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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Verizon Florida Inc. to reform)
Intrastate network access and basic local) **Docket No. 030867-TL**
Telecommunications rates in accordance with)
Section 364.164, Florida Statutes)
_____)

In re: Petition by Sprint-Florida, Incorporated to)
Reduce intrastate switched network access rates to) Docket No. 030868-TL
Interstate parity in revenue-neutral manner)
Pursuant to Section 364.164(1), Florida Statutes)
_____)

In re: Petition for implementation of Section)
364.164, Florida Statutes, by rebalancing rates in a) Docket No. 030869-TL
revenue-neutral manner through decreases in)
intrastate switched access charges with offsetting)
rate adjustments for basic services, by BellSouth)
Telecommunications, Inc.)
_____)

In re: Flow-through of LEC Switched Access)
Reductions by IXC's, Pursuant to Section) Docket No. 030961-TI
364.163.(2), Florida Statutes)
_____)

REVISED DIRECT TESTIMONY

OF

JOSEPH DUNBAR

ON BEHALF OF

MCI WORLDCOM COMMUNICATIONS, INC.

NOVEMBER 25, 2003

PROPRIETARY VERSION

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*declas
9-4-05
appeal*

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1 **Q. Please state your name and address.**

2 A My name is Joseph Dunbar. My business address is Two International
3 Drive Rye Brook, NY 10573.

4 **Q. By whom are you employed and what are your duties?**

5 A. I am employed by MCI. My title is Senior Manager, Regulatory
6 Compliance and Reporting. In this position my team and I work with
7 MCI's business units to keep them abreast of various state regulations that
8 may affect their operations and to work with those units to insure
9 compliance with such state regulations. In addition we are responsible for
10 collecting and assimilating information from MCI's business units and then
11 filing that information with Public Service Commissions across the country.
12 Such reporting may be on a regularly scheduled basis, such as annual
13 financial reports or monthly service quality reports or may be on an ad hoc
14 basis for specific issues like flow through compliance.

15 **Q. Please describe your background and experience.**

16 A. I have been employed by MCI since 1984. Since joining MCI I have held a
17 variety of positions within the State Regulatory and Public Policy
18 Organization. In addition to my current position I have managed the
19 intrastate tariff function and have at various times represented the company
20 before Public Service Commissions on a variety of public policy issues.

21 **Q. Have you ever testified before this Commission?**

1 A. No, I have never testified on behalf of MCI before this Commission, but I
2 have testified before other public service commissions, such as New York,
3 Connecticut, Rhode Island, Pennsylvania, Virginia, and Georgia.

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

5 A. The primary purpose of my testimony is to respond to the additional issues
6 the Commission established regarding IXC flow-through as listed in the
7 Nov. 10, 2003, procedural Order in this docket.

8 **Q. Are you familiar with the access reduction petitions filed by the ILECs?**

9 A. Yes, generally. Verizon, Sprint and BellSouth have asked the Commission
10 to allow them to reduce their intrastate access charges and rebalance retail
11 service rates on a revenue neutral basis to recognize those revenue
12 reductions. Their petitions were filed as permitted by statutory changes that
13 became effective upon enactment of law.

14 **Q. Has MCI filed testimony addressing the issues regarding the ILEC
15 petitions filed in these dockets?**

16 A. Yes, MCI and AT&T are co-sponsoring Dr. John W. Mayo, who has
17 already prefiled testimony in these dockets.

18 **Q. If the Commission approves the petitions filed by the ILECs, will that
19 have an affect on MCI?**

20 A. Yes. The ILECs filed their petitions pursuant to Section 364.164, Florida
21 Statutes. The Legislature also amended Section 364.163, Florida Statutes,
22 to require intrastate interexchange companies (IXCs), like MCI, to return
23 the benefits of any access reductions to both residential and business

1 customers. If the Commission approves the ILECs' petitions, thereby
2 reducing access charges, IXCs, such as MCI, will then be required to flow-
3 through the benefits of those reductions to its residential and business
4 customers. Also, if the Commission approves the ILECs' petitions,
5 Section 364.163 also provides that IXCs may determine specifically how to
6 accomplish the flow through.

7 **Q. And MCI would implement that flow-through?**

8 A. Yes. That is the statutory requirement and we will comply. Initially, MCI
9 expects to change its tariffed rates for some business and residential
10 customers, but MCI has not finalized its plans. Customers may see other
11 benefits as well, such as new programs, and innovative offerings as a result
12 of the access charge reductions.

13 **Q. Does the manner by which benefits are flowed-through have any affect
14 on approval of the ILEC petitions?**

15 A. No. The Commission is required to evaluate the ILEC petitions based on
16 the four criteria set forth in the statute. The manner by which IXCs flow-
17 through the benefits to their customers is not related to whether the
18 Commission should approve the ILEC petitions. There are no flow-through
19 issues unless the petitions are approved, so except for approval triggering
20 the flow-through, I don't believe there is a relation.

