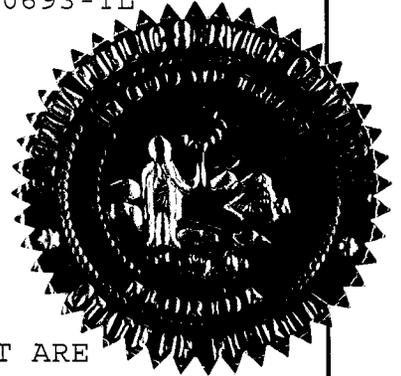


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 050693-TL

In the Matter of:

PETITION TO REDUCE INTRASTATE SWITCHED
ACCESS RATES IN REVENUE-NEUTRAL MANNER
PURSUANT TO SECTION 364.164, FLORIDA
STATUTES, BY ALLTEL FLORIDA, INC.



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VOLUME 1

Page 1 through 80

PROCEEDINGS: HEARING

BEFORE: COMMISSIONER J. TERRY DEASON
COMMISSIONER RUDOLPH "RUDY" BRADLEY
COMMISSIONER LISA P. EDGAR

DATE: Thursday, December 1, 2005

TIME: Commenced at 9:30 a.m.
Concluded at 1:40 p.m.

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

REPORTED BY: JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk and
Administrative Services
(850) 413-6732

DOCUMENT NUMBER-DATE

FLORIDA PUBLIC SERVICE COMMISSION

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11 Tallahassee, Florida 32399-0850, appearing on behalf of the
12 Florida Public Service Commission Staff.

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NAME:

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COMMISSIONER DEASON: Call the hearing to order.

MR. SUSAC: Pursuant to notice published November 10, 2005, this time and place has been set for a hearing in Docket Number 050693-TL.

COMMISSIONER DEASON: Thank you.

Take appearances.

MR. BECK: My name is Charlie Beck. I'm with the Office of Public Counsel appearing on behalf of the customers of Alltel Florida, Incorporated.

MR. WAHLEN: Good morning, Commissioners. I'm Jeff Wahlen of the Ausley and McMullen Law Firm, P.O. Box 391, Tallahassee, Florida 32302, appearing on behalf of Alltel Florida, Inc.

MR. SUSAC: Jeremy Susac and Adam Teitzman, Commission Staff.

COMMISSIONER DEASON: Thank you.

Commissioner Bradley will be joining us momentarily. He just requested that we go ahead and begin addressing some of the preliminary matters, so we are going to go ahead and do that.

Staff, do we have any preliminary matters?

MR. SUSAC: No, Chairman, we have no preliminary matters at this time. We do have some general matters.

COMMISSIONER DEASON: Okay. What are those, please?

1 MR. SUSAC: Essentially, staff would like to note
2 there are some confidentiality requests outstanding at this
3 point in time. Staff recommends the information should remain
4 confidential until a formal ruling is made. Also, all parties
5 have been fully advised of the importance of using red folders
6 in the event they use confidential material during the hearing.
7 With that, I think we can get to the stipulated exhibits, if
8 you would like, Mr. Chairman.

9 COMMISSIONER DEASON: Yes, let's do that.

10 MR. SUSAC: Staff has prepared an exhibit list which
11 we furnished to the parties this morning. This exhibit list
12 includes all proposed stipulated exhibits. The chart can be
13 used to expeditiously identify these exhibits for the record,
14 and is the first exhibit entered into the record.

15 COMMISSIONER DEASON: Okay. All the parties have
16 this, what is identified as Exhibit 1, which is the
17 comprehensive exhibit list, and it identifies Exhibits 1
18 through 57, is that correct?

19 MR. SUSAC: That is correct, Chairman.

20 COMMISSIONER DEASON: Are there any changes to this?

21 MR. WAHLEN: Commissioner Deason, we don't have a
22 change to the exhibit list, but Alltel has submitted a revised
23 answer to one of the interrogatories that is contained in
24 Exhibit Number 3. Specifically, that is the answer to Citizens
25 First Set of Interrogatories, Number 1. The change there is to

1 change the number for 2004 to 1,676. I have handed out to each
2 of the Commissioners and the staff and Public Counsel a revised
3 answer. And I have talked to Mr. Beck about this, and Mr.
4 Susac, and we would like to substitute this changed answer in
5 Exhibit Number 3.

