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Marcell Morrell**
Vice President & General Counsel - Florida

Associate General Counsel
Anthony P. Gillman**
Leslie Reicin Stain*

Attorneys*
Kimberly Caswell
M. Eric Edgington
Ernesto Mayor, Jr.

* Licensed in Florida
** Certified in Florida as Authorized House Counsel

GTE Telephone Operations

One Tampa City Center
201 North Franklin Street, FLTC0007
Post Office Box 110
Tampa, Florida 33601
813-483-2608
813-204-8870 (Facsimile)

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

February 21, 1997

Re: Docket No. ~~950699~~-TL
Resolution by City Commission of Haines City Requesting Extended
Area Service From Haines City Exchange to All Exchanges Within
Polk County

Dear Ms. Bayo:

Please find enclosed for filing an original and fifteen copies of the Direct Testimony of David E. Robinson on behalf of GTE Florida Incorporated in the above matter. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this matter, please contact me at (813) 483-2617.

Very truly yours,

Kimberly Caswell

- CK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR OK
- EAG _____
- LEG I
- LIN 3108
- OPC _____
- RCH _____
- SEC I
- WAS _____
- OTH _____

A part of GTE Corporation

DOCUMENT NUMBER-DATE

01988 FEB 21 97

FPSC-RECORDS/REPORTING

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Resolution by City Commissioners)
of Haines City requesting extended)
area service (EAS) from Haines City)
exchange to all exchanges within Polk)
County.)
_____)

Docket No. 900000-TL

**DIRECT TESTIMONY
OF
DAVID E. ROBINSON
ON BEHALF OF
GTE FLORIDA INCORPORATED**

DOCUMENT MADE PUBLIC
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FPSC-RECORDS/REPORTING

1 **GTE FLORIDA INCORPORATED**

2 **DIRECT TESTIMONY OF DAVID E. ROBINSON**

3 **DOCKET NO. 950699-TL**

4

5 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

6 **A. My name is David E. Robinson. My business address is GTE**
7 **Telephone Operations, 600 Hidden Ridge Drive, Irving, Texas 75038.**

8

9 **Q. WHAT IS YOUR POSITION WITH GTE TELEPHONE OPERATIONS**
10 **AND YOUR RELATIONSHIP WITH GTE FLORIDA**
11 **INCORPORATED (GTEFL)?**

12 **A. I am the Product Manager-Local Services for GTE Telephone**
13 **Operations. I manage the life cycles of all basic local access line**
14 **switched services, including expanded local calling plans, for GTE**
15 **operating companies in six southeastern states, including Florida.**

16

17 **Q. WOULD YOU PLEASE SUMMARIZE YOUR EDUCATIONAL AND**
18 **PROFESSIONAL EXPERIENCE?**

19 **A. Yes. I hold a Bachelor of Science degree in Business Administration-**
20 **Finance from California State University and a Master of Business**
21 **Administration degree from Saint Mary's College of California. My**
22 **telephony experience began with CONTEL Corporation, a**
23 **GTE predecessor company, in its California subsidiary. I held various**
24 **positions with CONTEL in the areas of Operations, Rates, Tariffs,**
25 **Regulatory and Industry Affairs. I completed staff assignments in**

1 both the Western and Eastern Regions of CONTEL Service
2 Corporation including two and one-half years at the CONTEL Eastern
3 regional offices in Dulles, Virginia. I left the regulated telephone
4 industry for 5 and one-half years and worked as a personal financial
5 consultant in the financial services industry, an area financial
6 manager for an oil services firm and a Director of Business
7 Development for a telecommunications consulting firm. I rejoined
8 CONTEL in 1985, and was assigned to represent CONTEL as an "on
9 loan" employee to the National Exchange Carrier Association, Inc.
10 (NECA) - Pacific Region, in Concord, California as Manager of
11 Operations and Industry Relations. As a result of the CONTEL/GTE
12 merger in 1991, I was called back from my NECA assignment by
13 GTE. I assumed my present responsibilities with GTE Telephone
14 Operations in August of 1991.

