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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of

PETITION BY VERIZON FLORIDA INC. TO REFORM INTRASTATE NETWORK ACCESS AND BASIC LOCAL TELECOMMUNICATIONS RATES IN ACCORDANCE WITH SECTION 364.164, FLORIDA STATUTES. DOCKET NO. 030867-TL

PETITION BY SPRINT-FLORIDA, INCORPORATED TO REDUCE INTRASTATE SWITCHED NETWORK ACCESS RATES TO INTERSTATE PARITY IN REVENUE-NEUTRAL MANNER PURSUANT TO SECTION 364.164(1), FLORIDA STATUTES. DOCKET NO. 030868-TL

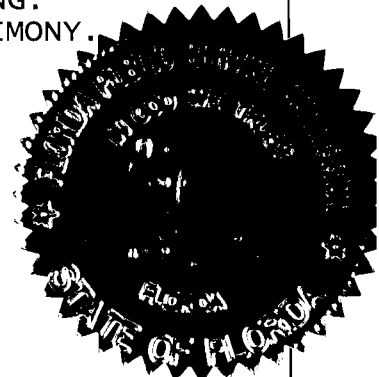
PETITION FOR IMPLEMENTATION OF SECTION 364.164, FLORIDA STATUTES, BY REBALANCING RATES IN A REVENUE-NEUTRAL MANNER THROUGH DECREASES IN INTRASTATE SWITCHED ACCESS CHARGES WITH OFFSETTING RATE ADJUSTMENTS FOR BASIC SERVICES, BY BELL SOUTH TELECOMMUNICATIONS, INC. DOCKET NO. 030869-TL

FLOW-THROUGH OF LEC SWITCHED ACCESS REDUCTIONS BY IXCs, PURSUANT TO SECTION 364.163(2), FLORIDA STATUTES. DOCKET NO. 030961-TI

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PAGES 1287 THROUGH 1408

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BEFORE: CHAIRMAN LILA A. JABER
COMMISSIONER J. TERRY DEASON
COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER RUDOLPH "RUDY" BRADLEY
COMMISSIONER CHARLES M. DAVIDSON

DATE: Friday, December 12, 2003

TIME: Commenced at 8:30 a.m.

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

REPORTED BY: MARY ALLEN NEEL, RPR

APPEARANCES: (As heretofore noted.)

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1 (TRANSCRIPT CONTINUES IN SEQUENCE FROM
2 VOLUME 10.)

3 WAYNE FONTEIX

4 continues his testimony under oath from Volume 10 as
5 follows:

6 CONTINUED CROSS EXAMINATION

7 BY MR. TWOMEY:

8 Q Isn't it true that some people believe that
9 AT&T still maintains the market power, market share to
10 set prices that others tend to follow?

11 MR. HATCH: Objection. Calls for
12 speculation on other persons' beliefs.

13 CHAIRMAN JABER: Mr. Twomey, reword your
14 question.

15 MR. TWOMEY: I'll just pass on it, Madam
16 Chair.

17 BY MR. TWOMEY:

18 Q Page 12, sir. You discuss the experience
19 of Michigan and Georgia; correct?

20 A Yes.

21 Q And you say that one need only to look to
22 Michigan and Georgia to see that vibrant end-to-end
23 competition follows low access charges and true --
24 TELRIC, is that it, TELRIC?

25 A Yes.

1 Q TELRIC UNE rates.

2 Let me ask you that point. Does Florida
3 have true TELRIC UNE rates?

4 A Not in AT&T's estimation, no.

5 Q Okay. In AT&T's estimation, are Florida's
6 rates better or worse than the true TELRIC UNE rates
7 for your purposes?

8 A In AT&T's estimation, the prescribed rates
9 for UNE rate elements in Florida are higher than
10 TELRIC.

11 Q And I think it was your testimony earlier
12 that the higher the UNE rates are, the less incentive
13 there is for competitive entry; correct?

14 A Generally, that's true.

15 Q Okay. So it would follow then, wouldn't
16 it, that the Florida UNE rates would not incent
17 competition to the same extent that the true TELRIC
18 UNE rates would in Michigan?

19 A That is true.

20 Q And Georgia.

21 Now, as I understand it, the -- you say
22 that MCI and AT&T and a host of other CLECs began
23 entering the local market in Michigan with bundled
24 offerings as early as 2001. And I take it from your
25 testimony, sir, that that was in reaction to both the

1 reduction of access charges in those states, as well
2 as the ordering of TELRIC UNE rates.

3 A Again, I would say that the market entry
4 decision includes the factors of both the access rate
5 and the UNE rate, again, as well as retail rate
6 levels, opportunity, and the operational support
7 systems. So it's a -- again, a holistic calculation
8 as to the market entry.

9 Q Okay. So you couldn't testify that one of
10 those factors, the establishment of the UNE rates or
11 the lowering of the access fees, was the predominant
12 cause of the increase in competition?

13 A No. It's a combination of the facts.

14 Q Okay. It's my understanding that there's
15 some evidence that competition in the State of Florida
16 is increasing as a result of the Commission's
17 establishment of its UNE rates recently. Are you
18 aware of that at all?

19 A I'm not aware of the direct tie to the
20 establishment of the UNE rates. I can only speak from
21 AT&T's perspective that our decision to enter, again,
22 in the BellSouth Zones 1 and 2, is a recent
23 occurrence.

24 Q Is it a result of the -- to be clear, is
25 it a result -- it followed the establishment of the

1 UNE rates; right?

2 A By some period of time, but more
3 immediately it followed the passage of the
4 Tele-Competition Act of 2003.

5 Q Yes, sir, but we have lower UNE rates in
6 the state; right?

7 A Lower than --

8 Q Lower than they were before.

9 A They have been lower, that is true.

10 Q And notwithstanding the passage of the
11 legislation, we don't yet have lower access rates;
12 right?

13 A That is true.

14 Q And notwithstanding that, AT&T made the
15 investment decision to enter two markets, or one
16 market in Southern Bell's service territory?

17 A Certainly predicated upon an assumption
18 after the passage of the Act that it would be
19 implemented.

20 Q Okay. Just a couple more.

21 You say at line 20 of page 12, "In
22 response, SBC has reduced rates for residential local
23 calling plans several times over the last two years,
24 and has introduced new service offerings to respond to
25 this new competition."

1 It seems to me that you're fairly
2 knowledgeable about the experience -- your company's
3 experience in Michigan and Georgia; correct?

4 A Correct.

5 Q The change in access charges in those
6 states, did it result in the increase in basic local
7 service rates for residential customers in each?

8 A In the State of Michigan, some of the
9 initial access reductions did result in some rate
10 rebalancing in SBC territory, former Ameritech
11 territory.

12 In Georgia, there was no prescription
13 against rate rebalancing, and in fact, some fees, as I
14 understand it, were moved upward, with a clear and
15 tariffed indication that it was tied to access
16 reductions.

17 Q Yes, sir. Thank you. But my more specific
18 question is, did the basic local service residential
19 rates go up in those states?

20 A In the State of Michigan, yes, there was a
21 charge ascribed to the basic local connection. In
22 Georgia, I believe most of those charges went to
23 vertical features and services.

24 Q Okay. To your knowledge, have the basic
25 local service rates for residential customers come

1 down in Michigan as a result of the ensuing
2 competition?

3 A The offer of local service, which again is
4 a combination of the basic local rate, vertical
5 features, and local calling area, has certainly come
6 down, and the incumbent, in this case, SBC, was forced
7 to match plans offered by MCI, AT&T, TalkAmerica, and
8 other CLECs that lowered that package of local
9 services.

10 Q Okay. Just a couple more.

11 what percentage of the States of Michigan
12 and Georgia has AT&T entered into, geographic
13 percentage, if you will, entered into competitive
14 markets there?

15 A Geographically, in Georgia, we have entered
16 all of BellSouth's region in Georgia, and in the State
17 of Michigan, that is throughout Ameritech/SBC
18 territory.

19 Q Okay. Do you know what percentage of
20 customers in Michigan had bundled offers?

21 A I do not.

22 MR. TWOMEY: Thank you very much.

23 CHAIRMAN JABER: Staff.

24 MR. FORDHAM: Thank you, Madam Chairman.

25 / / /

CROSS EXAMINATION

1
2 BY MR. FORDHAM:

3 Q Good morning, Mr. Fonteix. My name is Lee
4 Fordham.

5 A Good morning, Mr. Fordham.

6 Q I have just a few questions for you, sir.
7 First of all, let's fast forward with an
8 assumption that the petitions are granted and the
9 final adjustment has been made. Am I correct, sir,
10 that the statute does not require that in order for
11 parity to have been achieved, the intrastate access
12 rate structure be identical to the interstate access
13 rate structure?

14 A That is my understanding.

15 Q Now, disregarding that lack of such a
16 requirement in the statute, could you tell us, please,
17 whether you believe they should be identical? And
18 after your yes or no answer, give us your reasons for
19 such response.

20 A I believe it would be optimal for them to
21 be identical, and my reasoning is as follows:

22 First of all, it makes it a much simpler
23 calculation to understand true parity, but probably
24 more importantly, to mirror the rate structure at the
25 federal level will better prepare Florida for any

1 reaction that Florida chooses to make to upcoming
2 changes in the federal intercarrier compensation
3 structure.

4 Clearly, the interstate access charge
5 regime under the CALLS plan is to remain as currently
6 structured through 2005, but in July 2005, the CALLS
7 plan expires. The FCC has made very clear their
8 intention to further reform intercarrier compensation,
9 and if in fact there is an intent to keep a rational
10 tie between interstate and intrastate access charge
11 regimes, Florida would be better positioned if it were
12 starting from a similar point structurally, as well as
13 from a rate level, from the federal level, to react,
14 respond, or adapt to any changes that will be upcoming
15 after 2005 at the interstate level.

16 CHAIRMAN JABER: Mr. Fonteix, I'm glad you
17 brought that up. Staff, I appreciate your question,
18 because I meant to ask this yesterday of another
19 witness that talked about perceived additional reform
20 to the SLC charges and to the CALLS program, and
21 certainly what the joint board is looking at as it
22 relates to the high cost issues.

23 And my question to you is -- it does call
24 for speculation, but I'm going to ask you to do it
25 anyway. Is it a reform that will result in a lower

1 interstate access rate, do you think, or a higher
2 interstate access rate? And the reason I'm asking
3 that, Mr. Fonteix, is I'm thinking ahead about in the
4 decision here at the state level about parity, how
5 does that all fit in in terms of changes that are
6 anticipated at the FCC?

7 THE WITNESS: My own personal expectation
8 is that if the rate structure continues at the federal
9 level, it will certainly be a reduction in the rates.
10 There's no indication that the permanent access rates
11 at the federal level are anywhere near cost, and as
12 you've heard testimony from the ILECs here as well,
13 even the parity that would be achieved here likely
14 would still not drive to cost.

15 Clearly, the trend that has been gaining
16 momentum over the last four or five years is to move
17 intercarrier compensation, no matter the jurisdiction,
18 no matter the nature of the transaction, to cost. And
19 that I would fully expect, and that's the indication
20 from the FCC is their intention in the intercarrier
21 compensation reform.

22 In the alternative, as has been proposed at
23 the FCC some time ago by the FCC itself or FCC staff,
24 is the potential of moving to a bill-and-keep regime,
25 which is certainly a bit more radical, but I know is

1 under study as well.

2 Bottom line, I do not expect access charges
3 at the interstate level to reverse and move upward.
4 And given the coming convergence of the Internet world
5 with the switched -- the circuit switched world, there
6 needs to be some rationalization of a minute is a
7 minute or a connection is a connection. And my only
8 position here in response to Mr. Fordham's question is
9 that, clearly, changes are over the horizon here at
10 the interstate level. Florida would be better
11 positioned if it were starting on a consistent basis
12 with the interstate.

13 BY MR. FORDHAM:

14 Q And am I correct sir, also, that the
15 statute does not contain a specific definition of
16 interstate switched network access rate?

17 A It does not, but I would suggest such a
18 definition is inferred by the definition of the
19 intrastate switched access rate, although it is not an
20 explicitly clear definition of interstate.

21 Q Are there any other guidelines that the
22 statute might include that would specify how we could
23 calculate the interstate special access rate?

24 A Well, again, I would suggest to the extent
25 you can draw a correlation between the prescribed

1 intrastate rate elements and those that exist at the
2 interstate level, that is certainly a good starting
3 point.

4 As I expressed in my testimony, the
5 suggestion by Verizon to incorporate into its
6 intrastate access structure the current interstate
7 PICC charge, the per line, business-only,
8 nontraffic-sensitive PICC charge into a
9 traffic-sensitive rate element at the intrastate level
10 I think is inappropriate and reverses the trend of
11 eliminating nontraffic-sensitive costs from
12 traffic-sensitive rate elements.

13 Q And earlier in your testimony here today, I
14 heard the term "level playing field" and "end-to-end
15 telecommunications." Now, on page 5 of your direct
16 testimony, at lines 11 and 13 -- and let me know when
17 you're there, sir.

18 A I am.

19 Q Okay. You state that only when the
20 competitive playing field is level on all parts of the
21 end-to-end telecommunications market can competition
22 flourish. Is that a correct statement, sir?

23 A Yes.

24 Q Okay. Now, the term "end-to-end" means all
25 of a customer's calling needs, from next door to all

1 the way across the nation. Is that correct, sir?

2 A I would agree.

3 Q And you make this distinction about the
4 end-to-end telecommunications market because, and
5 quoting here, customers are rejecting the historical
6 landline distinction between local and long distance
7 service in favor of nondistance-sensitive service
8 commonly offered by wireless providers, but
9 increasingly available from ILECs such as BellSouth.
10 Is that correct, sir?

11 A Yes.

12 Q Now, if approved, do you believe that the
13 petitioners' proposed reduction in switched access
14 rates will contribute to a leveling of the playing
15 field in the end-to-end telecommunications market as
16 we've come to understand those terms?

17 A Yes, it will absolutely move the field
18 closer to level. In the all-distance market, and
19 particularly as we have seen emerge in the wireless
20 market, there are flat rate offerings where it doesn't
21 matter whether you are calling next door or, as you
22 said, to California, it's a flat rate charge for a
23 prescribed bucket of minutes.

24 To the extent that one competitor, the
25 IXC/CLEC entrant in the market, faces a higher

1 permanent cost than the cost of the incumbent for
2 those access services, it inhibits the IXC's ability,
3 the CLEC's ability to offer that flat rate service,
4 where with each increasing minute of use on a flat
5 rate basis, our costs, the IXC's costs continually
6 farther exceed the costs of its competitor based on
7 that built-in -- whether you want to call it a support
8 or a subsidy, in the access charge.

9 Q And again, assuming the passing of the
10 petitions, granting of the petitions, do you believe
11 the playing field would be leveled only in BellSouth's
12 territory where AT&T has decided to enter, or also in
13 Verizon's and Sprint's territories?

14 A It will be moved closer to level in all
15 territories.

16 MR. FORDHAM: Thank you, Mr. Fonteix. No
17 further questions.

18 CHAIRMAN JABER: Commissioners?
19 Commissioner Davidson.

20 COMMISSIONER DAVIDSON: I'll try and get
21 through these quickly.

22 Are there any local exchange markets that
23 AT&T has entered as a competitor due, at least in
24 part, to a better margin between the cost and price of
25 basic local telephone service, and if so, what are

1 those markets?

2 THE WITNESS: Again, Commissioner, I need
3 to refer back to the consistent calculation performed
4 by our marketing and product management folks, where
5 the input of the local retail rate and the wholesale
6 rate is a factor, an important factor. But I cannot
7 point to any one market where that margin alone is the
8 determinative factor. It is included in every
9 calculation for market entry.

