

ORIGINAL

JAMES E. "JIM" KING, JR.

PRESIDENT



Charles J. Beck  
Interim  
Public Counsel

JOHNNIE BYRD

SPEAKER



STATE OF FLORIDA  
OFFICE OF THE PUBLIC COUNSEL

c/o THE FLORIDA LEGISLATURE  
111 WEST MADISON ST.  
ROOM 812  
TALLAHASSEE, FLORIDA 32399-1400  
850-488-9330

October 31, 2003

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

RECEIVED FPSC  
03 OCT 31 PM 3:12  
COMMISSION  
CLERK

Re: Docket Nos. 030867-TL; 030868-TL and 030869-TL

Dear Ms. Bayo:

Enclosed for filing in the above-referenced dockets are the original and 15 copies of the Direct Testimony of Bion C. Ostrander.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Sincerely,

Charles J. Beck  
Interim Public Counsel

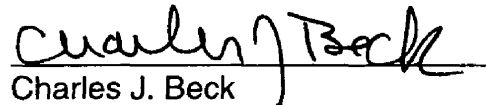
JUS 1  
CAF \_\_\_\_\_ CJB:bsr  
CMP \_\_\_\_\_  
COM 5+10 Enclosures  
CTR \_\_\_\_\_  
ECR \_\_\_\_\_  
SCL 1  
MPC \_\_\_\_\_  
AMS 1  
SEC 1  
MTH 1 *to each docket*

DOCUMENT NUMBER 03-071  
10835 OCT 31 0  
FPSC-03-071-0000

DOCKET NOS. 030869-TL, 030868-TL and 030867-TL

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the Direct Testimony of Bion C. Ostrander has been furnished by U.S. Mail, hand-delivery and/or overnight delivery to the following parties on this 31st day of October, 2003.

  
Charles J. Beck

Beth Keating, Esquire  
Division of Legal Services  
Fla. Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Nancy B. White  
c/o Nancy H. Sims  
BellSouth Telecommunications, Inc.  
150 South Monroe Street, Suite 400  
Tallahassee, FL 32301

Michael B. Twomey  
Post Office Box 5256  
Tallahassee, FL 32314-5256

Mark Cooper  
504 Highgate Terrace  
Silver Spring, MD 20904

Lyn Bodiford  
State Affairs Coordinator  
AARP  
200 West College Street  
Tallahassee, FL 32301

Tracy Hatch/Chris McDonald  
AT&T  
101 North Monroe, Suite 700  
Tallahassee, FL 32301

Donna McNulty  
MCI WorldCom, Inc.  
1203 Governors Square Blvd.  
Suite 201  
Tallahassee, FL 32301-2960

Richard Chapkis  
Vice President & General Counsel  
Verizon Florida, Inc.  
201 North Franklin Street  
FLTC0717  
Tampa, FL 33601

Michael Gross  
Florida Cable Telecomm. Assn.  
246 East 6th Avenue  
Tallahassee, FL 32303

Susan Masterton, Esquire  
Sprint-Florida, Incorporated  
P.O. Box 2214  
Tallahassee, FL 32316

Charles Rehwinkel, Esquire  
Sprint-Florida, Incorporated  
1313 Blair Stone Road  
FLTH00107  
Tallahassee, FL 32301

John P. Fons, Esquire  
Ausley & McMullen  
P.O. Box 391  
Tallahassee, FL 32302

Brian Sulmonetti  
MCI WorlCom  
Concourse Corporate Center Six  
Six Concourse Parkway, Suite 3200  
Atlanta, GA 30328

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF  
THE PETITIONS OF VERIZON FLORIDA INC.  
BELL SOUTH TELECOMMUNICATIONS INC. AND SPRINT FLORIDA INC.  
TO REFORM THEIR INTERSTATE NETWORK ACCESS  
AND BASIC LOCAL TELECOMMUNICATIONS RATES  
IN ACCORDANCE WITH FLORIDA STATUTES, SECTION 364.164**

**DOCKET NOS. 030267-TL, 030268-TL, 030269-TL**

**DIRECT TESTIMONY OF  
BIGN C. OSTRANDER**

**ON BEHALF OF  
THE OFFICE OF PUBLIC COUNSEL (OPC)**

**OCTOBER 31, 2003**

**DOCUMENT NUMBER-DATE**

**10835 OCT 31 3**

**FPSC-COMMISSION CLERK**

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF  
THE PETITIONS OF VERIZON FLORIDA INC.,  
BELLSOUTH TELECOMMUNICATIONS INC., AND SPRINT-FLORIDA INC.  
TO REFORM THEIR INTRASTATE NETWORK ACCESS  
AND BASIC LOCAL TELECOMMUNICATIONS RATES  
IN ACCORDANCE WITH FLORIDA STATUTES, SECTION 364.164**

**DOCKET NOS. 030867-TL, 030868-TL, 030869-TL**

**DIRECT TESTIMONY OF  
BION C. OSTRANDER**

**ON BEHALF OF  
THE OFFICE OF PUBLIC COUNSEL (OPC)**

**OCTOBER 31, 2003**

**I. CREDENTIALS:**

1

2 **Q. WOULD YOU STATE YOUR NAME, TITLE AND BUSINESS**  
3 **ADDRESS?**

4 A. My name is Bion C. Ostrander. I am the President of Ostrander  
5 Consulting. My business address is 1121 S.W. Chetopa Trail, Topeka,  
6 Kansas.

7

8 **Q. WHO ARE YOU REPRESENTING IN THIS PROCEEDING?**

9 A. I am testifying on behalf of the Office of Public Counsel.

10

11 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND**  
12 **PROFESSIONAL EXPERIENCE?**

13 A. I am an independent regulatory consultant and a practicing Certified  
14 Public Accountant, with a specialization in telecommunications financial,  
15 costing, and policy issues. I have over twenty-four years of regulatory and  
16 accounting experience. I previously served as the Chief of  
17 Telecommunications for the Kansas Corporation Commission ("KCC" or  
18 "Commission") from 1986 to 1990, when I left to start my own consulting  
19 firm. During that time, and prior to 1986, I also addressed cases and  
20 issues related to electric and gas utilities on behalf of the KCC. In  
21 addition, I have worked for national and regional accounting firms,  
22 including Deloitte, Haskin and Sells (now Deloitte & Touche).

1

2 **Q. WHAT TYPE OF ISSUES HAVE YOU ADDRESSED?**

3 A. My experience includes addressing issues related to reviews of revenue  
4 requirements, alternative regulation/price cap plans, 271 applications,  
5 management audits, audit of universal service fund and audits of relay  
6 centers for the speech and hearing impaired. I have addressed a broad  
7 range of telecommunication and regulatory issues related to accounting,  
8 rate design, costing, FCC separations, quality of service, universal  
9 service, affordable local service, Lifeline, affiliate interest, cost allocation  
10 manuals ("CAM"), cross-subsidization, competition policy, UNE cost  
11 studies, universal service cost studies, depreciation, slamming policy,  
12 infrastructure development, access charge restructure and other matters.  
13 Please see Exhibit BCO-1 for more detailed information regarding my  
14 education background and professional experience.

15

16 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA PUBLIC  
17 SERVICE COMMISSION ("COMMISSION" OR "PSC")?**

18 A. No. However, Exhibit BCO-1 shows that I have testified in numerous  
19 jurisdictions on various telecommunications policy issues.

20

21 ***II. PURPOSE AND SUMMARY OF TESTIMONY FINDINGS:***

22

23 **Q. WOULD YOU DESCRIBE THE PURPOSE OF YOUR TESTIMONY?**

1 A. The purpose of my testimony is to address the Petitions of Sprint, Verizon  
2 and BellSouth (hereinafter collectively referred to as the "LECs") to  
3 determine if they meet the criteria of new section 364.164 of Florida  
4 statutes. If the Petitions do not meet the criteria then they should be  
5 denied. I will primarily focus on statute criteria that requires there to be a  
6 "benefit to residential customers." Also, I will determine if the LECs have  
7 complied with other statute criteria regarding the reduction of intrastate  
8 switched network access rate reductions to parity over a period of not less  
9 than 2 years or more than 4 years, and if the LEC proposals are revenue  
10 neutral.

11 In addition, Dr. Gabel will address other issues, and will complement some  
12 of the same issues that I address.

13

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

15 A. The LECs were unable to identify or provide documentation which  
16 supports a finding that their proposals result in tangible net benefits to  
17 residential customers. Virtually all of the benefits of the rate rebalancing  
18 plans accrue to the LECs at the expense of residential customers, and at  
19 the expense of competitors to some degree. The rate rebalancing plans  
20 represent a "best of all possible worlds" scenario for the LECs. The LECs  
21 trade-off at-risk access revenues for increases in inelastic revenues of  
22 residential basic local service customers.<sup>1</sup> The LECs have been unable or  
23 unwilling to quantify tangible and specific net benefits to residential



1 customers from their proposals. Instead, the LECs rely on arguments  
2 consisting of speculative information or vague assertions. I will show  
3 through my calculations that the proposed increases in basic local rates  
4 exceed any potential reductions in toll rates. For subjective issues, there  
5 is no information to prove that the LEC's rebalancing plan will produce  
6 greater benefits versus maintaining the status quo as it relates to the  
7 introduction of new services, increasing capital expenditures, or improving  
8 service quality. Those areas where the LEC proposals cannot prove that  
9 residential customers will gain a net benefit, include:

10  
11 No enhanced competition - Competition will not be enhanced to the  
12 residential customer's benefit, although the LEC's inelastic basic local  
13 revenues will be enhanced and the respective LEC's market share will  
14 increase using revenues as a basis of measurement.

15  
16 Local rate increases exceed toll rate reductions for the average  
17 customer - The proposed increases in basic local rates will exceed toll rate  
18 reductions, and even any toll rate reductions may be short-lived while the  
19 increases in local rates are permanent.

20  
21 No new or unique service introductions - The companies have not  
22 be proven that their proposals will produce better results than the status  
23 quo in introducing new services, and they have not proven that their

---

<sup>1</sup> A minor portion of the rebalance increases basic local rates of business customers of the LECs.

1 proposals will result in new services which are unique to Florida and not  
2 available in other states.

3  
4 No uniquely associated benefits of capital investment - The  
5 companies have not be proven that their proposals will produce better  
6 results than the status quo regarding accelerated modernization or  
7 increased capital investment.

8  
9 No uniquely improved service quality – The LECs have not proven  
10 that their proposals will produce a better result than the status quo  
11 regarding improved service quality, while current service quality levels are  
12 not guaranteed in the future.

13  
14 For these reasons, the LEC's filings should be denied.

15  
16

17 ***III. CRITERIA OF NEW SECTION 364.164 FLORIDA STATUTES:***

18  
19

20 **Q. CAN YOU SUMMARIZE THE CRITERIA IN NEW SECTION 364.164,**  
21 **FLORIDA STATUTES (PART OF THE TELE-COMPETITION ACT), TO**  
22 **BE CONSIDERED IN DETERMINING WHETHER TO GRANT THE**  
23 **PETITIONS OF BELL SOUTH, VERIZON AND SPRINT?**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

A. Yes. The criteria are:

- (a) Remove current support for basic local telecommunications services that prevents the creation of a more attractive competitive local exchange market for the benefit of residential customers;
- (b) Induce enhanced market entry;
- (c) Require intrastate switched network access rate reductions to parity over a period of not less than 2 years or more than 4 years; and
- (d) Be revenue neutral.

**Q. WILL YOU BE USING THIS CRITERIA OF NEW SECTION 364.164 TO EVALUATE THE PETITIONS OF THE LECS?**

A. Yes. I will especially focus on the language of item (a) to determine if the LEC Petitions provide for the “benefit of residential consumers.” However, I will address some of the other criteria and show that the LECs’ Petitions do not meet this criteria. For these reasons, the LECs’ Petitions should be denied.

1 Q. DOES THE COMMISSION HAVE THE AUTHORITY TO DENY LEC  
2 PETITIONS IF ANY OF THE STATUTORY CRITERIA ARE NOT MET?

3 A. Yes, I believe this is true, and BellSouth agrees with this position.  
4 BellSouth's response to the OPC's first request for production of  
5 documents, item no. 2, states<sup>2</sup>:

6 "The bill mandates that the PSC must find that  
7 granting petition will:

- 8
- 9 a) make local residential competition more
  - 10 attractive
  - 11 b) benefit residential consumers
  - 12 c) induce market entry
  - 13 d) move access charges to parity
  - 14 e) occur over a period of 2 to 4 years
  - 15 f) be revenue neutral.
- 16

17 This bill clearly give the PSC the authority to deny  
18 petitions if any of the above criteria are not met."

19

20 The emphasis, via the underscore above, is provided by BellSouth in this  
21 document. Furthermore, at bates page number 19 of this same  
22 document, BellSouth states:

---

<sup>2</sup> See Attachment 2, bates page 17 of the BellSouth *Executive Summary* of its report titled, *Tele-competition, Innovation and Infrastructure Act of 2003*.

1

2

“Unlike proposed telecommunications legislation in previous years, there are no automatic rate increases.

3

4

The Public Service Commission (PSC) has absolute

5

authority to make sure that the consumer is

6

protected.”

7

8

**Q. WHEN DETERMINING WHETHER THERE IS A BENEFIT TO RESIDENTIAL CONSUMERS FOR VARIOUS ASSERTIONS BY THE LECS, HOW WILL YOU EVALUATE THIS?**

9

10

11

**A.** First, I will evaluate the LEC proposals to determine if there is a “net benefit” to the residential consumer. This means that I will offset the “benefits” and “detriments”, to determine if the benefits exceed the detriments. In addition, I will evaluate the LEC proposals for rate rebalancing to make sure they are supported by specific and quantifiable documentation. I will also evaluate the LEC proposals to see if they will produce greater benefits versus maintaining the status quo with no rate rebalancing. The LECS should not be able to rely on assertions that are broad, speculative, and without supporting documentation.

