

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of  
  
Resolution by Holmes County  
Board of County Commissioners  
for extended area service in  
Holmes County.

: DOCKET NO. 870248-TL

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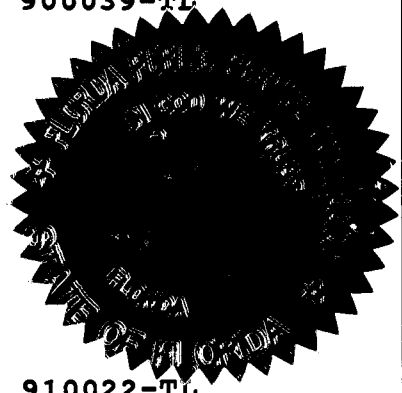
Request by Gilchrist County  
Commissioners for extended  
area service throughout  
Gilchrist County.

: DOCKET NO. 870790-TL

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Resolution by the Orange  
County Board of County  
Commissioners for extended  
area service between the  
Mount Dora exchange, and the  
Apopka, Orlando, Winter  
Garden, Winter Park, East  
Orange, Reedy Creek,  
Windermere, and Lake Buena  
Vista exchanges.

: DOCKET NO. 900039-TL



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Resolution by Bradford County  
Commission requesting extended  
area service within Bradford  
County and between Bradford  
County, Union County and  
Gainesville.

: DOCKET NO. 910022-TL

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Request by Putnam County  
Board of County Commissioners  
for extended service between  
the Crescent City, Hawthorne,  
Orange Springs, and Melrose  
exchanges, and the Palatka  
exchange.

: DOCKET NO. 910528-TL

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Request by Pasco County Board  
of County Commissioners for  
extended service between all  
Pasco County exchanges.

: DOCKET NO. 910529-TL

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DOCUMENT NUMBER - DATE  
05763 MAY 27 88  
FPC - RECORDS/REGISTRY

1 -----  
 2 Request for extended area :  
 3 service between all exchanges: DOCKET NO. 911185-TL  
 4 within Volusia County by :  
 5 Volusia County Council. :  
 6 -----  
 7 Resolution by the Palm Beach :  
 8 County Board of County : DOCKET NO. 921193-TL  
 9 Commissioners for extended :  
 10 area service between all :  
 11 exchanges in Palm Beach :  
 12 County. :  
 13 -----  
 14 Petition by the residents of :  
 15 Polo Park requesting extended : DOCKET NO. 930173-TL  
 16 area service (EAS) between the:  
 17 Haines City exchange and the :  
 18 Orlando, West Kissimmee, Lake :  
 19 Buena Vista, Windermere, :  
 20 Reedy Creek, Winter Park, :  
 21 Clermont, Winter Garden and :  
 22 St. Cloud exchanges. :  
 23 -----  
 24  
 25

14 PROCEEDINGS: HEARING

15 BEFORE: COMMISSIONER J. TERRY DEASON  
 16 COMMISSIONER SUSAN F. CLARK  
 17 COMMISSIONER JOE GARCIA (appearing  
 18 telephonically)

19 DATE: Wednesday, May 27, 1998

20 TIME: Commenced at 9:30 a.m.  
 21 Concluded at 9:45 a.m.

22 PLACE: Betty Easley Conference Center  
 23 Room 148  
 24 4075 Esplanade Way  
 25 Tallahassee, Florida

REPORTED BY: H. RUTHE POTAMI, CSR, RPR  
 Official Commission Reporter

1 **APPEARANCES:**

2                   **BETH KEATING**, Florida Pubic Service  
3 Commission, 2540 Shumard Oak Boulevard, Tallahassee,  
4 Florida 32399-0850, appearing on behalf of the  
5 **Commission Staff.**

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## I N D E X

## MISCELLANEOUS

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**P R O C E E D I N G S**

(Hearing convened at 9:40 a.m.)

**COMMISSIONER DEASON:** Call the hearing to order. Commissioner Garcia, can you hear us okay?

**COMMISSIONER GARCIA:** Yes.

**COMMISSIONER DEASON:** Very well. Please read the notice.

**MS. KEATING:** By notice issued May 5th, 1998, this time and place have been set for a hearing in Docket Nos. 870248, 870790, 900039, 910022, 910528, 910529, 911185, 921193, and 930173. The purpose is as set forth in the notice.

**COMMISSIONER DEASON:** Thank you, and we will take your appearance.

**MS. KEATING:** Beth Keating appearing for Commission Staff.

**COMMISSIONER DEASON:** Preliminary matters?

**MS. KEATING:** There's just one matter, Commissioner, and this relates to the entire proceeding today. At the prehearing conference GTEFL, Sprint, BellSouth, ALLTEL and FCCA reached a stipulation that the testimony, amended testimony, and exhibits of the witnesses could be moved into the record without objection.

The parties also agreed to waive

1 cross-examination of the witnesses.

2           In addition, the parties asked that they be  
3 allowed to brief the issues in lieu of proceeding with  
4 this hearing. At the request of Commission Staff,  
5 the parties also agreed to include in their briefs  
6 proposed rates to be charged to the end use customers  
7 and an analysis of their cost of providing service to  
8 the customers with and without stimulation. The  
9 parties are to submit their briefs on the issues by  
10 June 17th, 1998.

11           The parties' procedural stipulation was  
12 approved, and the parties and their counsel were  
13 excused from attendance at this hearing. In view of  
14 the approved stipulation, it is only necessary at this  
15 time to identify the exhibits for the record and  
16 insert the exhibits and testimony into the record.

17           I note that the testimony of Sprint's  
18 Witness Powell and of BellSouth's Witness Martin  
19 includes their amended and supplemental testimony in  
20 accordance with the prehearing order.

21           **COMMISSIONER DEASON:** Very well. Let's at  
22 this time go ahead and number the exhibits that have  
23 been prefiled with the testimony.

24           **MS. KEATING:** There's exhibit HEE-1 for  
25 ALLTEL's Witness Eudy.

1                   **COMMISSIONER DEASON:** That will be  
2 Exhibit 1.

3                   (Exhibit 1 marked for identification.)

4                   **MS. KEATING:** And the next exhibit is CMS-1  
5 for GTEFL's Witness Scobie.

6                   **COMMISSIONER DEASON:** That will be  
7 Exhibit 2.

8                   (Exhibit 2 marked for identification.)

9                   **COMMISSIONER DEASON:** And that is all of the  
10 prefiled exhibits, correct?

11                   **MS. KEATING:** That is correct.

12                   **COMMISSIONER DEASON:** Very well. Okay.  
13 Let's proceed then, with the witnesses and their  
14 prefiled testimony and have that inserted into the  
15 record.