10 COMMISSIONER DAVIDSON: If these petitions
11 were granted, would AT&T agree to no state-specific
12 long distance rate increase that would offset the
13 flow-throughs? While national rates may vary up or
14 down in a competitive market, my concern is with
15 having no state-specific rate increase that would
16 simply serve as a wash for any pass-through of access
17 charge reductions.

18 THE WITNESS: I'm not authorized to make
19 any commitment one way or the other right now, but I
20 certainly can tell you that our prices are constrained
21 more by the competitor in the state than any
22 prescribed regulatory requirement.

23 COMMISSIONER DAVIDSON: Given AT&T's view
24 that UNE rates in Florida are not to the level that
25 AT&T would like them, shouldn't the Commission simply

1 hold off on access charge reform until such time as
2 the UNE rates are to AT&T's liking in the state?

3 THE WITNESS: No. The opportunity is long
4 overdue in Florida, as I indicated, to begin to reform
5 the access charge regime, as has been underway for a
6 number of years in other states and at the federal
7 level. There is no need, and in fact harm, in
8 waiting, as the long distance market now is becoming
9 subject to the incumbents' entry. So further damage
10 to the long distance market while awaiting a more
11 comprehensive reform of all wholesale prices will be
12 damaging to the long distance market on a stand-alone
13 basis. So I would urge expediency in moving forward
14 with this overdue access charge reform.

15 COMMISSIONER DAVIDSON: Could you turn,
16 please, to your Exhibit WF-1, titled BellSouth
17 Southern Region Switched Access Rates?

18 THE WITNESS: I'm there.

19 COMMISSIONER DAVIDSON: What does that
20 chart demonstrate?

21 THE WITNESS: That chart demonstrates a
22 composite rate for BellSouth's switched access
23 composite rate in each of the states indicated on the
24 chart, on a conversation minute of use basis.

25 COMMISSIONER DAVIDSON: If you know, are

1 the rates for basic local telephone service in those
2 other states higher or lower than the rates in
3 Florida?

4 THE WITNESS: I can tell you that in most,
5 if not all -- and I can't go one by one, but in the
6 Southern Region, Florida's BellSouth rates are among
7 the highest local retail rates, if not the highest.

8 COMMISSIONER DAVIDSON: Thank you.

9 CHAIRMAN JABER: Wait. What did you just
10 say? BellSouth's --

11 THE WITNESS: Basic local rates.

12 CHAIRMAN JABER: Are higher?

13 THE WITNESS: In Florida than most of the
14 states in the region. That's my understanding.

15 CHAIRMAN JABER: Florida's local rates are
16 higher than --

17 THE WITNESS: I'm sorry. Thank you for the
18 correction. Lower.

19 CHAIRMAN JABER: I was trying to make sure.

20 THE WITNESS: Big misstatement. Thank you
21 for catching me.

22 CHAIRMAN JABER: Because otherwise, I was
23 going to say, then why are we here?

24 THE WITNESS: Exactly. I'm confusing my
25 access rates with my retail rates.

1 CHAIRMAN JABER: And let's be clear for the
2 record. Let's reask that question. What are
3 Florida's local rates in relation to the Southeastern
4 Region?

5 THE WITNESS: Are lower than most, if not
6 all, of the states in the region.

7 CHAIRMAN JABER: And what are Florida's
8 access rates in relation to the rest of the region?

9 THE WITNESS: Definitely higher than all
10 states in the rest of the region, significantly.

11 CHAIRMAN JABER: I apologize for cutting
12 in, Commissioner Davidson. I just didn't --

13 COMMISSIONER DAVIDSON: No, that's fine. I
14 was just going to ask Ms. White how her heart is.

15 MS. WHITE: It's trying to restart. Thank
16 you.

17 COMMISSIONER DAVIDSON: But if you have
18 that specific information, BellSouth, that would help
19 at some point.

20 I have no questions.

21 CHAIRMAN JABER: What specific information,
22 Commissioner Davidson?

23 COMMISSIONER DAVIDSON: The information on
24 what -- with those other states reflected on WF-1,
25 what BellSouth's rates are for basic local telephone

1 service.

2 CHAIRMAN JABER: Commissioners, do you have
3 any other questions?

4 Okay. Redirect, Mr. Hatch.

5 MR. HATCH: I think I have maybe one
6 question on redirect now.

7 REDIRECT EXAMINATION

8 BY MR. HATCH:

9 Q Mr. Fonteix, in a series of questions that
10 Mr. Twomey asked you, one of those questions dealt
11 with the amount of access and whether that would be
12 enough to eliminate the in-state connection fee. Do
13 you remember that question?

14 A Yes.

15 Q Is the amount of the access reductions
16 within the control of AT&T?

17 A No.

18 MR. HATCH: That's all the questions I've
19 got.

20 CHAIRMAN JABER: Mr. Fonteix, thank you for
21 your testimony.

22 And, Mr. Hatch, you have an exhibit, 72?

23 MR. HATCH: Yes, ma'am. I would move 72.

24 CHAIRMAN JABER: Without objection, Exhibit
25 72 is admitted into the record.

1 (Exhibit 72 admitted into the record.)

2 CHAIRMAN JABER: Commissioners, how about
3 we take just a 10-minute break and come back and take
4 up AT&T witness Guepe.

5 MR. HATCH: May Mr. Fonteix be discussed?

6 CHAIRMAN JABER: Yes.

7 (Short recess.)

8 CHAIRMAN JABER: Let me get back on the
9 record and address some questions that have been posed
10 to me and, Commissioners, brief you on what I just
11 told the press when I was posed this question about
12 where are we in terms of finishing witnesses and
13 closing arguments and voting.

14 And candidly, the best I can tell everyone
15 is, I am extremely optimistic we can finish the case
16 tonight, including closing arguments. I am perhaps
17 overly optimistic, but I don't -- you know, I don't
18 think so.

19 It is not likely that we will vote today.
20 It is not likely that we will vote tomorrow. The
21 earliest we will vote is Monday. And I can't -- I
22 just can't gauge it beyond that. So the earliest we
23 will vote is Monday.

24 It would be really good if we could all
25 work toward the goal of finishing up tonight, because

1 this is a comprehensive case, and we all need time to
2 digest the information, staff and Commissioners.

3 Okay. With that, AT&T, you have --

4 MS. WHITE: Madam Chair, before we get
5 started, I just wanted to advise the Commissioners and
6 yourself that we have handed out the one sheet with
7 all companies' recurring on the front and nonrecurring
8 on the back, and Sprint and Verizon have agreed that
9 the numbers are correct. So I just wanted to make you
10 aware that that has been done.

11 CHAIRMAN JABER: I appreciate that. Now,
12 Ms. White, I can represent to you that I'll be looking
13 at this frequently. And in that regard, can this come
14 in as a stipulated exhibit, or do you all believe it's
15 not necessary for it to come in as an exhibit? I'll
16 leave it up to the parties. I'm putting everyone on
17 notice that I'm going to use this as a cheat sheet,
18 though.

19 MS. WHITE: I think the ILECs would be fine
20 to put it in as an exhibit if it would help.

21 MR. TWOMEY: I think too that's probably
22 the preferable thing to do if you're going to refer to
23 it.

24 CHAIRMAN JABER: Okay. Then Exhibit 73 --
25 what do you want to call it? If you ask me, it's

1 going to be "Lila's Cheat Sheet," but there has to be
2 a better title than that. So Ms. White, Comparison --

3 MS. WHITE: Comparison of ILEC Recurring
4 and Nonrecurring.

5 CHAIRMAN JABER: As opposed to the dumbbell
6 diagram.

7 MS. WHITE: And, Chairman Jaber, if I might
8 be permitted a personal note, I want to thank Stan
9 Greer for putting this together.

10 CHAIRMAN JABER: Yes. Thank you.

11 MS. WHITE: I think he did a very good job.

12 CHAIRMAN JABER: Absolutely. Okay.
13 Comparison of ILEC and LEC Recurring and Nonrecurring
14 Charges will be identified as Exhibit 73 and will be
15 admitted into the record. And, yes, Mr. Greer, I
16 appreciate you putting this together for us.

17 (Exhibit 73 marked for identification and
18 admitted into the record.)

19 CHAIRMAN JABER: All right. And,
20 Ms. White, I have not forgotten about Mr. Ruscilli. I
21 would like to get through all the company witnesses
22 before we bring him back to answer my question.

23 MS. WHITE: Yes, ma'am. That will be fine.

24 CHAIRMAN JABER: Mr. Guepe.

25 MR. HATCH: AT&T calls Richard Guepe to

1 the stand.

2 Thereupon,

3 RICHARD T. GUEPE

4 was called as a witness on behalf of AT&T
5 Communications of the Southern States, LLC and, having
6 been duly sworn, testified as follows:

7 DIRECT EXAMINATION

8 BY MR. HATCH:

9 Q Mr. Guepe, could you please state your name
10 and address for the record.

11 A My name is Richard Guepe. My address is
12 1200 Peachtree Street, Atlanta, Georgia.

13 Q By whom are you employed, and in what
14 capacity?

15 A I'm employed by AT&T as a district manager
16 in their Law and Government Affairs Organization.

17 Q Did you prepare and cause to be filed
18 direct testimony in this proceeding?

19 A Yes.

20 Q Do you have any changes or corrections to
21 that testimony?

22 A No, I do not.

23 Q Did you also prepare and cause to be
24 prefiled in this proceeding rebuttal testimony?

25 A Yes.

1 Q Do you have any changes or corrections to
2 that testimony?

3 A No, I do not.

4 Q If I asked you the same questions as are in
5 your direct and rebuttal testimonies, would your
6 answers be the same?

7 A Yes, they would.

8 MR. HATCH: Madam Chairman, I would request
9 that Mr. Guepe's testimony be inserted into the record
10 as though read.

11 CHAIRMAN JABER: Sure. The prefilled direct
12 and -- did you do rebuttal, Mr. Hatch?

13 MR. HATCH: Yes, ma'am.

14 CHAIRMAN JABER: The prefilled direct and
15 rebuttal will be inserted to the record as though
16 read.

17 BY MR. HATCH:

18 Q And you had no exhibits to your testimony;
19 is that correct?

20 A That's correct.

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DIRECT TESTIMONY OF
RICHARD T. GUEPE

REDACTED VERSION

ON BEHALF OF
AT&T COMMUNICATIONS OF THE SOUTHERN STATES, LLC

9

Dockets Nos. 030867-TP, 030868-TP, 030869-TP and 030961-TI

10

11 Q. PLEASE STATE YOUR NAME AND ADDRESS FOR THE RECORD.

12 A. My name is Richard T. Guepe. My business address is 1200 Peachtree Street,
13 Atlanta, Georgia, 30309.

14

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

16 A. I am employed by AT&T Corp. as a District Manager in its Law & Government
17 Affairs organization, providing support for AT&T's regulatory advocacy in the
18 nine states that make up AT&T's Southern Region.

19

20 Q. BRIEFLY OUTLINE YOUR EDUCATIONAL BACKGROUND AND
21 BUSINESS EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY.

22 A. I received a Bachelor of Science Degree in Metallurgical Engineering in 1968
23 from the University of Notre Dame in South Bend, Indiana. I received a Masters
24 of Business Administration Degree in 1973 from the University of Tennessee in
25 Knoxville, Tennessee. My telecommunications career began in 1973 with South
26 Central Bell Telephone Company in Maryville, Tennessee, as an outside plant
27 engineer. During my tenure with South Central Bell, I held various assignments

1 in outside plant engineering, buildings, and real estate, investment separations
2 and division of revenues. At divestiture (1/1/84), I transferred to AT&T where I
3 have held numerous management positions in Atlanta, Georgia, and Basking
4 Ridge, New Jersey, with responsibilities for investment separations, analysis of
5 access charges and tariffs, training development, financial analysis and
6 budgeting, strategic planning, regulatory issue management, product
7 implementation, strategic pricing, docket management activities and unbundled
8 network element cost case support.

9

10 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY STATE PUBLIC**
11 **SERVICE COMMISSION?**

12 A. Yes, I have testified on behalf of AT&T in Florida, Georgia, Alabama,
13 Tennessee, North Carolina, Mississippi, and South Carolina on product
14 implementation issues, access and pricing issues, and policy issues.

15

16 **Q. WHAT ISSUES DOES YOUR TESTIMONY ADDRESS?**

17 A. My testimony addresses Issues 6, 7, 8, 9 & 10.

18

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

20 A. The purpose of my testimony is to provide AT&T's position on the access flow
21 through requirements of the Tele-Competition Act of 2003 ("the 2003 Act"), and
22 provide an overview of how AT&T will flow through the benefits it receives
23 from the ILEC access reductions, should they be approved, to Florida

1 consumers.

2

3 **REQUIREMENTS OF THE 2003 ACT**

4 **Q. HOW DOES THE LEGISLATION ADDRESS THE FLOW THROUGH OF**
5 **ACCESS CHARGES?**

6 A. Section 364.163(2), Florida Statutes, states:

7 Any interexchange telecommunications company whose intrastate
8 switched network access rate is reduced as a result of the rate
9 adjustments made by a local exchange telecommunications company in
10 accordance with Section 364.164, Florida Statutes, shall decrease its
11 intrastate long distance revenues by the amount necessary to return the
12 benefits of such reduction to both its residential and business customers.
13 The interexchange telecommunications company may determine the
14 specific intrastate rates to be decreased, provided that residential and
15 business customers benefit from the rate decreases.

16

17 **Q. ARE ALL INTEREXCHANGE COMPANIES (IXCs) REQUIRED TO FLOW**
18 **THROUGH ACCESS CHARGE REDUCTIONS?**

19 A. Yes. Each IXC that receives a reduction in access charges is required to reduce
20 its revenues to flow the benefits of the access reductions to its customers; the
21 legislation does not identify any exceptions to the flow through requirement. All
22 IXCs should be required to flow through the switched access reductions they
23 receive in order to keep long distance carriers on a level playing field. The long
24 distance market is highly competitive and to allow some companies an
25 exemption to the flow through requirements would be discriminatory. For
26 competitive neutrality, any flow through conditions imposed must be applied to

1 all IXCs. However, AT&T would not oppose a de minimis threshold established
2 by the Commission for those IXCs for which the flow through would have no
3 meaningful impact. This threshold should be set sufficiently low to allow only
4 those IXCs with very low volume of access use to qualify.

5
6 **Q. DOES THE 2003 ACT GIVE DIRECTIONS AS TO HOW THE FLOW**
7 **THROUGH SHOULD BE ACCOMPLISHED?**

8 A. Yes. The 2003 Act requires that the benefits of the access reductions be flowed
9 through to both residential and business customers, and requires the elimination
10 of any in-state connection or similar fee by July 1, 2006. However, consistent
11 with the deregulatory framework established for IXCs, the 2003 Act does not
12 mandate any specific allocation of flow through benefits between business and
13 residential customers. By taking this path, the legislature has recognized the
14 highly competitive nature of the long distance market and has allowed
15 competitive market forces to determine how and when the benefits are passed to
16 consumers. Doing anything more than what the statute provides would be
17 micromanaging the long distance industry and would be inconsistent with the
18 Telecompetition Act's deregulatory objectives.

19
20 **Q. CAN YOU GIVE EXAMPLES OF HOW THE REQUIREMENTS OF THE**
21 **STATUTE CAN BE MET BY IXCs?**

22 A. Yes. The Act allows IXCs to flow through the benefits of the ILEC access
23 reductions via reductions to existing tariffed services, offering lower priced

1 promotions to customers, introducing new services, and moving existing
2 customers to lower priced plans.

3
4 **Q. WHEN IXC_s IMPLEMENT SUCH CHANGES, WHAT INFORMATION**
5 **SHOULD ACCOMPANY THE FILING?**

6 A. At most, an IXC should have to provide the estimated financial impact of the
7 filing to the company. The statute does not create added regulatory burdens on
8 IXC_s nor should it be used to impose additional regulatory requirements. The
9 Commission has ample means to verify the IXC_s' compliance with the statute
10 without requiring burdensome, upfront filings with detailed information..