12

13

14

15

16

17

18

19

20

21

**Q. HAS DR. GABEL SHOWN THAT THE LECS FAILED TO SHOW THAT RESIDENTIAL LOCAL RATES ARE NOT SUPPORTED OR SUBSIDIZED?**

22

23

1 A. Yes. This determination alone provides justification for denying the LEC  
2 Petitions. I will provide additional justification for denying the LEC  
3 Petitions.

4  
5 **Q. DOES THE LEGISLATION MANDATE ANY RATE INCREASES OR**  
6 **DECREASES IN ACCESS CHARGES OR BASIC LOCAL RATES?**

7 A. No. BellSouth agrees that the legislation does not mandate any rate  
8 change, increase or decrease, in access or basic local rates, but instead  
9 reserves this absolute authority for the Commission. This also means that  
10 Dr. Gabel's finding that the LECs have not proven that basic local rates  
11 are supported or subsidized, would not require the Commission to  
12 authorize an increase in basic local rates. BellSouth's response to the  
13 OPC's first request for production of documents, item no. 2., states<sup>3</sup>:

14 "This legislation does not mandate any rate change,  
15 increase or decrease, in access charges or basic  
16 local rates. Instead it gives the PSC the absolute  
17 authority to make rate decisions."

18  
19 The emphasis, via the underscore above, is provided by BellSouth in this  
20 document.

21

---

<sup>3</sup> See Attachment 2, bates page 16, of the BellSouth *Executive Summary* of its report titled, *Tele-competition, Innovation and Infrastructure Act of 2003*.

1           **IV.    LEC PETITIONS SHOULD BE DENYED BECAUSE BASIC LOCAL**  
2                   **RATE INCREASES EXCEED TOLL SAVINGS AND DO NOT PROVIDE**  
3                   **A NET BENEFIT FOR MOST RESIDENTIAL CUSTOMERS:**

4  
5  
6   **Q.    WILL YOU BRIEFLY DESCRIBE THE RATE REBALANCING**  
7           **PROPOSAL OF SPRINT, VERIZON AND BELLSOUTH?**

8   **A.    Sprint Rate Rebalancing:**

9           Sprint basic local rate increases – Sprint proposes to increase local rates  
10           by \$142.1 million, and reduce access rates by the same amount. Sprint  
11           proposes to increase residential basic recurring local rates by \$117.4  
12           million, in three increments over a two-year period. The residential basic  
13           local rate will increase an average of \$6.86/month per customer, with rates  
14           increasing by \$2.95/month in 2004, \$2.75/month in 2005, and  
15           \$1.16/month in 2006. In addition, Sprint proposes to increase business  
16           basic recurring local rates by \$17 million, also in three increments over  
17           two years. Business basic local rates will increase an average of  
18           \$6.00/month per customer, with rates increasing by \$2.70/month in 2004,  
19           \$2.40/month in 2005, and \$.90/month in 2006.

20  
21           Sprint rate reductions – Sprint is the only LEC that proposes to reduce  
22           some basic local rates (although these amounts are recaptured through  
23           higher increases to other residential customers). Sprint proposes to

1 reduce the amount residential customers pay for extended local calling by  
2 providing a free allowance of five calls per month for routes charged on a  
3 per message basis, and this could amount to savings of \$1.00 to \$1.25  
4 per month for these customers which make-up 82% of the residential  
5 base.

6  
7 Lifeline – Sprint testimony says it will extend its Lifeline credit (exempting  
8 Lifeline subscribers from local rate increases) for an additional year  
9 beyond the two-year rebalancing period.

10  
11 Sprint access rate reductions - Sprint proposes to reduce intrastate  
12 weighted access rates from \$.104/minute, to the asserted interstate  
13 weighted parity rate of \$.013/minute, a reduction of \$.091/minute (about a  
14 9 cent reduction). Sprint's access reductions will be in three increments  
15 over a two-year period, from 2004 to 2006.

16  
17 Sprint other rate increases - Sprint proposes to increase various residence  
18 and business nonrecurring rates by \$7.6 million, and some of these  
19 increases are very significant. For example, Sprint proposes increases in  
20 Premise Visit charges of \$39.80 (387% increase, from \$10.20 to \$50.00)  
21 for United, and for Centel, these same charges will increase \$28.50 (133%  
22 increase, from \$21.50 to \$50.00). Various other service charges for



1 Restoral of Service, Number Change, Record Change, Primary/Secondary  
2 Service Charges will increase from \$4.55 to \$9.65.

3  
4 I will address concerns with LEC rate rebalancing calculations, the phase-  
5 in period, rate design issues, and Lifeline proposals, later in this testimony.

6

7 **Q. WILL YOU CONTINUE BY SUMMARIZING VERIZON'S RATE**  
8 **REBALANCING PLAN?**

9 **A. Verizon's Rate Rebalancing:**

10 Verizon basic local rate increases – Verizon proposes to increase basic  
11 local rates by about \$76.2 million, and reduce access rates by about the  
12 same amount. Residential basic recurring and other local rates will  
13 increase by \$70.9 million, in three increments over a two-year period.  
14 Residential basic local rates will increase by an average of \$4.73/month  
15 per customer, with rates increasing by \$1.58/month initially (probably in  
16 2004), \$1.58/month in 2005, and \$1.57/month in 2006. In addition, Verizon  
17 proposes to increase business basic local rates by \$5.3 million, in three  
18 increments over two years. Business basic recurring and other local rates  
19 will increase to \$32 for all five rate groups, an increase ranging from  
20 \$1.65/month to \$7.53/month per customer. The \$1.65 increase for rate  
21 group 5 will take place in the second and third increments, and the \$7.53  
22 increase will take place in all three increments.

23

1        Lifeline – Local rate increases will not be imposed on Lifeline customers  
2        as required by statute, and it is not clear if Verizon identifies this  
3        exemption as permanent, or until the customer no longer qualifies for  
4        Lifeline. (Verizon Petition, p. 4, per Section 364.10(3)(c).

5  
6        Verizon access rate reductions - Verizon proposes to reduce access rates  
7        from \$.0485441/average revenue per minute (“ARPM”) to the asserted  
8        parity rate of \$.0117043/ARPM, a reduction of \$.0368398/ARPM (a  
9        reduction of about 3.7 cents). Verizon’s proposal will increase local  
10       revenues \$76.2 million and reduce access revenues by the same asserted  
11       amount to achieve interstate parity. Access reductions will take place in  
12       three increments over two years.

13  
14       Verizon other rate increases - In addition, Verizon proposes to increase  
15       various residential and business nonrecurring rates, including an increase  
16       of \$5.00 (from \$20 to \$25) for residential network establishment charges,  
17       and an increase of \$5.00 (from \$35 to \$40) for residential central office  
18       connection charges. The business network access establishment charge  
19       will increase by \$.10. These increases will take place in the first year.

20  
21       I will address concerns with LEC rate rebalancing calculations, the phase-  
22       in period, rate design issues, and Lifeline proposals, later in this testimony.

23

1 Q. WILL YOU CONCLUDE BY SUMMARIZING BELLSOUTH'S RATE  
2 REBALANCING PLAN?

3 A. BellSouth's Rate Rebalancing:

4 BellSouth basic local rate increases – BellSouth proposes two potential  
5 methods for access reduction and rate rebalancing. Under the “mirroring  
6 method”, BellSouth proposes to increase total local rates by \$136.4  
7 million, and reduce access rates by the same amount. BellSouth  
8 proposes to increase residential basic recurring local rates by \$118.9  
9 million, in three increments over a two-year period. Residential basic local  
10 rates will increase an average of \$3.86/month per customer, with rates  
11 increasing by \$1.39/month in the first quarter of 2004, \$1.38/month in the  
12 first quarter of 2005, and \$1.09/month in the first quarter of 2006. In  
13 addition, BellSouth proposes to increase business basic local rates by  
14 \$1.1 million, in three increments over a two-year period. Business basic  
15 local rates will increase an average of \$1.75/month per customer, rate  
16 groups 1, 2 and 5 will increase from \$2.28 to \$4.45 in two equal  
17 increments and rate groups 4, 5 and 6 will increase \$2.16 to \$3.25 in two  
18 equal installments, and rate groups 7 to 11 will increase \$.52 to \$3.48 in  
19 two equal installments.

20  
21 Under the “typical network composite method”, BellSouth proposes to  
22 increase total local rates by \$125.2 million, and reduce access rates by  
23 the same amount. BellSouth proposes to increase residential basic

1 recurring local rates by \$107.8 million, in three increments over a two-year  
2 period. Residential basic local rates will increase an average of  
3 \$3.50/month per customer, with rates increasing by \$1.25/month in the  
4 first quarter of 2004 and 2005, and rates increasing \$1.00/month in the  
5 first quarter of 2006. In addition, BellSouth proposes to increase business  
6 basic local rates by \$1.1 million, in three increments over a two-year  
7 period. For business rates, the rebalance is the same as under the  
8 "mirroring method".

9  
10 Lifeline – BellSouth indicates that Lifeline customers are protected from  
11 rate increases for the full four year period available under the statute,  
12 unless the customer no longer qualifies for Lifeline. So BellSouth's  
13 Lifeline policy is definitely different than Sprint's policy, and Verizon's  
14 specific policy is unclear.

15  
16 BellSouth access rate reductions – BellSouth proposes two potential  
17 methods for access reduction and rate rebalancing. Under the "mirroring  
18 method", BellSouth proposes to reduce intrastate weighted access rates  
19 from \$.028109/minute (or \$.056219 composite ARPM), to the asserted  
20 interstate weighted parity rate of \$.008419/minute (or \$.016839 composite  
21 ARPM), a reduction of \$.01969/minute (a reduction of about 1.97 cents),  
22 or \$.03938 composite ARPM. This method will increase local revenues  
23 \$136.4 million and reduce access revenues by the same asserted amount

1 to achieve interstate parity. Access reductions will take place in three  
2 increments over two years from 2005 to 2006.

3  
4 Under the "typical network composite methodology", BellSouth proposes  
5 to reduce intrastate weighted access rates from \$.0459845/minute, to the  
6 asserted interstate weighted parity rate of \$.0098420/minute, a reduction  
7 of \$.0361425/minute (a reduction of about 3.6 cents). This method will  
8 increase local revenues \$125.2 million and reduce access revenues by  
9 the same asserted amount to achieve interstate parity. Access reductions  
10 will be phased-in effective January 1, 2004, and January 1, 2005, under  
11 either method. Access reductions will take place in three increments over  
12 two years from 2005 to 2006.

13  
14 BellSouth other rate increases - In addition, BellSouth proposes to  
15 increase various nonrecurring rates by \$16.3 million. For residential  
16 customers, the Line Connection Charge – 1<sup>st</sup> line, will increase \$5.81  
17 (from \$40.88 to \$46.69), the Line Change Charge – 1<sup>st</sup> line, will increase  
18 \$5.05 (from \$23.50 to \$28.55), plus some other increases for additional  
19 lines associated with these services. For business customers, the Line  
20 Connection Charge – 1<sup>st</sup> line, increases \$8.76, (from \$56.24 to \$65), and  
21 the Line Change Charge – 1<sup>st</sup> line, increases \$5.79 (from \$38.16 to  
22 \$43.95).

1 I will address concerns with LEC rate rebalancing calculations, the phase-  
2 in period, rate design issues, and Lifeline proposals, later in this testimony.

3

4 **Q. DO VARIOUS LEC WITNESSES CLAIM THAT INCREASES IN BASIC**  
5 **LOCAL RATES WILL BE OFFSET BY TOLL RATE REDUCTIONS TO**  
6 **THE BENEFIT OF CUSTOMERS?**

7 A. Yes. Various LEC witnesses make this claim. Mr. Felz, on behalf of  
8 Sprint, states:

9 "The reductions that customers experience in the rates for  
10 long distance calling will serve to offset the increases they  
11 will experience for basic local services. This offset will  
12 consist of eliminating by January 1, 2006, any "instate  
13 connection fee" which for the "big three" IXC's is currently  
14 \$1.90 per month, and flowing through any residual switched  
15 network access charge reduction amount in the form of  
16 lower rates."<sup>4</sup>

17

18 In addition, Dr. Kenneth Gordon, on behalf of Sprint, Verizon and  
19 BellSouth, states:

20

21 "Importantly, the companies rebalancing plans will lead to  
22 lower intrastate toll prices for all consumers. At the end of

1 the day, the mix of services that consumers purchase as a  
2 result of the companies' plans will make consumers better  
3 off overall."<sup>5</sup>

4

5 In addition, Mr. Danner, on behalf of Verizon, states:

6

7 "Q. Under Verizon's rate rebalancing plan, the increase in  
8 basic local rates will be offset by a decrease in intrastate  
9 access rates, and corresponding reductions in intrastate long  
10 distance prices. In light of this fact, is it reasonable to  
11 conclude that reforming prices will induce enhanced market  
12 entry?"<sup>6</sup>

13

14

15 **Q. DID THE LECS PROVIDE DOCUMENTATION TO SHOW THAT**  
16 **INCREASES IN RESIDENTIAL BASIC LOCAL RATES WOULD BE**  
17 **OFFSET BY TOLL REDUCTIONS?**

18 A. No. The LECs have objected to providing this information, and  
19 have not made any meaningful information available for review

---

<sup>4</sup> John M. Felz, Amended Direct Testimony on Behalf of Sprint Florida Inc. Before the Florida Public Service Commission, Petition of Sprint Florida Inc. to Reduce Access Rates, October 2, 2003, Page 26, Lines 16-21.

<sup>5</sup> Kenneth Gordon, Amended Direct Testimony on Behalf of Verizon Florida, Inc.; BellSouth Telecommunications, Inc.; and Sprint Florida Inc. Before the Florida Public Service Commission, Petition of Sprint Florida Inc. to Reduce Access Rates, October 2, 2003, Page 5, Lines 19-22.

