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September 23, 1996

BY HAND DELIVERY

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

Re: Docket No. 950737-TP

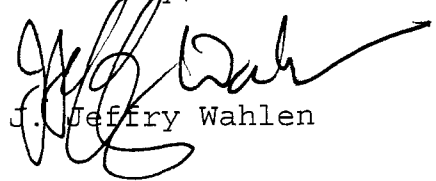
Dear Ms. Bayo:

Enclosed for filing in the above-styled docket are the original and fifteen (15) copies of United Telephone Company of Florida and Central Telephone Company of Florida's Direct Testimony and exhibit of F. Ben Poag.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

Sincerely,




J. Jeffrey Wahlen

- ACK
- AFA _____
- APP _____
- CAF _____
- CMU Taylor
- CTR _____
- EAG _____
- LEG 1
- LIN 5
- GFC _____
- ROM _____
- SEC 1
- WAS _____
- OTH _____

Enclosures
cc: All parties of record

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1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 DIRECT TESTIMONY

3 OF

4 F. BEN POAG

5
6 Q. Please state your name, business address and title.

7
8 A. My name is F. Ben Poag. I am employed as Director-Tariffs and
9 Regulatory Management for United Telephone Company of Florida.
10 My business mailing address is Post Office Box 2214,
11 Tallahassee, Florida. 32301.

12
13 Q. What is your business experience and education?

14
15 A. I have over 30 years experience in the telecommunications
16 industry. I started my career with Southern Bell, where I
17 held positions in Marketing, Engineering, Training, Rates and
18 Tariffs, Public Relations and Regulatory. In May, 1985, I
19 assumed a position with United Telephone Company of Florida as
20 Director-Revenue Planning and Services Pricing. I held the
21 position until February 1988, at which time I was appointed to
22 the position of Director-Tariffs and Regulatory. In January
23 1990, the pricing and tariffs organizations were combined and
24 I was appointed Director-Revenue Planning and Regulatory. In
25 June 1993, in conjunction with restructuring, I assumed new

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1 responsibilities and my current title. In my current
2 position, I am responsible for costing, tariffs and regulatory
3 matters. I am a graduate of Georgia State University with a
4 Bachelor's Degree in Business.

5

6 Q. What is the purpose of your testimony?

7

8 A. The purpose of my testimony is to present Sprint-
9 United/Centel's proposed methodology for interim number
10 portability cost recovery.

11

12 Q. Is Order No. PSC-95-1604-FOF-TP inconsistent with the Federal
13 Communications Commission's First Report and Order and Further
14 Notice of Proposed Rulemaking in The Matter of Telephone
15 Number Portability in CC Docket No. 95-116?

16

17 A. I am not a lawyer, however, that portion of the Order which
18 places the full cost recovery of interim number portability on
19 the new entrant appears to be inconsistent with the language
20 in paragraph 138 of the First Report and Order which states
21 "Imposing the full incremental cost of number portability
22 solely on new entrants would contravene the statutory mandate
23 that all carriers share the cost of number portability."
24 However, in paragraph 127, the Order also states "We seek to
25 articulate general criteria that conform to the statutory

1 requirements, but give the states some flexibility during this
2 interim period to continue using a variety of approaches that
3 are consistent with the statutory mandate." Further, in
4 paragraph 130 of the Order the FCC provides discretion to the
5 states in establishing how number portability cost will be
6 apportioned. The language is as follows: "...states may
7 require all telecommunications carriers....to share the
8 cost..." In addition the Order also states "States may
9 apportion the incremental costs of currently available
10 measures among relevant carriers by using competitively
11 neutral allocators, such as gross telecommunications revenues,
12 number of lines, or number of active telephone numbers."

13
14 The key words are that "states may require," "states may
15 apportion" and "among relevant carriers."

16
17 In addition, in paragraph 136, the FCC provides several
18 examples of recovery mechanisms which it concludes are
19 competitively neutral. Only the third example appears to be
20 applicable to all telecommunications carriers. In the other
21 examples the cost allocations are tied to the number of ported
22 numbers of the carriers or to the cost of the individual
23 carriers. This is consistent with the "among relevant
24 carriers" language in paragraph 130.

