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November 19, 2003

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
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Tallahassee, FL 32399-0850

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Re: Docket No. 030867-TL
Petition of Verizon Florida Inc. to Reform Its Intrastate Network Access and Basic
Local Telecommunications Rates in Accordance with Florida Statutes, Section
364.164

Docket No. 030961-TI
Flow-through of LEC switched access reductions by IXCs, pursuant to Section
364.163(2), Florida Statutes

Dear Ms. Bayo:

Please find enclosed for filing an original and 15 copies of the Direct Testimony of John Broten on behalf of Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance, NYNEX Long Distance Company d/b/a Verizon Enterprise Solutions and Verizon Select Services Inc. in the above matter. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this filing, please contact me at 813-483-2615.

Sincerely,

Anthony P. Gillman

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the Direct Testimony of John Broten in Docket Nos. 030867-TL and 030961-TI were sent via electronic mail and overnight delivery on November 19, 2003 to:

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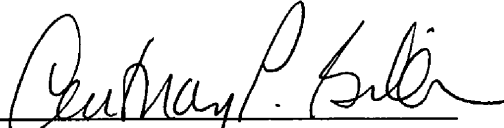
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Verizon Florida Inc. to)
Reform Its Intrastate Network Access and)
Basic Local Telecommunications Rates in)
Accordance with Florida Statutes,)
Section 364.164)

Docket No. 030867-TL

In re: Flow-through of LEC switched access)
reductions by IXCs, pursuant to Section)
364.163(2), Florida Statutes)

Docket No. 030961-TI

DIRECT TESTIMONY OF

JOHN BROTEN

ON BEHALF OF

**BELL ATLANTIC COMMUNICATIONS, INC. D/B/A VERIZON LONG DISTANCE,
NYNEX LONG DISTANCE COMPANY D/B/A VERIZON ENTERPRISE SOLUTIONS,
AND VERIZON SELECT SERVICES INC.**

November 19, 2003

DOCUMENT NUMBER-DATE

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

2 A. John D. Broten, President, Verizon Long Distance. My business
3 address is 1320 N. Courthouse Road, 9th Floor, Arlington VA 22201.

4

5 **Q. Please summarize your background and qualifications.**

6 A. I have worked in the telecommunications industry for 27 years. My
7 telecommunications career began at Ernst and Young where I was
8 a consultant in the firm's telecommunications group. In that
9 position, I was responsible for traffic measurement requirements
10 and the development of regulatory cost support for independent
11 telephone companies. I joined Bell Atlantic Network Services, Inc.
12 in 1984 as Manager - Interstate Access. In 1988, I was appointed
13 Director - Federal Regulatory. My responsibilities in that position
14 included management and analysis of a wide variety of regulatory
15 and policy issues including cost allocation, tariff requirements at the
16 state and federal levels, and implementation of regulatory
17 requirements as a result of the Telecommunications Act of 1996. In
18 1999, I assumed responsibility for regulatory matters for the Bell
19 Atlantic long distance affiliates as Director – Regulatory Matters. I
20 assumed my current position as president of Bell Atlantic
21 Communications, Inc. d/b/a Verizon Long Distance ("VLD") and
22 president of NYNEX Long Distance Company d/b/a Verizon
23 Enterprise Solutions ("VES") in May of 2003. As president of VLD
24 and VES, I am responsible for the operation and management of
25 the long distance network platforms, capacity, pricing and regulatory

1 matters. I graduated from the University of Puget Sound with a B.A.
2 in business administration.

3 **Q. What is the purpose of your testimony?**

4 A. The purpose of my testimony is to respond on behalf of VLD, VES,
5 and Verizon Select Services Inc., (“VSSI”) (collectively referred to
6 as the VZ LD Affiliates) to Issues 6 through 10 from the
7 Commission’s Tentative Issues List. VLD currently provides long
8 distance services to consumers and small businesses in Florida.
9 VSSI provides services to large business customers in the state.
10 VSSI also sells prepaid long distance cards in Florida. While VES
11 is certificated in the state to provide long distance services, it does
12 not actively market such services in the state at the present time.

13
14 **Q. ISSUE 6: Which IXCs should be required to file tariffs to flow**
15 **through BellSouth’s, Verizon’s, and Sprint-Florida’s switched**
16 **access reductions, if approved, and what should be included**
17 **in these tariff filings?**

18
19 A. Any IXC that receives the benefit of intrastate switched access rate
20 reductions must file intrastate tariffs (if tariff filings are required)
21 flowing through these reductions. These IXCs should have the
22 discretion to determine how to flow through the access charge
23 reductions (e.g., by lowering in-state per minute rates and/or
24 monthly recurring plan charges). If the Commission should decide
25 to deregulate long distance services and eliminate long distance

1 tariffing obligations, the reductions should be passed through to end
2 users under end user service agreements.