<sup>6</sup> Carl Danner, Amended Direct Testimony on Behalf of Verizon Florida, Inc. Before the Florida Public Service Commission, Petition of Sprint Florida Inc. to Reduce Access Rates, October 2, 2003, Page 8, Lines 6-11.

1 (some information may be asserted as responsive by the LECs, but  
2 it is subject to the privilege log and has not been made available at  
3 the time of this testimony to determine if it is relevant). The LEC's  
4 statements are not supported by meaningful, specific, tangible, and  
5 quantifiable documentation. The LECs have not readily provided  
6 information to show that the increase in basic local rates will be  
7 offset by decreases in toll rates. The LECs have provided the  
8 amount of the increase in basic local rates, but they have not  
9 provided any meaningful documentation or estimates to show  
10 decreases in toll rates. It is not possible to conclude that local rates  
11 will be offset by decreases in toll rates without also having some  
12 estimate or calculation of the toll rate reduction. Nonetheless, the  
13 LECs conclude that residential local customers will be better off - -  
14 yet there is no meaningful documentation or calculations to support  
15 this conclusion. Therefore, the LECs' Petitions should be denied  
16 because they cannot prove there is a net benefit to residential  
17 consumers as required by the statutory criteria.

18  
19 **Q. CAN YOU EXPLAIN THE INFORMATION YOU REQUESTED TO TEST**  
20 **THE LEC CLAIMS THAT INCREASES IN LOCAL RATES WOULD BE**  
21 **OFFSET BY TOLL SAVINGS TO PRODUCE A BENEFIT TO**  
22 **CONSUMERS?**



1 A. Yes. Since the amount of the annual increases in residential basic  
2 local rates is known, it was necessary to determine the annual  
3 amount of offsetting toll savings to see if this amount exceeded the  
4 increases in local rates to produce a net benefit to most residential  
5 customers. Various information was requested from the LECs,  
6 including: all documents supporting the company assertions that  
7 local rates will be offset by toll savings; the amount and calculation  
8 of toll savings (or reduction in long distance rates); the average  
9 long distance bill of residential customers; the toll usage/volumes of  
10 residential customers under various long distance calling plans; the  
11 average toll revenues per minute produced from various long  
12 distance services; the number/percent of customers that do not  
13 make any long distance calls; and various other related information.

14

15 **Q. CAN YOU GENERALLY EXPLAIN THE LEC'S OBJECTIONS TO**  
16 **PROVIDING INFORMATION AND THE CURRENT STATUS?**

17 A. I will address this very briefly, since there is ample documentation  
18 in the record regarding the LEC's Objections to providing this  
19 information and the OPC's Motions to obtain this information. On  
20 October 20, 2003, Commissioner and Hearing Officer Mr. Bradley  
21 issued an order in this proceeding on OPC's First Motions to  
22 Compel and Verizon's Motion for Protective Order. The October  
23 20<sup>th</sup> order requires Verizon to provide various information to help

1 address and assess the company's claims that toll reductions will  
2 offset increases in basic local rates. Some of the relevant  
3 Production of Documents ("POD") which were addressed include  
4 POD No. 4, 5, 6, 8, 20, 21 and 22. The order finds on these PODs  
5 that<sup>7</sup>:

6  
7 "To the extent, if any, that the privilege log has not  
8 provided the response as required by Rule 1.280 (b)  
9 (5), Florida Rules of Civil Procedure, Verizon shall  
10 provide a response in accordance with this rule.  
11 Should this item remain in dispute, an in camera  
12 inspection may be conducted to further determine the  
13 applicability of the privilege claimed."

14  
15 At the time I was wrapping up my direct testimony, I had not  
16 inspected any of the previously identified PODs to make a  
17 determination whether Verizon had now complied with the  
18 Commissioner's order, or if Verizon had provided relevant  
19 information as noted in its privilege log. No other information  
20 outside the privileged log was available at the time was wrapping  
21 up my testimony. Since my testimony was to be mostly finalized on  
22 the day the Commissioner's decision was made on these matters  
23 (due to me being out of town on business through the testimony

---

Pages 23 to 27 for PODs 4, 5, 6 and 8; pages 33 and 34 for POD 20, 21 and 22.

1 date of October 31st), I have not had the opportunity to review any  
2 additional information regarding these matters.

3  
4 **Q. BASED ON YOUR ANALYSIS, WILL THE INCREASES IN LOCAL**  
5 **RATES BE OFFSET BY TOLL SAVINGS, TO PRODUCE A NET**  
6 **BENEFIT FOR THE RESIDENTIAL CUSTOMER?**

7 A. No. Contrary to LEC claims, just the opposite will occur. Increases in  
8 local rates will exceed potential toll rate reductions for the average  
9 residential customers. For some scenarios the increase in local rates will  
10 significantly exceed the toll savings. My calculations are shown at Exhibit  
11 BCO-2. I have focused on the effect of rate rebalancing on "residential"  
12 customers, because criteria included in Florida statute new section  
13 364.164 requires addressing the "benefit of residential customers", as  
14 opposed to business customers. If the average residential customer will  
15 not benefit from the rate rebalancing proposals of the LECs, then I believe  
16 this warrants denial of the LECs' Petitions. However, my analysis shows  
17 that even many residential customers with greater than "average" toll  
18 usage will not benefit from the LEC proposal. This only serves to  
19 strengthen my conclusion to reject the LECs' Petitions as being  
20 unreasonable. There will be some residential customers with extremely  
21 high toll usage that could benefit from the LEC rebalancing proposals, but  
22 these customers should not be used as the barometer for measuring  
23 "benefits to residential customers" since they are in the minority and do

1 not represent the average residential customer. My analysis compared  
2 the incremental increase in residential basic local rates to the potential  
3 incremental reduction in toll rates. My analysis shows that for all three  
4 LECs, the proposed increase in local rates exceed the potential reduction  
5 in toll rates. I have incorporated conservative and worse case scenarios  
6 in my analysis (which error in favor of the LECs), and this still produces  
7 the same conclusion. In addition, my analysis is conservative since it only  
8 considers the increases in "recurring basic local rates", although the LECs  
9 propose certain increases for other "nonrecurring" basic local rates which  
10 could also negatively impact residential customers. Finally, any reduction  
11 in toll rates may be short-term since carriers could subsequently increase  
12 their toll rates. I have conservatively assumed that all toll reductions are  
13 long-term and will not be subsequently reversed - - although the LECs  
14 have not provided any indication that the toll reductions will be long-term.

15

16 **Q. HOW DID YOU DETERMINE AVERAGE MONTHLY INTRASTATE TOLL**  
17 **USAGE MINUTES FOR RESIDENTIAL CUSTOMERS?**

18 A. The average monthly intrastate toll minutes information is from the Federal  
19 Communications Commission ("FCC") report titled, "Trends in Telephone  
20 Service" issued August 2003, Table 14.2 "Average Residential Monthly  
21 Toll Calls". This represents the nationwide average intrastate toll minutes  
22 used by residential customers in a month. This information relates to the  
23 year 2002 for residential customers. I used the combined Intrastate-

1 IntraLATA (28 minutes) and Intrastate-InterLATA (16 minutes) minutes,  
2 which equals 44 minutes. The FCC report shows that average intrastate  
3 monthly toll minutes have not changed much in the last few years,  
4 although it has been declining. It would not be appropriate to use  
5 interstate monthly toll call minutes in my analysis since the LEC Petitions  
6 do not propose to flow-through access reductions to interstate toll rates - -  
7 and interstate toll rates already reflect reduced access rate levels (which  
8 are being mirrored by the LEC proposals in this proceeding). Just in case  
9 residential customers in Florida use more intrastate toll minutes than the  
10 nationwide average of 44 minutes, I doubled toll usage to 88 minutes in  
11 one of my calculation scenarios at Exhibit BCO-2. Even if residential toll  
12 minutes are doubled, this does not change my conclusion. All scenarios  
13 still show that average residential customers will realize net increases in  
14 their bills, since increased basic local rates exceed any toll savings.

15  
16 **Q. CAN YOU EXPLAIN THE FORMAT OF YOUR ANALYSIS AT EXHIBIT**  
17 **BCO-2?**

18 **A.** For each of the three LECs, I have provided two scenarios. Each of the  
19 two scenarios includes two different toll pricing calculations, plus a  
20 "breakeven" analysis. Scenario 1 is based on a residential customer with  
21 one-line that currently pays a \$1.90 in-state connections fees to their toll  
22 carrier. This is the most conservative of the two scenarios. Scenario 2 is  
23 based on a residential customer with two-lines that pays a \$1.90 in-state

1 connection fee to their toll carrier. In addition, I prepared a Third and  
2 Fourth scenario (which I did not include in testimony) that is based on  
3 residential customers with one-line and two-lines, except the customer  
4 does not currently pay a \$1.90 in-state connection fee to their toll carrier.<sup>8</sup>  
5 Not all toll carriers charge the in-state connection fee, but many of the  
6 larger carriers such as AT&T, MCI, and Sprint charge the \$1.90 in-state  
7 connection fee. Within Scenario 1 and Scenario 2, I have shown the  
8 following regarding toll reductions for residential customers:

9  
10 1) Two-cent reduction based on 44 minutes of toll usage – This  
11 scenario shows a two-cent toll reduction based on 44 minutes of  
12 monthly average toll usage. A two-cent toll reduction to toll users is  
13 meaningless in many cases, as I will address later in more detail. I  
14 am providing this scenario to provide an illustration of the relatively  
15 insignificant toll reduction impact as an offset to basic local rate  
16 increases.

17  
18 2) Two-cent reduction based on 88 minutes of toll usage – This  
19 scenario shows a two-cent reduction based on 88 minutes (double  
20 the average toll usage) of monthly average toll usage. A two-cent  
21 toll reduction to toll users is meaningless in many cases, as I will  
22 address later in more detail. I am providing this scenario to provide

---

<sup>8</sup> These last two scenarios produced results that are even more persuasive than the first two scenarios, and which would arguably require even greater toll reductions for breakeven.

1 an illustration of the relatively insignificant toll reduction impact as  
2 an offset to basic local rate increases.

3

4 3) Breakeven - The per minute reduction in toll rates that would be  
5 necessary for the customer to "breakeven", where breakeven  
6 means that the decrease in toll rates would equal the increase in  
7 local rates. This "breakeven" analysis is probably the most  
8 important analysis because it shows that the average reduction in  
9 toll minutes would have to be in the range of 4 to 11 cents/minute  
10 (depending upon the specific LEC) in order for toll reductions to  
11 equal the increase in basic local rates.

12

13 In all scenarios and examples for all LECs, the increase in local rates  
14 always exceeded the projected savings in toll.

15

16 **Q. CAN YOU SUMMARIZE YOUR FINDINGS THAT SHOW LOCAL RATE**  
17 **INCREASES WILL EXCEED TOLL RATE REDUCTIONS FOR THE**  
18 **AVERAGE RESIDENTIAL CUSTOMER?**

19 A. Overall:

20 These findings are based on information from Exhibit BCO-2. Average  
21 residential customers of all three LECs, under all scenarios, will be worse  
22 off and realize net losses from the rate rebalancing proposals because  
23 increases in local rates will not be offset by toll reductions. In most cases

1 it will be extremely difficult for all long distance carriers to reduce toll rates  
2 across-the-board to residential customers in the magnitude required to  
3 achieve breakeven for residential customers, and this is because of the  
4 significant increases in basic local rates.

5

6 **Breakeven Scenario 1 and 2 for LECs:**

7 Scenario 1 assumes a residential one-line customer that is currently  
8 paying the \$1.90/month in-state connection fee (ISCF) to a toll service  
9 provider, and Scenario 2 assumes a residential two-line customer  
10 currently paying the \$1.90/month ISCF. This analysis is conservative,  
11 because it assumes the customer will have savings from elimination of the  
12 \$1.90/month ISCF - - although not all long distance carriers bill the  
13 customer for the ISCF. The breakeven analysis is most important  
14 because it shows the average reduction in the per minute toll rate which  
15 would be required to offset the increases in basic local rates.

16

17 **Sprint Breakeven:** Sprint's breakeven under Scenario 1 and 2  
18 shows that toll rates would have to decrease by 11 cents/minute for 44  
19 minutes toll usage, (or 5.5 cents/minute for 88 minutes toll usage).  
20 Sprint's breakeven is the highest of all three LECs, because it proposes  
21 the highest increase in residential basic local rates (and it would have the  
22 highest average local rates among the three carriers if its proposal was  
23 implemented). It would be extremely difficult for long distance service



1 providers serving Sprint local customers to implement a 5.5 to 11/cents per  
2 minute toll rate reduction across-the-board to residential customers. A per  
3 minute toll reduction of 5.5 to 11/cents per minute would require some toll  
4 providers to reduce their intrastate toll rates below existing interstate rates  
5 (and these interstate rates already reflect lower access costs), or to  
6 extreme levels, since the nationwide average toll rate is 8 cents<sup>9</sup>. The  
7 only way to achieve a toll reduction of this magnitude would be to require  
8 significant reductions in minimum monthly charges associated with various  
9 toll calling plans, significant reductions in rates for specific calling plans,  
10 and significant reductions for rates of Message Toll Service ("MTS").  
11 Reductions of this magnitude will be difficult to achieve, across-the-board,  
12 for residential customers.

13  
14 **Verizon Breakeven:** Verizon's breakeven under Scenario 1 and 2  
15 shows that toll rates would have to decrease by 6 cents/minute for 44  
16 minutes toll usage, (or 3 cents/minute for 88 minutes toll usage).  
17 Verizon's breakeven is the second highest of all three LECs, because it  
18 proposes the second highest increase in residential basic local rates. It  
19 would be difficult for long distance service providers serving Verizon local  
20 customers to implement a 6/cents per minute toll rate reduction across-the-  
21 board to residential customers. This would require some toll providers to  
22 reduce their intrastate toll rates below existing interstate rates (and these

---

<sup>9</sup> Per the *FCC's Reference Book of Rates, Price Indices, and Household Expenditures for Telephone Service*, released July 2003, based on 2001 information.