16                   **MS. KEATING:** There's ALLTEL's Witness Eudy.

17                   **COMMISSIONER DEASON:** Show that inserted  
18 into the record without objection.

19

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1                                   **BEFORE THE PUBLIC SERVICE COMMISSION**

2                                   **DIRECT TESTIMONY**

3                                   **OF**

4                                   **HARRIET E. EUDY**

5  
6   **Q.**   Please state your name and business address.

7  
8   **A.**   My name is Harriet E. Eudy. My business address is 206  
9   White Avenue, Live Oak, Florida 32060.

10  
11 **Q.**   By whom and in what capacity are you employed?

12  
13 **A.**   I am employed by ALLTEL Florida, Inc. ("ALLTEL" or the  
14   "Company") as Manager, Regulatory Matters.

15  
16 **Q.**   Please describe your educational background.

17  
18 **A.**   I was graduated from North Florida Junior College in 1966  
19   with an Associate in Arts degree. I began working for  
20   North Florida Telephone Company (now ALLTEL Florida, Inc.)  
21   in the accounting and cost separations areas. I became a  
22   supervisor in the regulatory department in 1987, and I have  
23   held my current position in that department since 1991.

24



1 Q. What is the purpose of your testimony?

2

3 A. The purpose of my testimony is to provide background  
4 information about ALLTEL and to present ALLTEL's position  
5 on the issues in these dockets.

6

7 Q. Have you prepared an exhibit to accompany this testimony?

8

9 A. Yes. Exhibit \_\_\_ (HEE-1) is a composite exhibit prepared  
10 under my direction and supervision that contains certain  
11 community of interest data for the ALLTEL routes involved  
12 in this docket. The information in the exhibit is taken  
13 from the business records of ALLTEL and is true and correct  
14 to the best of my information and belief.

15

16 ABOUT ALLTEL

17

18 Q. Where does ALLTEL provide local exchange services in  
19 Florida?

20

21 A. ALLTEL provides local exchange telecommunications services  
22 to all or parts of thirteen (13) counties in North Central  
23 Florida. This service is provided under authority from the  
24 Commission as evidenced by Certificates of Public  
25 Convenience and Necessity. We serve all of the counties of

1 Suwannee, Hamilton and Lafayette and parts of the counties  
2 of Alachua, Gilchrist, Bradford, Nassau, Marion, Putnam,  
3 Clay, Columbia, St. Johns and Union.

4  
5 Q. How many exchanges has ALLTEL established to serve this  
6 area?

7  
8 A. The Company presently has twenty-seven (27) exchanges which  
9 are located at Alachua, Branford, Brooker, Callahan, Citra,  
10 Crescent City, Dowling Park, Florahome, Florida Sheriffs  
11 Boys Ranch, Fort White, Hastings, High Springs, Hilliard,  
12 Interlachen, Jasper, Jennings, Lake Butler, Live Oak,  
13 Luraville, Mayo, McIntosh, Melrose, Orange Springs,  
14 Raiford, Waldo, Wellborn, and White Springs.

15  
16 Q. What is the geographical size and density of the area the  
17 Company serves?

18  
19 A. ALLTEL's service territory is approximately 3,700 square  
20 miles. As of June 30, 1997, ALLTEL served approximately  
21 79,000 access lines. This equates to approximately 21.35  
22 access lines per square mile, which is relatively low  
23 compared to the larger local exchange companies in Florida.

24

- 1 Q. What do these density figures show?  
2
- 3 A. These figures reflect the type of area we serve, i.e., a  
4 predominately rural agricultural area. We do not serve a  
5 major urban area or city. Rural areas tend to be more  
6 costly to serve, both in terms of the cost of initial  
7 construction and in terms of operating and maintenance  
8 costs.  
9
- 10 Q. Has ALLTEL elected to be regulated under the "price  
11 regulation" provisions in Chapter 364, Florida Statutes  
12 (1995)?  
13
- 14 A. No. ALLTEL is a "small local exchange telecommunications  
15 company" within the meaning of Section 364.052, Florida  
16 Statutes (1997), and has not elected price regulation at  
17 this time. Accordingly, ALLTEL remains on rate of return  
18 regulation.  
19
- 20 Q. To what degree will your Company be impacted by a decision  
21 in these dockets?  
22
- 23 A. Resolution of the issues in these dockets is very important  
24 to ALLTEL. These dockets have been open for many years and  
25 ALLTEL has invested considerable time and resources into

1 them. ALLTEL is hopeful that the Commission can finally  
2 resolve the issues in these dockets in a manner that  
3 promotes the public interest and protects the interests of  
4 ALLTEL and its customers who do not make calls on the  
5 routes involved in these dockets.

6  
7 Issues

8  
9 Q. What routes of ALLTEL are involved in these three dockets?

10  
11 A. ALLTEL is involved in three of the dockets that have been  
12 consolidated for hearing in this proceeding. Those three  
13 dockets are: 870790-TL, 910022-TL and 910528-TL.

14  
15 Docket No. 870790-TL involves three ALLTEL routes as  
16 follows:

17  
18 Branford - Trenton  
19 Branford - Newberry  
20 High Springs - Trenton  
21

22 Docket No. 910022-TL involves one ALLTEL route, i.e., the  
23 Raiford - Gainesville route.  
24

1 Docket No. 910528-TL involves five ALLTEL routes as  
2 follows:

3  
4 Melrose - Palatka  
5 Orange Springs - Palatka  
6 Interlachen - Hawthorne  
7 Interlachen - Keystone Heights  
8 Florahome - Keystone Heights  
9

10 In each instance, BellSouth is the local exchange company  
11 on the other end of the route.  
12

13 Q. Does ALLTEL own facilities to carry the traffic on these  
14 nine routes on an end-to-end basis?  
15

16 A. No. In most cases, the traffic on these routes is  
17 currently being routed over facilities owned by an  
18 interexchange carrier. The customers making calls over  
19 these routes are paying the applicable toll rate for these  
20 calls. ALLTEL does not own the facilities necessary to  
21 carry the traffic on the nine routes itself, so if the  
22 Commission decides to order one-way ECS, ALLTEL will be  
23 required to make arrangements to build or lease facilities  
24 to carry the traffic.  
25

1 Q. How is ALLTEL currently compensated for its role in the  
2 provision of service over these routes?

3  
4 A. The calls over these routes are toll calls. If there is a  
5 billing and collection arrangement between ALLTEL and the  
6 IXC carrying the call, ALLTEL collects the toll revenue on  
7 behalf of the IXC and remits it to the IXC pursuant to the  
8 terms of the applicable billing and collection contract.  
9 ALLTEL is compensated for the use of its facilities to  
10 originate and terminate the IXC traffic through access  
11 charges paid by the carriers. If the Commission orders  
12 one-way ECS on these routes, and customers use the service,  
13 ALLTEL stands to lose both access and billing and  
14 collection revenues.