6 COMMISSIONER DEASON: And this is the numbers for
7 Lifeline customers, the years 2001 through 2005?

8 MR. WAHLEN: That's correct. Staff had asked us an
9 interrogatory, I believe it was the fourth or fifth set, that
10 caused us to realize that there was a mistake in our 2004
11 number, and we are correcting that now so that it is consistent
12 with the other answers we filed.

13 COMMISSIONER DEASON: Mr. Beck, I trust you have
14 this.

15 MR. BECK: Yes, Commissioner Deason. I have no
16 objection to Alltel changing that. But based on their change
17 in response, I would like to change our position on Issue 7.

18 COMMISSIONER DEASON: Okay. Let's address these
19 exhibits, and then we will get to Issue 7 as the next order of
20 business.

21 With that one modification to Exhibit 3, is there any
22 objection to the Exhibits 1 through 57?

23 MR. BECK: No objection.

24 MR. WAHLEN: No objection.

25 COMMISSIONER DEASON: Staff, it would be appropriate

1 then to go ahead and enter Exhibit 1 and all the exhibits, 2
2 through 57, as well?

3 MR. SUSAC: That is correct, Mr. Chairman.

4 COMMISSIONER DEASON: Show then that Exhibits 1
5 through 57 are admitted into the record, and that includes the
6 revision which Mr. Wahlen just described.

7 (Exhibits 1 through 57 marked for identification and
8 admitted into the record.)

9 COMMISSIONER DEASON: Mr. Beck, you need to address
10 Issue 7?

11 MR. BECK: Yes, sir.

12 On Page 13 of the prehearing order, it lists OPC's
13 position on Issue 7, and it starts off, our position says, "No,
14 the price for basic local telecommunications service will be
15 less reasonable and affordable if the Commission grants
16 Alltel's petition."

17 What I would like to do is put a period after the
18 word petition, and then delete the rest.

19 COMMISSIONER DEASON: Okay. Commissioner Bradley, we
20 have just started the preliminary matters. We have addressed
21 the exhibit list, which has been stipulated. The only other
22 thing is that Public Counsel is just making a modification to
23 their position on Issue 7. They are just deleting a portion of
24 their position that is in the prehearing order. You may wish
25 to have that clarified.

1 Do you have the prehearing order with you?

2 Mr. Beck, could you repeat that change for
3 Commissioner Bradley's benefit?

4 COMMISSIONER BRADLEY: Let me apologize for being a
5 little late this morning.

6 MR. BECK: Commissioner Bradley, what happened is
7 Alltel has revised their response to our first interrogatory,
8 which gave the number, set forth the number of Lifeline
9 subscribers in Alltel's territory by year. I have no objection
10 to that changed. But based on it, I wanted to change our
11 position on Issue 7, which is on Page 13 of the prehearing
12 order. And currently it says, as our position, it says, "No,
13 the price for basic local telecommunications service will be
14 less reasonable and affordable if the Commission grants
15 Alltel's petition." What I would like to do is put a period
16 after the word petition and delete the rest.

17 COMMISSIONER DEASON: Okay.

18 Staff, do we have other matters we need to address?

19 MR. SUSAC: That is it. Staff notes there are two
20 witnesses in this proceeding. Both witnesses are sponsored by
21 Alltel and have filed direct testimony in this docket.
22 Ms. Willis will take the stand after the parties conclude their
23 opening statements. And that's it.

24 COMMISSIONER DEASON: And we are going to have
25 opening statements, ten minutes per side. I believe the

1 prehearing order also says that we are contemplating closing
2 argument as well, is that correct?

