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

Re: Dockets 970281-TL, 970172-TL, 970173-TL

Dear Ms. Bayó:

Enclosed for filing on behalf of MCI Telecommunications Corporation are the original and 15 copies of the direct testimony of Melba Reid.

By copy of this letter this document has been provided to the parties on the attached service list.

Very truly yours,



Richard D. Melson

RDM/cc
Enclosures
cc: Service List

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DIRECT TESTIMONY OF
MELBA REID
ON BEHALF OF MCI TELECOMMUNICATIONS CORPORATION
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
Docket No.(s) 970281-TL, 970172-TP, 970173-TP
Filed: July 8, 1997

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Melba R. Reid. My business address is 780 Johnson Ferry Road, Atlanta, Georgia 30342. I am employed by MCI Telecommunications Corporation as a Policy and Cost Specialist in the Law and Public Policy Department.

Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science degree in Economics from the University of Tennessee in 1987. My background in telecommunications includes over nine years of experience. I began my career at Sprint in 1987 in customer service where I worked as a major account field service representative. A year later, I moved into the national account arena to work as a field service representative handling larger customers and a bigger revenue base. In 1990, I accepted a position at MCI to be a trainer for the sales organization.

1 My next two positions at MCI were in network services/operations
2 where I worked as a budget analyst and then as a project manager. In
3 September of 1996, I accepted my current position in the Law and
4 Public Policy department where I work as an analyst on policy and cost
5 issues.

6

7 Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE FLORIDA
8 PUBLIC SERVICE COMMISSION?

9 A. No. I have not had the opportunity to testify before the Florida Public
10 Service Commission.

11

12 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY ?

13 A. The purpose of my testimony is to present MCI's position and
14 recommend to the Commission that the \$6.5 million identified by
15 BellSouth Telecommunication Inc. (BST) as representing the intrastate
16 payphone subsidy should be targeted to reduce BST's intrastate
17 switched access rates and specifically, the Carrier Common Line (CCL)
18 rate element.

19

20 Q. WHY IS IT NECESSARY FOR BST TO REMOVE PAYPHONE
21 SUBSIDY FROM ITS INTRASTATE REVENUES?

22 A. Section 276 (a) (1) of the Federal Telecommunications Act requires
23 that any Bell operating company that provides payphone service shall

1 not subsidize its payphone service directly or indirectly from its
2 telephone exchange service operations or its exchange access
3 operations. The Federal Telecommunications Act further directed the
4 Federal Communications Commission (FCC) to insure that any
5 payphone subsidies be removed.

6
7 The FCC addressed this issue in its Report and Order in CC Docket
8 No. 96-128 and 91-35 ("Payphone Order") by requiring BST to
9 reduce the CCL rate element of its interstate switched access charges.
10 With respect to the intrastate payphone subsidy, Paragraph 186 of the
11 Payphone Order states "We require, pursuant to the mandate of
12 Section 276(b)(1)(B), incumbent LECs to remove from their intrastate
13 rates any charges that recover the costs of payphones. Revised
14 intrastate rates must be effective no later than April 15, 1997 ... States
15 must determine the intrastate rate elements that must be removed to
16 eliminate any intrastate subsidies within this time frame."

17

18 Q. WHAT IS THE AMOUNT OF THE INTRASTATE PAYPHONE
19 SUBSIDY FOR BELL SOUTH IN FLORIDA ?

20 A. BST has identified \$6.5 million in payphone subsidy for its Florida
21 operations.

22

1 Q. DOES THE FCC PAYPHONE ORDER REQUIRE THE
2 COMMISSION TO SPECIFY WHICH RATE ELEMENTS
3 SHOULD BE REDUCED TO ELIMINATE THE SUBSIDY?

4 A. Yes. As stated above, Paragraph 186 of the FCC Payphone Order
5 requires that the state commissions make this determination after the
6 amount of the subsidy has been determined. MCI believes that this
7 Commission should make the determination that a \$6.5 million
8 intrastate subsidy exists for BST and should direct that BST's intrastate
9 CCL rate element should be reduced by \$6.5 million.

10

11 Q. WHY SHOULD THE COMMISSION REDUCE BST'S
12 INTRASTATE CCL TO REMOVE THE PAYPHONE SUBSIDY
13 FROM BST'S EXISTING RATES ?

14 A. BST's present CCL rates provide substantial contribution to BST's
15 telephone operations in Florida today. BST has indicated that its
16 intrastate payphone operations are being subsidized by \$6.5 million. As
17 the Commission Staff noted in its March 6, 1997 Staff
18 Recommendation, " it is logical to attribute the subsidy to one or more
19 of the various network revenue streams which can flow from a
20 payphone". This Staff Recommendation identified switched access
21 revenue and toll/operator services revenues as being the revenue
22 streams supporting the intrastate payphone subsidy. Hence it is
23 appropriate for payphone subsidies to be removed by reducing the rates

1 for one of these BST services. MCI recommends that the Commission
2 specify that the CCL rate element of BST's switched access revenues
3 be reduced by the \$6.5 million identified by BST. By lowering the
4 intrastate CCL switched access rate element, the Commission will be
5 lowering the rates for a service that it has recognized is priced far in
6 excess of its cost.

7

8 Q. DOES MCI HAVE ANY OBJECTIONS TO BST'S PROPOSAL?

9 A. Yes. BST plans to reduce their hunting (rotary) rate. Lower hunting
10 charges will only serve to secure existing business customers and help
11 BST acquire business customers in the future. Furthermore, the
12 present rates for BST's (rotary) hunting charges have no basis or
13 connection to the subsidy presently being provided to BST's payphone
14 operations in Florida. Therefore, the Commission should not specify
15 BST's hunting rates as the rate element to be reduced to remove the
16 \$6.5 million in payphone subsidy. While BST may choose to lower its
17 business hunting rates as a matter of competitive necessity, BST should
18 not be permitted to claim that it has thereby eliminated the intrastate
19 payphone subsidy from its Florida operations. Only rate reductions for
20 services which bear some relationship to its payphone operations
21 should qualify as effecting a removal of the \$6.5 million in payphone
22 subsidy.

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Q. BY WHAT DATE SHOULD REVISED INTRASTATE TARIFFS WHICH ELIMINATE INTRASTATE PAYPHONE SUBSIDY BE FILED?

A. After the Commission has made their decision in this proceeding, BST should have 30 days in which to file their revised tariffs to reduce the intrastate CCL rates by \$6.5 million. The effective date of the tariffed rate reductions should be April 15, 1997.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished to the following parties by U.S. Mail this 8th day of July, 1997.

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DIRECT

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