15  
16 Q. Is one-way ECS appropriate on the nine ALLTEL routes listed  
17 above?

18  
19 A. No. However, in each instance, the Commission has  
20 previously decided that an alternative toll plan is  
21 appropriate. The Commission made its decisions based on  
22 community of interest considerations that were in effect  
23 when the decisions were made. As shown in my composite  
24 exhibit (HEE-1), all of the routes have very low  
25 communities of interest, and none of them qualified for

1 flat-rate two-way non-optional EAS or the Commission's  
2 traditional 25 cent plan ECS arrangement. Since the  
3 decisions were made, conditions in the telecommunications  
4 market have changed and they are expected to change more in  
5 the future. As the market continues to change in the  
6 future, ECS plans such as the ones at issue in this case  
7 will be less attractive as alternative toll plans.

8  
9 Having said that, I understand that the Commission is very  
10 interested in developing a workable solution to the calling  
11 concerns of customers on the affected routes. Accordingly,  
12 ALLTEL believes that one-way ECS is appropriate only if the  
13 Company is allowed to price the service at a level that  
14 allows it to recover all of the costs associated with  
15 providing the service. For the Commission to impose a one-  
16 way ECS requirement in a manner that does not allow ALLTEL  
17 to recover all of the costs associated with providing the  
18 service from the customers using the service would be  
19 inconsistent with sound regulatory policy.

20  
21 Q. If one-way ECS is appropriate on the nine ALLTEL routes in  
22 question, and a termination charge is appropriate, what  
23 economic impact will this have on ALLTEL as the originating  
24 LEC?

25

- 1    **A.**    If the rate design and levels for the one-way ECS service  
2           are set properly, there should be no economic impact on  
3           ALLTEL as the originating LEC.    However, to avoid an  
4           economic impact on the originating LEC, the Commission must  
5           set the end-user rate for the one-way ECS service at a  
6           level sufficient to cover all of the costs of the service,  
7           including the related terminating charges, if any.  If the  
8           rates are not designed to recover applicable terminating  
9           charges from the customers using the service, those costs  
10          will be borne by ALLTEL's general body of rate payers.  As  
11          the march of competition proceeds, it is becoming more  
12          important to ensure that the customers that use the service  
13          are paying the costs associated with providing the service.  
14
- 15    **Q.**    If one-way ECS is appropriate for the nine ALLTEL routes  
16           listed above, what rate structure and rate levels should  
17           ALLTEL charge to the end users?  
18
- 19    **A.**    The rate structure and levels should be set in a manner so  
20           that all of ALLTEL's costs of providing the service are  
21           recovered from the end user customer.  
22
- 23    **Q.**    What are the relevant costs associated with the provision  
24           of one-way ECS on the nine ALLTEL routes listed above?  
25



1 A. ALLTEL has not completed quantification of the actual  
2 dollar costs associated with provision of a one-way ECS  
3 plan, but does know the kinds of costs involved in the  
4 provision of this service. In general terms, those costs  
5 include the costs to lease or build the facilities needed  
6 to carry the traffic, the costs of originating the calls,  
7 whatever terminating charge may be applicable, lost access  
8 charge and billing and collection revenue, and  
9 administrative costs such billing system changes. My  
10 composite exhibit contains a summary of the known costs by  
11 route and an estimate of the kinds of rates that would need  
12 to be charged for ALLTEL to recover all of the costs  
13 associated with the provision of one-way ECS.

14

15 Q. Do you have a specific proposal for a rate design?

16

17 A. Yes. ALLTEL would propose a rate design that is similar to  
18 the rate design used for business customers under the  
19 Commission's traditional 10 cent/6 cent plan. This kind of  
20 rate design, which would apply to all customers, would  
21 charge one rate for the first minute and a lower rate for  
22 subsequent minutes, and would best allow ALLTEL to recover  
23 all of the costs associated with the provision of one-way  
24 ECS.

25

1 If the Commission decides that one-way ECS is appropriate  
2 for the nine ALLTEL routes listed above, ALLTEL should be  
3 allowed to file a tariff with this rate design and specific  
4 rate levels that cover all of the relevant costs as  
5 described above. That tariff would be approved under the  
6 normal Commission process with the normal procedural  
7 safeguards for persons interested in challenging the rates  
8 contained in the tariff.

9

10 Q. Does that conclude your direct testimony?

11

12 A. Yes, it does.

13

14 all\970882-TI

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**MS. KEATING:** GTEFL's Witness Scobie.

**COMMISSIONER DEASON:** Show that inserted  
into the record without objection.

## DIRECT TESTIMONY OF CHARLES M. SCOBIE

DOCKET 910529-TL, et al

ORIGINAL

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

A. My name is Charles Michael Scobie. My business address is One Tampa City Center, Tampa, Florida.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am employed by GTE Service Corporation (GTEFL) as Manager-Regulatory Affairs.

**Q. WILL YOU BRIEFLY STATE YOUR EXPERIENCE WITH THE COMPANY?**

A. I have been employed by GTE for over twenty seven years. For the past nine and one-half years I have been employed in the regulatory and governmental affairs area of GTE Florida and GTE Service Corporation. Prior to my present assignment, I held the positions of South Area Regulatory Affairs Manager, Tariff Administrator and Service Cost Coordinator in the same department. During my career, I have also held positions in Sales, Market Planning, and Forecasting with GTE Florida and positions in Market Planning with GTE Service Corporation.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. The purpose of my testimony is to provide GTEFL's position on the issues raised in this proceeding. GTEFL has two routes impacted by

1 this proceeding, the Hudson Exchange to BellSouth's Brooksville 2 1  
2 Exchange and the Haines City Exchange to BellSouth's Orlando  
3 Exchange.

4  
5 **Q. ON THESE ROUTES, IS ONE-WAY ECS APPROPRIATE?**

6 A. Ideally, competitive market forces would provide the most  
7 economically efficient alternatives for customers on these interLATA  
8 routes. With toll prices potentially being substantially reduced in the  
9 coming years and with the ILEC and ALEC being able to offer  
10 competitive local calling plans, the marketplace will determine the  
11 appropriate service and rate level for this interLATA traffic where  
12 some community of interest exists. However, since the Commission  
13 has previously determined that some form of toll relief is warranted on  
14 the Hudson to Brooksville route, GTEFL is not opposed to providing  
15 ECS. Likewise, if the Commission determines that some type of toll  
16 relief is warranted for the Haines City to Orlando route, GTEFL would  
17 not be opposed to providing ECS in that limited case.