21 **Q. Will approval of the ILEC petitions have an effect on long distance
22 services?**

1 A. Yes. The long distance market place is already highly competitive and I
2 think it will become more so. Carriers now compete on prices, new
3 features, services, and other innovative offerings. Consumers have choices
4 in the long distance market and the flow-through of these reductions will
5 stimulate the development of more promotions, features and innovations.
6 Consumers have choices in the long distance market and can make changes
7 fairly quickly if not satisfied. If a consumer is not happy with a service for
8 whatever reason there are other choices available.

9 **Q. If the petitions are approved, will MCI be expanding or changing the**
10 **services offered to consumers?**

11 A. Yes. However, MCI's specific plans are not yet finalized, in part because it
12 must know what specifically is or is not approved and in part because it is
13 premature to predict what specifically is happening in the competitive
14 market at the time the flow-through is to be accomplished and whether
15 MCI's plans are an appropriate competitive response

16 MCI has been a leader in the long distance market with innovative
17 services. For example, Friends and Family, 1-800-collect, 10-10-NXX, The
18 Neighborhood and similar offerings were MCI innovations and some were
19 copied by its competitors in the market. One reason that these innovative
20 offerings have been available is that access cost reductions have allowed
21 MCI to reprice and repackage services for consumers.

1 **Q. If the ILEC access rate reductions are approved, should the IXCs be**
2 **required to flow-through the benefits of the reductions, simultaneously**
3 **with the approved ILEC access rate reductions?**

4 A. Yes. MCI would support the IXCs filing concurrently with the ILEC access
5 reduction if we are given at least 60 days to implement the rates changes.
6 For instance, if LEC access rates were to change on March 1, 2004, MCI
7 would be prepared to implement changes on March 1, 2004 as long as the
8 specific changes the LECs were going to implement were known by
9 December 31, 2003.

10 **Q. For each access rate reduction that an IXC receives, how long should**
11 **the associated revenue reduction last?**

12 A. The marketplace should and will decide this issue. IXCs are in a dynamic
13 market and trying to fit this flow-through effort into a “static box” does not
14 make sense and doing so could cause significant harm to a company trying
15 to compete.

16 **Q. How should the IXC flow-through of the benefits from the ILEC access**
17 **rate reductions be allocated between residential and business**
18 **customers?**

19 A. Consistent with the statute, MCI believes that each IXC should determine
20 the best way to accomplish its flow through obligation to both its residential
21 and business customers. MCI has traditionally split the savings on a pro rata
22 share between its residential/consumer markets switched access base and
23 business markets switched access customer base. This results in a split of

1 approximately 30% residential and 70% business. [CONFIDENTIAL]

2 Then, within those customer bases, MCI has allocated the flow through
3 savings in a manner that reflects the competitive market for that base of
4 customers. This calculation excludes wholesale markets.

5 **Q. What amount of access savings does MCI expect to see if the ILEC
6 access rate reductions are approved?**

7 A. MCI expects that the first year access savings will amount to approximately
8 \$25 million dollars. [CONFIDENTIAL] MCI determined this amount by
9 looking at the specific changes proposed by BellSouth (Typical Network
10 Methodology), Verizon, and Sprint, and then calculated a composite rate
11 per minute change in intrastate switched access. MCI then looked at
12 forecasted minutes for 2004 and multiplied those minutes by the change in
13 switched access. This calculation excludes wholesale markets. MCI's
14 wholesale offerings contain components based on the underlying
15 originating and terminating access rates of the ILECs. This results in an
16 "automatic" flow through as ILEC rates change.

17 **Q. Will all residential and business customers experience a reduction in
18 their long distance bills? If not, which residential and business
19 customers will and will not experience a reduction in their long distance
20 bills?**

21 A. MCI believes all consumers in Florida will benefit from these access
22 reductions either directly or indirectly. First, if the ILEC petitions are

1 approved, pricing changes will occur, making people look at their bills to
2 make sure that they have the right long distance plan for their needs.

3 Second, all MCI stand-alone, presubscribed, residential long
4 distance customers paying MCI's in-state access recovery fee will receive a
5 benefit, because MCI will reduce its in-state connection fee over the next
6 three years, eliminating it by July 1, 2006. At a minimum MCI will reduce
7 it by one third each year. MCI will be passing other benefits to some of its
8 residential customers, but has not determined specifically how it will do so
9 at this time. MCI is also contemplating offering new products if the ILEC
10 petitions are approved.

11 Third, depending on the service and plan, some business customers
12 will see benefits, though not all will because of the nature of the plans.

13 **Q. Does MCI support the access reduction petitions?**

14 A. Generally, yes. I would refer to the testimony of Dr. John W. Mayo for
15 specific responses. MCI endorses the reductions and believe they will bring
16 benefits to all consumers.

17 **Q. Does this conclude your testimony?**

18 A. Yes, it does.