

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of : DOCKET NO. 980696-TP
 Determination of the cost of :
 basic local telecommunications :
 service, pursuant to :
 Section 364.025, :
 Florida Statutes. :
 | :
 | :

VOLUME 27

Pages 3004 through 3014

PROCEEDINGS:

HEARING

BEFORE:

CHAIRMAN JULIA L. JOHNSON
 COMMISSIONER J. TERRY DEASON
 COMMISSIONER SUSAN F. CLARK
 COMMISSIONER JOE GARCIA
 COMMISSIONER E. LEON JACOBS, JR.

DATE:

Friday, October 16, 1998

TIME:

Commenced at 9:00 a.m.
 Concluded at 3:05 p.m.

PLACE:

Betty Easley Conference Center
 Room 148
 4075 Esplanade Way
 Tallahassee, Florida

REPORTED BY:

CATHY H. WEBSTER, RPR

APPEARANCES:

(As heretofore noted.)

BUREAU OF REPORTING

RECEIVED 10-19-98

DOCUMENT NO.

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10-16-98

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2 DENNIS CURRY

3 Cross-Examination by Mr. Cox

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P R O C E E D I N G S

(Transcript follows in proper sequence from
Volume 26.)

DENNIS CURRY

continues his testimony under oath from Volume 26

CONTINUED CROSS-EXAMINATION

BY MR. COX:

Q Why should we -- Why did the FCC limit corporate expenses as opposed to, say, plant-specific expenses?

A I couldn't tell you, to be honest.

Q Would it be fair to say that a good possibility is that corporate expenses are more discretionary in nature?

A Could be, yes.

Q Mr. Curry, are you familiar with the definition of basic local telephone communication service in Chapter 364 of the Florida Statutes, specifically 364.022?

A I presume. I'm sure I've read it. I don't know why it would be any different than anything we'd expect on anything else here.

Q Okay.

A Do you want to take a look at it? Do you want me to read it? What is it?

Q Yeah, I can provide you with a copy of it. Just one moment.

1 Do you have a copy there?

2 A Right.

3 Q Okay. Thanks. I'll give you a moment to read
4 it. Actually, if you could read the definition aloud for
5 me, that would be helpful.

6 A Okay. "Basic local telephone communication
7 service means voice grade flat rate residential and flat
8 rate single line business local exchange services which
9 provide dial tone, local usage necessary to place unlimited
10 calls within a local exchange area, dual tone multi-
11 frequency dialing, access to the following: emergency
12 services, such as 911; all locally available interexchange
13 companies; directory assistance; operator services; relay
14 services; and an alphabetical directory listing."

15 Q Okay. Now, Mr. Curry, is your cost of universal
16 service that you used in the embedded cost study
17 methodology the same as the cost of basic local telephone
18 communication service according to this definition?

19 A Yes, it is.

20 Q Am I to understand that to mean that, if that's
21 true, that 83% of your revenue requirement is attributable
22 to basic local service?

23 A It's attributable to the cost of universal
24 service. Okay. And if we define -- We're getting two
25 things mixed up here. Basic local service, there's a set

1 of rules for defining the costs to that. We've gone over
2 and above these rules here now when we define universal
3 service by moving all nontraffic sensitive plant into the
4 cost of universal service.

5 Q Okay. If you could turn to page 3 of your
6 rebuttal testimony.

7 A All right.

8 Q Lines 22 through 25, you state that the
9 cornerstone of a smooth transition to robust local exchange
10 competition is a permanent state universal service funding
11 mechanism that insures competitive and structural
12 neutrality for telecommunication service providers?

13 A Yes.

14 Q Now is it your view that local exchange
15 competition and a permanent state universal service
16 mechanism are inextricably linked together?

17 A No. I think there's more than just local
18 exchange competition involved here. Okay. And that is the
19 implicit and explicit support mechanisms that we have in
20 place right now. And at this point several recent rulings
21 in Florida have tended to start eroding these implicit
22 supports.

23 And when I speak of that, I'm talking about the
24 25-cent calling plan they put in place, plus the one-plus
25 prescription on intraLATA toll. So these were support

1 mechanisms that were in place that we were receiving
2 through either toll or access on these that are slowly
3 beginning to disappear. So we're already seeing an erosion
4 of the implicit subsidies that were out there.

5 So not only is it local competition that is the
6 problem, there is also an erosion of our intraLATA toll and
7 access.

8 Q Does ALLTELL-Florida presently have any ALECs
9 operating in its territory?

10 A Not to my knowledge they don't.

11 MR. COX: That concludes staff's questions.

12 Thank you, Mr. Curry.

13 A Thank you.

14 COMMISSIONER DEASON: Commissioners.

15 Redirect.

16 MR. WAHLEN: No redirect; I'd like to move --

17 MR. COX: I'm sorry; I did have a couple more
18 questions. I apologize.

19 BY MR. COX (Continuing):

20 Q Mr. Curry, I just have a couple of questions
21 regarding cost of capital.

22 For purposes of this proceeding and the
23 methodology that you proposed, you've used an 11.25%
24 overall cost of capital; is that correct?