18  
19 **Q. IF ECS IS DETERMINED TO BE APPROPRIATE ON THESE**  
20 **ROUTES, WHAT IS THE RATE THAT BELLSOUTH SHOULD**  
21 **CHARGE TO TERMINATE THIS TRAFFIC?**

22 A. If the Commission determines that one-way ECS is appropriate on the  
23 interLATA routes in question, then GTEFL believes that BellSouth  
24 would be justified in charging terminating switched access for this  
25 traffic.

1 Q. WHY DOES GTEFL BELIEVE THAT SWITCHED ACCESS IS THE  
2 APPROPRIATE RATE FOR THIS TRAFFIC?

3 A. This would be consistent with previously executed local  
4 interconnection agreements between GTE and BellSouth in other  
5 states where both GTE and BellSouth serve.

6

7 Q. ARE THERE ANY ISSUES RELATIVE TO THE PROVISION OF  
8 THIS LOCAL, INTERLATA ECS SERVICE?

9 A. Yes. Since GTEFL and BellSouth do not currently interconnect and  
10 exchange local traffic, there would have to be a Local Interconnection  
11 Agreement negotiated and executed between the two companies.

12

13 Q. WHAT TIME FRAME ARE WE LOOKING AT TO FINALIZE AN  
14 AGREEMENT?

15 A. It is not known exactly how long it would take to finalize a local  
16 interconnection agreement. It shouldn't take very long if an  
17 agreement similar to existing agreements between GTE and  
18 BellSouth in other states can be used as a model.

19

20 Q. IF A TERMINATION CHARGE IS APPROPRIATE ON THESE  
21 INTERLATA, ECS ROUTES, WHAT IS THE APPROPRIATE RATE  
22 STRUCTURE FOR GTEFL TO UTILIZE?

23 A. The current ECS rate structure would be appropriate. Business  
24 customers would pay on a per minute basis and residential  
25 customers would pay on a per message basis.

1

2 Q. WHAT WOULD BE THE APPROPRIATE RATE LEVELS TO  
3 CHARGE?

4 A. On both the Hudson to Brooksville route and the Haines City to  
5 Orlando route, the present level of \$.10 for the first minute and \$.06  
6 for each additional minute would be appropriate to charge business  
7 customers. On these routes, a charge of \$.30 per message would be  
8 appropriate for residential customers.

9

10 Q. IS THE RESIDENTIAL MESSAGE CHARGE DIFFERENT THAN IS  
11 CURRENTLY CHARGED ON OTHER ECS ROUTES?

12 A. Yes. The current residential message charge on all other GTEFL  
13 ECS routes is \$.25 per message.

14

15 Q. WHY IS GTEFL PROPOSING A DIFFERENT RESIDENTIAL  
16 CHARGE ON THE ROUTES IN THIS PROCEEDINGS?

17 A. In order to cover the costs of the call, given the average call length of  
18 residential ECS calls, and provide a contribution to joint and common  
19 costs, a message charge of \$.30 is required.

20

21 Q. HOW DID YOU ARRIVE AT THE \$.30 PER MESSAGE AMOUNT?

22 A. We took the average ECS residential message length of 6.2 minutes  
23 and multiplied that by the GTEFL local interconnection origination  
24 rate of \$.004 per minute and the BellSouth terminating switched  
25 access rate of \$.023189 per minute. That total was slightly over \$.20

1 for an average call. That number was then multiplied by the GTEFL  
2 overhead factor of 47 % to arrive at a rate of \$.294 per message.  
3

4 **Q. WHAT IS THE ECONOMIC IMPACT ON GTEFL OF PROVIDING**  
5 **ONE-WAY ECS AND HAVING TO PAY TERMINATING CHARGES**  
6 **ON A MINUTE OF USE BASIS?**

7 A. In attempting to examine the impact of changing from an offering  
8 where GTEFL is receiving originating access from an interexchange  
9 carrier to an offering where it is receiving usage revenues from  
10 business customers and message charges from residential customers  
11 there is an unknown that makes such a direct comparison difficult.  
12

13 **Q. WHAT IS THE UNKNOWN DATA?**

14 A. Because the proposed routes are interLATA, and the traffic was  
15 carried by interexchange carriers, the call durations for business and  
16 residence toll calls on the proposed routes were unavailable.  
17

18 **Q. HOW, THEN, COULD YOU ESTIMATE THE ECONOMIC IMPACT**  
19 **OF THE PROPOSED CHANGE?**

20 A. If one assumes that the residential call duration would be less as an  
21 interLATA toll call than as an ECS message-rated call and also that  
22 the call duration is five minutes, the access revenues to GTEFL would  
23 be \$.256 per call under an access environment versus our proposed  
24 \$.30 in as ECS environment.  
25



1 Q. WHAT ABOUT BUSINESS CALLING?

25

2 A. Again, I didn't have the average business call length of the interLATA  
3 toll calls but if you assume a 2.5 minute per call duration, which is the  
4 same as the average ECS business call length, GTEFL is receiving  
5 slightly over \$.128 per business message in access revenues. Under  
6 an ECS usage sensitive structure GTEFL would receive \$.19 per  
7 average business message.

8

9 Q. WHY DID YOU ASSUME THE SAME CALL DURATION FOR  
10 INTERLATA TOLL CALLS AND ECS BUSINESS CALLS?

11 A. Because it was assumed that a business call was much less price  
12 elastic over the price ranges we are examining and a business would  
13 be much more likely to talk the same duration on a call that had a  
14 business purpose.

15

16 Q. GIVEN THOSE ASSUMPTIONS, WHAT IS THE ECONOMIC  
17 IMPACT?

18 A. At the current business ECS rates, the business contribution per  
19 message would be approximately the same under an access scenario  
20 and an ECS scenario. Given a residential message rate of \$.30 per  
21 message, residential contribution under the access scenario would be  
22 approximately \$.236 per message and under the ECS scenario the  
23 contribution would be approximately \$.10 per message. This can be  
24 demonstrated in Exhibit No. CMS-1.

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**Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

A. A competitive marketplace should ultimately determine appropriate calling plans and rate levels. However, if the Commission finds one-way ECS appropriate on the two GTEFL routes in this proceeding, GTEFL would not be opposed to its provision in these limited instances. GTEFL would also agree to pay BellSouth terminating switched access on ECS calls on these two routes. The existing ECS rate structure is appropriate but the rate for residential ECS messages on the Hudson to Brooksville route and the Haines City to Orlando route should be \$.30.

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

A. Yes, it does.

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**MS. KEATING:** Sprint's Witness Powell.