11
12 **Q. IS IT NECESSARY FOR IXC_s TO FILE TARIFFS TO BE EFFECTIVE**
13 **SIMULTANEOUSLY WITH THE ILEC ACCESS REDUCTIONS?**

14 A. It is unnecessary to set the exact same filing dates for both the ILECs and IXC_s.
15 The statute clearly requires the IXC's revenues to be reduced by the amount of
16 access reductions it receives. The statute does not specify a timeframe.

17 IXC_s need a sufficient amount of time to both calculate the savings they
18 will receive and to prepare tariffs for filing. AT&T suggests IXC_s be allowed 60
19 days from the ILEC filing date of access tariff revisions to file any tariff
20 revisions for flow through. If the Commission chooses to mandate the ILEC and
21 IXC tariffs be effective simultaneously, AT&T requests that the ILEC access
22 tariff revisions be filed 60 days in advance of the effective date so that IXC_s have
23 the time necessary to conduct their analysis and file their tariffs.

1

2 **Q. IS IT NECESSARY TO RESTRICT IXC PRICES FOR THE SERVICES**
3 **THAT RECEIVE PRICE REDUCTIONS TO IMPLEMENT THE FLOW**
4 **THROUGH?**

5 A. No. The Florida Legislature and this Commission recognize that the
6 interexchange long distance market is highly competitive. In such a market
7 individual companies face a great risk of losing customers should they attempt to
8 increase prices. IXC customers have multiple choices of providers with each
9 trying to win customers and maintain customer loyalty. This is what real
10 competition does, and does better than artificial market control through
11 regulation when none is required. As the commission staff noted in its October
12 22, 2003 recommendation in Docket No. 030961 regarding its proposals for flow
13 through, such restrictions have been unnecessary in the past and could have
14 negative consequences:

15 As the long distance market is highly competitive, imposing any
16 restriction on the length of time a revenue reduction is in place could
17 place the IXCs at a disadvantage. Imposing a time mandate could
18 prevent an IXC from implementing a pricing strategy that maximizes its
19 competitive position.

20

21 Should the Commission mandate a period of time over which the IXC
22 reductions are to be maintained, this would be the first time such a
23 mandate has been imposed. In prior IXC access reduction flow throughs
24 identified earlier in this recommendation, the Commission did not impose
25 a period of time that the rate reductions must be in place.

26

1 Over the past years, long distance competition has continually driven
2 down IXC prices and there is no reason to think this trend would not continue¹,
3 given the access reductions proposed by the ILECs.

4
5 **Q. DOES THE 2003 ACT GIVE ANY DIRECTION TO HOW THE BENEFITS**
6 **OF THE ILEC ACCESS REDUCTIONS ARE TO BE ALLOCATED TO**
7 **RESIDENTIAL AND BUSINESS CUSTOMERS?**

8 A. Yes. The 2003 Act simply requires the benefits of access reductions be returned
9 to both residential and business customers. However, it does not micromanage
10 the IXC market by mandating a methodology or specific allocation. In doing so,
11 the Act recognizes the competitive market is the best determinant of the specifics
12 of the access flow through. The 2003 Act has given IXCs the maximum
13 flexibility to make reductions that meet the needs of the market place. A
14 company should be able to reduce rates based on its particular customer base. If
15 a company provides primarily business services, it should be able to reduce rates
16 primarily to its business customers. Likewise if a company primarily provides
17 residential service, it should be able to reduce residential rates with the vast
18 majority of the access reductions it receives. In order to gain larger market
19 share in a particular market segment, a company should have the flexibility to
20 reduce either residential or business rates in order to execute its own business
21 plans. However, as I previously mentioned, the Act does provide that “any in-
22 state connection fee or similar named fee should be eliminated by July 1,

¹ If the long distance market were to be remonopolized this would jeopardize this trend.

1 2006...". These fees are generally applied to residential customers, thus
2 guaranteeing a reduction for residential customers of this amount, regardless of
3 the actual relative benefits of the access reduction between business and
4 residence customers.

5

1 **AT&T METHODOLOGY**

2

3 **Q. HOW DOES AT&T DETERMINE IT'S ACCESS FLOW THROUGH**
4 **OBLIGATION?**

5 A. AT&T generally determines the total amount of any access flow through based
6 on the following process:

7 ➤ AT&T calculates its change in its access unit cost by service segment. This is
8 based on the existing access tariff rates and the filed and approved "new"
9 access rates of all local exchange carriers. This unit cost change is
10 determined by AT&T's access management organization at the time the new
11 rates are approved.

12 ➤ Next the change in unit costs is provided to the AT&T Consumer Services
13 business unit and the AT&T Business Services business unit. The pricing
14 organizations within each of these business units take the unit cost changes
15 and demand data (minutes of use) to determine the impact of the cost
16 changes on the various services they offer.

17 ➤ The total access reduction for AT&T is the sum of the cost savings calculated
18 for each segment of the business at the time the reduction is made.

19

20 **Q. USING THE ILLUSTRATIVE TARIFF CHANGES PROPOSED BY**
21 **BELLSOUTH, SPRINT AND VERIZON, WHAT ARE THE RESULTS OF**
22 **THE ABOVE DESCRIBED METHODOLOGY?**

23 A. First, in order to make calculations based on the methodology described above,

1 AT&T must make certain assumptions regarding the outcome of the petitions
 2 pending before the Commission. Assuming the “mirroring” methodology
 3 proposed by BellSouth, and the Sprint and Verizon proposals were approved as
 4 filed, the total access cost reductions to AT&T that result from the first year
 5 access reductions proposed by these ILECs is approximately

6 ***BEGIN PROPRIETARY*** ***END PROPRIETARY***.

7 I should add that AT&T, as pointed out in AT&T witness Fontiex’s
 8 testimony, does not believe Verizon has met the parity requirements of the Act
 9 and, therefore, the total reduction will be different from the above numbers
 10 when they are in compliance.

11
 12 **Q. HOW WILL AT&T ALLOCATE THE ACCESS FLOW THROUGH TO**
 13 **RESIDENCE AND BUSINESS CUSTOMERS?**

14 A. In the event the ILEC’s receive permission to reduce their intrastate switched
 15 access to parity with interstate switched access over the time period proposed in
 16 their filings, AT&T proposes the following illustrative initial reductions.

17 AT&T Consumer Services will reduce ***BEGIN PROPRIETARY***
 18 ***END PROPRIETARY***. This amounts to a ***BEGIN
 19 PROPRIETARY*** ***END PROPRIETARY*** revenue reduction.

20 AT&T Business Services will reduce its rates by

21 ***BEGIN PROPRIETARY*** ***END PROPRIETARY***. This
 22 reduction will be allocated to its market segments – Signature Client Group,
 23 Enterprise segment, Mid-Markets segment, and Small Business segment – based

1 on the relative volumes in each of these segments.

2

3 **Q. WILL ALL RESIDENTIAL AND BUSINESS CUSTOMERS EXPERIENCE A**
4 **REDUCTION IN THEIR LONG DISTANCE BILLS?**

5 A. All AT&T residential customers paying the instate connection fee will experience
6 a reduction in their long distance bills immediately upon the effective date of the
7 IXC tariff revisions through the reduction of the in-state connection fee.
8 Residential customers will continue to receive reductions until the instate
9 connection fee is eliminated by July 2006. As I indicated previously, a significant
10 part of that reduction will take place in year one. This will result in an
11 immediate long distance benefit to the *****BEGIN PROPRIETARY*****
12 *****END PROPRIETARY***** AT&T long distance residential customers in the
13 state of Florida.

14 All classes of AT&T's business customers will receive reductions. This
15 includes the Signature Client Group, the Enterprise segment, the Mid-Markets
16 segment, and the Small Business segment. It is possible that a business customer
17 may be on a service that does not receive a reduction. This customer may choose
18 to switch AT&T plans or even switch to another carrier that offers a competitive
19 service. The nature of the long distance market provides the customer the
20 opportunity to vote with his or her feet, an opportunity that is not currently
21 available to many local customers in the state of Florida. Importantly, the
22 statute does not require that every customer receive a long distance benefit. It
23 requires that IXCs reduce their revenues in an amount equal to the access

1 reductions they receive. Most long distance users will see lower long distance
2 rates, but not every customer will see a long distance reduction. As discussed in
3 more detail in Dr. John Mayo's testimony, customers will see other important
4 benefits if the petitions are approved.

5

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

7 **A. Yes.**

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REBUTTAL TESTIMONY OF

RICHARD T. GUEPE

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, LLC

Dockets Nos. 030867-TP, 030868-TP, 030869-TP and 030961-TI

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is Richard T. Guepe. My business address is 1200 Peachtree Street, Atlanta, Georgia, 30309.

Q. ARE YOU THE SAME RICHARD GUEPE THAT PROVIDED TESTIMONY EARLIER IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my testimony is to respond to the direct testimony of Bion Ostrander filed on behalf of the Office of Public Counsel. Mr. Ostrander suggests that the flow through requirements of the Telecompetition Act of 2003 (the 2003 Act) provide the means to re-regulate the already-competitive long distance industry in Florida. Such action is contrary to the deregulatory nature of the Act.

Q. SPECIFICALLY WHICH ISSUES DO YOU ADDRESS?

1 A. I address Issues 6 and 7. Dr. John Mayo will address Issues 8, 9 and 10 on behalf of
2 AT&T.

3

4 **Q. DO YOU AGREE WITH MR. OSTRANDER'S SUGGESTIONS ON WHAT**
5 **MATERIALS SHOULD ACCOMPANY THE IXC FLOWTHROUGH**
6 **TARIFFS?**

7 A. No.

8

9 **Q. WHY NOT?**

10 A. Mr. Ostrander proposes much more stringent requirements on the level and detail of
11 information to be provided by IXCs than the 2003 Act requires. The 2003 Act
12 recognizes the competitive nature of the long distance business by reducing the
13 amount of regulation applicable to this portion of the industry. Mr. Ostrander's
14 suggestions are inconsistent with the spirit of the 2003 Act by requesting that IXCs
15 provide information that is more consistent with rate of return type regulation. If
16 adopted, they would impose additional burdensome requirements on IXCs.

17

18 **Q. WHAT DO YOU MEAN BY MORE STRINGENT REQUIREMENTS?**

19 A. Mr. Ostrander is requesting that IXCs provide specific information on average
20 revenue per minute for both residential and business customers, reductions by type of
21 service, as well as specific revenue data for business and residential customers.
22 These types of requirements are not specified in the statute and are unnecessary in the
23 regulation of an already-competitive market.

1

2 **Q. WHAT DOES THE STATUTE REQUIRE?**

3 A. The statute requires three (3) items with respect to access flow-through: First, IXC
4 should demonstrate that their revenues are reduced consistent with the amount of
5 reductions they receive in access charges; second, that reductions are made for the
6 benefit of residential and business customers; and third, that any in-state connection
7 fee be eliminated no later than July 2006. Any further requirements as proposed by
8 Mr. Ostrander are more stringent than the statute requires and are unnecessary under
9 the statute.

10

11 **Q. MR. OSTRANDER INDICATES THAT HIS RECOMMENDATIONS ARE**
12 **CONSISTENT WITH THE STAFF'S RECOMMENDATION IN THIS**
13 **DOCKET AND THAT THEY SIMPLY "CLARIFY" THE STAFF'S**
14 **PROPOSAL. DO YOU AGREE?**

15 A. No. Mr. Ostrander's proposal goes well beyond the recommendations proposed by
16 staff without any justification as to why such additional materials and calculations are
17 necessary. His proposal also goes far beyond anything required under the statute.
18 Mr. Ostrander appears to be arbitrarily selecting information that he would like to see
19 without explaining the benefits of placing such onerous requirements on carriers. As
20 indicated by the majority of witnesses filing testimony on this issue¹, the IXCs should

¹ For example, Sprint witness Kapka states "Sprint recommends that each carrier required to file a flow-through tariff meet with the Commission Staff and explain the particular approach that the carrier plans to take. The Commission should not attempt to mandate some sort of cookie cutter approach but rather leave it up to the competitive market to determine what particular approach makes sense to each provider..." (Direct testimony p. 5-6). And BellSouth Long Distance witness Henson states "Responsive filings should include tariffs that reduce rates and thus reflect the anticipated access charge reductions that each intrastate interexchange

1 be given the maximum amount of flexibility to implement the flow through, as long
2 as it is consistent with the statute. To do otherwise unnecessarily regulates an
3 already- competitive market and constrains market forces which will ensure that
4 customers receive the benefits of the access reductions.

5
6 **Q. MR. OSTRANDER SUGGESTS THE IXC TARIFF REDUCTIONS MUST BE**
7 **EFFECTIVE SIMULTANEOUS WITH THE APPROVED ILEC ACCESS**
8 **RATE REDUCTIONS. IS THIS NECESSARY?**

9 **A.** No. Non-simultaneous tariffs will not harm consumers. A competitive market, and
10 there is no dispute that the long distance market in Florida is competitive, will
11 provide consumer benefit beyond any regulatory decree. The interstate long distance
12 market provides ample evidence. As shown in the annual FCC report "Reference
13 Book of Rates, Price Indices and Household Expenditures for Telephone Service"
14 released July 15, 2003, competition, left to its own devices, has driven down the
15 average rate for interstate long distance. During the period from 1992 to 2001 (the
16 period covered in this portion of the report), the interstate revenue per minute from
17 toll calls decreased by \$.07. The FCC Trends in Telephone Service Report released
18 August 7, 2003, shows the interstate charges for switched access decreased by less
19 than \$.053 for this period. This demonstrates the competitive market ensured the
20 benefits of access reductions were more than returned to consumers. There is no
21 evidence that the results in Florida would be contrary to this outcome. As such, it
22 simply is not necessary for any tariffs to be effective simultaneously. Once the ILEC

telecommunications company will receive. Each carrier may also file a statement of the total revenue reduction anticipated by such company".

1 access reductions are filed and the actual new rates known, IXCs need sufficient time
2 to calculate their access savings, determine their rate reductions and prepare tariffs for
3 filing. The Commission should allow IXCs 60 days from the ILEC tariff filing date
4 of access reductions to file any tariff revisions that may be required.

5

6 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

7 A. Yes.

8

1 BY MR. HATCH:

2 Q Do you have a summary of your testimony,
3 Mr. Guepe?

4 A Yes, I do.

5 Q Could you please give that?

6 A Yes. I have a brief summary. Good
7 morning. And it is still barely morning, which is
8 good, Madam Chairman and members of the Commission.

9 My testimony actually addresses the access
10 flow-through requirements provided in the Florida
11 Telecommunications -- Tele-Competition Act of 2003.
12 AT&T is fully committed to flow through any access
13 reduction it receives in these cases. The Act
14 provides that interexchange carriers shall, one,
15 reduce revenues by the benefits received from the
16 access reductions; second, determine the specific
17 intrastate rates to be decreased, provided that both
18 residential and business customers benefit from the
19 rate decreases; and third, eliminate any in-state
20 connection fee by July 1, 2006. AT&T's proposed
21 flow-through complies with these requirements.

22 It is important to recognize that an
23 interexchange carrier's access savings from an access
24 reduction is determined by the intrastate access
25 minutes that the IXC's customers generate. The

1 relative amounts of business and residential calling
2 determine the relative access savings received from
3 the access reductions. The cost savings to AT&T are
4 determined by its intrastate minutes, and these are
5 not related to prices for basic local services charged
6 by the local exchange companies.

7 Both AT&T residential and business
8 customers will benefit from the access reductions
9 approved by this Commission. AT&T will reduced its
10 revenues, including elimination of its in-state
11 connection fee for residential customers and reducing
12 prices for business customers in each of its business
13 market segments.