15
16 **Q. HAVE YOU EVER TESTIFIED BEFORE THIS COMMISSION OR**
17 **ANY OTHER REGULATORY AGENCIES?**

18 **A. Yes, I testified before the Florida Public Service Commission as a**
19 **rate and tariff design expert for CONTEL Corporation when CONTEL**
20 **still had Florida properties. More recently, I submitted testimony on**
21 **behalf of GTE Florida Incorporated (GTEFL) in this Commission's**
22 **Polo Park EAS docket, number 930173-TL. In addition, I have**
23 **testified as an expert witness for CONTEL and GTE telephone**
24 **companies before state regulatory commissions in Maine, New**
25 **Hampshire, New Mexico, Pennsylvania, South Carolina, Vermont,**

1 Virginia and West Virginia in the areas of service cost, rate and tariff
2 design and product and service management.

3

4 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
5 **PROCEEDING?**

6 **A My testimony addresses the City Commission of Haines City's**
7 **renewed request for expanded calling from Haines City to a number**
8 **of other Polk County exchanges. First, I will briefly discuss my**
9 **understanding of the status of this case, then I will specifically**
10 **address the issues presented for resolution here, and finally, I will**
11 **more generally present GTEFL's thoughts on the appropriate**
12 **resolution of this docket.**

13

14 **Q DO YOU KNOW IF THE 1995 REVISIONS TO CHAPTER 364,**
15 **FLORIDA'S TELECOMMUNICATIONS STATUTE, HAD ANY**
16 **EFFECT ON THE TREATMENT OF EAS REQUESTS?**

17 **A I am not an expert on those revisions, but I understand that the law**
18 **now states that all applications for extended area service or other**
19 **extended calling service pending before the Commission on March 1,**
20 **1995, will be governed by the law as it existed prior to the statutory**
21 **revisions that took effect on July 1, 1995. (Fla. Stat. ch. 364.385(2).)**
22 **Applications filed after March 1, but that had not gone to hearing by**
23 **July 1, 1995, can be considered under the former law only if all**
24 **parties and the Commission consent.**

25

- 1 **Q. WHEN DID HAINES CITY FILE ITS EAS APPLICATION?**
- 2 **A. I understand that it was filed on May 18, 1995.**
- 3
- 4 **Q. SINCE IT WAS FILED AFTER THE MARCH 1 DEADLINE FOR**
5 **CONSIDERATION UNDER THE EXISTING STATUTE AND RULES,**
6 **WHY IS THE COMMISSION APPLYING THE OLD LAW AND**
7 **RULES?**
- 8 **A. Because GTEFL agreed to be governed by the former law and rules**
9 **in this particular case.**
- 10
- 11 **Q. DIDN'T THE COMMISSION ALREADY RULE THAT EAS WAS NOT**
12 **APPROPRIATE FOR THE ROUTES REQUESTED?**
- 13 **A. Yes. In a Notice of Proposed Agency Action (Order) issued May 8,**
14 **1996, the Commission found that no extended calling plan was**
15 **justified on GTEFL's routes included in Haines City's request (i.e.,**
16 **Haines City to Lakeland, Bartow, and Mulberry, respectively).**
17 **Specifically, the Commission found that the traffic data for these**
18 **routes did not meet the Commission-prescribed calling rate or**
19 **distribution standards to warrant EAS. The Commission further found**
20 **that these data did not meet the guidelines for an alternative toll plan**
21 **(i.e., extended calling service (ECS)) either. (Order no. PSC-96-**
22 **0820-FOF-TL, May 8, 1996.)**
- 23
- 24 **Q. HAS ANYTHING CHANGED TO NOW WARRANT MANDATORY**
25 **EXTENDED CALLING ON THESE ROUTES?**

1 A. No. The only reason this matter is again before the Commission is
2 that the City of Haines City protested the Commission's previously
3 issued Order.

4
5 Q. COULD YOU RESPOND TO EACH OF THE FIVE ISSUES
6 IDENTIFIED FOR RESOLUTION IN THIS CASE?

7 A. Yes.

8
9 Q. ISSUE 1: IS THERE A SUFFICIENT COMMUNITY OF INTEREST
10 TO JUSTIFY IMPLEMENTING EAS AS CURRENTLY DEFINED IN
11 THE COMMISSION RULES OR IMPLEMENTING ECS OR AN
12 ALTERNATIVE TOLL PROPOSAL ON ANY OF THE FOLLOWING
13 ROUTES?:

14 HAINES CITY/LAKELAND

15 HAINES CITY/POLK CITY

16 HAINES CITY/BARTOW

17 HAINES CITY/MULBERRY

18 HAINES CITY/FROSTPROOF

19 HAINES CITY/INDIAN LAKES

20 HAINES CITY/FORT MEADE

21 A. No, the Commission's rules do not permit EAS on these routes. To
22 quote the Commission, "none of the routes under consideration in this
23 docket meet the M/W/M or distribution requirements to qualify for a
24 survey for nonoptional, two-way, flat rate EAS." (Order at 2.)