**COMMISSIONER DEASON:** Likewise, it will be  
inserted without objection.

ORIGINAL 28

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
DIRECT TESTIMONY  
OF  
SANJA POWELL

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

A. My name is Sanja Powell. I am employed by Sprint-Florida, Incorporated ("Sprint"). My business address is 555 Lake Border Drive, Apopka, Florida, 32713. I am currently a Docket Manager at Sprint.

Q. Please describe your educational background and business experience.

A. I received a Bachelor of Science degree in Computer Information Systems from Florida A&M University. I also have a Masters of Business Administration degree in Management Information Systems from the University of Central Florida.

I began my career in 1994 when I joined Sprint as a Management Trainee in the Information Systems department. In 1995, I was placed into an Information Systems Consultant position where I provided hardware and

1 software support to users in the Marketing Department.

2  
3 In 1997, I was promoted to the position of Business  
4 Analyst and later promoted to a Project Manager where I  
5 supported process improvement initiatives through project  
6 management. In 1998, I was promoted to my current  
7 position as a Docket Manager. In this role, I am  
8 responsible for analyzing dockets and tariffs related to  
9 local services.

10  
11 Q. What is the purpose of your testimony?

12  
13 A. The purpose of my testimony is to address Sprint's  
14 position regarding implementation of a toll alternative,  
15 e.g., Extended Calling <sup>Service</sup> ~~Scope~~, or ECS, on the interLATA  
16 routes on a one-way basis for traffic originating in  
17 Sprint's exchanges and terminating in BellSouth's  
18 exchanges.

19  
20 The routes included are as follows:

21  
22 

<u>Sprint Exchange</u>	<u>BellSouth Exchange</u>	<u>Docket No.</u>
Ponce de Leon <del>Graceville</del>	Graceville <del>Ponce De Leon</del>	870248-TL
Defuniak Springs <del>Graceville</del>	Graceville <del>Defuniak Springs</del>	870248-TL
Mt. Dora	Orlando	900039-TL

1	Lawtey	Gainesville	910022-TL
2	Starke	Gainesville	910022-TL
3	Orange City	Daytona Beach	911185-TL
4	Orange City	New Smyrna Beach	911185-TL
5	Orange City	Oak Hill	911185-TL
6	Orange City	Pierson	911185-TL
7	Clewiston	Belle Glade	921193-TL

8

9           Additionally, I provide Sprint's position on the  
10           appropriate rate structure and rates for the proposed ECS  
11           service and the call compensation rates that should be  
12           paid to BellSouth for terminating the traffic.

13

14           Q.    What is Sprint's position on one-way ECS?

15

16           A.    It is Sprint's position that one-way ECS is appropriate  
17           on these routes if appropriate originating end user rates  
18           and call termination compensation arrangements are also  
19           ordered.

20

21           Q.    If one-way ECS is ordered, what call termination rate, if  
22           any, should BellSouth charge Sprint to terminate this  
23           interLATA ECS traffic?

24

25           A.    BellSouth should charge Sprint the same interLATA

1 terminating access charge rates as BellSouth charges IXCs  
2 to terminate traffic between these exchanges.

3

4 Q. Why should interLATA access charges apply rather than  
5 intraLATA access charges or local interconnection  
6 charges?

7

8 A. All of the routes are interLATA routes and all carriers  
9 providing service over the route should be subject to the  
10 same charges. If the routes were two way routes, an  
11 argument could be made that the traffic is local and  
12 local interconnection rates would apply. However, as  
13 long as the traffic in one direction, from BellSouth to  
14 Sprint, is toll, local interconnection rates should not  
15 apply.

16

17 Q. If one-way ECS is appropriate, what rate structure and  
18 rate levels should the LECs charge the end user?

19

20 A. In order to allow Sprint to recover the terminating  
21 access charge expenses, the originating call set up and  
22 transport costs, and to provide some contribution to  
23 common costs, Sprint recommends a per minute of use rate  
24 structure. The current rate in place for business  
25 customers on ECS routes of \$.10 for the initial minute

1 and \$.06 for the additional minutes is appropriate for  
2 both business and residential customers on these  
3 interLATA routes.

4  
5 A per minute rate versus a per message rate will mitigate  
6 inter-carrier arbitrage and be more competitively  
7 neutral. For example, if Sprint were required to provide  
8 ECS on a per message basis while its competitors charged  
9 by the minute, Sprint would win all the losers (callers  
10 with long call durations) while callers with short call  
11 durations would use a competitor. This could result in  
12 Sprint paying more in terminating access charges than it  
13 collects in revenues from the originating callers and  
14 would limit Sprint's ability to compete for customers  
15 with short duration holding times.

16  
17 Q. Please explain why a usage sensitive rate structure is  
18 appropriate.

19  
20 A. First, it has been Sprint's experience that many  
21 customers' calls are of a short duration and the usage  
22 sensitive structure will benefit them. Secondly, it will  
23 maintain a competitive balance, that is, IXCs will be  
24 able to compete in this market if LECs' prices reflect  
25 underlying costs. Thirdly, it will prevent inter-carrier



1 arbitrage. For example, if the LECs' prices are message  
2 rated, customers with calls of long duration will use the  
3 LEC, and customers with calls of short duration will use  
4 a carrier with usage sensitive pricing structure.  
5 Additionally, some customers will place calls they expect  
6 to be of long duration with the LEC, e.g., to their  
7 Internet provider, and use casual dialing to an IXC for  
8 shorter calls. Equity and competitive neutrality require  
9 that a usage sensitive pricing structure be implemented.  
10 This is the only way to ensure cost recovery and to  
11 mitigate competitive barriers on the routes in question.  
12

13 Q. If one-way ECS is ordered on the routes in question, and  
14 a termination charge is deemed appropriate, what economic  
15 impact will this have on the originating LEC?  
16

17 A. Based on traffic study results conducted on each of the  
18 routes in question, using the \$.10 and \$.06 rates and  
19 BellSouth's terminating intrastate premium rates listed  
20 in the Commission's compiled October 20, 1997, Florida  
21 Access and Toll Report, implementing ECS on the proposed  
22 routes will have a negative financial impact on Sprint  
23 annually of approximately \$21,000.  
24

25 Q. Does this loss include the cost of constructing the

1 facilities necessary to implement ECS on these routes?

2

3 A. No, the Company has not done a study to determine those  
4 costs. Those costs would be in addition to the above  
5 financial impact.