14 This completes my summary.

15 MR. HATCH: We tender the witness for
16 cross.

17 CHAIRMAN JABER: Companies? Mr. Beck?

18 MR. BECK: Thank, Madam Chairman.

19 CROSS EXAMINATION

20 BY MR. BECK:

21 Q Good morning, Mr. Guepe.

22 A Good morning.

23 Q Could you please turn to page 9 of your
24 direct testimony?

25 A Yes.

1 Q And it's on this page of your direct
2 testimony that you describe the manner in which AT&T
3 will flow back the access charge reductions to its
4 customers, is it not?

5 A That's correct.

6 Q On line 18 of page 9, you give the amount
7 of the access charge reduction that will flow through
8 to residential customers; is that right?

9 A That's correct.

10 Q And on line 21 on page 9 of your testimony,
11 you give the amount that will flow back to business
12 customers; is that right?

13 A That's correct.

14 Q On line 5 of page 9, you give back the
15 total amount of access charge reductions that AT&T
16 will experience?

17 A That's correct.

18 Q When I add up the amount on line 18 and the
19 amount on line 21, I get an amount slightly different
20 than the amount on line 5. Is that just rounding
21 errors?

22 A That must just be a rounding error, because
23 one was in a single decimal and the other was not. I
24 apologize.

25 Q Now, if I wanted to get the proportion of

1 the access charge reduction that will flow through to
2 residential customers, would I take the amount on line
3 18 and divide it by the amount shown on line 5?

4 A That's correct.

5 Q And the proportion for business customers
6 would be the amount on line 21 divided by the amount
7 on line 5; is that right?

8 A That's correct.

9 Q Can you publicly state what that proportion
10 is?

11 A No, I cannot.

12 Q On line 16 --

13 COMMISSIONER DEASON: I'm sorry, Mr. Beck.

14 MR. BECK: Yes.

15 COMMISSIONER DEASON: I don't know that my
16 line numbers are meshing up with yours. Do you have a
17 -- can you provide us a confidential exhibit that has
18 the numbers on there, or is -- I'm having difficulty
19 following, and certainly this is something I'm very
20 interested in.

21 MR. BECK: Commissioners, it must be --
22 we've seen this before. Many of us got the testimony
23 on .pdf files and printed them out, and I guess that
24 differs than what's the --

25 CHAIRMAN JABER: Yes. I think that's fine.

1 That's not what Commissioner Deason is -- can you give
2 us a copy of the confidential exhibit so we can be
3 looking at the same thing you're looking at as you ask
4 questions?

5 MR. BECK: I don't have extra copies with
6 me. It's his testimony, and I can -- I have the other
7 copy next to me that Mr. Fons is going to let me use.
8 I could use that if you like.

9 CHAIRMAN JABER: Mr. Hatch? It looks like
10 Mr. Hatch has it.

11 All right. We have -- Mr. Beck, we have a
12 copy of what you're looking at, I believe. You want
13 to give me the page numbers again?

14 MR. BECK: What I was looking at was page
15 9. Mr. Fons has shown me one that's approximately one
16 page different than that, page 10.

17 CHAIRMAN JABER: Okay. What was the
18 question you asked?

19 MR. BECK: Well, I guess I need to go
20 through them, because we did a number of
21 calculations.

22 CHAIRMAN JABER: Yes, please. Sorry about
23 that.

24 MR. BECK: No, I'm glad you mentioned it.

25 BY MR. BECK:

1 Q Mr. Guepe, I guess we need to go through
2 those questions again. Were you on the same page as
3 me? Were we following the same --

4 A Yes.

5 Q Okay. On page 9, Mr. Guepe, I have a --
6 beginning at line 17, after the words "end
7 proprietary," you have, "This amounts to a," and then
8 on line 18, you give an amount for a revenue
9 reduction; is that right?

10 A Yes.

11 Q And that's the amount of access charge
12 reductions that AT&T will flow through to its
13 residential customers; is that right?

14 A That's correct.

15 Q And on page 9, on line 21 --

16 COMMISSIONER DEASON: Mr. Beck, I just need
17 to understand this as we go through it. That number
18 -- I'll ask the witness. That number, does that
19 include the effect of the connection charge
20 elimination, or is --

21 THE WITNESS: This is just the first year.

22 COMMISSIONER DEASON: Just -- i'm sorry.

23 THE WITNESS: This is the first year
24 impact.

25 COMMISSIONER DEASON: Just the first year

1 impact?

2 THE WITNESS: Correct.

3 COMMISSIONER DEASON: Okay. Thank you.

4 BY MR. BECK:

5 Q Mr. Guepe, on line 21 of page 9, you give
6 the amount of the access charge reductions that you
7 will flow through to business customers; is that
8 right?

9 A Correct.

10 Q And if I wanted to get the proportion of
11 the access charge reduction that will flow through to
12 residential customers, I would take the amount shown
13 on line 18 and divide that by the amount shown on line
14 5; is that correct?

15 A That is correct.

16 Q And likewise, if I wanted to get the
17 portion of the access charge reduction that will flow
18 through to business customers, I would take the amount
19 on line 21 and divide that by the amount on line 5; is
20 that right?

21 A That is correct.

22 Q Now, beginning on line 16, before the words
23 -- it says "begin proprietary." You state in your
24 testimony that AT&T Consumer Services will reduce, and
25 then you follow that by a description of what AT&T is

1 going to reduce for its residential customers; is that
2 right?

3 A That's correct.

4 Q And you claim -- and AT&T, at least, claims
5 that that's confidential to state what that is?

6 A That's correct.

7 MR. BECK: Madam Chair, could I have an
8 exhibit marked for identification? This is an article
9 appearing in yesterday's Wall Street Journal, and it's
10 entitled "The surprise in your phone bill."

11 CHAIRMAN JABER: "The surprise in your
12 phone bill"?

13 MR. BECK: Yes.

14 CHAIRMAN JABER: Wall Street Journal
15 article "The surprise in your phone bill" will be
16 identified as Exhibit 74.

17 (Exhibit 74 marked for identification.)

18 BY MR. BECK:

19 Q Mr. Guepe, have you looked at that article?

20 A Had I seen it before this? No. But I've
21 seen what you handed me, yes.

22 Q Okay.

23 A It appears to deal with interstate.

24 Q I would like to direct your attention to
25 the second paragraph of the story. And let me read

1 what I'm referring to. It says, "Starting in January,
2 AT&T Corporation is adding a new \$3.95 monthly fee to
3 the bills of roughly 10 million customers who already
4 pay the company's top basic rates for long distance
5 because they haven't selected a discount calling
6 plan." Do you see that?

7 A Yes.

8 Q Does AT&T claim that information is
9 confidential?

10 A Apparently not. It says roughly 10
11 million. You know, it's not a specific number.

12 Q That's a charge that AT&T is going to
13 impose in January of 2004; is that right?

14 A That's what it says, yes.

15 Q Now, that information is not confidential.
16 Why is the information in your testimony on lines 16
17 and 17 where you describe what AT&T is going to do to
18 flow through its access charge reductions, why is that
19 confidential?

20 A I would say this is something that has
21 already been filed and is public information. What we
22 have here is really based on proposals. We don't know
23 what's going to happen, and the amounts have not been
24 finalized. And competitors, I would love to know
25 competitors are going to do. That assists my market

1 planning. And by making it public, you are assisting
2 competitors, and that's why.

3 Q But you've done that. In the Wall Street
4 Journal article, you said what rate change you're
5 going to do.

6 A And I believe it has already been filed
7 with the FCC. That's why it's public.

8 MR. BECK: Madam Chairman, you can see what
9 is in the confidential testimony. I don't know see
10 any difference between what's publicly available in
11 concept and what's in the testimony. I would like to
12 ask you to ask AT&T to reveal that portion of their
13 testimony, not the numbers, but just state what it is.
14 And if they don't do it voluntarily, I would ask the
15 Commission to order them to. I don't see anything
16 confidential in that.

17 CHAIRMAN JABER: You don't want them to
18 state the numbers, but you said state specifically.
19 What do you mean, like percentages?

20 MR. BECK: On line 16, where it says, "AT&T
21 Consumer Services will reduce," and then it's followed
22 by a description of what AT&T is going to do to flow
23 through the access charge reductions, I would ask you
24 to have them disclose that, what it says between
25 "begin proprietary" and "end proprietary."

1 CHAIRMAN JABER: And those are numbers, so
2 I'm just asking for clarification from you. You
3 initially said --

4 MR. BECK: Yes, those are numbers. What
5 I'm asking you not force them to disclose is the total
6 dollar amounts that are listed on line 18 or line 21
7 or line 5.

8 CHAIRMAN JABER: Okay. And, Mr. Beck,
9 since I wasn't the Prehearing Officer on this case and
10 I'm not really familiar with what has been deemed
11 confidential pursuant to an order or what has been
12 considered confidential because it was filed under the
13 statute, why don't you help me. Has this already been
14 considered by the Prehearing Officer? Are you asking
15 us to reconsider a decision, or are you asking me to
16 rule on a pending request?

17 MR. HATCH: Madam Chair, if I may --

18 CHAIRMAN JABER: No. Hang on.

19 MR. BECK: They have asked when they filed
20 this testimony for temporary confidential treatment,
21 which we always honor. I do not know the precise
22 status of that, whether it has been ruled on or not.
23 Perhaps Mr. Hatch --

24 CHAIRMAN JABER: That's an important --

25 COMMISSIONER BRADLEY: Madam --

1 CHAIRMAN JABER: -- consideration for me
2 just from a procedural standpoint, because I'm going
3 to offer this question up to the Commissioners, and I
4 need to know is it one of reconsideration, or is this
5 a new question being posed to us?

6 Commissioner Bradley, I'm going to come to
7 you in a minute.

8 Ms. Keating, can you help us out here?

9 MS. KEATING: I do not believe that the
10 request has actually been addressed for witness
11 Guepe's --

12 CHAIRMAN JABER: Okay. Mr. Hatch?

13 MR. HATCH: Madam Chairman, the request
14 that we filed was pursuant to the Commission's
15 confidentiality rules, 25-24 -- I mean 25-22.006,
16 subsection (5). That subsection provides that for
17 claims of confidentiality pursuant to 364.183, the
18 materials filed are confidential until the conclusion
19 of the proceeding, and at the conclusion of the
20 proceeding, then we have an opportunity to request a
21 full-blown confidentiality request if that information
22 is admitted into the record.

23 Now, setting that piece -- that's the
24 status of the information now. Now, Charlie Beck --

25 CHAIRMAN JABER: Now, let me interrupt you,

1 Mr. Hatch. But that rule also -- doesn't it require
2 you to file a notice of intent within a certain amount
3 of time, or not?

4 MR. HATCH: That rule technically does not,
5 but the functional notice of intent is actually the
6 cover letter that is submitted with the information
7 claiming proprietary confidential pursuant to that
8 rule provision.

9 CHAIRMAN JABER: Until the Commission acts.
10 Now, there's no prohibition on when the Commission
11 acts.

12 MR. HATCH: The Commission's rules have a
13 procedure in it for a party seeking a determination of
14 confidentiality. In the absence of a Commission
15 ruling, then they can file a petition, and I have an
16 opportunity to respond to that within 10 days.

17 In addition to that, Mr. Beck's request is
18 also in violation of the procedure set out in the
19 Prehearing Order by Commissioner Bradley in terms of
20 the process for handling confidential information, and
21 it's designed to avoid the debates that we're having
22 here at this moment.

23 CHAIRMAN JABER: Well, but can Mr. Beck
24 make his petition or have his request entertained at
25 the hearing?

1 MR. HATCH: Yes, but then it puts us on the
2 spot of filing an adequate response. We just have to
3 shoot from the hip. He has had plenty of time to
4 consider it, and I'm getting it for the first time
5 today.

6 CHAIRMAN JABER: Commissioner Bradley, you
7 wanted to say something, or do you want me to kind of
8 pose it to the Commission?

9 COMMISSIONER BRADLEY: Ms. Salak is
10 correct in her response, so --

11 CHAIRMAN JABER: Okay. Commissioners, I
12 have to tell you, I -- and I think we've all expressed
13 this frustration. Maybe we all need to get our hands
14 on a copy of the confidentiality rules, and we can
15 certainly take a break and let our staff get us that.
16 But the frustration I have is, frankly, I want to be
17 able to sit down and digest this same information over
18 the weekend and make that comprehensive decision that
19 we all have to make, and this puts me in that awkward
20 position of having to remember what we saw in these
21 red folders. And while I'm sensitive to the concerns
22 raised in terms of not revealing information that is
23 competitive in nature, I need to balance that with
24 being able to make an informed decision.

25 I would love to have feedback on this.

1 This is not a decision I'm going to make alone. I
2 just don't feel like I can, frankly. I need input
3 from my colleagues on this one.

4 COMMISSIONER BRADLEY: Why don't we take a
5 five-minute break or so and allow for some discussion
6 to occur as to how we maybe need to proceed.

7 CHAIRMAN JABER: That's a great idea,
8 Commissioner Bradley. Before -- I'm going to take
9 Commissioner Bradley up on that idea, but before we do
10 that, are there any other comments from the
11 Commissioners, any requests that you have of staff
12 during that break?

13 COMMISSIONER DEASON: I just need to get
14 something clarified before we --

15 CHAIRMAN JABER: Commissioner Deason.

16 COMMISSIONER DEASON: -- leave it, if I
17 may. I asked a question earlier, and I perhaps
18 phrased the question inappropriately, because I'm not
19 sure the response was responsive. And I'll address
20 this to the witness.

21 There is an amount -- and I'm looking at
22 the confidential version of your testimony, and the
23 version I'm using has the old page format or the new
24 page format. On my version it's page 10 of your
25 testimony, but I think the question from Mr. Beck was

1 on page 9. But there was an amount that was indicated
2 that was attributable to residential reduction for the
3 first year.

4 THE WITNESS: Correct.

5 COMMISSIONER DEASON: Okay. Is that entire
6 amount comprised of reductions in the in-state
7 connection, or is it some other manner that that
8 reduction is being -- that dollar amount of reduction
9 is being achieved, or can you say?

10 THE WITNESS: The dollar amount is being
11 achieved as it says in the lines before it.

12 COMMISSIONER DEASON: Okay. That's fine.

13 CHAIRMAN JABER: Okay. Ms. Keating, I'm
14 sure five minutes is not adequate. We can take 10
15 minutes. But here are the two things I need. You
16 need to talk to the parties and see if there's some
17 sort of middle ground. Second, you need to give us
18 the confidentiality rules. And my question in that
19 regard is, is this an appropriate request to be
20 entertained at the hearing, and if it is, what's your
21 recommendation? And I will allow the parties to
22 address us further on this issue.

23 Okay. Ten minutes.

24 (Short recess.)

25 CHAIRMAN JABER: All right. Commissioners,

1 let's get back on the record. The parties and staff
2 are ready to entertain the question we left on the
3 table, which is, Ms. Keating, I wanted to know what
4 our confidentiality rules provide and what your
5 recommendation would be in terms of handling
6 Mr. Beck's request. Please leave an opportunity for
7 me to hear from the parties as well.

8 MS. KEATING: Certainly, Madam Chairman.
9 Before I get to the actual recommendation
10 stage, though, I understand from discussions with the
11 parties that Mr. Beck's request may be altered in some
12 way.

13 MR. BECK: I spoke with your General
14 Counsel during the break, and I am convinced that
15 procedurally this can't be done the way I have asked,
16 so I'm willing to withdraw it. There would still
17 remain the request for AT&T to voluntarily disclose
18 this information, but I understand they will not, so
19 I'm willing to go on.

20 CHAIRMAN JABER: Mr. Beck, let me just say
21 that I appreciate your statement. I appreciate your
22 agreement and share in your frustration.

23 And in that regard, Mr. Hatch, if there is
24 anything you can think of that would help the
25 Commissioners in having some aspect of this not be

1 confidential, I would just ask that you consider it
2 and perhaps volunteer a different format or something
3 like that.