1 interstate rates already reflect lower access costs), or to extreme levels,  
2 since the nationwide average toll rate is 8 cents<sup>10</sup>. The primary way to  
3 achieve a toll reduction of this magnitude would require reductions in  
4 minimum monthly charges associated with specific toll calling plans, rate  
5 reduction in calling plan, and significant reductions in MTS rates.  
6 Reductions of this magnitude would be difficult to achieve, across-the-  
7 board, for residential customers.

8  
9 **BellSouth Breakeven:** BellSouth's breakeven under Scenario 1  
10 and 2 shows that toll rates would have to decrease by 4.5 cents/minute for  
11 44 minutes toll usage, (or 2.25 cents/minute for 88 minutes toll usage).  
12 BellSouth's breakeven is the lowest of all three LECs, because it proposes  
13 the lowest increase in residential basic local rates. It would still be difficult  
14 for all long distance service providers serving BellSouth local customers to  
15 implement a 2.25 to 4.5/cent per minute toll rate reduction across-the-  
16 board to residential customers, but the hurdle is not as high compared to  
17 Sprint and Verizon. A per minute toll reduction of 2.25 to 4.5/cents per  
18 minute may require some toll providers to reduce their intrastate toll rates  
19 below existing interstate rates (and these interstate rates already reflect  
20 lower access costs), since the nationwide average toll rate is 8 cents<sup>11</sup>.  
21 These reductions could be achieved by a combination of reductions in  
22 minimum monthly charges associated with toll calling plans, reductions in

---

<sup>10</sup> *IBID.*

1 per minute rates of specific calling plans, and reductions in MTS rates.  
2 Reductions of these magnitudes across-the-board to all residential  
3 customers will still be difficult to achieve for all long distance providers  
4

5 **Sprint 2 Cents/Minute Toll Reductions:** For Sprint, a 2  
6 cent/minute toll reduction under Scenario 1 for a one-line customer,  
7 results in basic local rates exceeding toll reductions by \$38.40 (88  
8 minutes of usage) to \$48.96 (44 minutes of usage) on an annual basis.  
9 For Sprint, a 2 cent/minute toll reduction under Scenario 2 for a two-line  
10 customer, results in basic local rates exceeding toll reductions by \$76.80  
11 (88 minutes toll usage) to \$97.92 on an annual basis. Residential  
12 customers are significantly disadvantaged by Sprint's proposed local rate  
13 increase.

14  
15 **Verizon 2 Cents/Minute Toll Reductions:** For Verizon, a 2  
16 cent/minute toll reduction under Scenario 1 for a one-line customer,  
17 results in basic local rates exceeding toll reductions by \$12.84 (88  
18 minutes of usage) to 23.40 (44 minutes of usage) on an annual basis. For  
19 Verizon, a 2 cent/minute toll reduction under Scenario 2 for a two-line  
20 customer, results in basic local rates exceeding toll reductions by \$25.68  
21 (88 minutes toll usage) to \$46.80 on an annual basis.  
22

---

<sup>11</sup> Per the *FCC's Reference Book of Rates, Price Indices, and Household Expenditures for Telephone Service*, released July 2003, based on 2001 information.

1            **BellSouth 2 Cents/Minute Toll Reductions:** For BellSouth, a 2  
2 cent/minute toll reduction under Scenario 1 for a one-line customer,  
3 results in basic local rates exceeding toll reductions by \$2.40 (88 minutes  
4 of usage) to 12.96 (44 minutes of usage) on an annual basis. For  
5 BellSouth, a 2 cent/minute toll reduction under Scenario 2 for a two-line  
6 customer, results in basic local rates exceeding toll reductions by \$4.80  
7 (88 minutes toll usage) to \$25.92 on an annual basis.

8  
9    **Q.    WOULD THE LECS PROVIDE ANY ASSURANCE THAT TOLL RATE**  
10 **REDUCTIONS FROM THIS PROCEEDING WOULD BE LONG-TERM**  
11 **VERSUS SHORT-TERM?**

12    **A.**    No. I am not aware that any LEC witness indicates that toll rate  
13 reductions will tend to be long-term versus short-term, and the witnesses  
14 don't explain how the long distance carrier affiliated with their LEC will  
15 handle this situation. The LECs were asked in data requests if these  
16 proposed toll rate reductions would be permanent, or for how long the toll  
17 rate reductions would be in place. The LECs objected to specifically  
18 answering these data requests because they indicated that their long  
19 distance affiliates were not a party to this proceeding, and they merely  
20 indicated that the statute requires access reductions to be flowed-through  
21 (but they wouldn't specify the period). If these toll reductions are  
22 temporary, then the average residential customer stands to lose even any  
23 minor toll offsets to the proposed increases in basic local rates. My

1 analysis shows that basic local rate increases will exceed toll reductions,  
2 and this assumes that toll reductions are permanent. If toll reductions are  
3 temporarily reduced, but then subsequently increased to prior rate levels  
4 or higher, then LECs and their affiliated long distance carriers stand to  
5 reap significant windfalls due to the permanent increase in basic local  
6 rates.

7  
8 **Q. IS A TWO TO THREE CENT REDUCTION IN TOLL RATES VIRTUALLY**  
9 **MEANINGLESS BECAUSE THESE TOLL RATES CAN BE INCREASED**  
10 **IN THE NEXT PRICE CAP CASE?**

11 A. Yes. In most cases a toll reduction limited to two to three cents/minute for  
12 residential customers is insignificant and unfair to residential customers  
13 because it could easily be eliminated by offsetting increases of the same  
14 amount, or more, in the very next price cap case for various toll services.  
15 As I will show, Sprint's recent price cap plan increased toll rates two  
16 cents/minute for MTS, and increased monthly recurring rates by \$1.95 for  
17 some toll calling plans. It would be unfair for residential consumers to  
18 incur significant permanent increases in local rates, yet only receive toll  
19 reductions of two to three cents/minute for about one year, or until the next  
20 price cap plan. This problem becomes much more significant if a LEC  
21 subsequently increases its monthly recurring rate for a toll calling plan by  
22 \$1.95 under a subsequent price cap plan change, such as under the  
23 Sprint example. Subsequent toll rate increases in price cap plans would

1 provide a significant windfall to the LEC, the LECs affiliated long distance  
2 provider, and all toll providers generally. Because of price cap flexibility,  
3 the LEC would still keep its significant increase in basic local rates. In  
4 addition, the LEC or its long distance affiliate could also increase its per  
5 minute toll rates and its monthly recurring toll rate charge to recoup  
6 previous toll revenues it had lost in the short-term due to the access flow-  
7 through process of this proceeding. Also, other unaffiliated long distance  
8 providers could subsequently increase their toll rates to recover any  
9 temporary rate reductions from this proceeding. If LECs, or their long  
10 distance affiliates, have the ability to subsequently increase toll rates  
11 under price caps, it may be difficult to tell other long distance providers  
12 that they cannot respond accordingly and increase their toll rates. It is  
13 unclear if the Commission has regulatory authority to require toll rates of  
14 all carriers (or any carrier) to be reduced on a long-term basis, especially if  
15 toll rates are considered to be detariffed or unregulated. This whole  
16 process that we are going through could be rendered virtually  
17 meaningless by subsequent increases in toll rates within a year under  
18 price caps, and the only winners will be the local and long distance  
19 providers.

20  
21 **Q. HAVE YOU SEEN EXAMPLES IN RECENT YEARS WHERE PRICE**  
22 **CAPS HAVE RESULTED IN INCREASED TOLL RATES ?**

1 A. Yes. I requested copies of the three LEC's price cap filings for the most  
2 recent two-year period. I will use Sprint's price cap filing information as an  
3 example. The Sprint price cap filings did not have cover pages on them to  
4 identify if they related to October 2001, or October 2002, and I do not have  
5 copies of any final Commission orders implementing these price cap  
6 plans. However, based on the marked-up tariffs which Sprint provided, it  
7 appears that the 2002 price cap filing increased the toll rates (local toll  
8 included) of the following Sprint plans<sup>12</sup>:

9 1) Sprint residential MTS - MTS rates increased by two cents/minute  
10 for the evening and night calling periods, and by one cent for the  
11 daytime period.

12  
13 2) Sprint residential Solutions Packages – Monthly rates increased by  
14 up to \$1.95/month for these local toll packages.

15  
16  
17 **Q. DO YOU CONSIDER RELATIVELY MINOR REDUCTIONS IN TOLL**  
18 **RATES FROM THESE PROCEEDINGS TO BE INSIGNIFICANT TO**  
19 **RESIDENTIAL CUSTOMERS?**

20 A. Yes. Minor reductions in toll rates of two to three cents per minute will not  
21 offset increases in proposed local rates by Sprint, Verizon, and BellSouth  
22 in this proceeding, or subsequent increases in price cap filings - - so these

---

<sup>12</sup> Sprint Production of Documents, Item 24.

1 minute rates were combined with more significant reductions in monthly  
2 recurring rates for certain toll rate plans, then the impact may be  
3 significant as long as it is not subject to being eliminated or largely offset  
4 in price cap plans or by the increases in local rates in this proceeding.  
5 Finally, toll rate reductions should primarily impact "average" residential  
6 customers. The toll rate reductions should definitely not be skewed  
7 towards calling plans used by large volume residential toll customers, the  
8 toll rate reductions should impact those plans used by the average  
9 residential toll customer.

10

11 **Q. IS IT POSSIBLE THAT SOME RESIDENTIAL CUSTOMERS WOULD**  
12 **INCUR BASIC LOCAL RATE INCREASES, BUT NOT RECEIVE ANY**  
13 **TOLL REDUCTIONS?**

14 A. Yes. Toll rate reductions should not be applied to just one type of toll  
15 calling plan, and certainly not to a toll calling plan limited to high usage  
16 residential customers. Toll reductions should be applied equitably across-  
17 the-board to all long distance services used by the "average" residential  
18 toll user. However, long distance carriers may prefer to pass through toll  
19 rate reductions to preferred calling plans, probably those which are most  
20 competitive or for high usage toll customers. However, if a carrier is  
21 allowed to pick and choose which toll calling plan they want to reduce  
22 rates, this may exclude certain average residential toll usage customers  
23 that are using other calling plans or basic MTS.



1

2 **Q. IS IT POSSIBLE THAT TOLL RATE REDUCTIONS COULD BE**  
3 **MANIPULATED TO LEAVE THE RESIDENTIAL CUSTOMER IN NO**  
4 **BETTER STANDING THAN A YEAR AGO?**

5 A. Yes. This occurs if toll rates were increased in the past year through price  
6 caps, and if potential toll reductions in this proceeding merely offset these  
7 previous increases in toll rates. Also, there could be a situation where a  
8 long distance provider has increased its long distance rates in the past six  
9 months or a year for reasons other than price caps, or in anticipation of  
10 the toll rate reductions coming out of this proceeding. The subsequent toll  
11 rate reductions in this case merely bring the customer back to toll rate  
12 levels of six months or a year ago and customers are in no better standing  
13 as a result.

14

15 **Q. WON'T THE LEC'S PROPOSED INCREASES IN BASIC LOCAL RATES**  
16 **FALL DISPROPORTIONATELY ON RESIDENTIAL CUSTOMERS OF**  
17 **PLAIN OLD TELEPHONE SERVICE ("POTS")?**

18 A. Yes. The POTs customers are being asked to pay for some of the access  
19 rate reductions associated with business customers and the estimated  
20 rate reduction associated with subscribers to bundled goods.

21

22 **Q. DO YOU HAVE CONCERNS REGARDING HOW THE APPROPRIATE**  
23 **FLOW-THROUGH OF TOLL RATE REDUCTIONS FOR ALL LONG**

1 DISTANCE CARRIERS WILL BE DETERMINED, OR HOW THE TOLL  
2 RATE REDUCTIONS WILL BE MONITORED?

3 A. Yes. If these toll rate reductions were implemented, I am not sure how the  
4 reductions would be monitored to insure that all toll providers implemented  
5 appropriate toll reductions, or how these reductions can be monitored to  
6 ensure that they are not subsequently increased in the short-term. These  
7 are some issues that will need to be addressed, and which will probably  
8 prove to be difficult to monitor and enforce.

9  
10

11 **V. THE LEC'S PROPOSAL OFFERS NO UNIQUELY ASSOCIATED**  
12 **BENEFITS REGARDING MODERNIZATION OR NEW SERVICE**  
13 **OFFERINGS**

14  
15

16 **Q. HAVE THE LECS SHOWN HOW THEIR RATE REBALANCING**  
17 **PROPOSALS WILL UNIQUELY PROMOTE MODERNIZATION OR NEW**  
18 **SERVICE OFFERINGS COMPARED TO THE STATUS QUO?**

19 A. No. The LECs have not provided any specific or tangible information  
20 which shows that their rate rebalancing proposals would have any  
21 meaningful impact on future modernization or new service offerings which  
22 are any different than the status quo without rate rebalancing. Verizon's

1           Petition<sup>13</sup> and some of the LEC witnesses<sup>14</sup> state that increases in basic  
2           local rates will result in new services, which could infer increased plant  
3           investment and modernization. I do agree that one of the commonly  
4           associated benefits of competition is increased or innovative services,  
5           lower prices, and other benefits. However, the LECs have not effectively  
6           demonstrated that increases in basic local rates will incrementally  
7           enhance competition levels to the degree it will produce accelerated plant  
8           investment or provide for new or different services above and beyond  
9           those provided in other states.