3 MR. SUSAC: That is correct, Mr. Chairman, and that
4 also is limited to ten minutes.

5 COMMISSIONER DEASON: Very well. Commissioners,
6 unless you all have anything, I think we are at the point where
7 we can go ahead and have opening statements.

8 Staff, is that correct?

9 MR. SUSAC: That is correct, Mr. Chairman.

10 COMMISSIONER DEASON: Mr. Wahlen, it's your petition,
11 and I will allow you to proceed.

12 MR. WAHLEN: Thanks you very much, Commissioners. I
13 appreciate the opportunity to set the stage a little bit here
14 this morning.

15 This is the Commission's second rebalancing case. As
16 you know, in 2003 the Legislature enacted a law called The
17 Telecompetition Innovation and Infrastructure Enhancement Act,
18 the purpose of which was to further the development of a more
19 competitive telecommunications market in Florida.

20 Section 15 of the 2003 Act created Section 364.164 of
21 Florida Statutes, which permits an incumbent local exchange
22 company to petition the Commission to reduce intrastate
23 switched access rates and to make offsetting increases in basic
24 local service rates. This process is sometimes called
25 rebalancing.

1 The first rebalancing case was decided in December
2 2003. In that case the Commission approved petitions by
3 BellSouth, Verizon, Sprint, who we affectionately refer to as
4 the large companies, to rebalance local rates and access
5 charges by increasing local rates and decreasing access charges
6 by a total amount of more than \$300 million. The highest rate
7 the Commission approved for the large companies was \$18.34, and
8 the lowest was \$11.43 per month. After an appeal to the
9 Florida Supreme Court, which affirmed your decision, the first
10 step increases approved for the large companies went into
11 effect, I believe, on November 1st.

12 Alltel Florida is an incumbent local exchange
13 company, and it serves approximately 95,000 access lines, which
14 is less than one percent of the approximately 11.5 million
15 access lines in Florida. In this case Alltel proposes to
16 reduce intrastate switched access rates by a total of about \$6
17 million annually in three increments, with offsetting increases
18 to prices for basic local residential service, single line
19 business service, and certain nonrecurring residential and
20 business service connection charges. This will reduce Alltel's
21 composite switched access rate from about 12 cents per minute
22 to about six cents per minute, which is less than the eight
23 cent per minute definition of parity in the statute.

24 Alltel's plan involves increasing its R1 rates in
25 three increments of \$2.11 per month over two years to an

1 average monthly rate of about \$16.50, and B1 rates in three
2 increments of \$1.47 per month over two years to an average
3 monthly rate of \$30.27. The highest and lowest R1 rates
4 proposed by Alltel are \$19 per month and \$15.97 per month
5 respectively.

6 Section 364.164 requires the Commission to consider
7 four factors, namely whether granting the petition will, one,
8 remove current support for basic local telecommunications
9 services that prevent the creation of a more attractive
10 competitive local exchange market for the benefit of
11 residential customers; two, induce enhanced market entry;
12 three, require intrastate switched network access rate
13 reductions to parity over a period of not less than two years
14 or more than four year; and, four, be revenue neutral as
15 defined in Section 364.164.

16 Alltel doesn't believe there is any real dispute
17 among the parties on the third and fourth points in the
18 statute. Rather, the disputes in this case, to the extent
19 there are any, involve the first two points. So I believe
20 today you will hear the bulk of activity revolving around
21 Issues 1B, 1C, 2 and 7.

22 Alltel sponsors two witnesses in this case, Bettye
23 Willis and Dave Blessing, both who are here today to talk with
24 you about the proposal. Ms. Willis will describe Alltel's plan
25 and address the third and fourth test in the statute, to the

1 extent they need to be addressed. Mr. Blessing will testify on
2 cost issues, economic theory, and will be addressing the first
3 two tests in the statute.