4 MR. HATCH: Madam Chairman, I share your
5 frustration, believe it or not.

6 CHAIRMAN JABER: Yes, you can't redirect
7 your witness.

8 MR. HATCH: It makes it a little more
9 difficult; that is correct. But I cannot at this
10 point divulge the confidential information. I can't
11 waive it.

12 CHAIRMAN JABER: Okay. Commissioners,
13 sounds like we can move on.

14 Mr. Beck, you did have questions, though.

15 MR. BECK: Yes. Thank you, Madam Chairman.

16 BY MR. BECK:

17 Q Mr. Guepe, let me just follow up then and
18 make sure we understand what your testimony says.
19 There's a dollar amount on line 18.

20 A That's correct.

21 Q And that shows the amount -- that's dollars
22 that are going to flow through to residential
23 customers?

24 A That's correct.

25 Q Do those dollars reflect in total what you

1 state that you're going to do on lines 16 and 17? In
2 other words, to accomplish what you say you're going
3 to do on lines 16 and 17, does it take the dollars
4 listed on line 18?

5 A Yes.

6 Q Okay. Is the action that AT&T describes on
7 lines 16 and 17, is that the only action AT&T proposes
8 to do to flow through the access charge reductions to
9 residential customers?

10 A In the first year?

11 Q Yes.

12 A Yes.

13 Q In all of this, I've only meant the first
14 year.

15 A Okay.

16 Q Let me ask you about a hypothetical
17 customer in Tallahassee, Florida. We have a
18 residential customer of Sprint that takes Sprint for
19 their local service, and they take AT&T's basic rate
20 for long distance service.

21 A All right.

22 Q In the first quarter of 2004, there's an
23 interstate rate that AT&T will charge its basic rate
24 customers of 3.95 per month; is that right?

25 A You're referring to the press release?

1 Q Yes.

2 A Yes. And there are other plans that that
3 customer can select from that do not have that charge.

4 Q Right. And that action is completely
5 beyond the control of this Commission?

6 A Yes, as is -- this is an interstate piece
7 of it. That is --

8 Q If Sprint's petition is granted by the
9 Commission, residential customers will receive an
10 increase of \$2.95; is that right?

11 A I'll take your word for it. I don't know
12 what Sprint's specific increases are.

13 Q So they would get -- this hypothetical
14 customer would get your basic rates increase of \$3.95
15 plus an increase by Sprint of \$2.95, for a total of
16 \$6.90; is that right?

17 A If everything else was held equal and they
18 were just on that and they didn't choose another plan,
19 certainly. I mean, that's what mathematically it is.
20 The math, you know, it is what it is.

21 Q And then to offset that, they would get the
22 reduction that you describe on lines 16 and 17?

23 A That's correct.

24 MR. BECK: If Sprint's petition was
25 granted.

1 That's all I have. Thank you very much.

2 CHAIRMAN JABER: Mr. Twomey.

3 MR. TWOMEY: Yes, ma'am. Thank you.

4 CROSS EXAMINATION

5 BY MR. TWOMEY:

6 Q Good afternoon, sir.

7 A Good afternoon.

8 Q I've got a document that had the same page
9 numbers as the Commissioners, apparently, so just bear
10 with me.

11 A All right. It's a short testimony. We can
12 figure it out.

13 Q Would you go to page 7 of your direct
14 testimony, please.

15 The page I've got, this is the question
16 that starts, "Does the 2003 Act give any direction to
17 how the benefits of the ILECs' access reductions are
18 to be allocated to residential and business
19 customers?" Okay?

20 And you say that the Act gives the IXCs the
21 maximum flexibility to make reductions to meet the
22 needs of the marketplace; right?

23 A That's correct.

24 Q And I think you also indicate elsewhere in
25 your testimony, if not on this page, that there are no

1 percentages or other restrictions placed upon the IXC
2 in reducing its rates other than that some reductions
3 have to be to the business class and some to the
4 residential; correct?

5 A That's correct.

6 Q So theoretically, one could argue that you
7 could give 99% of the decreases to your residential
8 customers and 1% to the residential customers and be
9 legally in compliance with the statute; correct?

10 A Theoretically, yes, that could happen. But
11 in reality, it would not, because you've got a lot of
12 different competitors with different mixes of
13 customers, with business and residence, and each one
14 is going to be looking at their change of cost
15 structure and passing on the benefits according to
16 their change of cost structure, and then the
17 competitive market takes effect and makes them respond
18 to each other. So the idea of any one company, unless
19 they were literally, you know, 99% business and 1%
20 residence, it wouldn't happen.

21 Q well, in fact, that hypothetical or
22 theoretical possibility I guess we should eliminate,
23 because as the Commissioners know now through that
24 confidential -- one of the confidential exhibits, AT&T
25 has in fact stated a percentage that it proposes to

1 flow back to its residential customers; correct?

2 A That's correct.

3 Q And I assume you're happy to say it's
4 larger than 1%?

5 A It's greater than 1%, yes.

6 Q Now, let me ask you on that, is the number
7 contained in that confidential exhibit a guarantee or
8 a commitment to this Commission of what you will do in
9 the first year?

10 A Based upon the plans that were set out.
11 Now, if they've changed, what is there would change.
12 But, yes, I mean, if it was approved as everything was
13 filed, then that's what's going to happen.

14 Q That would be the percentage that you would
15 plan to give back to residential?

16 A Yes.

17 Q Okay. You say at line 13 of that page a
18 company should be able to reduce rates based on its
19 particular customer base. If it's not proprietary,
20 what is generally the customer base of AT&T these
21 days?

22 A What do you mean by customer -- I mean,
23 it's --

24 Q Well, you go on to say in that testimony if
25 a company provides primarily business services, it

1 should be able to reduce rates primarily to its
2 business customers. Likewise, if a company primarily
3 provides residential service, it should be able to
4 reduce residential rates with the vast majority of the
5 access reductions it receives. So my question is in
6 that tone. What are y'all? Is your customer base
7 primarily business or primarily residential?

8 A I know the answer to that, but I'm not sure
9 whether I can give you a percentage.

10 MR. HATCH: Madam Chair, he's not trying to
11 obfuscate. We can provide that number if you wish.
12 It is a proprietary number. We just have to hand it
13 out and gather it back up.

14 CHAIRMAN JABER: Mr. Twomey, I wouldn't
15 mind seeing that number. If AT&T has it, they can go
16 ahead and pass it out.

17 MR. TWOMEY: Okay.

18 MR. HATCH: I don't have it printed. It
19 will take my paralegal a second to draft it up on a
20 piece of paper. It's a relatively small number, but
21 it could be done easily.

22 CHAIRMAN JABER: I'm sorry. I
23 misunderstood. Mr. Twomey, you can move on to your
24 next --

25 MR. TWOMEY: Yes.

1 CHAIRMAN JABER: -- series, and give you
2 time to do that.

3 MR. TWOMEY: Thank you, ma'am.

4 BY MR. TWOMEY:

5 Q So that's what you're going to do the first
6 year. And I think Mr. Beck or somebody asked you if
7 the revenue impact of the elimination of the in-state
8 connection fee would influence your distribution in
9 year 1, and you said no; right? Did you say --

10 A I don't remember the question.

11 Q I'm sorry. Well, you don't plan on
12 eliminating the in-state, the \$1.88 in-state
13 connection fee in the first year of the access
14 flow-throughs, do you?

15 A Totally eliminate it? No, I can say that
16 we would not be totally eliminating it within the
17 first year.

18 Q Are you going to eliminate a portion of it?
19 That's your plan?

20 A What we're going to do is in the
21 confidential part of the testimony.

22 Q Okay. On the page numbered 10 that I
23 have, number 10, you were asked the question how AT&T
24 will allocate the access flow-through to residence and
25 business customers. And my question is, below the

1 redacted testimony on line 21, you say this reduction
2 will be allocated to its market segments, Signature
3 Client Group, Enterprise segment, Mid-Markets segment,
4 and Small Business segment, based on the relative
5 volumes in each of these segments.

6 would you tell me who the Signature Client
7 Group plan is marketed to or available to?

8 A I can tell you the types of services that
9 are in each one. You know, as you go by -- the
10 Signature Client Group is generally the biggest
11 customers, and your Enterprise is your next step down,
12 your Mid-Markets is the next step down, and your Small
13 Business is your business long distance, your -- some
14 of your smaller volume plans.

15 Q Okay. would you give us an illustration
16 of a customer that might be taking the Signature
17 Client Group?

18 A It could be someone that takes some SDN
19 type services, software defined network services,
20 things that are provided over high-capacity type
21 facilities.

22 Q And these are all business plans you're
23 talking about here; right?

24 A Yes, yes.

25 Q Okay. so by definition, they're not

1 residential. Would that Signature Client Group -- it
2 wouldn't include single-line business customers?

3 A No, the Signature Client doesn't.
4 Single-line business would be in the Small Business
5 section.

6 Q Small Business. So the Enterprise and
7 Mid-Markets are not single-line?

8 A Correct.

9 Q Okay. And you recognize, don't you, that
10 if the Commission approves these rate increases, that
11 only residential and single-line business customers
12 will receive monthly recurring rate increases?

13 A I'll take your word for it. I'm not sure
14 what --

15 Q And that necessarily, the larger business
16 customers that apparently are indicated here wouldn't
17 be getting increases?

18 A Well, as I said, they would -- right. But
19 as I said, the flow-through would be dependent on what
20 actual cost savings these segments of the market
21 incur. So it isn't like we're going to say we're
22 going to give it all to the high end, we're going to
23 give it -- you know.

24 Q Well, you say at the end of that sentence
25 that you're going to -- apparently the amount of

1 dollars in the access fee reductions allocated to each
2 of those business plan groups would be based on the
3 relative volumes in each of these segments. And by
4 volume, are you speaking of --

5 A Access minutes.

6 Q Access minutes? Okay.

7 A Because that's what determines the savings.
8 It's access minutes.

9 Q Okay. Thank you. Now, I don't know if
10 this is proprietary or not, but generally would one
11 conclude that the larger business groups have more
12 volume than the lower ones in this hierarchy, or is
13 that not true?

14 A That's a logical conclusion.

15 Q So does it follow then that the bigger they
16 are, the more they get back in access fee reductions?

17 A In terms of per minute, no, but in terms of
18 actual numbers, it could -- you know, mathematically,
19 that's the way it would turn out.

20 Q Okay. Now, you recognize that the in-state
21 connection fee reduction is obviously only going to
22 benefit the people that pay it; right?

23 A Correct.

24 Q Now, how long does -- if you know, how
25 long does AT&T propose to flow through access fee

1 reductions to its customers, be they residential or
2 business?

3 A well, the in-state connection fee has to go
4 away totally, so you know that's permanent. And the
5 competitive market -- and we've heard several
6 economists throughout this proceeding talk about how
7 the market forces prices down. And the market is so
8 competitive, there's really -- an individual
9 competitor has no way of starting to increase prices,
10 because they'll lose market share, and the market will
11 continue to force prices to stay where they are or go
12 down.

13 Q Let me ask you, what is your understanding
14 of the statutory requirement that the -- just the
15 statute's requirement, irrespective of what your plans
16 are, that the in-state connection fee has to be
17 eliminated by July of 2006? Do you understand that
18 that only has to occur if there are access reductions
19 left with which to be -- to net that number against?

20 A The way the statute reads, it sounds like
21 if the access reductions were insufficient. But it
22 doesn't look like the access reductions would be
23 insufficient.

24 Q Okay. How long do you understand by the
25 law that AT&T is legally required to continue to flow

1 through the access fee reductions that you would get
2 from the ILECs?

3 MR. HATCH: Objection. Calls for a legal
4 conclusion.

5 CHAIRMAN JABER: Mr. Twomey, your response?

6 MR. TWOMEY: Well, this gentleman is an
7 expert witness. He's here to tell the Commission, I
8 think, what benefits -- he's trying to tell the
9 Commission what benefits their customers are going to
10 receive, and I think it's a reasonable enough question
11 to know whether they think they have to do it for a
12 certain number of years or not.

13 CHAIRMAN JABER: So are you asking for his
14 opinion as to whether he believes they have to do it?

15 MR. TWOMEY: Yes. I'm essentially asking
16 if he -- what the company thought they had to do.

17 CHAIRMAN JABER: I'll allow the question.

18 THE WITNESS: Okay. Repeat it, please.

19 BY MR. TWOMEY:

20 Q Yes, sir. You've read the statute?

21 A Yes.

22 Q You've -- have you talked to your attorneys
23 and other advisors about the requirements of the law?

24 MR. HATCH: Objection. Calls for the
25 disclosure of privileged information.

1 CHAIRMAN JABER: Mr. Twomey, what I will
2 allow is, in his opinion, and based on his
3 understanding of the company's position, does he
4 believe they're required to do it. You're welcome to
5 take that question or reword it, but that's what I'll
6 allow.

7 MR. TWOMEY: Okay. Thank you.

8 BY MR. TWOMEY:

9 Q How long do you think, per the law, you
10 have to continue returning access fee reductions to
11 your customers?

12 A The law says you have to pass through the
13 benefits of it. It doesn't give a time frame. But as
14 I said, once you've done that, the competitive market
15 is going to keep that going. And I think that's what
16 the law recognized in giving the IXCs the flexibility
17 to be able to make changes, to get out the regulatory
18 overlay which could start distorting the market and,
19 you know, actually harm the competitive LD market.

20 Q Do you think there is any legal
21 requirement that you have to continue flowing through
22 the access fee reductions after statutory parity is
23 reached?

24 MR. HATCH: Objection. Again calls for a
25 legal conclusion.

1 CHAIRMAN JABER: Let me tell you,
2 Mr. Hatch, the difficulty with that objection overall
3 as it relates to this witness and many witnesses is,
4 they are testifying to what the Act provides or
5 doesn't provide. I'm looking at all of the questions
6 over again, and he spends a lot of time in his
7 testimony interpreting the Act.

8 So I will allow the question, Mr. Twomey,
9 if you preface it with in his opinion and
10 understanding of his company's case, does he believe.

11 BY MR. TWOMEY:

12 Q Do you understand the question?

13 A Okay. Run it by me again.

14 Q In your opinion and understanding of the
15 case, do you believe there is a requirement that the
16 company has to continue flowing through access fee
17 reductions to its customers after parity is achieved?

18 A The law requires that access benefits be
19 passed through. It doesn't give a time frame on it.
20 So I would guess the answer is yes. But I think the
21 law, once again, recognizes that the competitive
22 market will have a big hand in this.

23 Q Do you know when statutory parity will be
24 reached if the Commission approves the petitions
25 before it?

1 A If they were approved as filed, it sounds
2 like in three years.

3 Q Thank you. That's all I have.

4 A You know, it was three increments or
5 something like that.

6 MR. TWOMEY: Three? That's all.

7 COMMISSIONER DEASON: Staff? Staff?

8 MR. FORDHAM: Thank you, Madam Chairman.

9 CROSS EXAMINATION

10 BY MR. FORDHAM:

11 Q Good afternoon, Mr. Guepe. I'm Lee
12 Fordham.

13 A Good afternoon.

14 Q A couple of questions. First of all, on
15 page 5, lines 6 and 7, of your direct testimony, I
16 studied this statement and can't quite understand what
17 it meant. Is it possible that there's an error, one
18 word there in error in that statement, where it says
19 that at most, an IXC should have to provide the
20 estimated financial impact of the filing to the
21 company?

22 CHAIRMAN JABER: Where?

23 A It's the estimated impact to the company of
24 the filing. I mean, they're providing it to the
25 Commission, yes, but it's the impact on --

1 Q So the word "company" should be
2 "Commission"?

3 A Well, it's the impact on the company, but
4 you're giving it to the Commission, so -- after
5 rereading it, I see what you're saying.