10

11 **Q. HAVE THE LECS PROVIDED ANY SPECIFIC AND TANGIBLE**  
12 **DOCUMENTATION TO SUPPORT THEIR CLAIMS THAT INCREASED**  
13 **BASIC LOCAL RATES WILL RESULT IN INCREASED**  
14 **MODERNIZATION?**

15 **A.** No. The LECs were asked to provide documentation to support these  
16 claims. However, the LECs responses provided no additional  
17 documentation. A summary of some of the responses are shown below to  
18 information requests that asked the LECs to provide all documents that  
19 support the company's contention that the Company's plan will encourage  
20 investment in the telecommunications infrastructure:

---

<sup>13</sup> Verizon Amended Petition, October 2, 2003, page 11, states, "In sum, Verizon's rate rebalancing plan is in the public interest because it will encourage investment in the telecommunication infrastructure by new and existing competitors and it will provide significant benefits to subscribers."

1                    Verizon Response to OPC First Request for POD, No. 30 - Verizon

2 referred to witness testimony (but not to specific testimony), and merely  
3 repeats the Company's prior general assertions.  
4

5 **Q. HAVE THE LECS PROVIDED ANY SPECIFIC AND TANGIBLE**  
6 **DOCUMENTATION TO SUPPORT THEIR CLAIMS THAT INCREASED**  
7 **BASIC LOCAL RATES WILL RESULT IN NEW SERVICE**  
8 **INTRODUCTIONS IN FLORIDA, OR SERVICES THAT ARE NOT**  
9 **AVAILABLE IN OTHER JURISDICTIONS?**

10 A. No. The LECs were asked to provide documentation to support these  
11 claims. However, the LECs responses provided no additional  
12 documentation. A summary of some of the responses are shown below to  
13 information requests that asked the LECs to provide a list and description  
14 of all new services that will be introduced in Florida due to rate  
15 rebalancing, and explain if these services will be the first of their kind in  
16 Florida, or among the Company's operations in other states.  
17

18                    Verizon Response to OPC Second Series of Interrogatories, No. 34

19 – Verizon offers no additional meaningful information, indicates that the  
20 principal focus of the statute is on creating a more attractive market for  
21 Verizon's competitors, not on direct impacts on Verizon, and then Verizon  
22 admits that it has not identified specific service innovations that it intends

---

<sup>14</sup> For example, see Dr. Brian K. Staihr, Direct Testimony on Behalf of Sprint Florida Inc. Before the Florida Public Service Commission, Petition of Sprint Florida Inc. to Reduce Access Rates,

1 to introduce in Florida if its Petition is approved - - although the Company  
2 indicates it will respond to competitor's innovations.

3  
4 BellSouth's Response to OPC Second Set of Interrogatories, No.  
5 33 - BellSouth offers no additional meaningful information, and indicates  
6 that it has not developed a list of new services to be introduced in Florida  
7 as a result of rate rebalancing. BellSouth also refers to its response to No.  
8 32, where the Company provides no additional meaningful information.

9  
10  
11 **VI. ISSUES REGARDING PARITY, REVENUE NEUTRALITY AND RATE**

12 **DESIGN:**

13  
14  
15 **Q. WHY DID YOU REVIEW THE LECS ACCESS PARITY AND REVENUE**  
16 **NEUTRAL CALCULATIONS AND ASSUMPTIONS?**

17 A. I reviewed these documents to test compliance with the criteria in new  
18 section 364.164, which relate to access parity and revenue neutrality:

19  
20 (c) Require intrastate switched network access rate reductions to parity  
21 over a period of not less than 2 years or more than 4 years; and

22  
23 (d) Be revenue neutral.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

**Q. CAN YOU SUMMARIZE YOUR FINDINGS REGARDING ISSUES OF ACCESS PARITY AND REVENUE NEUTRALITY?**

A Yes. I have summarized my filings below. Some of the findings justify denying the LEC Petitions, because of violations of the statute criteria. In addition, adequate documentation was not provided to support the calculations or test the volumes in many cases. My findings include:

- 1) Local rates are not subsidized - Since Dr. Gabel determined that local rates are not supported or subsidized, the entire issue of rebalancing and revenue neutrality as proposed by the LECs becomes moot. This supports denial of all LEC Petitions.
- 2) Verizon overstates intrastate access revenues by \$12.9 million due to the PICC – Verizon was the only LEC that considered the \$1.90 PICC to be a switched access rate element, so Verizon attempted to recoup an additional \$12.9 million in PICC revenues from other intrastate access rates.
- 3) Concerns regarding LEC’s “update” process – There are concerns regarding whether the LEC’s update process is consistent with the statute and revenue neutrality provisions.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

4) Access rate rebalancing difficult to confirm – The rate rebalancing of BellSouth was particularly difficult to evaluate without electronic records due to 1,700 access rate elements. BellSouth’s access rate rebalancing proposal could not be adequately reviewed.

**Q. CAN YOU EXPLAIN VERIZON’S ATTEMPT TO RECOVER AN ADDITIONAL \$12.9 MILLION IN INTRASTATE ACCESS REVENUES BY REBALANCING THE PICC?**

A Yes. It appears that Verizon seeks to recover an additional \$12,898,458 million in intrastate access revenues, by rebalancing the current \$1.90/month PICC to other intrastate access rates. Verizon admits this amount, and its treatment of the PICC, in response to Staff’s first set of interrogatories, response number 14. Verizon also addresses this matter in response to Staff’s first set of interrogatories, response numbers 2 and 7. It appears that this rebalance has overstated the amount of intrastate access revenues which Verizon should recover, which means that Verizon’s proposed intrastate access rates are overstated. It does not appear that Verizon’s treatment has affected the amount of revenues to be rebalanced to basic local rates. Verizon is the only LEC attempting to recover these PICC revenues in its proposed intrastate access revenues and rates.

1 Q. CAN YOU EXPLAIN WHY BELLSOUTH AND SPRINT DO NOT SEEK  
2 RECOVERY OF THE PICC, UNLIKE VERIZON?

3 A Yes. In response to Staff's first set of interrogatories, response number 2,  
4 BellSouth indicates the interstate PICC was eliminated July 1, 2003 so it  
5 was not included in its calculations. Also, BellSouth admits at response  
6 number 1, that the subscriber line charge is not an "intrastate switched  
7 network access rate", so current legislation does not allow these amounts  
8 to be included in access revenues. Also, BellSouth indicates that a  
9 subscriber line charge is collected from end users and not IXCs, which  
10 appears to be further justification for not including these amounts as  
11 switched access rates. Since the subscriber line charge is similar to the  
12 PICC, the PICC should not be recovered in intrastate access rates by  
13 using BellSouth's rationale. Both the subscriber line charge and the PICC  
14 are collected from end users and not IXCs, and the PICC is not  
15 specifically set forth as a switched access rate by legislation. In addition,  
16 Sprint admits it does not seek to recover the PICC in intrastate access  
17 revenues and rates. In response to Staff's first set of interrogatories,  
18 response number 8, Sprint indicates that the PICC is not a "switched  
19 network access rate element."

20  
21 Q. WHAT RATIONALE DOES VERIZON OFFER FOR ITS PROPOSAL TO  
22 REFLECT AN EQUIVALENT INTERSTATE PICC IN BASIC LOCAL  
23 RATES?



1 A Mr. Fulp states:

2 "Q. Why does Verizon's interstate access ARPM include PICC  
3 revenues?

4 A. Interstate access rates contain both traffic sensitive and non-  
5 traffic sensitive charges. The PICC is the non-traffic  
6 sensitive charge and the revenues derived from this rate  
7 element are therefore appropriately included in the interstate  
8 access ARPM. Moreover, including the PICC in Verizon's  
9 interstate access rate is consistent with the Act. As stated  
10 above, the Act defines the term "intrastate switched network  
11 access rate" to include common line charges, but does not  
12 define the term "interstate switched network access rate.  
13 The PICC is a federal common line charge. Because the Act  
14 includes common line charges in Verizon's intrastate access  
15 rate, the analogous PICC federal common line charge must  
16 be included in Verizon's calculation of the interstate ARPM  
17 for a consistent comparison."<sup>15</sup>

18

19 **Q. DO YOU AGREE WITH MR. FULP?**

20 A No. My position is consistent with the previous responses of both  
21 BellSouth and Sprint, the PICC is not specifically set forth in the statute as  
22 a "switched access element" and it is recovered from end users and not

1 IXCs, which also distinguishes this access element from switched access  
2 rates. Mr. Fulp's proposal would effectively rebalance the \$1.90/month  
3 PICC to other intrastate access rate elements and essentially continue the  
4 recovery of PICC revenues. I believe it would take an explicit decision by  
5 the Commission to require that the PICC be carried over in the proposed  
6 "switched" intrastate access rates. In addition, the PICC is intended to  
7 cover non-traffic sensitive ("NTS") charges. To rebalance PICC revenues  
8 to other access rate elements still effectively continues this recovery of  
9 "NTS" charges. However, this Commission has not made a specific finding  
10 in this proceeding that there are additional or new NTS loop costs in the  
11 intrastate jurisdiction that the basic local customers should pay for. In fact,  
12 Dr. Gabel indicates that basic local rates are not supported or subsidized,  
13 so no additional PICC disguised as a switched access rate element is  
14 justified. Mr. Fulp indicates that the Act defines the term "intrastate  
15 switched network access rate" to include common line charges. However,  
16 Mr. Fulp is merely playing off semantics of the definition in the Act,  
17 because there are no other actual, tangible and determinable NTS loop  
18 costs/common line charges in the intrastate jurisdiction. Mr. Fulps'  
19 common line charges are phantom amounts for which he provides no  
20 specific cost study, no calculations, and no support.

21

---

<sup>15</sup> Orville D. Fulp, Amended Direct Testimony on Behalf of Sprint Florida Inc. Before the Florida Public Service Commission, Petition of Sprint Florida Inc. to Reduce Access Rates, October 2, 2003, Page 11, lines 9-19, and page 12, lines 1-4.

1 Q. DO YOU BELIEVE THAT VERIZON'S ATTEMPT TO RECOVER PICC  
2 REVENUES IN INTRASTATE SWITCHED ACCESS RATES JUSTIFIES  
3 DENIAL OF THEIR PETITION?

4 A Yes. This is not consistent with the statute and does not result in  
5 pure revenue neutrality or proper rate rebalancing, since the  
6 amounts seeking to be recovered through intrastate access rates  
7 have been overstated. This means that neither "parity" nor "revenue  
8 neutrality" are properly achieved by the Verizon proposal. Also,  
9 Sprint and BellSouth did not attempt to recover similar amounts in  
10 their rate rebalancing proposals.

11

12 Q. DO YOU HAVE CONCERNS WITH THE LEC'S PROPOSAL TO  
13 "UPDATE" THEIR FILINGS THROUGHOUT THEIR PROPOSED TWO  
14 YEAR REBALANCING PERIOD?

15 A. Yes. I am not sure that the statute is clear on this matter, and that it was  
16 intended to allow LECs to "update" all their volumes and calculations for  
17 various "phases" of the LEC's initial filing. I do agree that the initial filing is  
18 subject to using the most recent 12 months' pricing units, and that revenue  
19 neutrality does need to occur at the time of the initial filing per Section  
20 364.164(3). However, I'm not sure that each "update" or "phase-in" of a  
21 proposed rate increase constitutes a "filing" for which most recent pricing  
22 units need to be used and updated. A "filing" may represent the one and  
23 only initial filing where the most recent 12 months' pricing units are used to

1 achieve revenue neutrality. The Commission should be wary of any  
2 updates, since they will likely be used by the LECs to seek additional rate  
3 increases. I believe the LEC's "update" is intended to be used to seek  
4 additional rate increases, since access volumes are declining and local  
5 lines may be lost to competitors. Each filing of the LEC, should be  
6 considered a separate stand-alone filing which requires that the statute  
7 criteria be met each time - - there should not be any "true-up" or "update"  
8 proceedings

9  
10 **Q. FROM THE PERSPECTIVE OF THE STATUTE, WHY DOESN'T AN**  
11 **"UPDATE" PROCESS MAKE SENSE?**

12 **A** One of the purposes of the statute is to encourage competition such that  
13 residential local customers will benefit. The LEC's proposed "update"  
14 process could be harmful to competition and will not benefit the residential  
15 local customer. In fact, if the "update" process results in additional local  
16 rate increases then this arguably triggers a full scale review of how these  
17 "additional" rate increases are: 1) beneficial to residential local customers;  
18 2) how the additional local increases affect competition; 3) how the  
19 additional local increases affect the "subsidy" issue if the initial rate  
20 increase was already intended to cure any local service subsidy issues;  
21 and 4) how the increases affect universal service and penetration rates.  
22 Also, if the "update" causes an additional increase in local rates due to  
23 declines in access volumes lost to competitors and due to declines in local

1 loops lost to competitors - - then the "update" can serve to insulate the  
2 company from competitive losses in this respect (or cause an  
3 unnecessary shift to inelastic basic local service). I don't believe the intent  
4 of the statute's revenue neutrality clause was to protect the LEC from  
5 competitive losses - - since this would be inconsistent with the statutes  
6 intent to promote competition. This results in the worse kind of  
7 "regulation", because it virtually guarantees a LEC in a growing  
8 competitive market that its revenues lost to competitors will be rewarded  
9 by rebalanced increases to local rates.

10

11 **Q. WOULD YOU EXPLAIN THE TYPE OF INFORMATION MISSING FROM**  
12 **THE RATE REBALANCING CALCULATIONS OF THE LECS, OR THE**  
13 **ADDITIONAL INFORMATION THAT WOULD BE HELPFUL FOR**  
14 **REVIEW?**

15 **A.** BellSouth provided a document with many pages in support of its access  
16 and parity rate rebalancing proposal. Mr. Hendrix admits in his testimony  
17 that BellSouth has over 1,700 rate elements associated with intrastate  
18 access, therefore the voluminous document was provided in support of  
19 these access amounts. However, the format of the voluminous document  
20 makes it extremely difficult to identify volumes for each of these access  
21 rate elements for tracing them to a summary page provided by BellSouth.  
22 The voluminous document does not provide subtotal of the volumes  
23 related to each of the 1,700 access rate elements. Therefore, it is

1 extremely difficult to identify specific volumes included at the summary  
2 page. I was not able to fully test BellSouth's calculations because of the  
3 format of its workpapers. Based on BellSouth's response to Staff's first  
4 POD, response number 2, it does not appear that BellSouth has an  
5 electronic version of its spreadsheet calculations for its access charge  
6 reduction - - although this appears very unusual. Because of the volume  
7 and complexity of BellSouth's calculation, I was not able to confirm the  
8 calculation is correct. Other reconciliation problems exist with the other  
9 LECs.