4 With one exception, Alltel believes that it has
5 provided the same basic proof to support it's petition that the
6 Commission considered and found acceptable in the large company
7 case. What the large companies had, but Alltel does not have,
8 is testimony from a potential competitor stating that his or
9 her firm will likely enter the market if the petition is
10 granted. We are not sure how that was arranged, but when this
11 hearing is over today and we have closing arguments, I will be
12 arguing that the evidence presented should be sufficient to
13 support granting the petition even without that kind of
14 testimony.

15 It has been suggested that this case is different
16 from the first case because Alltel is small, or Alltel serves a
17 rural area and Alltel is a rural carrier. You're going to hear
18 testimony today that these facts do not make a difference. The
19 evidence today will show that Alltel has agreed to waive its
20 so-called rural exemption from the federal interconnection and
21 unbundling requirements if this petition is granted.

22 Alltel's discovery responses, which are in the
23 record, show that your order in the first rebalancing case
24 approved rebalancing for approximately 775,000 customers of the
25 large companies who receive service in low density areas like

1 those served by Alltel.

2 Mr. Blessing will present testimony showing that the
3 laws of economics apply in rural areas just like they apply in
4 the areas served by the large companies, and he will show that
5 rate rebalancing in the state of Wyoming, which is a very rural
6 state, has increased CLEC market share from 0 to 8.5 percent,
7 which exceeds the approximately three percent market share of
8 CLECs in the territories of the small LECs in Florida.

9 While the rural nature of Alltel's territory does not
10 make this case different, Alltel does agree that it is
11 different in a couple of respects. In the first case, AARP and
12 the Attorney General intervened and actively participated. The
13 service hearings in the first case drew active and large
14 crowds. The final hearing in that case contained over 25
15 witnesses, including witnesses from the staff and the Office of
16 Public Counsel. The AG and AARP have not participated in this
17 case; our service hearings were quiet; and there are only two
18 witnesses here today, both from Alltel.

19 Alltel appreciates the opportunity to present its
20 case to you. Ms. Willis and Mr. Blessing look forward to
21 having an opportunity to talk with you about the plan, and they
22 also look forward to talking with the staff and Public Counsel
23 about their plan. Thank you.

24 COMMISSIONER DEASON: Thank you, Mr. Wahlen.

25 Mr. Beck.

1 MR. BECK: Thank you, Commissioner.

2 Commissioners, the cornerstone of the legislation
3 that underlies Alltel's petition in this case is that the
4 petition should help create a more competitive market for the
5 benefit of residential customers. Now, notwithstanding our
6 differences with the Commission granting the petitions by the
7 large companies, this case is very different than the one that
8 you faced in that one. One difference is not a single person
9 showed up to support Alltel's petition in the service hearings,
10 is the way I like to think of what happened, as opposed to what
11 they did with the large competitors.

12 But Mr. Wahlen also referred to one in his opening
13 statement, that no competitors are in this case, and that is
14 true. In the large companies' case, the company Knology came
15 forward to urge the Commission to grant the petitions. There
16 are no competitors in this proceeding like there was in that.

17 But that is not the most fundamental difference
18 between Alltel's petition and the others, and it is not just
19 because they are a small company. The difference is that they
20 won't create a more competitive market in their area for the
21 benefit of residential customers. Let me allude to a few other
22 differences that you will see from the evidence.

23 First of all, in the large companies' case, a large
24 portion of the long distance reductions would have gone to
25 residential and business customers, for the customers of those

1 companies. So that at the same time the customers were having
2 local rate increases, they were seeing reductions in their long
3 distance charges. In this case, Alltel is but a small fraction
4 of the state. And given that the interexchange carriers will
5 likely flow through any access charge reductions on a statewide
6 basis, it is likely, in fact, extremely probable, that
7 customers will see no material long distance rate reductions at
8 all if Alltel's petition is granted. So one big difference, of
9 course, is that the customers will get the bad part, the rate
10 increase, but they won't see the rate reductions that they did
11 in the other cases.