25

1 Nor do the routes satisfy the Commission's guidelines for a
2 mandatory alternative toll plan, such as ECS. In this respect, the
3 Commission held that "the calling rates on the intraLATA routes do
4 not have sufficient calling volumes or distribution to warrant an
5 alternative toll plan....the traffic data on the intraLATA routes did not
6 indicate a community of interest." (Order at 3.)

7
8 In short, the traffic statistics rule out any form of mandatory extended
9 calling on these routes. As I explain below, however, GTEFL is
10 willing to consider offering a fully optional form of extended calling.
11 GTEFL's optional plan could be implemented without regard to the
12 Commission-established community of interest factors.

13
14 **Q. ISSUE 2: WHAT OTHER COMMUNITY OF INTEREST FACTORS**
15 **SHOULD BE CONSIDERED IN DETERMINING IF EITHER EAS,**
16 **ECS, OR AN ALTERNATIVE TOLL PLAN SHOULD BE**
17 **IMPLEMENTED?**

18 **A.** Under the Commission's Rules, community of interest for extended
19 area service (EAS) is to be determined through calling usage studies
20 which calculate toll calling frequency and patterns between
21 exchanges involved in an EAS request. The Rules prescribe the
22 threshold showing necessary to pursue such a request. As noted
23 above and in the Commission's Order, the calling statistics on these
24 routes fall far short of this threshold. "None of the routes met the 3
25 **M/M** requirement or the distribution criteria." (Order at 3.) The

1 calling statistics were too low to even meet the Commission's more
2 relaxed standard for consideration of ECS. (Order at 2-3.)

3

4 The numerical calling statistics are the critical part of the EAS or ECS
5 inquiry. As the Commission's Order indicates, they are the primary
6 reference to assess community of interest. Only when these data
7 indicate some significant level of community of interest (even though
8 it may fall short of prescribed standards) will the Commission
9 consider some form of toll relief. GTEFL is not aware of any instance
10 where the Commission used solely subjective community of interest
11 evidence to ground toll relief.

12

13 In this case, though, that is exactly what the Commission will need to
14 do if it wishes to order EAS or ECS. It will have to turn a blind eye to
15 the relevant calling data--the data it already found too low to further
16 pursue EAS or ECS--and rely instead on unquantifiable, societal
17 community of interest factors.

18

19 GTEFL supposes that factors advanced might include, for example,
20 the location of school district boundaries, major shopping areas,
21 medical services, large plants or offices, and natural neighborhood
22 boundaries not coincident with exchange boundaries.

23

24 Again, however, GTEFL believes that Commission Rules contemplate
25 consideration of these anecdotal and unmeasurable elements only in

1 conjunction with traffic data, not as stand-alone reasons for pursuing
2 an EAS or ECS request. This type of complete relaxation of
3 established, objective guidelines for consideration of extended calling
4 requests is particularly ill-advised at this point. Although GTEFL has
5 agreed, for purposes of this docket, to submit itself to the prior law
6 and existing EAS rules, the Commission cannot responsibly ignore
7 the enormous changes the new law has wrought. Mandatory
8 extended calling plans are an anachronism in a competitive local
9 exchange environment; the Commission should be wary of taking any
10 action that would expand their use at this time.

11

12 **Q. ISSUE 3: IF A SUFFICIENT COMMUNITY OF INTEREST IS FOUND**
13 **ON ANY OF THESE ROUTES, WHAT IS THE ECONOMIC IMPACT**
14 **OF EACH PLAN ON THE CUSTOMER AND THE COMPANY?**

- 15 a) EAS WITH 25/25 PLAN AND REGROUPING;
- 16 b) ALTERNATIVE TOLL PLAN;
- 17 c) ECS
- 18 d) OTHER (SPECIFY).

19 **A.** As explained above, GTEFL believes the Commission's rules do not
20 contemplate ordering EAS or an alternative plan without some
21 grounding of community of interest in the traffic data. Therefore, the
22 responses to options a, b and c below assume (contrary to GTEFL's
23 view) that the Commission can develop an acceptable way of reliably
24 measuring community of interest in the absence of any numerical
25 showing of community of interest. (Option d as discussed below

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would not raise any such issues.) Given these hypothetical parameters, the responses would be as follows:

a) EAS with 25/25 plan and regrouping: The most obvious financial effect for the EAS customer would be the mandatory monthly additive which will be assessed for EAS calling. Because each customer's calling pattern is different (sometimes from month to month), it is impossible to say what the total economic impact of EAS would be positive or negative for "the customer." Undoubtedly, some customers would save money and some would lose money under EAS.