10

11 **Q. DO THE LEC'S HAVE DIFFERENT POLICIES REGARDING THE NEW**  
12 **LIFELINE STATUTE?**

13 A. Yes, the LECs appear to have different policies regarding the new Lifeline  
14 statute.. Also, the Commission should clarify the proper Lifeline policy.  
15 The new Lifeline statute, per Section 364.10, is intended to protect low  
16 income customers from residential local rate increases until the LEC  
17 reaches parity, or until the customer does not qualify for Lifeline benefits,  
18 or unless otherwise determined by the Commission. The LECs are  
19 applying this language differently in their Petitions. Regarding Section  
20 364.10(3)(c), Sprint says that Lifeline customers are held harmless from  
21 rate increases for the first two years of their phased-in price increases,

1 plus Sprint will allow another 1 year period for a total of three years.<sup>16</sup>  
2 BellSouth says Lifeline customers are immune from rate increases for the  
3 four years of the Plan. Verizon's position on this issue is not clear,  
4 because they merely refer to the statute.

5

6

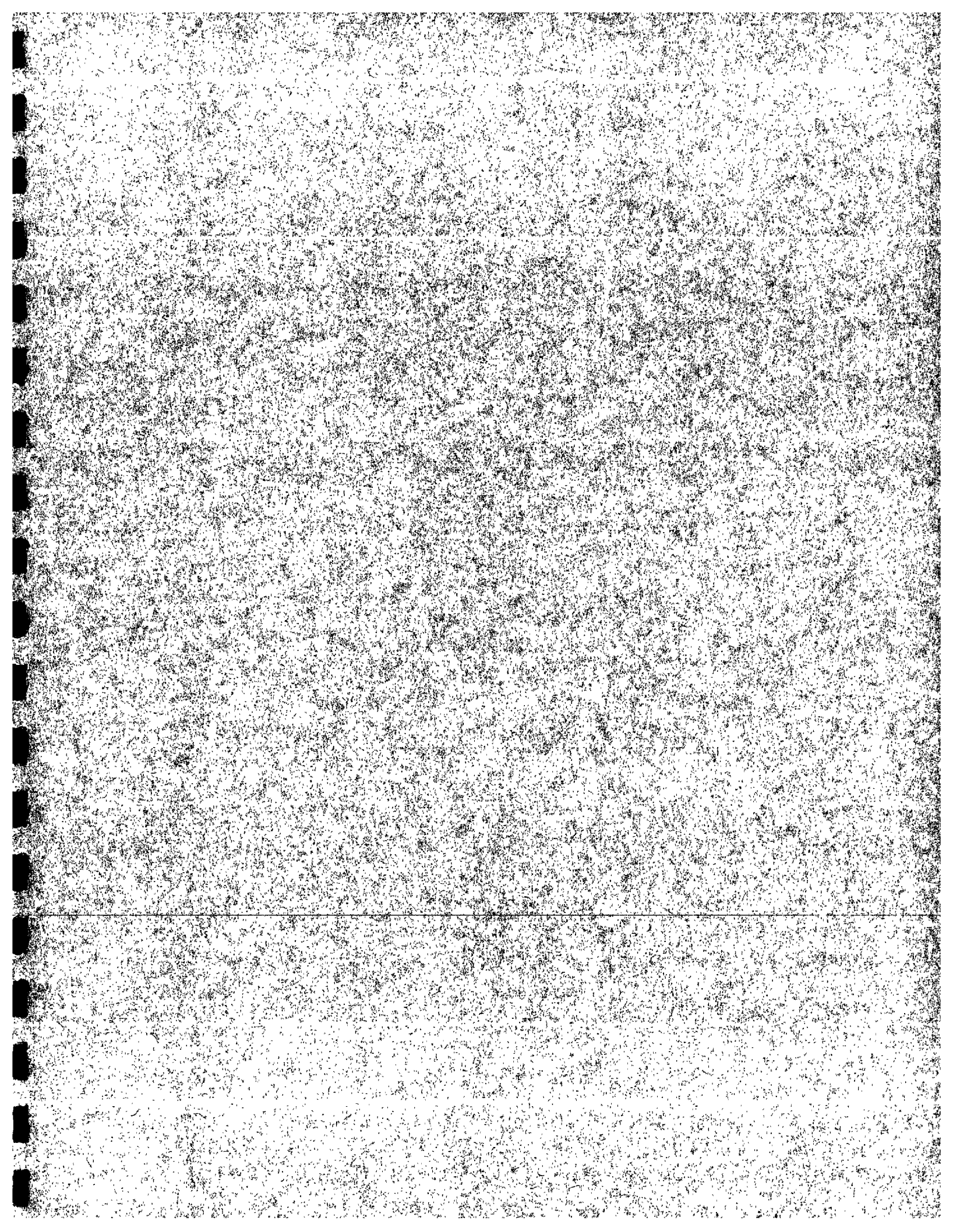
7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 **A. Yes.**

9

---

<sup>16</sup> John M. Felz, Amended Direct Testimony on Behalf of Sprint Florida Inc. Before the Florida Public Service Commission, "Petition of Sprint Florida Inc. to Reduce Access Rates, October 2, 2003, page 27, Lines 11-13.





---

**BION C. OSTRANDER, CPA**

---

General

Mr. Ostrander specializes in telecommunications regulatory consulting, is a practicing CPA, and has twenty-four years of regulatory and accounting experience. Mr. Ostrander previously served as the Chief of Telecommunications for the Kansas Corporation Commission ("KCC") and directed audits for Deloitte, Haskins and Sells (now Deloitte & Touche). Mr. Ostrander has investigated matters related to Bell Atlantic/GTE/Verizon, Southwestern Bell, U S WEST, Sprint, Ameritech, BellSouth, independent local exchange companies ("ILECs"), AT&T, MCI and others.

Mr. Ostrander has conducted revenue requirement reviews (rate cases), alternative regulation/price cap plans and management audits. Mr. Ostrander has addressed a broad range of telecommunication and regulatory issues including rate cases of RBOCs and ILECs, affiliate interest issues, review of CAMs, FCC separations issues, cross-subsidization, competition policy, UNE cost studies, universal service cost studies, rate design, depreciation, accounting policy, slamming policy, audits of universal service funds, affordable local service, quality of service, infrastructure development, access charge restructure and other matters. Mr. Ostrander's clients consist primarily of state consumer advocate offices and public service commissions.

Recent Experience – Major Cases

2002/2003 – Verizon Maryland Price Caps/Earnings Review: Evaluated price cap plan, earnings/revenue requirements, and deregulation issues on behalf of the Maryland Office of Public Counsel (consumer advocate).

2003 – FCC Triennial Order: Evaluating affects of the Order for Michigan and Kansas in generic proceedings for the Attorney General and CURB, respectively.

2003 – Michigan SBC/Ameritech UNEs: Evaluating cost studies and UNEs on behalf of the Michigan Attorney General, Special Litigation Dept. ("MAG").

2003 – Verizon – Florida, BellSouth – Florida, Sprint – Florida: Addressing the affect of rate rebalancing, revenue requirements, rate design, and universal service.

2003 – Monitor DSL Provision of SWBT Kansas: Evaluating SWBT's failure to comply with provisioning DSL in Kansas per a prior year Stipulation and Agreement on behalf of the Kansas Citizens' Utility Ratepayer Board ("CURB"), the Kansas consumer advocate office.

2002 – Alaska Local Exchange Company Revenue Requirements: Evaluated the access charge revenue requirements of eight Alaska LECs, testimony provided to Alaska Regulatory Commission.

2002 – Ameritech Michigan 271 Application: Evaluated Ameritech's 271 application in Michigan on behalf of the MAG.

2002 - Sprint Nevada Earnings Review/Alternative Regulation Plan: Evaluated revenue requirements/earnings and alternative regulation plan of Sprint Nevada on behalf of the Nevada Office of Attorney General, Bureau of Consumer Protection ("NBCP").

2002 – Kansas Generic Price Cap Case: Addressed update of price cap factors and issues for CURB.

2001 - 2002 - Verizon Maine 271 Application: Evaluated Verizon's 271 application in Maine for the Maine consumer advocate's office.

2000 - 2001 – Kansas Generic Docket: Addressed affordable local service of SWBT and Sprint for CURB.

2001 - 2002 – Kansas Generic Docket: Addressed affordable local service issues of independent telcos for CURB.

2001 - Western Resources/KP&L Affiliate Interest Issues.: Evaluated the allocation of costs between regulated and non-regulated entities in this rate case for CURB.

2001 - 2002 – Alaska Local Exchange Company Revenue Requirements: Evaluated the access charge revenue requirements of four Alaska LECs, testimony provided to Alaska Regulatory Commission.

BION C. OSTRANDER, CPA

---

**Recent Experience – Major Cases (Continued)**

2001 - Verizon Vermont 271 Application: Evaluated Verizon's 271 application in Vermont for the Vermont Dept. of Public Service.

2000 - Ameritech Michigan Earnings, Access Charges and Cost of Universal Service: Evaluated earnings, the cost of local/universal services and access charges (excessive intrastate EUCL) for the MAG.

2000 - GTE Michigan Earnings, Access Charges and Cost of Universal Service: Evaluated earnings, the cost of local/universal services and access charges (excessive intrastate EUCL) for the MAG.

2000 - 1999 Sprint/United Universal Service, Earnings & Access Charges: Evaluated earnings, price cap policy, cost of universal service and access charge issues of Sprint Kansas for CURB.

2000 - Alaska Local Exchange Company Revenue Requirements: Evaluated the access charge revenue requirements of five Alaska LECs, testimony provided to Alaska Regulatory Commission.

2000 - 1999 Bell Atlantic/Verizon-Vermont ARP and Earnings: Evaluated Bell Atlantic's revenue requirements, alternative regulation plan, and rate design issues for the Vermont Dept. of Public Service.

1999 - 1998 SWB-Ks. Earnings, Universal Service & Access Charges: Evaluated earnings, price cap implications, cost of universal service using FCC model and access charge issues for CURB.

1999 - Sprint Nevada ARP & Rate Case: Evaluated Sprint's earnings and alternative regulation plan for NBCP.

2000 - Ameritech Michigan Service Quality/Customer Credits: Evaluated service quality problems of Ameritech for MAG.

**Work History**

**Ostrander Consulting -  
Principal**

Ostrander Consulting principally addresses telecommunication and regulatory issues on behalf of public advocates, Attorney Generals, state public service commissions and other state regulatory agencies. Services include those related to rate cases, competition assessment, alternative regulation/price cap plans, cost studies/cost allocation, management audits, infrastructure studies, relay audits and special investigations.

**Kansas Corporation Commission -  
Chief of Telecommunications**

Supervised staff and directed all telecommunications-related matters including assessment of rate cases of SWBT, Sprint and ILECs (including JBN, Elkhart, Continental and Ks. State Tel. Co.). Also, directed actions regarding alternative regulation plans, establishing access charge policy, transition to intrastate competition, depreciation filings, establishment of the Kansas Relay Center, filings with the FCC, billing standards, quality of service, consumer complaints, staff training and over one hundred docketed regulatory matters per year. Mr. Ostrander was the lead witness on all major telecommunications matters.

**Mize, Houser, Mehlinger and Kimes (now Mize Houser & Company Professional Association) -  
Auditor**

Performed auditing, tax and special projects for various industries.

**Deloitte, Haskins and Sells (now Deloitte & Touche) -  
Supervisor**

Performed auditing, tax and special projects in industries such as utilities, savings and loan, manufacturing, retail, construction, real estate, insurance, banking and not-for-profit.

BION C. OSTRANDER, CPA

---

Education

University of Kansas - B.S. Business Administration with a Major in Accounting, 1978.

Professional License and Affiliations

- Maintains a permit to practice as a CPA in Kansas
- Member of the American Institute of CPAs (AICPA)
- Member of the Kansas Society of CPAs (KSCPA).

International

- Mr. Ostrander is currently addressing issues regarding revenue requirements, rate design, and competition on behalf of the Fair Trading Commission in Barbados and the Eastern Caribbean Telecommunications Authority, representing the nations of St. Lucia, St. Vincent, Grenada, St. Kitts, and Dominica.
- Mr. Ostrander addressed competition, utility and regulatory issues for Russian and Ukrainian regulatory and utility entities in association with a Ukrainian entity.