12 The main competitors that Alltel cites are VOIP
13 providers, cell phone providers, and resellers. The VOIP and
14 cell phone providers that Alltel cites set their prices based
15 on a national basis. In other words, if you subscribe to
16 Vonage, you pay the same price no matter where you are in the
17 United States. The same thing if you have Cingular or Verizon
18 Wireless as your cell phone provider, the same rates will apply
19 for you. So the granting of the petition in this case is going
20 to make no difference on the competitive alternatives that are
21 available, because the competitors are simply going to charge
22 the same prices before as they did after. Alltel's petition
23 will not affect the competitors and what they are doing.

24 Another difference is you are going to see there is
25 no UNE competitors in Alltel's territory. They don't have any

1 takers of UNE. In the large companies' case, that was a very
2 significant part of the case. That you had AT&T and MCI as
3 competitors with the local exchange companies and they were
4 providing competitive services based on taking unbundled
5 network elements. That is not present in this case.

6 Alltel's access prices, even if you grant the
7 petition, will still remain many multiples of the access prices
8 charged by the companies adjoining their territory. So that if
9 a competitor were, to the extent they were relevant, of course,
10 the competitors are not relying particularly on access charges.
11 VOIP doesn't pay them at all. But one thing you have present
12 here that you didn't there is even with the petition granted,
13 Alltel's prices are going to be much higher than they are in
14 the adjoining territories, which does not make their territory
15 attractive compared to the others. Similarly, their line
16 density is very sparse compared to the others overall, making
17 their area less attractive than it would be the others.

18 The sum, I believe, Commissioners, is that you will
19 find in the evidence that granting the petition just brings the
20 bad without any of the good; that is, it brings a rate increase
21 to customers and it doesn't make a more competitive market. So
22 we will urge you to deny the petitions at the conclusion of the
23 evidence.

24 Thank you.

25 COMMISSIONER DEASON: Thank you. Staff, do you have

1 an opening statement?

2 MR. SUSAC: We do not have an opening statement,
3 Chairman.

4 COMMISSIONER DEASON: Okay. I believe we are at the
5 point where we can swear in the witnesses.

6 Will the witnesses please stand and raise your right
7 hand.

8 (Witnesses sworn collectively.)

9 MR. WAHLEN: If it's appropriate, we'll call Bettye
10 Willis as our first witness.

11 COMMISSIONER DEASON: Please proceed.

12 MR. WAHLEN: Thank you.

13 **BETTYE WILLIS**

14 **was called as a witness on behalf of Alltel Florida, Inc., and**
15 **having been duly sworn, testified as follows:**

16 **DIRECT EXAMINATION**

17 BY MR. WAHLEN:

18 Q Would you please state your name?

19 A Bettye Willis.

20 Q And by whom are you employed?

21 A Alltel Communications.

22 Q And are you the same Bettye Willis who prepared and
23 filed amended direct testimony on October 5th, 2005, consisting
24 of 15 pages?

25 A I am.

1 Q Are there any corrections or changes to your
2 testimony?

3 A No.

4 Q If I asked you the questions contained in your
5 amended prepared direct testimony today, would your answers be
6 the same as those printed in what you filed?

7 A Yes.

8 MR. WAHLEN: Commissioner Deason, we would request
9 that Ms. Willis' amended prepared direct testimony be inserted
10 into the record as though read.

11 COMMISSIONER DEASON: Without objection, it shall be
12 so inserted.

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BEFORE THE PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

BETTYE J. WILLIS

I. INTRODUCTION AND WITNESS BACKGROUND

Q. Please state your name, business address, employer and job title.

A. My name is Bettye J. Willis. My business address is One Allied Drive, Little Rock, Arkansas 72202. I am employed by Alltel as Staff Manager – External Affairs.

Q. Please describe your educational background and work experience in the telecommunications industry.

A. I have a Bachelor of Arts degree in Business Administration with an emphasis in Accounting from Rhodes College in Memphis, Tennessee.