6

7 Q. How do Sprint's proposed rates compare to the rates of  
8 the larger IXCs?

9

10 A. Based on the Florida Access and Toll Report, Sprint's  
11 proposed rates are in the range of 50% to 70% lower than  
12 the day rate period rates in the major IXCs' basic rate  
13 schedules. The difference would be much less for the  
14 IXC's night and evening rates as well as for any volume  
15 discount plans offered by the IXCs.

16

17 Thus, Sprint's proposed rates and rate structure would  
18 provide customers with some savings over current toll  
19 rates, still provide for competition on these routes and  
20 ensure that each carrier's call termination costs are  
21 recovered.

22

23 Q. Does this conclude your testimony?

24

25 A. Yes.

1                   **MS. KEATING:** And BellSouth's Witness

2 Martin.

3                   **COMMISSIONER DEASON:** And that also will be

4 inserted without objection.

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BELLSOUTH TELECOMMUNICATIONS, INCORPORATED

TESTIMONY OF CONRAD D. MARTIN

BEFORE THE FLORIDA STATE PUBLIC SERVICE COMMISSION

DOCKET NOS. 870790-TL, 900039-TL, 910022-TL, 910528-TL,

910529 -TL, 911185-TL, 921193-TL , 930235-TL AND 930173-TL

MARCH 16, 1998

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Conrad D. Martin. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am employed by BellSouth Telecommunications, Inc. as Director-Pricing and Regulatory Support.

Q. PLEASE GIVE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND EXPERIENCE.

A. I graduated from Davidson College with a Bachelor of Science degree in mathematics. I have 28 years of experience in the telephone industry and am currently responsible for pricing and regulatory support in the nine BellSouth states.

1  
2 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

3  
4 A. The purpose of my testimony is to address the issues applicable to BellSouth  
5 (issues one and two) that are identified in Docket Nos. 870790-TL, 900039-TL,  
6 910022-TL, 910528-TL, 910529-TL, 911185-TL, 921193-TL, 930235-TL and  
7 930173-TL. Those issues include whether one-way ECS is appropriate on the  
8 routes in question in those Dockets, and if one-way ECS is deemed appropriate,  
9 what rate BellSouth should charge to terminate ECS interLATA traffic for all  
10 carriers.

11  
12 Q. WHICH ROUTES ASSOCIATED WITH THOSE DOCKETS INVOLVE  
13 BELL SOUTH EXCHANGES?

14  
15 A. -Docket No. 870790-TL involves Branford and High Springs to Trenton. Trenton  
16 is a BellSouth exchange.

17 -Docket No. 900039-TL involves Mt. Dora to Apopka, Orlando, Winter Garden,  
18 Winter Park, East Orange, Reedy Creek, Windermere and Lake Buena Vista. East  
19 Orange and Orlando are BellSouth exchanges.

20 -Docket No. 910022-TL involves Lawtey, Raiford and Starke to Gainesville.  
21 Gainesville is a BellSouth exchange.

22 -Docket No. 910528-TL involves Interlachen to Hawthorne and to Keystone  
23 Heights. Hawthorne and Keystone Heights are BellSouth exchanges. It also

1 involves Florahome to Keystone Heights, and Melrose and Orange Springs to  
2 Palatka. Palatka is also a BellSouth exchange.

3 -Docket No. 910529-TL involves Hudson to Brooksville. Brooksville is  
4 a BellSouth exchange.

5 -Docket No. 911185-TL involves Orange City to Daytona Beach, New Smyrna  
6 Beach, Oak Hill, Pierson and DeLeon Springs. Daytona Beach, New Smyrna  
7 Beach, Oak Hill, Pierson and DeLeon Springs are BellSouth exchanges.

8 -Docket No. 921193-TL involves Clewiston to Belle Glade. Belle Glade is a  
9 BellSouth exchange.

10 -Docket No. 930235-TL involves Cross City to Keaton Beach and Perry. Cross  
11 City is a BellSouth exchange.

12 -Docket No. 930173-TL involves Haines City to Orlando, West Kissimmee, Lake  
13 Buena Vista, Windermere, Reedy Creek, Winter Park, Clermont, Winter Garden  
14 and St. Cloud. Orlando is a BellSouth exchange.

15  
16 Q. DID BELLSOUTH CONDUCT TRAFFIC STUDIES ON THESE ROUTES?

17  
18 A. No, BellSouth did not conduct traffic studies on these routes. These routes are  
19 interLATA and data is not available to BellSouth on interLATA routes. The  
20 Commission recognized this and in Order No. PSC-93-1168-FOF-TL, dated  
21 August 10, 1993, relieved BellSouth of the requirement to file traffic data on the  
22 interLATA routes in these Dockets.

23

1 Q. DOES BELLSOUTH HAVE A POSITION AS TO WHETHER A PLAN, SUCH  
2 AS EXTENDED CALLING SERVICE (ECS), SHOULD BE RECOMMENDED  
3 ON A ONE-WAY BASIS AS AN ALTERNATIVE METHOD TO PROVIDE  
4 TOLL RELIEF?

5

6 A. No. In the absence of traffic data on these routes, we do not have a position and  
7 are not able to determine whether a sufficient community of interest exists. We,  
8 therefore, do not have a position on whether one-way ECS should be  
9 recommended.

10

11 Q. IF ONE-WAY ECS IS DETERMINED TO BE APPROPRIATE, WHAT RATE,  
12 IF ANY, SHOULD BELLSOUTH CHARGE TO TERMINATE ECS  
13 INTERLATA TRAFFIC FOR ALL CARRIERS?

14

15 A. The Telecommunications Act of 1996, Section 202(a), prohibits BellSouth from  
16 any unjust or unreasonable discrimination in charges when terminating  
17 interLATA traffic. IXCs completing calls on these routes are charged terminating  
18 access rates. It would appear that terminating access rates must also be charged to  
19 a LEC completing calls on the same routes.

20

21 Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?

22

23 A. Because traffic data to determine a community of interest is not available on these  
24 routes, BellSouth does not have a position on whether or not one-way ECS is

1 justified. However, if such a community of interest is determined to exist and  
2 one-way interLATA ECS is ordered, BellSouth recommends terminating  
3 switched access rates as the appropriate rates for terminating traffic on these  
4 routes.

5

6 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

7

8 A. Yes.



SUPPLEMENTAL TESTIMONY OF CONRAD D. MARTIN

BEFORE THE FLORIDA STATE PUBLIC SERVICE COMMISSION

DOCKET NOS. 870248-TL, 870790-TL, 900039-TL, 910022-TL, 910528-TL,

910529 -TL, 911185-TL, 921193-TL AND 930173-TL

MAY 22, 1998

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Conrad D. Martin. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. BY WHOM ARE YOU EMPLOYED?