6 Q Well, I recognize I'm not sharpest knife in
7 the drawer, but I'm just struggling with that a little
8 bit. Would it be correct if "company" were changed to
9 "Commission"?

10 A Yes, it would be the impact -- estimated
11 filing impact of the company to the Commission.

12 Q Okay.

13 A "To the Commission" was kind of -- was
14 implied there.

15 Q Okay. Very good. Thank you.

16 A Given that's who you're filing the filing
17 with, the information with.

18 Q Great. Thank you for that clarification.
19 I feel a little better about that.

20 Now, does that include a separate
21 demonstration to the Commission that both residence
22 and business long distance rates have been reduced?

23 A I think the filing itself would show that,
24 because if you're filing residence rates and business
25 rates, it's kind of a given. So, I mean, yes, that

1 would be part of it.

2 Q Okay. And do you believe, sir, that AT&T
3 should be required to demonstrate to this Commission
4 that all reductions have been flowed through?

5 A I think that's what the law requires, and
6 that's where the tools that this Commission has, such
7 as auditing capability to look at, you know, after
8 this all is said and done, have average revenues
9 decreased as much as average access. And that's why
10 -- you know, you've got the gives and takes with
11 different services, but it's the average revenues,
12 average revenue per minute, which is kind of the
13 bottom line on it after it's all said and done. And
14 that's where the audit capability comes in.

15 Q On page 5 of your direct testimony, lines
16 17 through 23, you suggest that the IXCs be allowed 60
17 days from the ILEC filing date of access tariff
18 revisions to file any AT&T tariff revisions for
19 flow-through. Is that --

20 A That's correct.

21 Q -- correct, sir?

22 A And I believe it turns out that's
23 consistent pretty well with a lot of the interexchange
24 carriers.

25 Q Are you in a position to say whether AT&T

1 would agree to implement the access rate flow-through
2 simultaneous with any ILEC basic rate increases,
3 providing sufficient time was given for AT&T to
4 develop a plan for the price changes?

5 A As I've stated, our position is that it
6 shouldn't be required, and I'll give you some of our
7 concerns on it and then come back to that. The
8 concerns are, if you've got the three companies, and
9 for some reason or another, one filed it effective one
10 date, one was 10 days later, one was, you know, two
11 weeks later -- and this isn't just necessarily this
12 year, but next year when they end up -- it sounds like
13 it's up to them when they're actually going to file
14 those things. Now, maybe the Commission can tell them
15 in subsequent years, here's exactly when you have to
16 file it. But we don't want to be put in the position
17 of, oh, well, you've got to run through all the
18 pricing and everything that you need to do, get
19 tariffs ready once, and 10 days later do them again,
20 and 30 days later do them again. So if there's -- we
21 need some kind of efficiencies, you might say.

22 That said, if the Commission says it has
23 to be done simultaneously and gives us the 60 days,
24 we're okay with that.

25 Q well, just following through a little bit

1 with that, sir, are you acquainted with PSC Order No.
2 98-0795-FOF-TP, which was issued June 8, 1988, dealing
3 with some earlier LEC tariffs implementing switched
4 access reductions? Are you familiar with that order,
5 sir?

6 A I can't say that I am.

7 Q Okay. Then I'll -- essentially, would you
8 -- if I represent to you that for two separate cases
9 of rate reductions, AT&T complied in less than 30
10 days, in one of them 30 days, and one in I think 21
11 days, would you accept that subject to check, that
12 that happened in that particular instance?

13 A Subject to check, yes.

14 Q And you, of course, not being familiar with
15 the order, would you have any knowledge whether AT&T
16 complied with that order on that occasion?

17 A I would not know, but I have a feeling if
18 we didn't, you would be letting us know.

19 Q I guess the question there is whether -- if
20 AT&T was able to comply with that order in 21 days and
21 30 days respectively, why at this point it would not
22 be able to comply with a 44-day requirement.

23 A I just know how long it's -- when we went
24 back to our business units to say how long in this
25 process does it take, that they said they needed it.

1 I know since -- if that was 1998, the staffing levels
2 at AT&T have gone down considerably, and the amount of
3 resources available for doing that type of work are
4 much less than they were then, and that could be why
5 then we could do it and today we would ask for more
6 time.

7 CHAIRMAN JABER: You know, Mr. Guepe, some
8 would say that if this Commission can finish this
9 proceeding in 90 days, you can pass through some
10 reductions a lot quicker than you're proposing. Some
11 might say that.

12 THE WITNESS: Some might say that.

13 BY MR. FORDHAM:

14 Q Mr. Guepe, on page 11 of your direct
15 testimony, lines 5 through 7, you state that all AT&T
16 residential customers paying the in-state connection
17 fee will experience a reduction in their long distance
18 bills immediately upon the effective date of the IXC
19 tariff revisions through the reduction of the in-state
20 connection fee. Is that correct, sir?

21 A Correct.

22 Q Okay. Now, I didn't quite follow the
23 conclusion of an earlier discussion here with
24 Mr. Twomey regarding this, but are you able to tell us
25 the amount, the percentage of the reduction of the

1 in-state connection fee in the first segment?

2 A That is on the previous page. It's
3 proprietary, but that is on the -- that's contained on
4 the previous page.

5 Q I'm sorry, sir. I didn't quite hear you.
6 That is confidential?

7 A Well, it is -- yes, it is confidential.

8 Q Okay. Can you tell us at what point the
9 monthly connection fee would be totally eliminated?

10 A Definitely by July 1st of 2006. I don't
11 know what's going to happen, you know, next year and
12 the following year as far as the competitive
13 environment, volumes, and things like that, so --

14 Q Can you tell us whether the first
15 reduction, the first round of reductions includes
16 anything other than that segment of the in-state
17 connection fee?

18 A That gets into what's proprietary on the
19 previous page.

20 Q Do know, sir, if all AT&T customers will
21 see long distance reductions?

22 A Customers which do not -- if they were not
23 incurring the in-state connection fee, you know,
24 actually, there's a possibility that they would not --
25 if they're not paying it now, there's a possibility --

1 and depending on what calling plan they're on. I
2 mean, I can't guarantee that every single customer
3 regardless will always get a reduction. It's going to
4 depend on what calling plan they're on and their
5 calling habits.

6 Q This was addressed very briefly earlier I
7 think with Mr. Twomey, but on page 7 of your direct
8 testimony, lines 13 through 14, you state that a
9 company should be able to reduce rates based on a
10 particular customer base. Is that correct, sir?

11 A Right, rather than having something saying
12 70% of this has to go to residence customers. Well,
13 if a company has just the opposite, say, 30% in
14 business and 70 -- 70% in business and 30% in -- 70 in
15 business and 30 in residence, to be ordering them to
16 do it some other way. And suppose another company has
17 exactly the reverse. It's certainly going to -- it's
18 not competitively neutral as far as how it has to be
19 flowed through to be telling the company that their
20 cost structure actually matches that, and that's what
21 they would be doing anyway, and telling another
22 company that I don't care what your cost structure is
23 or your changes are, you have to distort your pricing.
24 And that's what that's getting to.

25 COMMISSIONER DEASON: How do you define

1 customer base? Over here. Is it in terms of number
2 of customers, revenue from customers, or minutes of
3 use by customers?

4 MR. HATCH: I apologize for interjecting,
5 Commissioner Deason, but if I could pass out this
6 exhibit, it may very well ease the answer to that
7 question. (Tendering document.)

8 COMMISSIONER DEASON: My question was not
9 asking for specific numbers. It was a methodology.
10 But I'll look at the confidential exhibit.

11 CHAIRMAN JABER: And, Mr. Twomey --

12 THE WITNESS: The determination of what a
13 company -- any interexchange company's savings are is
14 related to their minutes and not related to the number
15 of customers.

16 CHAIRMAN JABER: Mr. Twomey, that reminded
17 me. Passing out this exhibit was generated from a
18 question you had. Was your question addressed, or do
19 I need to come back to you after --

20 MR. TWOMEY: Let me see this.

21 CHAIRMAN JABER: Commissioner Deason, do
22 you have your question answered?

23 COMMISSIONER DEASON: My question is
24 answered. Thank you.

25 CHAIRMAN JABER: Staff.

1 MR. FORDHAM: Staff had no further
2 questions. Thank you, Mr. Guepe.

3 THE WITNESS: You're welcome.

4 CHAIRMAN JABER: Mr. Twomey, I'll come back
5 to you before redirect, so go ahead.

6 MR. TWOMEY: No, I'm fine. Thank you.

7 CHAIRMAN JABER: Okay. Redirect.

8 COMMISSIONER BRADLEY: Madam Chair?

9 CHAIRMAN JABER: Commissioner Bradley.

10 COMMISSIONER BRADLEY: Define -- I think I
11 know this, but define minutes of use for me as it
12 relates to this document.

13 THE WITNESS: Well, it's when -- it's the
14 time spent. If I call -- if I were to call you,
15 however I'm long I'm on the phone with you is a
16 conversation minute of use. And on each end of that
17 call, you're charged access, and it's the access
18 minutes on each end that determine what charges the
19 local exchange carrier charges to the interexchange
20 carrier. And if those minutes are -- if those charges
21 are reduced or the rates or reduced, then that
22 determines the savings that the interexchange carrier
23 gets from the reduced rate. So it's really -- you've
24 got two types of minutes. One is the conversation
25 minute, and one is the access minute, and the access

1 is really at each end.

2 COMMISSIONER BRADLEY: So the numbers in
3 this chart have been determined based upon --

4 THE WITNESS: It's really the calling
5 patterns of people that use AT&T service.

6 COMMISSIONER BRADLEY: Okay. Thank you.

7 CHAIRMAN JABER: Mr. Hatch?

8 MR. HATCH: I think I only have maybe one
9 or two questions.

10 REDIRECT EXAMINATION

11 BY MR. HATCH:

12 Q Mr. Guepe, do you recall a conversation you
13 had with Mr. Beck from Public Counsel, where he posed
14 a hypothetical to you that if the Sprint petition was
15 granted, it would result in a 2.95 increase plus a
16 3.95 number that he pulled from the wall street
17 Journal article plus the flow-through amount? Do you
18 recall that?

19 A Yes.

20 Q Does that hypothetical assume that the
21 customer is subscribing to basic NTS rates?

22 A Yes.

23 Q Do you recall a conversation with
24 Mr. Twomey where he was asking you about the
25 requirements of a time limit for flow-through?

1 A Say it again. I --

2 Q Do you recall a conversation with
3 Mr. Twomey where he was inquiring as to the
4 requirements of the duration of flow-through?

5 A Yes.

6 Q Can the PSC examine how flow-through was
7 done?

8 A Yes.

9 Q In terms of measuring flow-through, at the
10 end of the day, does it matter if rates go up and down
11 during the period in question, as long as at the end
12 of the period, the amounts have been flowed through?

13 A It's at the end of the period. It doesn't
14 matter what fluctuations the market may go up and down
15 in the interim. It's the end product.

16 MR. HATCH: That's all the questions I've
17 got.

18 CHAIRMAN JABER: Okay.

19 MR. HATCH: Madam Chairman, did you want
20 the number that we passed out to you as part of the
21 record exhibits? It has not been identified.

22 CHAIRMAN JABER: It has not been previously
23 included in any of the confidential exhibits?

24 MR. HATCH: No, ma'am. It's a brand new
25 one.

1 CHAIRMAN JABER: What would you call it,
2 Mr. Hatch?

3 MR. HATCH: I would title it as AT&T's
4 Relevant Business/Residence Market Share.

5 CHAIRMAN JABER: Say that again.

6 MR. HATCH: AT&T's Relevant Business/-
7 Residence Market Share.

8 CHAIRMAN JABER: Commissioners, I think it
9 would be appropriate to mark this as Confidential
10 Exhibit 75.

11 (Confidential Exhibit 75 marked for
12 identification.)

13 CHAIRMAN JABER: And with that, Mr. Guepe,
14 thank you for your testimony. You may be excused.

15 THE WITNESS: Thank you.

16 CHAIRMAN JABER: Public Counsel, you had
17 Exhibit 74. Without objection, Exhibit 74 is admitted
18 into the record.

19 (Exhibit 74 admitted into the record.)

20 CHAIRMAN JABER: AT&T, that was Exhibit 75.
21 Without objection, Exhibit 75 will be admitted into
22 the record.

23 (Confidential Exhibit 75 admitted into the
24 record.)

25 CHAIRMAN JABER: Commissioners, staff has

1 passed on a request to me to -- on behalf of Sprint to
2 move witness Kapka next. And it's my understanding,
3 which I'll confirm with the parties now, that there's
4 no objection to doing that.

5 Okay. If you don't mind, I would like to
6 go ahead and do that.

7 Sprint.

8 MR. HATCH: May Mr. Guepe be excused, Madam
9 Chairman?

10 CHAIRMAN JABER: Yes.

11 MR. REHWINKEL: Thank you, Madam Chairman.
12 Thereupon,

13 EMERIC W. KAPKA
14 was called as a witness on behalf of Sprint
15 Communications Company and, having been duly sworn,
16 testified as follows:

17 DIRECT EXAMINATION

18 BY MR. REHWINKEL:

19 Q Mr. Kapka, have you been previously sworn?

20 A Yes, I have.

21 Q In this proceeding?

22 A Yes, I have.

23 Q Okay. Could you state your name for the
24 record, please?

25 A Yes. My name is Emeric W. Kapka.

1 Q And by whom are you employed?

2 A I'm employed by Sprint Corporation.

3 Q Mr. Kapka, did you cause to be prepared
4 direct testimony of some 10 pages in this matter?

5 A Yes, I did.

6 Q Do you have any changes or corrections to
7 make to that testimony?

8 A Yes, one minor correction on the exhibit.

9 Q We'll get to the exhibit in a second.

10 A Okay.

11 Q Okay. With respect to your testimony --

12 A No, no changes.

13 Q Okay. Mr. Kapka, if I asked you would
14 those -- if I asked you the questions contained in
15 your prefiled direct testimony today, would your
16 answers be the same?

17 A Yes, they would.

18 MR. REHWINKEL: Madam Chair, I move that
19 Mr. Kapka's testimony be moved into the record as
20 though read.

21 CHAIRMAN JABER: The prefiled direct
22 testimony of Emeric W. Kapka shall be inserted into
23 the record as though read.

24 MR. REHWINKEL: Madam Chairman, I would
25 also note that on pages 4 and 9, there is confidential

1 information.

2 CHAIRMAN JABER: Thank you.

3 BY MR. REHWINKEL:

4 Q Mr. Kapka, did you also cause to be created
5 an exhibit erroneously labeled EMK consisting of one
6 page?

7 A Yes, I did.

8 Q It should be labeled EWK-1?

9 A Yes, it should.

10 Q Do you have any changes or corrections to
11 make to that exhibit?

12 A No.

13 Q You do not?

14 A I do not.

15 MR. REHWINKEL: Madam Chairman, I would ask
16 that Mr. Kapka's Exhibit EWK-1 be given a number for
17 identification purposes.

18 CHAIRMAN JABER: EWK-1 will be identified
19 as Exhibit 76.

20 MR. REHWINKEL: Thank you.

21 (Exhibit 76 marked for identification.)

22

23

24

25

1 **BEFORE THE PUBLIC SERVICE COMMISSION**
2 **DIRECT TESTIMONY**
3 **OF**
4 **EMERIC W. KAPKA**

5 **I. INTRODUCTION**

6
7 **Q. Please state your name, occupation and business address.**

8 **A.** My name is Emeric W. Kapka. I am employed as Director – Access Development for
9 Sprint Corporation. My business address is 6360 Sprint Parkway, Overland Park,
10 Kansas 66251.