SUMMARY OF REGULATORY EXPERIENCE - 1983 TO CURRENT

Exhibit BCO-1, Part B

Bion C. Ostrander

Page 1

| Utility  | State | Client/Agency   | Docket/Case        | Year | Product   | Summary of Issues Addressed  |
|--|-------|---|--------------------|------|-----------|--|
| Note: Other 2003 and 2002 cases may be listed at Mr. Ostrander's vita. |       |   |                    |      |           |  |
| Kansas - generic   | KS.   | Citizens' Utility Ratepayer Board                       | 03-GIMT-284-GIT    | 2003 | Testimony | Review KUSF assessment   |
| Maryland Verizon   | MD.   | Maryland People's Counsel                               | Case No. 8918      | 2002 | Testimony | Review of earnings, price cap & deregulation issues  |
| Verizon Maine  | ME.   | Maine Office of Public Advoc.                           | 2000-849           | 2001 | Testimony | Verizon's 271 filing   |
| Ameritech  | MI.   | Michigan Attorney General                               | Case No. 12320     | 2002 | Comments  | Ameritech's 271 filing   |
| Verizon Vermont  | VT    | Dept. of Public Service                                 | Docket 6533        | 2001 | Testimony | Verizon's 271 filing   |
| Sprint Nevada  | NV.   | Nevada Attorney General                                 | Docket 01-12047    | 2002 | Testimony | Review of earnings, rate design and affil. Issues  |
| Maryland Verizon   | MD.   | Maryland People's Counsel                               | Not opened yet     | 2001 | Report    | Review of earnings, price cap & compet.  |
| Western/KP&L   | KS.   | Citizens' Utility Ratepayer Board                       | 01-WSRE-436-RTS    | 2001 | Testimony | Review allocation of costs between regulated   |
| Southern Ks.   | KS.   | Citizens' Utility Ratepayer Board                       | 02-SNKT-1014-EAS   | 2002 | Testimony | Review of Southern Ks. EAS applic.   |
| SWBT, Sprint/United  | KS.   | Citizens' Utility Ratepayer Board                       | 02-GIMT-272-MIS    | 2001 | Testimony | Price cap formula of LECs  |
| Gen. Invest.   | KS.   | Citizens' Utility Ratepayer Board                       | 01-GIMT-082-GIT    | 2001 | Testimony | Access charges, afford. rates and misc.  |
| Verizon  | MI.   | Michigan Attorney General                               | U-12682            | 2000 | Comments  | Review earnings, universal service regarding Verizon's request to restructure basic local rates                                      |
| Ks. Rural LECs   | KS.   | Citizens' Utility Ratepayer Board                       | 02-GIMT-058-KSF    | 2001 | Testimony | Rural LECs KUSF, affordable rates & access   |
| Ameritech  | MI.   | Michigan Attorney General                               | U-12622            | 2000 | Briefs    | Review policy for use of shared transport for intraLATA toll traffic over AM's network   |
| Generic  | KS.   | Citizens' Utility Ratepayer Board                       | 00-GIMT-910-GIT    | 2001 | Comments  | Methods to improve Lifeline  |
| Ameritech  | MI.   | Michigan Attorney General                               | U-12598            | 2000 | Testimony | Evaluate Ameritech's service quality problems, service quality standards and customer credits to be paid to customers                |
| Ameritech & Verizon  | MI.   | Michigan Attorney General                               | U-12528            | 2000 | Testimony | Evaluate earnings of Ameritech and Verizon in regards to expanded local calling and removal of state EUCL for amended Mich. Tel. Act |
| Bell Atlantic  | VT.   | Vermont Department of Public Service                    | Docket No. 6167    | 1999 | Testimony | Addressing earnings of Bell Atlantic, rate design and alternative regulation plan  |
| Sprint   | NV.   | Nevada Attorney General - Bureau of Consumer Protection | Docket No. 99-2024 | 1999 | Testimony | Address earnings of Sprint Nevada and related policy issues  |

SUMMARY OF REGULATORY EXPERIENCE - 1983 TO CURRENT

Bion C. Ostrander

Exhibit BCO-1, Part B

Page 2

| Utility                                      | State | Client/Agency                     | Docket/Case     | Year          | Product                              | Summary of Issues Addressed   |
|--|-------|-----------------------------------|-----------------|---------------|--------------------------------------|---|
| Ameritech                                    | MI.   | Michigan Attorney General         | U-12287         | 2000          | Testimony                            | Review of Ameritech's earnings in regards to addressing access charges and in-state EUCL  |
| Verizon                                      | MI.   | Michigan Attorney General         | U-12321         | 2000          | Testimony                            | Review of Verizon's earnings in regards to addressing access charges and in-state EUCL  |
| Generic                                      | KS.   | Citizens' Utility Ratepayer Board | 99-GIMT-326-GIT | 1998/<br>1999 | Filed comments and testimony Phase I | Address generic universal service costing methods, adjustment of Kansas Universal Service Fund, geographic deaveraging, etc.  |
| GTE  | MI.   | Michigan Attorney General         | U-11759         | 1998          | Comments/<br>Testimony               | Address GTE's request for intrastate PICC charge and address related cost study issues  |
| Southwestern Bell Telephone                  | KS.   | Citizens' Utility Ratepayer Board | 98-SWBT-677-GIT | 1998/<br>1999 | Testimony on Stipulation             | Address SWBT's cost of local service, KUSF levels and policy issues<br>Universal Service Fund   |
| ILEC's                                       | MI.   | Michigan Attorney General         | U-11899         | 1999          | Briefs                               | Address universal service fund for ILECs  |
| Ameritech                                    | MI.   | Michigan Attorney General         | U-11660         | 1998          | Comments/<br>Testimony               | Address Ameritech's request for intrastate PICC charge and related cost study issues  |
| Generic Investigation                        | KS.   | Citizens' Utility Ratepayer Board | 94-GIMT-478-GIT | 1998/<br>1999 | Testimony/<br>Comments               | Performed the first audit of the KUSF, reviewing first two years of actual operations and third year projections, addressing cellular issues, excessive assessment and per line charges |
| Ameritech                                    | MI.   | Michigan Attorney General         | U-11635         | 1998          | Comments                             | Address Ameritech cost studies for universal service support and identified related concerns with over-stated costs   |
| Generic Investigation and review of SWB UNEs | KS.   | Citizens' Utility Ratepayer Board | 97-SCCC-149-GIT | 1998/<br>1999 | Testimony, comments and briefs       | Addressed ongoing review of SWBT UNEs, competition policy and geographic deaveraging issues   |

SUMMARY OF REGULATORY EXPERIENCE - 1983 TO CURRENT

Bion C. Ostrander

Exhibit BCO-1, Part B

Page 3

| Utility                                      | State | Client/Agency                     | Docket/Case                    | Year       | Product                        | Summary of Issues Addressed  |
|--|-------|-----------------------------------|--------------------------------|------------|--------------------------------|--|
| Generic Investigation                        | KS.   | Citizens' Utility Ratepayer Board | 96-LEGT-670-LEG                | 1998       | Comments                       | Address increased Lifeline Support measures and related issues   |
| Generic Investigation                        | KS.   | Citizens' Utility Ratepayer Board | 194, 734-U                     | 1998       | Comments                       | Address industry billing standards   |
| Ameritech                                    | MI.   | Michigan Attorney General         | U-11743                        | 1998       | Testimony                      | Address problems with Ameritech's position on intraLATA dialing parity and 55% access discount and previous Court case             |
| Southwestern Bell                            | KS.   | Citizens' Utility Ratepayer Board | 98-SWBT-380-MIS                | 1998       | Comments                       | Address problems with SWBT's price cap plan and various components/calculations  |
| Southwestern Bell                            | KS.   | Citizens' Utility Ratepayer Board | 97-SCCC-411-GIT                | 1998       | Testimony                      | Address SWBT's 271 application in Kansas and level of competition, Track A and B, long distance rates, joint marketing, FCC issues |
| BellSouth                                    | GA.   | Georgia Public Service Commission | 7061-U                         | 1997       | Assistance on case             | Address BellSouth and Hatfield cost studies for unbundled elements and policy issues   |
| Generic Investigation                        | KS.   | Citizens' Utility Ratepayer Board | 194,734-U                      | 1997       | Comments                       | Deregulation/detariffing of CLECs/LECs   |
| Generic Investigation                        | KS.   | Citizens' Utility Ratepayer Board | 97-SCCC-149-GIT                | Febr. 1997 | Testimony, along with comments | Review of cost study methodology of Hatfield, BCPM (Sprint) and Southwestern Bell for unbundled elements                           |
| AT&T, Sprint & US WEST                       | ND.   | North Dakota Public Service Comm. | PU-453-96-82 and PU-987-96-389 | 1998/1996  | Case assistance                | Address proposed deregulation of AT&T, Sprint and US WEST  |
| Rulemaking into Interconnection & Unbundling | WY.   | Wyoming Public Service Commission | Gen. Order No. 76              | Mar. 1997  | Comments                       | Comments supporting proposed rules for interconnection, dialing parity, pricing, privacy and other competition issues              |

SUMMARY OF REGULATORY EXPERIENCE - 1983 TO CURRENT

Exhibit BCO-1, Part B

Bion C. Ostrander

Page 4

| Utility                                | State | Client/Agency                                     | Docket/Case                                       | Year      | Product                        | Summary of Issues Addressed   |
|--|-------|---|---|-----------|--------------------------------|---|
| SWBT/Generic                           | KS.   | Citizens' Utility Ratepayer Board                 | Cases before Ks. Court of Appeals & Supreme Court | 1997/1998 | Assistance                     | Address issues regarding non-cost basis of Kansas Universal Service Fund and problems with revenue neutrality end user charges                      |
| Ameritech                              | MI.   | Michigan Attorney General                         | Case No. U-11155, U-11156 and U-11280             | 1998/1996 | Comments and assistance        | Review retail/wholesale cost studies of Ameritech   |
| GTE                                    | MI.   | Michigan Attorney General                         | Case No. U-11207                                  | 1997/1996 | Comments and assistance        | Review cost studies of GTE  |
| Generic Rulemakings                    | GA.   | Georgia Public Service Commission                 | Various dockets                                   | 1995/1996 | Assistance and analysis        | Assisted GPSC with various rulemakings on competition, universal service and conducted workshop for number portability                              |
| General Investigation into Competition | KS.   | Citizens' Utility Ratepayer Board                 | 190,492-U<br>94-GIMT-478-GIT                      | July 1996 | Testimony                      | Address SWBT retail cost study for local service, universal service fund, universal service policy issues, alternative regulation and other matters |
| General Presentation                   | N/A   | Russian/Ukrainian Regulatory Agency and Utilities | Misc.   | 1997/1996 | Presentations/analysis         | Provide presentations and analysis for Russian/Ukrainian executives in Moscow and Kansas  |
| US WEST                                | WY.   | Wyoming Consumer Advocate Staff                   | 70000-TR-95-238                                   | Oct. 1995 | Testimony                      | Address USW's rate/price plan, competition issues, rate design for access charges   |
| Generic Invest. into Access Charges    | KS.   | Citizens' Utility Ratepayer Board                 | 190,383-U   | Nov. 1995 | Testimony                      | Address access charge plan for Kansas and related issues  |
| General Investigation into Competition | KS.   | Citizens' Utility Ratepayer Board                 | 190,492-U<br>94-GIMT-478-GIT                      | Nov. 1994 | Testimony, Suppl. and Rebuttal | Address competition issues, alternative regulation, universal service issues, costing methods and related issues                                    |

SUMMARY OF REGULATORY EXPERIENCE - 1983 TO CURRENT

Exhibit BCO-1, Part B

Bion C. Ostrander

Page 5

| Utility                       | State | Client/Agency                            | Docket/Case    | Year      | Product   | Summary of Issues Addressed   |
|-------------------------------|-------|--|----------------|-----------|---|---|
| United Tel. of Kansas         | KS.   | Citizens' Utility Ratepayer Board        | 189-150-U      | 1994      | Testimony/report  | Review quality of service via show-cause and address service standards, modernization schedule and customer complaints  |
| U S WEST                      | MN.   | Minnesota Dept. of Public Service        | P421/EI-89-860 | 1993      | Address revenue req. for alternative reg. plan for period 1990 - 1993 | Key issues include management salaries, fringe benefits, short/long-term incentive compensation plans, work force reduction issues, space-utilization, Bellcore expenses, software expense, rent expense and affiliate transactions |
| Southwestern Bell Tel.        | KS.   | Citizen's Utility Ratepayer Board (CURB) | 183,522-U      | 1992-1993 | Testimony   | FASB 106 and issues related to alternative rate plan  |
| Michigan LECs and IXCs        | MI.   | Michigan Dept. of Attorney General       | U-10138        | 1992      | Testimony   | IntraLATA equal access competition  |
| Northern States Power Company | N.D.  | North Dakota Public Service Commission   | PU-400-92-399  | 1992      | Oversight and Review  | Compensation issues (salaries, wages and incentive compensation)  |



SUMMARY OF REGULATORY EXPERIENCE - 1983 TO CURRENT  
 Bion C. Ostrander

Exhibit BCO-1, Part B  
 Page 6

| Utility                     | State | Client/Agency   | Docket/Case   | Year      | Product                                    | Summary of Issues Addressed  |
|-----------------------------|-------|---|---|-----------|--|--|
| U.S. WEST                   | MN.   | Minnesota Dept. of Public Service   | P421/DI-92-168  | 1992-1993 | Formal report on various regulatory issues | Management salaries, fringe benefits, force reduction and costs, pensions, training, maintenance expense, leasing and affiliate relations              |
| Southwestern Bell Telephone | KS.   | Kansas Counties/Cities - Harvey, Douglas, Butler, Riley, Crawford, Dodge City, Jackson and Pottawatomie | 92-SWBT-143-TAR                                       | 1992      | Comments                                   | 911 service issues - recurring and nonrecurring rates for trunk/circuit and ALI/ANI, data base unbundling, cost studies and dedicated/public provision |
| Michigan LECs and IXC's     | MI.   | Michigan Dept. of Attorney General  | U-10063   | 1992      | Comments                                   | Establishment of quality of service standards for LECs/IXCs  |
| Michigan LECs and IXC's     | MI.   | Michigan Dept. of Attorney General  | U-10064   | 1992      | Comments                                   | Establishment of the procedures and format for the filing of tariffs   |
| Southwestern Bell Telephone | KS.   | City of Wichita - subcontracting with law firm of Woodard, Blaylock Hernandez, Pilgreen & Roth          | 90-1342-C U.S. District Court for the District of Ks. | 1990      | Affidavit                                  | Lawsuit by City of Wichita vs. SWBT regarding violation of franchise agreement   |
| U.S. WEST                   | AZ.   | Arizona Corporation Commission  | E-1051-91-004   | 1991      | Rate case subcontract                      | Toll/access revenues, income taxes and misc.   |
| Indiana Bell Telephone      | IN.   | Indiana Utility Consumer Counselor  | Cause No. 39017                                       | 1991      | Rate case subcontract                      | Rate base, operations, affiliate transactions & misc.  |
| Southwestern Bell Telephone | OK.   | Oklahoma Attorney General   | PUD 000662  | 1991      | Rate case subcontract                      | Royalty fee, affiliate transactions and misc.  |