25

1 Thus, if a plan for number portability cost recovery is
2 applicable to relevant carriers, i.e., those with ported
3 numbers or ported number costs, the plan can meet the FCC
4 competitively neutral criteria, that is, it need not be
5 applicable to all telecommunications carriers to be
6 competitively neutral.

7

8 Q. Are there other requirements to be competitively neutral?

9

10 A. Yes, there are two other requirements in the FCC's First
11 Report and Order and Further Notice of Proposed Rulemaking
12 that a cost recovery mechanism must meet to be competitively
13 neutral. One is that the cost recovery mechanism not give one
14 service provider an appreciable, incremental cost advantage
15 over another service provider, when competing for a specific
16 subscriber. In paragraph 133, the First Report and Order and
17 Further Notice of Proposed Rulemaking states "The share of
18 this incremental cost borne by the new entrant that wins the
19 customer cannot be so high as to put it at an appreciable cost
20 disadvantage relative to the cost the incumbent LEC would
21 incur if it retained the customer."

22

23 While somewhat subjective, the main point is that one carrier
24 would not be at an appreciable cost disadvantage in competing
25 for a customer.

1 Q. What is the second criterion to be competitively neutral?

2

3 A. The second criterion to be competitively neutral is that the
4 cost recovery mechanism not have a disparate effect on the
5 ability of competing providers to earn normal returns on their
6 investment. Both of these criterion are linked to costs and
7 prices and, therefore are closely related to each other.

8

9 Q. Does Sprint have a proposed interim number portability plan
10 which apportion's the cost among relevant carriers and is
11 competitively neutral?

12

13 A. Yes.

14

15 Q. Please describe the plan?

16

17 A. Sprint's proposed plan develops a per ported number charge
18 based on a rate which is approximately 50% of the cost. This
19 results in an approximately equal sharing of the cost of
20 interim number portability by the ILEC and the CLEC. Exhibit
21 FBP-1, provides the cost and proposed rates for both business
22 and residential ported numbers.

23

24 The plan contains three separate cost recovery elements, each
25 element is related to the costs of establishing and

1 maintaining the service. The monthly recurring rates for
2 residence service, including six additional call paths, and
3 business service, including ten additional call paths, are
4 \$0.45 and \$1.16, respectively.

5
6 Additional call paths for both business and residence are \$.31
7 each; there is also a \$10.00 nonrecurring order charge which
8 allows for ordering multiple ported numbers on the same order
9 without additional charges.

10
11 Q. How do the proposed rates compare to the costs?

12
13 A. The proposed rates are 45% of the costs. Thus, the costs of
14 interim number portability are shared equitably among the
15 relevant carriers and do not impose costs on other carriers
16 that do not use or require number portability. The plan also
17 has efficiency incentives that will enhance the reuse of
18 telephone numbers, reduce number administration costs and more
19 efficiently allocate resources. The plan also has the added
20 benefit of being easy to implement and administer relative to
21 some of the other alternatives that have been proposed.

22
23 Q. Is the proposed plan "competitively neutral?"

24
25 A. Yes. Sharing the costs, approximately equally, on a per

1 number basis is a competitively neutral solution to recover
2 interim number portability costs.

3

4 Q. Does the proposed plan meet the First Report and Order and
5 Further Notice of Proposed Rulemaking's two criterion to be
6 competitively neutral?

7

8 A. Yes. While the criterion are subjective there is substantial
9 data that supports the conclusion that the proposed plan does
10 not put the new entrant at an appreciable cost disadvantage or
11 have a disparate effect on the ability of competing service
12 providers' ability to earn normal returns.