11
12 **Q. Please describe your educational background and business experience.**

13 **A.** I received a Master of Arts degree in Economics from Cleveland State University in
14 1982 and a Bachelor of Arts degree from the same university in 1980. I have been in
15 my present position since May, 2003. My current responsibilities include identifying
16 and developing tactical implementation plans to lower Sprint's access expense,
17 especially in states such as Florida, with high access charge rates. Additionally, I am
18 responsible for developing access management processes for securing low cost, high
19 value access connections in Sprint's offshore markets, including Europe and Asia.
20 Previously, I was the director of special pricing for Sprint Business, the Sprint
21 business unit charged with meeting the service needs of Sprint's larger customers. In
22 that position I was responsible for developing pricing and negotiation of special
23 contracts with some of Sprint's largest retail and wholesale customers. I have held
24 numerous management positions within Sprint's local and long distance companies
25 during my 19 year career. I began my regulatory career with the Indiana Public

1 Service Commission in 1983 where I worked as a financial analyst, testifying on
2 financial, economic and policy issues in rate proceedings. Previously, I worked at the
3 Indiana Department of Commerce as an economic analyst. I have testified and been
4 involved in regulatory proceedings at the FCC and in numerous states.

5

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

7 **A.** The purpose of my testimony is to respond to the Commission's list of issues
8 associated with long distance pricing and "flow-through." I provide information on
9 the practical functioning of the very competitive long distance market and on how the
10 Commission should measure flow-through. In my testimony, I explain why the
11 Commission should rest assured that the competitive marketplace will ensure that the
12 benefits of lower access charges will flow to Florida residential and business
13 customers. In my testimony, I also address several specific issues raised by the
14 Florida Commission in its November 10th Order.

15

16 **Q. How would you characterize the long distance market in Florida?**

17 **A.** There are hundreds of competitive providers of long distance services in Florida.
18 Many of these competitors are small, niche providers but many others are well
19 established with well known brands, including AT&T, MCI, Qwest, Sprint, BellSouth
20 and Verizon. Additionally, wireless carriers such as Cingular, AT&T Wireless,
21 Verizon Wireless, Sprint PCS and Nextel bundle long distance in their business and
22 consumer calling plans. Residential and business users can easily switch among long
23 distance providers.

24 During the past several years, long distance prices in the United States have declined
25 far in excess of access charge reductions as a result of a very competitive industry.

1 Florida consumers of intrastate long distance calling have also benefited from the
2 competitive situation in long distance. In Sprint's last flow-through filing associated
3 with the 1998 access charge reductions, Sprint was able to demonstrate a considerable
4 reduction in residential rates. Based on data filed at that time, Sprint reduced prices on
5 consumer minutes by approximately twice the access charge reduction. Those prices
6 have continued to trend down, even absent a further reduction in access rates. In
7 comparison to national average prices, however, Florida prices have not declined by as
8 much as national prices because access charges are so much higher in Florida
9 compared to nationally.

10

11 There are numerous differentiated providers of long distance service in Florida but all
12 of them must recover their costs (at least in the long run) and the single largest cost
13 component for a long distance minute in Florida remains access charges. The large
14 number of suppliers of long distance service in Florida tends to ensure that no one
15 supplier has sufficient market power to control price. And as long distance providers
16 actually experience access cost reductions, the competitive process and the existence
17 of the large number of strong, well established providers ensures that the access cost
18 reductions are flowed through to users of long distance service.

19

20 **Q. Do other states have a flow-through requirement?**

21 **A.** The situation varies from state to state. Sprint's experience is that it does not matter
22 whether a state mandates flow-through. The long distance market, because it is so
23 competitive, assures that cost reductions in the form of access reductions are reflected
24 in the prices users actually pay for service.

25

1 **Q. In the context of this proceeding, has Sprint quantified the reductions in access**
2 **expense it would receive if the ILECs petitions are granted?**

3 **A.** Calculating an exact impact of access expense reductions that any interexchange
4 carrier would receive from the proposed access reductions is not possible at this time.
5 Such an analysis would require application of individual access rate elements for each
6 of the three ILECs to current units for each interexchange carrier. Furthermore, it is
7 my understanding that the ILECs' access rate reductions are subject to updates upon
8 Commission approval of their petitions to reflect the latest 12 months unit information.
9 However, Sprint has developed a preliminary estimate of the access expense savings it
10 would receive if the intrastate access rates of BellSouth, Verizon and Sprint-Florida
11 were reduced to parity with their interstate access rates.

12
13 **Q. Could you briefly review Sprint's calculation of the estimated access expense**
14 **savings it would receive if the ILEC's petitions are approved?**

15 **A.** I have attached Exhibit EWK-1 to my testimony which provides Sprint's estimated
16 access savings from the proposed access reductions of the ILECs. Sprint developed
17 this estimate utilizing its own access minute information in each of the three ILEC
18 territories and applying the per minute access rate reduction for each of the ILECs.
19 Sprint's preliminary estimate of its access expense savings is \$XXX. This represents
20 Sprint's best estimate of the potential impact at this time, knowing that the estimate
21 will be refined based on a more complete analysis of the final access rate changes by
22 the ILECs and based on most recent access usage information for Sprint. Sprint's
23 eventual access expense savings realized over the three-phase implementation period
24 will most certainly be different from this preliminary estimate.

25

1 **Q. Can you describe how this amount will be flowed through to Sprint's residential**
2 **and business customers?**

3 **A.** A flow-through plan requires a detailed analysis of many factors including the access
4 reductions and specific information about the company's entire portfolio of services
5 across all of its customer segments. The timeframes associated with this proceeding
6 preclude Sprint from developed a detailed plan of the price changes to accomplish its
7 flow-through requirement at this time. Development of Sprint's plan would begin
8 with the access reduction amount. Sprint will then convert the revenue reduction
9 needed to achieve the flow-through requirement to a per minute of use basis. Sprint
10 will then identify the specific pricing changes needed to reflect the lower average
11 revenue per minute target across its customer segments. Generally, the flow-through
12 will be proportional to the access savings associated with each segment.

13
14 **Q. Turning now to the Commission's issues. Issue 6. Which IXCs should be**
15 **required to file tariffs to flow-through Bellsouth's, Verizon's, and Sprint-**
16 **Florida's switched access reductions, if approved, and what should be included in**
17 **these tariff filings?**

18 **A.** In the intensely competitive long distance market, it is somewhat anachronistic to
19 mandate that IXCs make tariff support filings indicating how they reduce long
20 distance prices. Nevertheless, Sprint recommends that any IXC with over \$1 M in
21 annual switched access expense be required to file tariffs in support of the flow-
22 through obligation. As far as what information to include in the filing, Sprint
23 recommends that each carrier required to file a flow-through tariff meet with the
24 Commission Staff and explain the particular approach that carrier plans to take. The
25 Commission should not attempt to mandate some sort of cookie cutter approach but

1 rather leave it up to the competitive market to determine what particular approach
2 makes sense to each provider, and in turn to each provider's customer base.

3

4 The flow-through showing required of AT&T, MCI and Sprint during the 1998 access
5 rate reductions would be the basis for the instant showing. In that flow-through
6 proceeding, each of the flow-through participants met with Staff and shared specific
7 price reductions, including financial analysis of the impact of those price reductions.
8 In this way, the regulatory process did not attempt to mandate specific price reductions
9 to specific individual customers but rather permitted the market process, which has
10 shown that it is the most capable mechanism for establishing prices in a competitive
11 environment, to largely determine what shape the price reductions took. This flow-
12 through process also ensured that IXC confidentiality was maintained while affording
13 the Staff the opportunity to ascertain and review the projected flow-through benefits
14 prior to any actual price changes being filed.

15

16 **Q. Commission Issue 7. If the ILEC access rate reductions are approved, should the**
17 **IXCs be required to flow-through the benefits of such reductions, via the tariffs,**
18 **simultaneously with the approved ILEC access rate reductions?**

19 **A.** As a practical matter, those providers required to file flow-through tariffs, will need to
20 determine the impact of the access rate reductions on their particular access demand
21 prior to filing the price changes. Providers should have the benefit of determining the
22 exact access rates by ILEC to determine the precise unit cost reduction associated with
23 the access charge changes. As already noted, long distance is a highly competitive
24 industry, with many calling plans designed to meet the needs of specific customer
25 segments. The Commission should not attempt to curtail the ability of providers to

1 respond to their individual customer segments with some kind of across the board
2 reduction which is what the providers would be forced to offer if sufficient time is not
3 allotted to them. Sprint recommends that each provider required to file a flow-through
4 showing, have 60 days from the tariff effective date of the ILEC access rate changes to
5 make its showing and for rates to be implemented afterwards. This 60 day period will
6 enable all of those providers required to make a filing to meet with Staff and for Staff
7 to review the proposed price changes. Anything less than 60 days will likely result in
8 insufficient review of access reductions and could result in carriers filing price
9 reductions which they are then forced to retract and adjust, which will cause more
10 consumer confusion.

11

12 **Q. Issue 8. For each access rate reduction that an IXC receives, how long should the**
13 **associated revenue reduction last?**

14 **A.** Sprint recommends each provider required to make a flow-through filing reduce
15 average prices by an amount at least equivalent to the access reduction on a per minute
16 basis and maintain those average price reductions for all three years of the access
17 reductions plus at least one additional year. I describe the mechanics of determining
18 average prices in response to Issue 9 below. During the period of access reductions,
19 carriers must however continue to have the ability to change prices for individual
20 products and/or introduce new products. The competitive forces in the long distance
21 market are simply too dynamic for any carrier to be expected to “freeze” their entire
22 portfolio of prices and plans for an entire twelve months or longer. Monitoring of the
23 average revenue per minute annually through the period of the access reductions, and
24 for one additional twelve month period, coupled with the competitive aspects of the
25 market, will ensure that long distance customers receive the benefits of the access

1 reductions.

2

3 **Q. Issue 9. How should the IXC flow-through of the benefits from the ILEC access**
4 **rate reductions be allocated between residential and business customers?**

5 **A.** Sprint first notes that the terms residential and business are increasingly losing their
6 relevance. For example, is a consultant who works out of her home a business or
7 residential customer for purposes of this issue? Is a consumer who makes a toll-free
8 call to a state agency a residential or business customer? If Sprint provides a
9 wholesale customer a minute of long distance and that customer then resells to a
10 residential customer, should that minute be categorized as a residential or business
11 minute? Increasingly the notion of a residential or business customer is being replaced
12 with the more precise term of "customer." For purposes of the flow-through,
13 attempting to disaggregate and categorize numerous calling plans and products which
14 are used by both business and residential customers in such a competitive market will
15 prove difficult at best and impossible at worst. Therefore, Sprint recommends the
16 following approach. For services which are substantially used by residential
17 subscribed customers, Sprint would determine the average revenue per minute for
18 these services in the aggregate. With each reduction in access charges, Sprint would
19 adjust the average revenue per minute for this base of customers such that the average
20 revenue per minute would be reduced by an amount at least equal to the reduction in
21 access charges per minute. As an example, assume that the average revenue per
22 minute associated with these services is 15 cents per minute and that the access costs
23 associated with these services is presently 8 cents per minute. If access costs per
24 minute decline from 8 cents per minute to 4 cents per minute (on a billed revenue
25 basis), then Sprint would reduce prices for this base of customers by the delta, 4 cents

1 per minute, to at least 11 cents per minute. This general approach will ensure that the
2 residential subscriber base will experience a reduction in long distance prices at a level
3 at least as much as the reduction in access costs associated with the long distance
4 minutes that customer segment consumes.

5

6 **Q. Can you provide an estimate of the expected flow-through to Sprint's residential**
7 **customers?**

8 **A.** With consideration of the increasing difficulty in segmenting customers, Sprint
9 estimates that approximately XX percent of its intrastate long distance services are
10 provided to subscribed residential customers. Of course residential customers utilize
11 other non-subscribed Sprint services, including Sprint business services such as toll-
12 free, wireless services of Sprint and other wireless providers and wholesale services
13 which Sprint sells to resellers and others. All of these other services would experience
14 a flow-through price reduction in rough proportion to the switched access reduction
15 associated with each service category. Sprint's intention in its flow-through plan
16 would be to target price changes and product introductions to provide an equitable
17 portion of its flow-through obligation to residential customers.

18

19 **Q. Issue 10. Will all residential and business customers experience a reduction in**
20 **their long distance bills? If not, which residential and business customers will**
21 **and will not experience a reduction in their long distance bills?**

22 **A.** The short answer is that there will be some residential and business customers in any
23 month who will not experience a price reduction, for the obvious reason that a
24 customer would have to make long distance calls to experience a price reduction. But
25 generally, customers making long distance calls will experience a price reduction.

1 Furthermore, customers who are being charged an in-state access connection fee by
2 Sprint will see a monthly reduction (and therefore a benefit) of \$1.99. Some
3 customers who do not make billed long distance calls will experience benefits. For
4 example, the reductions in access costs will flow-through to commercial and
5 government providers of toll free service. Government agencies who provide toll free
6 service to consumers will experience a reduction in the cost of providing toll free
7 service, enabling these agencies to increase the number of toll-free lines established
8 for consumer calls, which will increase the quality and level of toll free service. So
9 even for a consumer not incurring any billed charges, the indirect benefit of the access
10 reduction can be experienced via the improvement in quality and level of service.

11

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

13 **A. Yes.**

14

15

1 BY MR. REHWINKEL:

2 Q Mr. Kapka, do you have a summary of your
3 testimony to give at this time?

4 A Yes, I do.

5 Let me start by acknowledging gratitude for
6 all parties to accommodate my travel schedule. As
7 much as I like Tallahassee, I would prefer to be home
8 tonight. Thank you very much.

9 CHAIRMAN JABER: Well, now, see, if you
10 would have told us that, maybe -- go ahead.

11 A Commissioners, good afternoon.

12 Floridians will soon begin to reap the
13 benefits resulting from the Tele-Competition Act. By
14 restructuring local and access rates, the Florida
15 Commission will ensure that investment in
16 telecommunications in Florida will keep pace so that
17 Florida can continue to attract necessary investment
18 and grow. Of equal importance, local and access rate
19 restructuring will ensure that Florida consumers
20 continue to enjoy affordable telecommunications
21 service of the highest quality.

22 Sprint is committed to ensuring both
23 continued investment in Florida and providing the
24 highest quality service at the most affordable prices.
25 Specifically, as part of this proceeding, Sprint is

1 committed to the following price reductions and
2 flow-through requirements:

3 First, within 60 days of the effective date
4 of any access reduction, and sooner if possible,
5 Sprint will make effective price reductions for long
6 distance consumer services, resulting in a permanent
7 price reduction in excess of any access reduction.
8 For basic NTS customer services, Sprint will commit to
9 reducing prices in excess of the overall average
10 consumer price reduction. That is, basic NTS
11 customers will receive a greater per minute reduction
12 resulting from the rate restructure proceeding than
13 the overall consumer segment. And to restate, the
14 overall consumer reduction on a per minute basis will
15 exceed the access rate reduction. The Florida access
16 recovery charge, for Sprint, \$1.99 per line, will be
17 eliminated with the initial tariff filing.

18 Two, Sprint commits to maintaining average
19 price reductions throughout the access/local
20 restructure period, and in fact, for an additional 12
21 months beyond the one-year anniversary of the final
22 increment of access reductions. So, for example, if
23 access rates decline by 2 cents in year 1, 2 cents in
24 year 2, and 2 cents in year 3, Sprint will reduce
25 consumer prices by more than 2 cents in year 1 and

1 maintain those average prices for at least four years,
2 more than 2 cents in year 2, and then maintain those
3 average prices for at least three years, and more than
4 2 cents in year 3, and then maintain those average
5 prices for at least two years.

6 Sprint commits to working with the staff in
7 fully implementing all aspects of the proposed
8 access/local rate restructure as quickly as possible
9 so that the delivery of lower long distance prices to
10 Florida consumers can be delivered as quickly as
11 possible.