# Work performed while employed by the Kansas Corporation Commission

SUMMARY OF REGULATORY EXPERIENCE - 1983 TO CURRENT

Bion C. Ostrander

Exhibit BCO-1, Part B

Page 7

| Utility                     | State | Client/Agency                      | Docket/Case | Year      | Product                           | Summary of Issues Addressed   |
|-----------------------------|-------|------------------------------------|-------------|-----------|-----------------------------------|---|
| JBN Telephone Co., Inc.     | KS.   | Kansas Corporation Commission      | 171,826-U   | 1990      | Rate case                         | Rate base, operations, capital structure acquisition issues, rate design  |
| AT&T Comm. of the Southwest | KS.   | Citizens' Utility Ratepayers Board | 91-AT&T-90  | 1990      | Comments                          | Directory assistance rates and call allowances, costs studies and misc.   |
| Kansas LECs and IXC's       | KS. # | Kansas Corporation Commission      | 127,140-U   | 1990      | Testimony - Access policy witness | Generic investigation into access charges-access charge policy, rate design and revenue requirements  |
| Kansas LECs and IXC's       | KS. # | Kansas Corporation Commission      | 148,200-U   | 1990      | Formal recomm. to Comm.           | Initiated generic investigation into affiliated transactions and established policies   |
| Kansas LECs and IXC's       | KS. # | Kansas Corporation Commission      | 168,334-U   | 1989-1990 | Formal recomm. to Comm.           | Initiated generic docket and established policies to implement Dual Party Relay Service for persons whom are hearing and speech impaired. The Center opened in 1990.                            |
| AT&T Comm. of the Southwest | KS. # | Kansas Corporation Commission      | 167,493-U   | 1989      | Testimony - Chief witness         | Rate case/regulatory flexibility - Competition, policy, regulatory flexibility, rate design and misc.   |
| Southwestern Bell Telephone | KS. # | Kansas Corporation Commission      | 166,856-U   | 1989      | Testimony - Chief witness         | Rate case/regulatory flexibility - Rate base, operations, capital structure, rate design, policy, regulatory flexibility, affiliated transactions, modernization issues, depreciation and misc. |

# Work performed while employed by the Kansas Corporation Commission

SUMMARY OF REGULATORY EXPERIENCE - 1983 TO CURRENT

Bion C. Ostrander

Exhibit BCO-1, Part B

Page 8

| Utility                           | State | Client/Agency                    | Docket/Case     | Year | Product                       | Summary of Issues Addressed  |
|-----------------------------------|-------|----------------------------------|-----------------|------|-------------------------------|--|
| Pioneer Tel. Co.                  | KS. # | Kansas Corporation Commission    | 89-PNRT-350-CON | 1989 | Formal<br>recomm.<br>to Comm. | Promoted introduction of two-way<br>interactive video services in rural areas<br>by introduction of economic develop. rates  |
| United Telephone<br>Company       | KS. # | Kansas Corporation Commission    | 162,044-U       | 1989 | Testimony -<br>Chief witness  | Rate case - Yellow pages, royalty fee, rate base,<br>operations, capital structure, rate design,<br>policy, penalties, affiliated transactions<br>revenue adjustments, misc. |
| United Telephone<br>Long Distance | OH. # | Office of the Consumers' Counsel | 86-2173-TP-ACE  | 1988 | Testimony                     | Royalty fee, Part X, affiliate transactions,<br>cross-subsidization  |
| Continental<br>Tel. Co.           | KS. # | Kansas Corporation Commission    | 157,053-U       | 1988 | Formal<br>recomm.<br>to Comm. | Reserve deficiency - settled reserve<br>deficiency issue with protections for local<br>ratepayers  |
| Continental<br>Tel. Co.           | KS. # | Kansas Corporation Commission    | 157,052-U       | 1987 | Formal recomm.<br>to Comm.    | Tax Reform Act - Reduced rates<br>permanently and collected refunds  |
| AT&T Comm. of<br>the Southwest    | KS. # | Kansas Corporation Commission    | 156,655-U       | 1987 | Formal recomm.<br>to Comm.    | Tax Reform Act - Obtained rate reductions<br>and rate refunds  |
| Southwestern<br>Bell Telephone    | KS. # | Kansas Corporation Commission    | 156,655-U       | 1987 | Formal<br>recomm.<br>to Comm. | Tax Reform Act - Obtained rate refunds.<br>Offset Comm. approved dollar shift to local<br>rates from access charges with TRA savings<br>to avoid increases in local rates    |
| United Telephone<br>Long Distance | KS. # | Kansas Corporation Commission    | 154,728-U       | 1987 | Formal<br>recomm. to<br>Comm. | UTLD/United required to make a formal<br>request for affiliate loan per statutes per<br>findings in Docket 153,655-U   |

# - Work performed while employed by the Kansas Corporation Commission

SUMMARY OF REGULATORY EXPERIENCE - 1983 TO CURRENT

Bion C. Ostrander

Exhibit BCO-1, Part B

Page 9

| Utility                                | State | Client/Agency                 | Docket/Case | Year          | Product                       | Summary of Issues Addressed   |
|--|-------|-------------------------------|-------------|---------------|-------------------------------|---|
| United Tel. Co.                        | KS. # | Kansas Corporation Commission | 154,610-U   | 1987          | Formal<br>recomm. to<br>Comm. | Reserve deficiency - set precedent<br>requiring deficiencies resulting from<br>uneconomic plant placement go below the line   |
| United Tel. Co.                        | KS. # | Kansas Corporation Commission | 153,662-U   | 1987          | Formal recomm.<br>to Comm.    | Request by United to deregulate billing and<br>collection is denied upon recommendation   |
| United Tel.<br>Long Distance           | KS. # | Kansas Corporation Commission | 153,655-U   | 1987-<br>1988 | Testimony -<br>Chief witness  | Royalty fee, affiliate transactions,<br>cross-subsidization and affiliate loans   |
| Southwestern<br>Bell Telephone         | KS. # | Kansas Corporation Commission | 151,488-U   | 1987          | Formal recomm.<br>to Comm.    | Reserve deficiency - settled deficiency<br>with protections for local ratepayers  |
| Kansas Gas &<br>Electric<br>Company    | KS. # | Kansas Corporation Commission | 142,098-U   | 1987          | Testimony -<br>Chief witness  | Company Regulatory Plan -<br>Gross-of-tax/net-of-tax deferred carrying<br>costs analysis, FAS 71 and 90 - impact on<br>imprudence disallowance and physical/<br>economic excess capacity, life insurance<br>financing and policy issues |
| Kansas Electric<br>Power Coop,<br>Inc. | KS. # | Kansas Corporation Commission | 151,191-U   | 1986          | Testimony -<br>Chief witness  | Rate case - deferred carrying charges,<br>present value depreciation, FAS 71<br>implications, operations and misc.  |
| United Tel. Co.                        | KS. # | Kansas Corporation Commission | 149,685-U   | 1986          | Motion -<br>Chief auditor     | Rate case - United withdrew rate case as<br>a result of findings regarding significant<br>overstatement of payroll expenses and<br>understatement of lease revenues due<br>from other affiliates  |

# - Work performed while employed by the Kansas Corporation Commission

SUMMARY OF REGULATORY EXPERIENCE - 1983 TO CURRENT  
 Bion C. Ostrander

Exhibit BCO-1, Part B  
 Page 10

| Utility                      | State | Client/Agency                 | Docket/Case | Year | Product   | Summary of Issues Addressed  |
|------------------------------|-------|-------------------------------|-------------|------|-----------|--|
| Kansas State Tel. Co. of Ks. | KS. # | Kansas Corporation Commission | 147,585-U   | 1987 | Testimony | Rate case - excess plant capacity, rate base, operations, capital structure and misc.                                |
| AT&T Comm. of the Southwest  | KS. # | Kansas Corporation Commission | 145,718-U   | 1985 | Testimony | Rate case - rate base and operations   |
| Elkhart Tel. Co.             | KS. # | Kansas Corporation Commission | 144,087-U   | 1985 | Testimony | Rate case - rate base, operations, capital structure and loans   |
| Continental Tel. Co. of Ks.  | KS. # | Kansas Corporation Commission | 143,565-U   | 1985 | Testimony | Rate case - rate base, operations and capital structure  |
| Kansas LECs and IXCs         | KS. # | Kansas Corporation Commission | 144,299-U   | 1984 | Testimony | General investigation - intraLATA operator services, duplication of services and misc.                               |
| Kansas Power & Light Co.     | KS. # | Kansas Corporation Commission | 140,015-U   | 1984 | Testimony | Rate case - revenue/sales annualization, purchased gas cost, nonrecurring expenses unfunded deferred taxes and misc. |
| United Tel. Co.              | KS. # | Kansas Corporation Commission | 138,500-U   | 1984 | Testimony | Rate case - rate base and operations   |
| Greyhound Lines, Inc.        | KS. # | Kansas Corporation Commission | 137,873-U   | 1983 | Testimony | Rate case - rate base and operations   |

# Work performed while employed by the Kansas Corporation Commission

SUMMARY OF REGULATORY EXPERIENCE - 1983 TO CURRENT  
 Bion C. Ostrander

Exhibit BCO-1, Part B  
 Page 11

| Utility                     | State | Client/Agency                 | Docket/Case | Year | Product   | Summary of Issues Addressed  |
|-----------------------------|-------|-------------------------------|-------------|------|-----------|--|
| Southwestern Bell Telephone | KS. # | Kansas Corporation Commission | 137,534-U   | 1984 | Testimony | Rate case - rate base and operating income   |
| The Gas Service Co.         | KS. # | Kansas Corporation Commission | 136,850-U   | 1983 | Testimony | Rate case - revenue annualization/weather normalization, purchased gas cost, rate base, operations and capital structure |
| Kansas Power & Light Co.    | KS. # | Kansas Corporation Commission | 136,381-U   | 1983 | Testimony | Rate case - review of Jeffrey Energy #3 construction costs and contracts, rate base and misc.                            |
| DS&O Rural Electr. Coop     | KS. # | Kansas Corporation Commission | 136,249-U   | 1983 | Testimony | Rate case - rate base, operations and capital structure  |

# Work performed while employed by the Kansas Corporation Commission

**INCREASE IN RESIDENTIAL BASIC LOCAL RATES EXCEEDS TOLL REDUCTIONS**

**Exhibit BCO-2**

Page 1 of 1

|   | SCENARIO 1                                |                  |                  | SCENARIO 2                                |                |                |
|---|---|------------------|------------------|---|----------------|----------------|
|   | One-Line Customer Currently Paying a PICC |                  |                  | Two-Line Customer Currently Paying a PICC |                |                |
|   | SPRINT                                    | VERIZON          | BELLSOUTH        | SPRINT                                    | VERIZON        | BELLSOUTH      |
| <b>Avg. monthly increase in resid. basic local rates</b>    | <b>\$6.86</b>                             | <b>\$4.73</b>    | <b>\$3.86</b>    | <b>\$13.72</b>                            | <b>\$9.46</b>  | <b>\$7.72</b>  |
| Avg. annual increase in resid. basic local rates            | \$82.32                                   | \$56.76          | \$46.32          | \$164.64                                  | \$113.52       | \$92.64        |
| (a) PICC reduction - Annual                                 | (22.80)                                   | (22.80)          | (22.80)          | (45.60)                                   | (45.60)        | (45.60)        |
| <b>Annual Increase Before Toll Reduction</b>                | <b>\$59.52</b>                            | <b>\$33.96</b>   | <b>\$23.52</b>   | <b>\$119.04</b>                           | <b>\$67.92</b> | <b>\$47.04</b> |
| (b) \$.02 (two cent toll rate reduction) - Annual           | (10.56)                                   | (10.56)          | (10.56)          | (21.12)                                   | (21.12)        | (21.12)        |
| <b>Net Annual Rate Increase to Customer</b>                 | <b>\$48.96</b>                            | <b>\$23.40</b>   | <b>\$12.96</b>   | <b>\$97.92</b>                            | <b>\$46.80</b> | <b>\$25.92</b> |
| (c) \$.02 cent reduction - double Fla. resid. usage         | (21.12)                                   | (21.12)          | (21.12)          | (42.24)                                   | (42.24)        | (42.24)        |
| <b>Net Annual Rate Increase to Customer</b>                 | <b>\$38.40</b>                            | <b>\$12.84</b>   | <b>\$2.40</b>    | <b>\$76.80</b>                            | <b>\$25.68</b> | <b>\$4.80</b>  |
| (d) <b>Per Minute Toll Reduction Required for Breakeven</b> | <b>(\$0.113)</b>                          | <b>(\$0.064)</b> | <b>(\$0.045)</b> | <b>(0.113)</b>                            | <b>(0.064)</b> | <b>(0.045)</b> |

Note 1: Savings will be even less for those customers that move, re-connect, or require premise work because of increases for these rates.

Note 2: Assumes that toll rate reductions are permanent which is no guarantee.

Note 3: Savings are based on intrastate intraLATA & interLATA toll calls.

Note 4: The two-line scenario assumes errs in the Company favor by assuming that the customer makes 44 minutes of in-state calling on each line.

(a): Assumes the \$1.90/month PICC charged by major long distance providers which include Sprint, AT&T and MCI - - although this savings will not be present for other carriers.

(b): Assumes 44 minutes of monthly average residential intrastate toll usage per FCC "Trends in Telephone Service" report, Table 14.2, issued Aug. 2003.

(c) Conservative assumption that Florida residential customer intrastate toll usage is 88 minutes (double national average).

(d) Breakeven is the per minute reduction in toll rates that are necessary to offset the significant increase in local rates.