3 The Commission must recognize that many IXCs resell service and
4 that the reduction in Bell South's, Verizon's and Sprint-Florida's
5 access charges flow directly to the facility-based carrier, not the
6 reseller. Resellers of long distance service typically contract with
7 facilities-based providers for service. These agreements may not
8 obligate the facilities-based carrier to pass through access charge
9 reductions that it receives. An IXC reseller should not be required
10 to reduce prices to its customers unless it receives a reduction in
11 the prices it is charged by its facilities-based supplier. As discussed
12 below, this is not an issue where the VZ LD Affiliates purchase
13 service from an affiliate.

14
15 **Q. Do VLD, VES and VSSI resell long distance services in Florida?**

16 **A.** Yes. The VZ LD Affiliates are resellers of long distance services in
17 the state. These companies obtain service over long distance
18 network facilities procured and managed by an affiliate, Verizon
19 Global Networks Inc. ("VGNI"), or they purchase services from non-
20 affiliated long distance carriers, such as MCI, Sprint and Qwest.
21 Any reductions that benefit VGNI will be passed through to the VZ
22 LD Affiliates. In turn, the VZ LD Affiliates will pass through these
23 reductions to its customers as described below.

24
25 **Q. ISSUE 7: If the ILEC access rate reductions are approved,**

1 **should the IXCs be required to flow through the benefits of**
2 **such reductions, via the tariffs, simultaneously with the**
3 **approved ILEC access rate reductions?**

4
5 A. Facility-based IXCs that benefit from reductions in the price of
6 access should be required to pass through rate reductions, via their
7 intrastate tariffs (if tariffs are required), as soon as possible after the
8 approved ILEC access rate reductions. Non-facilities based IXCs
9 should be required to flow through access charge reductions when
10 they are received from the underlying facilities-based carrier. Since
11 the flow-through of the access charges will require facilities-based
12 carriers as well as IXC resellers to make modifications to, for
13 example, billing systems, rate tables, marketing and fulfillment
14 materials, carriers should be given a reasonable amount of time to
15 implement necessary plan and system changes before they are
16 required to pass through access rate reductions.

17
18 **Q. ISSUE 8: For each access rate reduction that an IXC receives,**
19 **how long should the associated revenue reduction last?**

20
21 A. The long distance communications market is highly competitive.
22 Traditional wireline long distance carriers compete against each
23 other as well as with wireless carriers, cable companies and IP
24 telephony providers. Competition will ensure that IXCs flow through
25 access reductions without any need for Commission intervention.

REDACTED

1 Nevertheless, to remove any doubt about whether customers will
2 actually receive the benefit of the access reductions, the VZ LD
3 Affiliates agree to flow through the reductions year over year for
4 three years. After that time, the VZ LD Affiliates should be free to
5 change its long distance rates in accordance with demands of the
6 marketplace.

7

8 **Q. ISSUE 9: How should the IXC flow-through of the benefits from**
9 **the ILEC access rate reductions be allocated between**
10 **residential and business customers?**

11

12 **A.** VLD plans to flow through the benefits realized from access
13 reductions to both residential and business customers based on the
14 relative proportion of access minutes associated with these classes
15 of customers. Based on data for July through October 2003, VLD
16 expects approximately ** ** of the rate reduction to flow to
17 residential customers and ** ** to business customers. VSSI also
18 plans to flow through savings to its large business customers. The
19 amount of intrastate switched access that VSSI uses is significantly
20 less than the amount that VLD uses.

21

22 **Q. ISSUE 10: Will all residential and business customers**
23 **experience a reduction in their long distance bills? If not,**
24 **which residential and business customers will and will not**
25 **experience a reduction in their long distance bills?**

REDACTED

1 A. To the extent it receives access charge reductions, VLD plans to
2 reduce in-state usage rates on some, but not all, residential and
3 business plans. Our current plan is not to reduce prices on any of
4 our unlimited long distance plans. Customers on these plans
5 already receive, on an aggregate basis, our lowest rates on a per
6 minute basis. A reduction in access charges will not provide an
7 incentive for customers to make additional calls since their plans
8 already permit unlimited in-state calling. For residential customers,
9 the access flow through reductions realized by VLD would be
10 reflected in the per minute rates for several plans that represent
11 approximately ** ** of VLD's residential subscriber base. Florida
12 tariffed calling plans under consideration by VLD at this time for
13 such reductions are Plans B (Best Times), C (bundled service
14 option)(Timeless Bundle), D (E-values), F (TalkTime), G (State
15 Saver), and L (5 Cent Plan). Small business customers will realize
16 the flow through reductions by way of reduced per minute rates in
17 VLD's Plan 2 (Simple Options).

18

19 **Q. Does this conclude your testimony at this time?**

20 A. Yes, it does.

21

22

23

24

25