I began working for Alltel in 1992 as an analyst in the Regulatory Group, where I worked on rate designs, analyzed commission orders and communicated impacts internally. In 1993, I transferred to the Corporate Accounting Department as analyst. I completed the consolidated financial schedules for the annual report and 10K filings, as well as completed and filed the 10Q filings of Alltel Corporation. I also prepared and monitored monthly budget variances for each corporate department.

In 1995, I transferred back to the State Regulatory Affairs Department as senior analyst for regulatory matters. In this capacity I was responsible for monitoring and

1 communicating to management emerging issues at State commissions, legislatures and
2 other governmental bodies. I was promoted to Manager – State Regulatory Matters in
3 1996 and to Staff Manager – External Affairs in 2004, which is my current position.
4 In this capacity I am responsible for state regulatory and legislative matters for the
5 states of Alabama, Florida, Louisiana and Mississippi.

6
7 **II. OVERVIEW OF TESTIMONY**

8
9 **Q. What is the purpose of your testimony?**

10 **A.** The purpose of my testimony is to provide an overview of the relevant aspects of the
11 legislation that govern Alltel's rate rebalancing plan, provide a detailed explanation of
12 Alltel's plan, demonstrate that the plan meets the last two criteria set forth in 364.164
13 (1) (c) and (d), Florida Statutes ("Act"), and finally explain how Alltel will implement
14 its plan.

15
16 **Q. Have you prepared exhibits that accompany your prepared direct testimony?**

17 **A.** Yes. Exhibits BJW-1 through BJW-8 were prepared by me or under my direction and
18 supervision based on information contained in the business records of Alltel. These
19 exhibits summarize and reflect the details of Alltel's rebalancing plan.

20
21 **Q. Please summarize your testimony.**

22 **A.** In this proceeding, Alltel asks for approval to rebalance its intrastate rates using the
23 procedure provided in Section 364.164, Florida Statutes. My testimony provides
24 background information about Alltel, gives an overview of Alltel's plan, and describes

1 in detail the access reductions and basic local rate increases. I also describe how
2 Alltel's plan meets the last two criteria of the Act, which are:

3 (c) require intrastate switched network access rate
4 reductions to parity over a period of not less than two years
5 or more than four years;

6 (d) be revenue neutral as defined in subsection (7) within
7 the revenue category defined in subsection (2).

8

9 **Q. WHAT OTHER ALLTEL WITNESS IS SPONSORING TESTIMONY IN THIS**
10 **PROCEEDING?**

11 **A.** One other witness is sponsoring direct testimony on behalf of Alltel. In his direct
12 testimony, David C. Blessing, a principal partner of Parrish, Blessing, & Associates,
13 Inc. (PBA), explains how Alltel's plan meets the first two criteria established by the
14 Act, which are: (1) to remove current support for basic local telecommunications
15 services that adversely impact competition for residential customers and (2) to
16 demonstrate how the Plan enhances the competitive market for basic local services.
17 Mr. Blessing also discusses economic principles that demonstrate that Alltel's plan
18 will have beneficial effects on its end-user customers, and that local rates will remain
19 affordable.

20

21 **III. THE LEGISLATION**

22

23 **Q. Please provide an overview of the legislation that authorizes the Commission to**
24 **consider Alltel's rebalancing petition.**

1 A. The Act establishes a process by which incumbent local exchange carriers such as
2 Alltel, can petition to reduce intrastate switched network access rates and offset the
3 revenue losses resulting from such reductions by increasing basic local service rates
4 on a revenue neutral basis. Upon a finding by the Commission that the petition meets
5 the four criteria in 364.164(1), the local exchange company is authorized to implement
6 a “new revenue category mechanism” consisting of basic local telecommunications
7 services revenues and intrastate switched network access revenues to achieve revenue
8 neutrality. The reduction in intrastate access revenues, however, cannot be offset
9 entirely against basic monthly recurring revenues – some amount must be offset
10 against basic non-recurring revenues. For purposes of the Act, basic local
11 telecommunications services are defined as single line business and residential service
12 as well as associated non-recurring charges.