25 A That's correct.

1 Q Now has ALLTEL provided any support for the
2 11.25% cost rate other than noting that it's the default
3 rate prescribed by the FCC?

4 A No, that was our reasoning for doing it. It's a
5 default rate provided by the FCC and it's currently used
6 for the federal universal service.

7 Q Okay. Mr. Curry, are you aware that on October
8 5th of this year in CC Docket No. 98-166, the FCC initiated
9 a proceeding to re-prescribe the authorized rate of return
10 for interstate access services provided by local telephone
11 companies?

12 A Yes; I've heard about it.

13 MR. COX: Commissioner Deason, staff had
14 inadvertently left this off of its official recognition
15 list. And we'd like to ask the Commission to take official
16 recognition of FCC Report No. 98-33, dated October 5th,
17 1998, and amend to the list that we've already marked as
18 Exhibit 14.

19 COMMISSIONER DEASON: Any objection to adding
20 that to Exhibit 14?

21 MR. WAHLEN: No.

22 COMMISSIONER DEASON: It will be so added.

23 BY MR. COX (Continuing):

24 Q I'd like to hand you a copy of it at this time,
25 Mr. Curry.

1 I don't really have any questions for you; I just
2 wanted you to have an opportunity to look at it. That's
3 all.

4 The 11.25% rate of return, Mr. Curry, is not
5 ALTEL's embedded cost of capital as last approved by this
6 Commission; is it?

7 A Not to my knowledge, but I don't know what was
8 last approved by this Commission either.

9 MR. COX: Okay. Thank you, Mr. Curry. That does
10 conclude Staff's questions.

11 COMMISSIONER DEASON: Redirect.

12 MR. WAHLEN: I'm going to say this quickly: No
13 redirect.

14 COMMISSIONER DEASON: Exhibits.

15 MR. WAHLEN: Move Exhibit 96.

16 COMMISSIONER DEASON: Without objection, Exhibit
17 96 is admitted.

18 (Exhibit 96 admitted.)

19 MR. COX: Staff moves Exhibit 97.

20 COMMISSIONER DEASON: Without objection, Exhibit
21 97 is admitted.

22 (Exhibit 97 admitted.)

23 COMMISSIONER DEASON: Thank you, Mr. Curry.

24 WITNESS CURRY: Thank you.

25 COMMISSIONER DEASON: That concludes all

1 witnesses?

2 MR. WAHLEN: I believe it does.

3 COMMISSIONER DEASON: Very well. Any concluding
4 matters, Staff?

5 MR. COX: Not that we're aware of.

6 COMMISSIONER DEASON: Any parties have any
7 concluding matters?

8 I guess there is a schedule set forth?

9 MR. COX: Yes, there is a schedule set forth. I
10 believe the briefs will be due on November 2nd and the
11 Staff recommendation is scheduled for December 8th, with
12 the special agenda on December 18th.

13 MR. HATCH: Do we have a due date for late-fileds
14 yet?

15 COMMISSIONER DEASON: Staff, I think you've
16 requested the late-files; do you have a suggested due date?

17 MR. COX: Suggested due date for the
18 late-fileds -- Would the parties want to have those in
19 before their briefs were due?

20 Yes; okay.

21 Maybe a week from today; would that be reasonable?

22 COMMISSIONER DEASON: Any objection to late-filed
23 exhibits being filed one week from today?

24 Hearing no objection, that will be due date. If
25 any party has a problem with that date, please see the

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Prehearing Officer, which I don't think is me.

MR. HATCH: Which is conveniently not you; is that right?

COMMISSIONER DEASON: Okay. Any other matters?

Hearing none, this hearing is adjourned.

Thank you all.

(Proceedings concluded.)

1 STATE OF FLORIDA)
 2 COUNTY OF LEON)

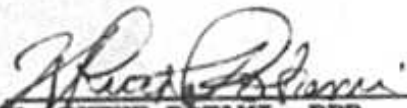
CERTIFICATE OF REPORTERS

3 We, H. RUTHE POTAMI, RPR, Official
 4 Commission Reporter, CATHY H. WEBSTER, RPR, NANCY S.
 5 METZKE, RPR, MARY ALLEN NEEL, RPR, and JANE FAUROT,
 6 RPR,

7 DO HEREBY CERTIFY that the Hearing in Docket
 8 No. 980696 was heard by the Florida Public Service
 9 Commission at the time and place herein stated; it is
 10 further

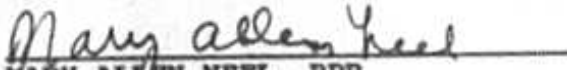
11 CERTIFIED that we stenographically reported
 12 the said proceedings; that the same has been
 13 transcribed under our direct supervision; and that
 14 this transcript, consisting of _____ pages,
 15 constitutes a true transcription of our notes of said
 16 proceedings and the insertion of the prescribed pref
 17 testimony of the witness.


18 DATED this 19th day of October, 1996.

19 
 20 _____
 21 H. RUTHE POTAMI, RPR
 22 Official Commission Reporter
 23 (850) 413-6734

24 
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 32 MARY ALLEN NEEL, RPR

33 
 34 _____
 35 JANE FAUROT, RPR

25

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