A. I am employed by BellSouth Telecommunications, Inc. as Director-Pricing and Regulatory Support.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to supplement my previous testimony in these combined Dockets regarding the issues applicable to BellSouth (issues one and two). Inadvertently, the routes and the BellSouth exchange involved in Docket No. 870248-TL were not identified in my previous testimony.

1

2 Q. WHICH ROUTES ASSOCIATED WITH DOCKET NO. 870248-TL INVOLVE  
3 BELLSOUTH EXCHANGES?

4

5 A. Docket No. 870248-TL involves Ponce DeLeon and Defuniak Springs to  
6 Graceville. Graceville is a BellSouth exchange.

7

8 Q. DOES THIS CONCLUDE THE SUPPLEMENT TO YOUR PREVIOUS  
9 TESTIMONY?

10

11 A. Yes.

1                   **COMMISSIONER DEASON:** And the exhibits which  
2 have been identified as Composite Exhibit 1 and  
3 Composite Exhibit 2 also will be admitted into the  
4 record without objection.

5                   (Exhibits 1 and 2 received in evidence.)

6                   **COMMISSIONER DEASON:** Is there anything else  
7 to come before the Commission at this time?

8                   **MS. KEATING:** I'd only like to point out  
9 once again that briefs are due on June 17th and  
10 Staff's recommendation is due July 9th.

11                   **COMMISSIONER DEASON:** Okay. Commissioner  
12 Garcia, I think we may have set a record. We  
13 appreciate you being with us.

14                   **COMMISSIONER GARCIA:** It was my pleasure  
15 helping you set that record.

16                   **COMMISSIONER DEASON:** Okay. I think that  
17 takes care of all of our business, and this hearing is  
18 adjourned. Thank you all.

19                   (Thereupon, the hearing concluded  
20 at 9:45 a.m.)

21   - - - - -

22

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25

1 STATE OF FLORIDA)  
2 COUNTY OF LEON )

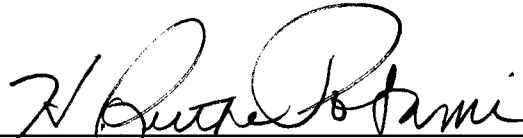
CERTIFICATE OF REPORTER

3 I, H. RUTHE POTAMI, CSR, RPR, Official  
4 Commission Reporter,

5 DO HEREBY CERTIFY that the Hearing in Docket  
6 No. 870248-TL, 870790-TL was heard by the Florida  
Public Service Commission at the time and place herein  
stated; it is further

7 CERTIFIED that I stenographically reported  
8 the said proceedings; that the same has been  
9 transcribed under my direct supervision; and that this  
10 transcript, consisting of 41 pages, constitutes a true  
transcription of my notes of said proceedings  
and the insertion of the prescribed prefiled  
testimony of the witnesses.

11 DATED this 27th day of May, 1998.

12  
13   
14 \_\_\_\_\_  
H. RUTHE POTAMI, CSR, RPR  
15 Official Commission Reporter  
16 (904) 413-6734  
17  
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25

**ECONOMIC IMPACT OF ONE-WAY ECS TO BELLSOUTH EXCHANGES**

**UNDER A COST ANALYSIS**

CURRENT	BUSINESS (2.5 MOU/MSG)	RESIDENCE (5.0 MOU/MSG)
REVENUE	\$ .128/MSG (2.5 X GTEOA)	\$ .256/MSG (5.0 X GTEOA)
COST	\$ .01 (2.5 X .004)	\$ .02 (5.0 X .004)
CONTRIBUTION	\$ .118	\$ .236
PROPOSED		
REVENUE	\$ .19 (.10+(1.5x.06))	\$ .30
COST	\$ .081 (LOA+BSTSA)x 2.5	\$ .200 (LOA+BSTSA)x 6.2
CONTRIBUTION	\$ .109	\$ .10

GTEOA     GTE ORIGINATING SWITCHED ACCESS  
 LOA        GTE LOCAL ORIGINATING ACCESS  
 BSTSA     BELLSOUTH TERMINATING SWITCHED ACCESS

FLORIDA PUBLIC SERVICE COMMISSION  
 DOCKET  
 NO. 870248-TL, etc EXHIBIT NO. 2  
 COMPANY/  
 WITNESS: E. J. [Signature]  
 DATE: 5-27-98

# AUSLEY & MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET  
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TALLAHASSEE, FLORIDA 32301  
(850) 224-9115 FAX (850) 222-7560

*TR E*

May 4, 1998

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 Nos. 870790-TL; 910022-TL;  
and 910528-TL

Dear Ms. Bayo:

Enclosed for filing in the above dockets are the original and fifteen (15) copies of ALLTEL Florida, Inc.'s Revised Exhibit HEB-1, page 4 of 4.

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

Enclosures

cc: All parties of record

all/870790.byo

FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET  
NO. 870248-TL EXHIBIT NO. 1  
COMPANY/  
WITNESS: Eddy  
DATE: 5-27-98

DOCUMENT NUMBER-DATE

04978 MAY-4 88

FPSC-RECORDS/REPORTING

Economic Impact Statement - ALLTEL Only  
Non-Optional One-Way with Dedicated Trunks  
Toll Relief Plan

Revenue Requirement to Support Added Investment:

C. O. Trunking	\$ 50,000	
Annual Carrying Charge	31.36%	\$ 15,680
Estimated Lease Cost for T1s 7 @ \$3,000/mo		\$ 252,000
Lost Revenues from Access		\$ 95,060
Lost B&C Revenues		\$ 55,673
System Programming		\$ 4,000
Terminating Access Expense		\$ 102,772
Total Cost of Plan		\$ 525,185
 <u>Minute of Use Plan</u>		
Total Annual Conversation MOU With 200% Stimulation - all routes		1,388,772
Total Cost Stimulated Annual MOU Average Rate Per Minute		\$ 525,185  \$ .3782 per MOU To Meet Cost with No Profit

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 4th day of May, 1998, to the following:

Mary Beth Keating \*  
Florida Public Service  
Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Rhonda P. Merritt  
AT&T Communications  
101 N. Monroe St., Suite 700  
Tallahassee, FL 32301

Nancy H. Sims  
BellSouth Telecommunications  
150 S. Monroe St., Suite 400  
Tallahassee, FL 32301

Burt & Lancaster  
114 E. First Street  
Trenton, FL 32693

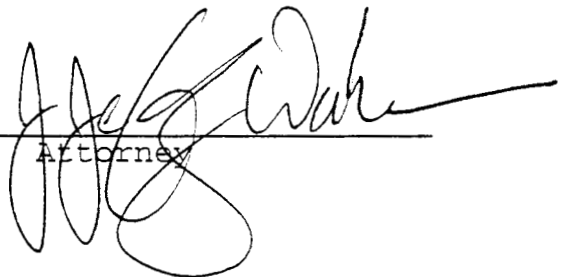
F. Ben Poag  
Sprint-Florida, Inc.  
P. O. Box 2214  
Tallahassee, FL 32316

Gilchrist County Board  
of Commissioners  
P.O. Box 37  
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Joseph McGlothlin  
Vicki Kaufman  
McWhirter Law Firm  
117 S. Gadsden Street  
Tallahassee, FL 32301

Gary Adams  
Putnam County Board of  
Commissioners  
P. O. Box 758  
Palatka, FL 32178

Starke-Bradford Counties  
Chamber of Commerce  
P. O. Box 576  
Starke, FL 32091

  
\_\_\_\_\_  
Attorney



INTERLATA ECS COST INFORMATION/COMMENTS  
ALLTEL FLORIDA, INC.