The financial impact on the Company would be determined using current regrouping and 25% additive guidelines. (GTEFL has not calculated specific rate changes or revenue impacts, but can do so upon request.)

b) and c) I am addressing the ECS and alternative toll options together because ECS (sometimes with a measured element and known as "MECS" has historically been the alternative toll option ordered by this Commission.) Again, I cannot speculate on the economic impact of these type plans for "the customer." Since each customer is different, some will gain and some will lose under this approach.

1 With regard to the effect of ECS on GTEFL, the company has
2 not done any specific calculations at this point.

3
4 d) Other. This alternative would allow a more market-oriented
5 approach to the EAS expansion request. It would not solely
6 require the consideration of toll traffic statistics, but would be
7 designed using other types of surrogate data to measure the
8 amount of revenue required of an optional local calling plan to
9 make it economically feasible for both GTE and the end user
10 customer.

11
12 If the Company believes sufficient demand exists, it could offer
13 an expanded local calling plan (LCP) on a fully optional basis
14 to GTE-selected exchanges. The great strength of this
15 approach, of course, is that it does not force all customers to
16 pay for expanded local calling they may not need or want.
17 Each Haines City customer could choose the option that best
18 meets their local calling needs and budget. A customer might
19 simply retain his current service, without any additive, and
20 continue to pay toll rates when calling other exchanges. Or
21 one could choose from one of four LCP options GTEFL has
22 designed. This array of options would meet the diverse calling
23 needs (and budgets) of all customers, while satisfying the
24 existing state statutory cap on basic local service rates.
25 GTEFL contemplates offering four different types of optional

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GTEFL contemplates offering four different types of optional LCPs, as detailed below.

BASIC CALLING: The customer pays a reduced local access line rate and all local calls, including calls to their home exchange (Haines City), as well as those to their current and expanded local calling area, are billed at optional local measured usage rates on a per minute basis. The R1 rate for this option is estimated to be between \$7.00 and \$7.50, while the B1 rate would be between \$18.00 and \$19.00.

COMMUNITY CALLING: The customer pays a slightly reduced local access line rate (as compared to the existing local flat rate) and has flat rate calling to his home exchange only. All other local calls within the current and expanded local calling area are billed at local measured usage rates. The R1 rate estimate would be between \$10.00 and \$10.50. B1 customers would not be offered this option.

COMMUNITY PLUS: The customer pays a higher rate for local access in comparison to his current flat rate service. He has flat rate calling to his home exchange and selected nearby exchanges while all other local calls in the expanded local calling area are billed at local measured usage rates. These selected exchanges are generally those to which customers

1 currently enjoy flat-rate EAS. In the Haines City example, the
2 exchanges would be Haines City, Winter Haven and Lake
3 Wales. The R1 rate estimate for this option would be between
4 \$14.25 and \$15.00, while a B1 estimate would be between
5 \$33.00 and \$36.00.

6
7 **PREMIUM CALLING:** The customer pays a premium flat rate
8 and may make an unlimited number of calls, without regard to
9 duration, to all exchanges within the current and the expanded
10 local calling area. The R1 estimate would be between \$35.00
11 and \$40.00. This option would not be available to business
12 customers.

13
14 **Q. HOW WOULD PRICES FOR LOCAL MEASURED USAGE BE**
15 **DETERMINED UNDER THE LCP OPTIONS YOU PRESENTED**
16 **ABOVE?**

17 **A. Pricing for local measured usage would be determined by the airline**
18 **distance to the expanded exchange from the home exchange—in this**
19 **case, Haines City. The rate bands currently reflected in GTE's local**
20 **tariff under GTE's LCP for the Englewood and North Port exchanges**
21 **would apply. The rate is six cents per minute for all local calls to the**
22 **five rate bands out to 40 miles.**

23
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25

1 **Q. ISSUE 4: SHOULD SUBSCRIBERS BE REQUIRED TO PAY AN**
2 **ADDITIVE AS A PREREQUISITE TO IMPLEMENTATION OF EAS?**
3 **IF SO, HOW MUCH OF A PAYMENT IS REQUIRED AND HOW**
4 **LONG SHOULD IT LAST?**

5 **A. Yes, customers are typically required to pay a higher rate for**
6 **mandatory local area expansion (as mentioned in 3 a and b, above).**
7 **The level of the increase would likely depend on factors such as the**
8 **scope of the expansion, the revenue loss and expense gain**
9 **calculation, and would vary by exchange. If mandatory expansion is**
10 **ordered through EAS or a toll alternative, and an additive is**
11 **necessary, it would continue indefinitely.**

