallahassee, FL 32314

Tony Key
Sprint Communications Co.
3100 Cumberland Circle, N0802
Atlanta, GA 30339

Vicki Gordon Kaufman, Esq.
McWhirter, Grandoff & Reeves
117 S. Gadsden Street
Tallahassee, FL 32301

C. Everett Boyd, Jr., Esq.
Ervin, Varn, Jacobs, Odom
P. O. Drawer 1170
Tallahassee, FL 32302

Anthony Gillman, Esq.
GTE Florida Incorporated
P. O. Box 110, FLTC0007
Tampa, FL 33601-0110

Peter Dunbar, Esq.
Pennington Culpepper, P.A.
P. O. Box 10095
Tallahassee, FL 32302

Laura Wilson, Esq.
FL Cable Telecommunications
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Tallahassee, FL 32301

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Jeffry Wahlen, Esq.
Macfarlane Ausley
P. O. Box 391
Tallahassee, FL 32302

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Cellular One
250 S. Australian Avenue
West Palm Beach, FL 33401

Floyd R. Self, Esq.
Messer, Vickers, Caparello
P. O. Box 1876
Tallahassee, FL 32302-1876

David Erwin, Esq.
Young, van Assenderp, Varnadoe
P. O. Box 1833
Tallahassee, FL 32302-1833

2010159-96

Robert Beatty, Esq.
c/o Nancy Sims
BellSouth Telecommunications
150 S. Monroe St., Suite 400
Tallahassee, FL 32301-1556

Douglas Metcalf
Communications Consultants
P. O. Box 1148
Winter Park, FL 32790-1148

Monica Barone, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Richard M. Rindler, Esq.
Swidler & Berlin, Chartered
3000 K. Street, N. W., Suite 300
Washington, DC 20007

Patrick K. Wiggins, Esq.
Wiggins & Villacorta, P.A.
P. O. Drawer 1657
Tallahassee, FL 32302

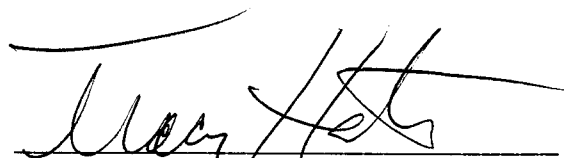
Angela B. Green, Esq.
FL Public Telecommunications
125 S. Gadsden St., Suite 200
Tallahassee, FL 32301

Charles J. Beck, Esq.
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison St., Room 812
Tallahassee, FL 32399-1400

Timothy Devine
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Warner Communications
2773 Red Maple Ridge
Tallahassee, FL 32301

Sue E. Weiske, Esq.
Senior Counsel
Time Warner Communications
160 Inverness Drive West
Englewood, CO 80112



Tracy Hatch