13

14 Q. Please explain how you arrived at this conclusion.

15

16 A. In order for a new entrant to be at an appreciable cost
17 disadvantage, the new entrants' cost would have to be so
18 appreciable as to put the new entrant at a cost disadvantage
19 in terms of its ability to compete for customers and still
20 earn a normal return. However, in making such a
21 determination, you must consider total cost and total
22 revenues, not just the cost of a single input to the process,
23 i.e., the cost to the new entrant of interim number
24 portability.

25

1 For example, when an ILEC loses a customer, it loses not only
2 the basic local service revenues, but also the vertical
3 services revenues, toll revenues and access revenues.
4 However, because of traditional telecommunications rate
5 setting policies, there are significant mismatches between
6 costs and revenues for most services. In other words the
7 revenues that will be lost with the customer will far exceed
8 the cost. It is also important to recognize that all of the
9 ILEC's costs for that particular customer do not go away.

10

11 Assuming the new entrant is an efficient competitor, or it
12 would not be competing in the market place, its cost must be
13 at or below the ILEC's cost. Thus the new entrant's added
14 costs for the newly gained customer's services plus the cost
15 of interim number portability will be more than offset by the
16 revenues gained. Therefore, there will not be appreciable
17 cost differential between the new entrant and the ILEC because
18 of Sprint's proposed rate for interim number portability.
19 Similarly, for these same reasons the proposed rates will not
20 have a disparate effect on new entrants' ability to earn a
21 normal return.

22

23 Q. Doesn't the FCC have plans to address these costing and
24 pricing imbalance issues in the access charge and Universal
25 Service dockets?

1 A. Yes, however the FCC will only be addressing these issues
2 relative to the interstate jurisdiction; additionally, it is
3 very doubtful that any change can be flash cut. Further, the
4 price/cost imbalances problems are not limited to just the
5 interstate jurisdiction and includes services in addition to
6 access charges, e.g., intraLATA toll, vertical, and business
7 services. Thus, given that this is an interim plan and
8 implementation of permanent number portability is scheduled to
9 begin in October of 1997, this Commission should approve the
10 Sprint's proposed plan.

11

12 Q. Should there be any retroactive application of the
13 Commission's decision in the proceeding, if so what should be
14 the effective date?

15

16 A. Sprint does not believe there should be any retroactive
17 application. First, the FCC's Order does not take effect
18 until 45 days after published in the Federal Register.
19 Secondly, there has not been a significant amount of ported
20 number activity. Any such retroactive application process
21 would likely cost as much or more to implement than has been
22 spent on ported numbers in Sprint's service areas.

23

24 Q. Does that conclude your testimony?

25

1 A. Yes.

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Interim Number Portability⁽¹⁾
Cost-Rate Development

<u>Service</u>	<u>TSLRIC Costs</u>			<u>Additional Call Paths</u>	<u>Rates</u> @ 55% Discount ⁽³⁾
	<u>RCF Feature</u> ⁽²⁾	<u>Additional Paths</u>	<u>Total</u>		
Residence	\$.87	\$0.12	\$0.99	6	\$0.45
Business	\$.87	\$1.70	\$2.57	10	\$1.16
Additional Paths (each)	N/A	\$.69	\$.69	N/A	\$.31

(1) Using Remote Call Forwarding

(2) Includes first call path

(3) Discount for cost sharing and inferior number portability

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U. S. Mail or hand delivery (*) this 23rd day of September, 1996, to the following:

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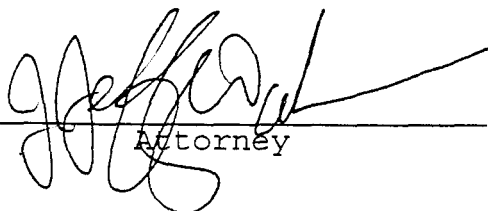
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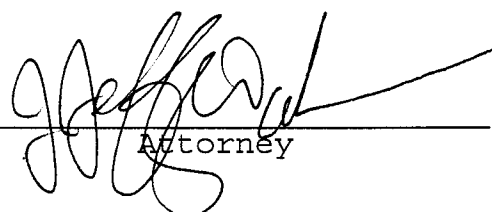
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