12
13 **As explained, GTEFL's optional LCP recommendation would require**
14 **no mandatory additives**

15
16 **Q. ISSUE 5: IF A SUFFICIENT COMMUNITY OF INTEREST IS**
17 **FOUND, WHAT ARE THE APPROPRIATE RATES AND CHARGES**
18 **FOR THE PLAN TO BE IMPLEMENTED ON THESE ROUTES?**

19 **A. For EAS with 25/25 plan and regrouping (a, above), the appropriate**
20 **rates would be those determined under the existing 25/25 formula.**
21 **No message charges would be assessed. The rates would only be**
22 **appropriate provided the formula was applied correctly. GTE could**
23 **either gain or lose revenue, depending on how costs compared with**
24 **new revenue generation. In b and c) above, an additive to the**
25 **monthly rate would have to be calculated and set. Balloting the**

1 market (customer base) and then assessing the levels of acceptance
2 would determine if the rates were appropriate. The additives could
3 only be appropriate if they both covered GTE's costs to offer the
4 expansion and simultaneously the majority of customers agreed to
5 pay the new monthly additive rate levels to be applied to all
6 customers. Message rates for residence and minute rates for
7 business would also apply. GTE would be made whole in this
8 scenario, if the customer accepted all new rate levels.

9

10 For the optional LCPs (d, above), rates and charges would be set to
11 cover costs and to assure customers attractive calling options that
12 best fit their needs.

13

14 **Q. AS BETWEEN THE APPROACHES PRESENTED AND THAT**
15 **YOU'VE DISCUSSED IN THIS TESTIMONY, WHICH DO YOU**
16 **BELIEVE IS MOST APPROPRIATE FOR MEETING THE PETITION-**
17 **ERS' CALLING NEEDS?**

18 **A.** GTEFL's LCP with four new service choices is certainly the most
19 appropriate option. As I explained earlier, this approach provides the
20 consumer with a number of attractive calling options designed to meet
21 consumers' differing needs. No one will be forced to pay for service
22 they might not want and if calling patterns change for a customer in
23 the future, they may change to another option or back to the always
24 available flat rate service currently offered today. Again, local rates
25 are not raised or changed in any way, which satisfies the intent of the

1 recent legislation. In addition, GTEFL also feels that such an optional
2 local service plan, giving customers more control of their local calling
3 area and service choices, is consistent with the manner in which
4 services are offered in a competitive marketplace. It is now very clear
5 that mandatory EAS plans requiring regulatory intervention are
6 inconsistent with competitive marketplace demands and require-
7 ments, and not in the best interest of all consumers in a given
8 exchange area.

9
10

11 **Q. IN YOUR OPINION, WILL THE GTEFL LCP APPROACH SATISFY**
12 **THE PETITIONERS' DEMANDS FOR EXPANDED LOCAL**
13 **CALLING?**

14 **A. Yes.** In most EAS expansion cases, petitioners generally desire a flat
15 rate monthly increase or a \$.25 per call type plan. They are also very
16 concerned that new monthly charges not be overly high and that the
17 financial impact that could befall all subscribers in the local exchange
18 be minimal. Obviously, GTEFL's LCP would obviate these concerns.
19 Both flat and usage rated calling options would be available. In
20 addition, no customer would be forced to pay an additive, as required
21 with a mandatory plan, to their current local service rate for expanded
22 local calling if they did not so choose. I believe that the petitioners
23 would accept GTEFL's LCP proposal once they are made aware of
24 the LCP structure and its expanded local calling flexibility and
25 benefits to all customers, both for those customers that choose a

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particular LCP option as well as those that elect to retain their current local calling area and rates.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CERTIFICATE OF SERVICE

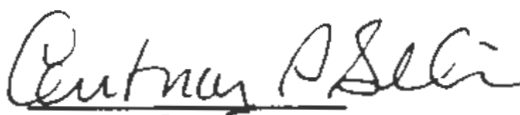
I HEREBY CERTIFY that copies of the Direct Testimony of David E. Robinson on behalf of GTE Florida Incorporated in Docket No. 950699-TL were sent via U. S. Mail on February 21, 1997, to the parties listed below.

Cochran Keating
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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

Robert Nettleton, City Attorney
P. O. Box 277
Haines City, FL 33845-0277

J. Jeffry Wahlen
Ausley & McMullen
227 S. Calhoun Street
Tallahassee, FL 32301


Kimberly Caswell

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