12 Thank you.

13 MR. REHWINKEL: Mr. Kapka is available for
14 cross examination.

15 CHAIRMAN JABER: Companies? Mr. Beck?

16 MR. BECK: Thank you, Madam Chairman.

17 CROSS EXAMINATION

18 BY MR. BECK:

19 Q Good afternoon, Mr. Kapka.

20 A Good afternoon.

21 Q Is all the information that you provided
22 in your summary included in the testimony that you
23 filed in this case?

24 A Yes.

25 Q Including the discussion of per minute

1 reductions and your commitments on what you will do
2 per minute reductions on toll rates versus access
3 charges?

4 A Yes. We attempted to include that in the
5 testimony. I think that the summary highlights those
6 specific points.

7 Q Could you show me where that's in your
8 testimony, please?

9 A Yes. If you go to page 8 of the testimony,
10 beginning around lines through 15 and 16, we describe
11 how we propose to reduce prices. That's the 2 cents
12 per year I was alluding to in the summary.

13 Q Okay. Sprint currently has an in-state
14 connection fee of \$1.99; is that right?

15 A Yes, it is.

16 Q In fact, you have that on page 10 of your
17 testimony?

18 A Yes.

19 Q AT&T's is \$1.88, is it not, or do you know?
20 Do you know what AT&T's in-state connection fee is?

21 A I understand from listening to the
22 testimony over the last day or so that it's \$1.88, I
23 believe.

24 Q And do you know why Sprint's in-state
25 connection fee is different than AT&T's?

1 A No. I mean, I wouldn't expect them
2 necessarily to be the same.

3 Q And why is that?

4 A Well, Sprint's distribution of minutes is
5 different from AT&T's.

6 Q But why would that affect the in-state
7 connection fee?

8 A Because Sprint would have a higher portion
9 of higher cost areas possibly than AT&T, which means
10 that Sprint would have to recover more than AT&T.

11 Q On page 9 of your testimony at line 9, you
12 provide a percent, and the percent is claimed by
13 Sprint to be confidential, but you provide a percent
14 of interstate long distance services that are provided
15 to subscribed residential customers, do you not?

16 A Yes, I do.

17 Q Will you use the access reductions, or does
18 Sprint propose to flow through the access charge
19 reductions to residential customers in the same
20 proportion that is indicated by your percent that's
21 listed there on page 9, line 9, of your testimony?

22 A No. Actually, residential customers will
23 reap a larger benefit than what's listed on page 9.
24 And let me give you an example of that, if I could.
25 Earlier there was cross examination of AT&T's witness

1 regarding the ability to buy prepaid card services,
2 for example, from wal-Mart.

3 I can assure you that wal-Mart will
4 negotiate with their facility-based provider to
5 renegotiate their rates and get lower rates for
6 Florida calling. That competitive market for wal-Mart
7 and for other prepaid callers will be reflected in
8 lower consumer prices. So residential customers
9 benefiting from prepaid services or from dial-around
10 services, which aren't included in here, should be
11 accounted for.

12 Q Is it your experience that the prepaid
13 cards customers could get at wal-Mart or Sam's have
14 the same rate for both in-state and interstate
15 calling?

16 A My experience is that they do not.

17 Q They do not? But if you go to a Target or
18 a wal-Mart in Kansas City, you'll get a different rate
19 than somebody could purchase in Tallahassee?

20 A Well, you'll be assessed a different rate
21 for calling, whether it's interstate or intrastate.
22 So you'll use up your credit of whatever denomination
23 the calling card is based on your usage of that card.

24 Q Are you familiar with the Sam's card
25 that's offered at the Sam's Club?

1 A I'm not specifically associated with that
2 card.

3 Q Of course, we've had a bit of testimony
4 about that in the public hearings. Do you know
5 whether the Sam's card charges a different rate for
6 in-state as opposed to interstate calling?

7 A I do not know if the Sam's card does or
8 does not.

9 Q Which cards are you referring to that you
10 think that do? The ones by Wal-Mart?

11 A I'm sorry?

12 Q I'm sorry. Go ahead. Which ones do you
13 think have different charges for in-state and
14 interstate calling?

15 A The ones I'm familiar with, I don't know
16 exactly the brand, how they're retailed, but I'm
17 familiar with Sprint's prepaid card. So what -- I'm
18 familiar with the distribution that we use on some
19 prepaid cards, and they have different rates for
20 different jurisdictions.

21 Q Okay. How about if I went to Target? Do
22 you know if the cards at Target are different?

23 A I'm sorry. I don't.

24 Q And do you know whether the Wal-Mart ones
25 are different? Do you think they are?

1 A I believe they are, yes.

2 Q Let me represent to you, Mr. Kapka, that
3 the testimony of MCI's witness, who I think follows
4 yours, states that at a minimum, MCI will reduce its
5 in-state fee by one-third each year. Have you seen
6 that testimony of Mr. Dunbar where he states that?

7 A I have reviewed that, yes.

8 Q Okay. Is the same true for Sprint?

9 A Is the same true that --

10 Q Will you be reducing your in-state charge
11 by one-third each year at a minimum?

12 A What we would hope to do and what I
13 suggested in my summary is that we would eliminate our
14 in-state charge immediately. So, yes, in effect, we
15 would be eliminating at least one-third per year.

16 Q You will be eliminating it upon granting of
17 the petitions by the Commission? You're going to --

18 A Yes.

19 Q -- completely eliminate that?

20 A As quickly as -- you know, by immediately,
21 as quickly as logistically is possible to do that.

22 CHAIRMAN JABER: Mr. Kapka, I don't want to
23 beat a dead horse, but I have to tell you, I
24 misunderstood your summary. I wrote down -- so I'm
25 going to give you an opportunity to clarify it. I

1 wrote down that Sprint's in-state fee will be
2 eliminated the first year. And I may have
3 misunderstood, but I took that to be the \$1.99 would
4 be eliminated the first year. That is not what you're
5 saying?

6 THE WITNESS: No, that's exactly what I'm
7 saying. The \$1.99 charge would be eliminated
8 immediately. Maybe I misunderstood the question from
9 Counselor Beck.

10 CHAIRMAN JABER: Mr. Beck, do you want to
11 take another opportunity? But I'm understanding --

12 MR. BECK: He said he will eliminate it.

13 CHAIRMAN JABER: -- correctly, the company
14 has acknowledged that they will eliminate the entire
15 in-state fee within the first year.

16 MR. BECK: That's my understanding of his
17 answer.

18 CHAIRMAN JABER: Thank you. I appreciated
19 your question.

20 BY MR. BECK:

21 Q On page 4, line 19 of your testimony, you
22 list an amount for the access expense savings that
23 Sprint will enjoy?

24 A Yes.

25 Q Okay. Is that the total amount for the

1 full reduction, or is that just the first year?

2 A No, that's our estimate for the three
3 years, or whatever the duration of the access
4 reductions is.

5 MR. BECK: That's all I have. Thank you.

6 CHAIRMAN JABER: Mr. Twomey.

7 MR. TWOMEY: Yes, ma'am, a few.

8 CROSS EXAMINATION

9 BY MR. TWOMEY:

10 Q Good afternoon, sir.

11 A Good afternoon.

12 Q If you'll go to page 5 of your testimony,
13 please. At line 11, you start the sentence,
14 "Generally, the flow-through will be proportional to
15 the access savings associated with each segment." Do
16 you see that?

17 A Yes, I do.

18 Q You heard the testimony of the AT&T
19 witness?

20 A Yes.

21 Q My question is, like AT&T, does Sprint have
22 plans that are marketed to different size businesses?

23 A Yes.

24 Q And are a number of those larger plans
25 available only to businesses that would not be

1 single-line business customers?

2 A Generally, they're not limited by the
3 number of lines as much as they are by some volume
4 commitment. So as a practical matter, in order to
5 reach a volume, one has to have a business of a
6 certain size.

7 Q And you recognize, don't you, that the rate
8 increases that will be approved here, if they are, the
9 local rate increases are only going to be applicable
10 to the residential and the single-line business
11 customers; correct?

12 A Yes.

13 Q So is it true then that Sprint will have a
14 number of its access fee reductions flowing through to
15 large business or large enough business customers who
16 do not receive rate increases by these petitions being
17 granted?

18 A Yes, that's true.

19 Q Is that proportion of the -- I assume that
20 proportion of the dollars is considered confidential;
21 is that correct?

22 A Well, I don't have -- I don't know what the
23 precise definition of large business is, but if I did
24 know that, yes, those numbers would be confidential.

25 Q Okay. By large -- just so you know, by

1 large business, I meant any business customer that's
2 not classified as a single-line business customer.

3 A Okay. So any two-line business customer
4 would be a large business customer then?

5 Q Well, I don't know. And maybe you're not
6 the correct witness, but perhaps you can help me.
7 When you have your classification of a single-line
8 business customer, if you know, isn't it true that,
9 say, a small law firm that might have four, five, or
10 six phones would still be a customer under that
11 category, or could they?

12 A Well, I'm not sure exactly what the --
13 who's defining what a small business customer is.

14 Q Okay. Then you're probably not the right
15 witness.

16 A I'm probably not, no.

17 Q Okay. Sorry.

18 On page 8, you have the statement at line 5
19 that Sprint first notes that the terms residential and
20 business are increasingly losing their relevance, and
21 you talk about the consultant who works out of her
22 home. With respect to that example, wouldn't it be
23 true that if that consultant working out of her home
24 was listed as a residential customer, her calls would
25 still be considered residential?

1 A Yes.

2 Q Okay. So whether it's important or not,
3 trying to figure out what's residential and what's
4 business really wouldn't be as difficult as you
5 suggest, would it?

6 A Well, in that instance, whatever service
7 the customer uses is defining whether it's a business
8 or residence. The other example I think is a little
9 bit more difficult, and that's the user of toll-free
10 services. Is toll-free service a business or a
11 residential service? I don't know.

12 Q I think Mr. Beck asked you -- at the bottom
13 of 9, you say at 24, "But generally, customers making
14 long distance calls will experience a price
15 reduction." And that's logically only customers that
16 have sprint -- use Sprint's service and are paying the
17 in-state connection fee; correct?

18 A I'm sorry. I missed the premise on --

19 Q You say that generally, customers making
20 long distance calls will experience a price
21 reduction. Now, I took it that you said in response
22 to Mr. Beck and the Chairman that you were going to
23 eliminate the \$1.99 in-state connection fee in toto
24 the first year; correct?

25 A Yes.

1 Q As fast as you can?

2 A Yes.

3 Q So will that consume all of the access fee
4 dollar reductions you're going to get in the first
5 year?

6 A I don't believe it will.

7 Q Okay. Will it be the bulk of it?

8 A I'm not certain if it will be the bulk of
9 it.

10 Q But in any event, only customers that use
11 your service that in fact are paying the \$1.99 will
12 benefit from that part of the access fee reduction;
13 right?

14 A I suspect that there will be money left
15 over, if you will, to reduce prices for a bunch of
16 other calling customers.

17 Q Okay. Mr. Beck, I think it was, asked you
18 why your in-state connection fee was \$1.99 versus
19 AT&T's \$1.88. In that regard, I want to ask you,
20 isn't it true that the dollar amount that you place on
21 that in-state connection fee is left totally to your
22 own devices?

23 A Yes, it is.

24 Q Because you don't require anybody's
25 permission to do it; right?

1 A No. It's a market-determined price, if you
2 will.

3 Q The response you gave about wal-Mart
4 necessarily -- I think you said necessarily, but you
5 believe that wal-Mart cards would see the reductions
6 in access fees ordered here if these petitions are
7 approved. If the -- would that be true if the Sam's
8 Club cards are the same price nationally per minute
9 both for in-state and interstate calls?

10 A Yes, there would be a reduction in whoever
11 was purchasing the card. They would negotiate with
12 their facility-based provider to ensure that any
13 access reductions were received by whoever it is
14 selling the card.

15 Now, that's going to take a period of
16 time. Those contracts generally are, you know,
17 12-month duration kinds of contracts. But if
18 wal-Mart, for example, knows -- and let's assume
19 hypothetically that MCI or Level 3 is the provider.
20 wal-Mart will go to Level 3 and say, "You just got an
21 access reduction in Florida. I expect to see that in
22 reduced prices to me." And wal-Mart has considerable
23 negotiating leverage in that discussion.

24 Q Sure. Is Level 3 a reseller?

25 A No. It's a facility-based provider.

1 MR. TWOMEY: That's all I have, Madam
2 Chair. Thank you.

3 CHAIRMAN JABER: Staff.

4 CROSS EXAMINATION

5 BY MS. KEATING:

6 Q Good afternoon, Mr. Kapka.

7 A Good afternoon.

8 Q You were in the room, weren't you, when
9 staff counsel had a discussion with Mr. Guepe, weren't
10 you?

11 A Yes.

12 Q I've got a line of questions here
13 particularly about the implementation of this that is
14 remarkably similar to those questions.

15 Sprint, like AT&T, is proposing that it
16 have 60 days from the implementation of the ILECs'
17 tariffs in order to file its own tariff, and then have
18 the rate reductions go into effect thereafter; isn't
19 that correct?

20 A Yes. And in my summary, I said as soon as
21 possible, within 60 days, but as soon as possible.

22 Q Okay. Are you familiar with the 1998
23 access charge reductions that took place in Florida
24 and the resulting IXC flow-throughs?

25 A Yes.

1 Q Okay. And are you aware that the initial
2 IXC tariff was required within 21 days of the ILEC
3 tariffs?

4 A I was not aware of that, but in reflecting
5 on it, 21 days sounds very reasonable to me.

6 Q would you also accept, say, subject to
7 check, that the second IXC tariff flowing through the
8 access charge reductions in that case were due 30 days
9 after the ILEC tariffs?

10 A I was not aware of that, but again, 30
11 days seems very reasonable.

12 Q would you accept subject to check that in
13 both instances, the IXC flow-throughs of those access
14 charge reductions were implemented simultaneously with
15 the ILEC tariffs?

16 A I'll accept that subject to check.

17 Q So I'm just wondering, in this instance,
18 why wouldn't Sprint be able to implement the access
19 charge flow-throughs in this case in less than 60
20 days?

21 A That's a good question. I don't have a
22 good answer, other than we were concerned that the
23 timing of the access reductions would not be
24 simultaneous, and that we didn't want to get into a
25 situation where we had to file a tariff and then

1 refile a tariff and then get into this cycle of
2 adjusting our tariffs. So we suggested that if we
3 have a 60-day period, that will enable us to file a
4 tariff and leave it. We didn't want to get -- as I
5 said, we didn't want to get into this situation of
6 having to redo our tariffs.

7 As I understand the situation a little bit
8 better, if there's some commonality of when the ILEC
9 access rates become effective, that problem is
10 obviated, and Sprint is willing to have tariffs
11 effective pretty much simultaneously.

12 Q If the Commission allows enough time?

13 A Yes.

14 Q Is that what you're saying?

15 A Yes.

16 MS. KEATING: Okay. Thank you, Mr. Kapka.

17 CHAIRMAN JABER: Redirect?

18 MR. REHWINKEL: No redirect.

19 CHAIRMAN JABER: Thank you for your
20 testimony. You may be excused.

21 And, Sprint, we had Exhibit 76.

22 MR. REHWINKEL: Yes, ma'am. I would move
23 that Exhibit 76 be admitted.

24 CHAIRMAN JABER: Without objection, Exhibit
25 76 will be admitted into the record.

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(Exhibit 76 admitted into the record.)

Commissioners, let's take a one-hour lunch
break now and then come back to witness Dunbar. So
we're on a break for an hour.

(TRANSCRIPT CONTINUES IN SEQUENCE WITH
VOLUME 11.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, MARY ALLEN NEEL, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter transcribed under my supervision; and that the foregoing pages numbered 1287 through 1408 are a true and correct transcription of my stenographic notes.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, or relative or employee of such attorney or counsel, or financially interested in the action.

DATED THIS 13th day of December, 2003.



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