General: Using some assumptions, ALLTEL has looked at the cost of implementation of a toll relief option as a resolution of the interLATA ECS situation on the following ALLTEL-BellSouth routes:

Docket No. 870790-TL	Gilchrist County	Branford - Trenton
		High Springs - Trenton
Docket No. 910022-TL	Bradford County	Raiford - Gainesville
Docket No. 910528-TL	Putnam County	Melrose - Palatka
		Orange Springs - Palatka
		Interlachen - Hawthorne
		Interlachen - Keystone Heights
		Florahome(659) - Kystn Heights

ALLTEL would like to offer the following generic concerns with this approach: While alternative plans can technically be implemented on interlata routes, there are attendant problems.

**Community of Interest.** The routes under consideration all showed very low communities of interest in terms of traffic volumes at the time of the initial studies in these dockets. None qualified under the Commission's rules for implementation of flat-rate two-way non-optional EAS and none qualified under the Commission's traditional treatment for ECS or 25 Cent Plans.

**Potential Effect on Earnings of ALLTEL.** ALLTEL is a rate-of-return regulated company subject to exclusive Commission authority. If the Commission orders implementation of an alternative toll plan that results in a net loss to ALLTEL, the company could be placed in a posture of decreased earnings. This, combined with other potentially significant revenue losses resulting from changes in the law, introduction of intralata presubscription, reductions in access charges, and other events, may put ALLTEL in the posture of requesting rate relief. This could put upward pressure on other rates to make up these shortfalls. The following discusses some of the costs involved to implement toll relief on these routes.

**The Internet.** Any plan that is implemented going forward should be one that is priced based on minutes of use. Currently, our EAS networks are being bombarded with Internet users who can potentially tie up a line for 24 hours with either no compensation, or a meager 25 cents per call. Initially, this usage was relatively small, but residential customers are becoming more and more computer literate and are literally champing at the bit to gain access to Internet as cheaply as possible. We do not believe it should be at the expense of our regulated ratepayers.

ALLTEL Comments/Economic Analysis of InterLATA ECS  
Page 2

**Facilities.** This traffic is currently being handled by an interexchange carrier. This means ALLTEL does not typically have facilities in place to provide the routing for the traffic. If we are to provide the service, we must either construct a facility or lease facilities from a carrier. This will be a significant expense to ALLTEL.

**Compensation.** ALLTEL currently is compensated for the use of its facilities to originate and terminate the interexchange carrier traffic through access charges billed to the carriers. We will lose the access compensation we currently receive, resulting in greater expense.

**Toll Rates.** The toll on these routes is currently the property of the interexchange carriers. ALLTEL collects the toll revenues on their behalf (assuming we have a billing and collection agreement with the carrier) and turns the revenue over to the carriers. Any minute of use rate that is developed and implemented on these routes as an ECS solution would have to be provided via a dialing plan that keeps it separate from other interLATA traffic, i.e., local 7-digit. Currently, when customers dial the "to" number using 1+ dialing, they are presubscribed to an interexchange carrier. If we convert this traffic to local, we will code each customer's line with a special central office line classification that will cause the call to be recorded as a message-rated call. This will allow ALLTEL's billing system to identify and bill the call at the appropriate rate. Carriers can still carry traffic on the route, but the customer must "dial around" to use the carrier of choice, requiring them to dial extra digits.

Since these will be "one-way" offerings, ALLTEL may still be required to pay BellSouth terminating access rates. If the Commission mandates existing access rates as the appropriate charge for BellSouth to terminate this traffic, this would result in a further loss to ALLTEL. The rate ALLTEL would have to pay for terminating access is likely to be greater than the minute of use rate we will bill and keep, even without the facilities cost.

**Billing System Changes.** If ALLTEL is required to structure a new billing plan for calling on these routes, our billing systems would have to be modified to implement the new structure. This would also be an additional cost to ALLTEL.

Having stated all this, ALLTEL has, for illustrative purposes, estimated the economic effect of implementing a local minute of use structure for interLATA calling. We have used the methodology used in responding to Staff's request

ALLTEL Comments/Economic Analysis on InterLATA ECS  
Page 3

for data from the 11/18/96 workshop in these dockets and tried to update it as best we could using minutes of use extracted from our CABS billing system. We are unable to obtain current customer billing data, since these routes are interLATA, owned by the IXCs, and we do not have records of usage for these routes. What we have done is extract access minutes from our CABS billing system and assumed a non-conversation additive for conversion back to conversation time.

Conversation mins. were derived by using an assumed non-conversation additive of .307 and converting back from access to conversation minutes using the inverse factor.

Some of the estimated M/A/Ms are higher than were determined to exist in the original traffic studies filed with the Commission in these dockets. We assume that some of the increase could be attributable to gains in numbers of customer access lines, and numbers of customers who have gained access to Internet. Call distribution studies are not available:

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Economic Impact Statement - ALLTEL Only  
 Non-Optional One-Way with Dedicated Trunks  
 Toll Relief Plan

Revenue Requirement to Support Added Investment:

C. O. Trunking	\$ 50,000		
Annual Carrying Charge	31.36%	\$ 15,680	
Estimated Lease Cost for T1s		\$ 252,000	
7 @ \$3,000/mo			
Lost Revenues from Access		\$ 95,060	
Lost B&C Revenues		\$ 55,673	
System Programming		\$ 4,000	
Terminating Access Expense (to BellSouth-incremental)		\$ 51,386	
Total Cost of Plan		\$ 473,799	
<b><u>Minute of Use Plan</u></b>			
Total Annual Conversation MOU			
With 200% Stimulation - all routes		1,388,772	
Total Cost		\$ 473,799	
Stimulated Annual MOU			
Average Rate Per Minute		\$ .3412 per MOU	To Meet Cost with No Profit