13
14 Section 364.164(1), Florida Statutes, states that in evaluating the petition, the
15 Commission shall consider whether granting the petition will:

- 16 1. remove current support for basic local telecommunications services that
17 prevents the creation of a more attractive competitive local exchange market
18 for the benefit of residential consumers;
- 19 2. induce enhanced market entry;
- 20 3. require intrastate switched network access rate reductions to be at parity over a
21 period of not less than two years nor more than four years; and
- 22 4. be revenue neutral, as that term is defined in the statute.

23
24 The testimony and exhibits filed by Alltel make the required showing under this
25 statute.

1 **IV. BACKGROUND INFORMATION ABOUT ALLTEL**

2

3 **Q. Where does Alltel provide local exchange service in Florida?**

4 **A.** Alltel provides local exchange telecommunications services to all or parts of thirteen
5 (13) counties in North Central Florida. Alltel serves all of the counties of Suwannee,
6 Hamilton and Lafayette, and parts of the counties of Alachua, Gilchrist, Bradford,
7 Nassau, Marion, Putnam, Clay, Columbia, St. Johns and Union.

8

9 **Q. How many exchanges has Alltel established to serve this area?**

10 **A.** Alltel currently has twenty-seven (27) exchanges that are located at Alachua,
11 Branford, Brooker, Callahan, Citra, Crescent City, Dowling Park, Florahome, Florida
12 Sheriffs Boys Ranch, Fort White, Hastings, High Springs, Hilliard, Interlachen, Jasper,
13 Jennings, Lake Butler, Live Oak, Luraville, Mayo, McIntosh, Melrose, Orange
14 Springs, Raiford, Waldo, Wellborn, and White Springs.

15

16 **Q. What is the geographical size and density of the area the Company serves?**

17 **A.** Alltel's service territory is approximately 3,700 square miles. As of August 31, 2005,
18 Alltel served approximately 94,208 total access lines. This equates to approximately
19 25 access lines per square mile, which is relatively low compared to the larger local
20 exchange companies in Florida. BellSouth's density is approximately 341 lines per
21 square mile and Verizon's density is approximately 465 access lines per square mile.
22 Sprint serves less urban areas than BellSouth and Verizon with a customer density of
23 94 lines per square mile, which is still significantly higher than Alltel's customer
24 density.

25

1 **Q. What do these density figures show?**

2 **A.** These figures reflect the type of area Alltel serves, i.e., a predominately rural
3 agricultural area. Alltel does not serve any major urban areas or cities. As a general
4 proposition, rural areas are more costly to serve than urban areas, both in terms of the
5 cost of initial construction and in terms of operating and maintenance costs.
6

7 **V. ALLTEL'S RATE REBALANCING PLAN**

8
9 **Q. Please summarize Alltel's Rebalancing Plan.**

10 **A.** Alltel's plan will result in the removal of support from basic local services through a
11 \$6 million reduction in intrastate switched network access revenue with a
12 corresponding increase in rates for basic local residential service, single-line business
13 service, and associated non-recurring residential and business service connection
14 charges. Alltel's plan will be accomplished in three increments over a two-year period
15 and is revenue neutral each year and in total. Upon Commission approval of the Plan,
16 Alltel will file tariffs and notify customers of the rate changes that will occur.
17

18 **Q. How will Alltel comply with the provision of the Act relating to Lifeline and pay
19 telephone access lines?**

20 **A.** The Act provides that "Billing units associated with pay telephone access lines and
21 Lifeline service may not be included in any calculation under this subsection."
22

23 Alltel identified the number of Lifeline and pay telephone lines in service during the
24 12-month period examined as required by the Act. The pay telephone lines were
25 removed from the calculation of revenue neutrality and the current rates will not be

1 affected by rate changes associated with implementing the Act. For Lifeline
2 customers, Alltel will reflect a Lifeline credit that is increased by the amount of the
3 planned rate increases to residential service rates. This will ensure that there is no
4 impact to Lifeline customers as a result of implementing the Plan.

5
6 Of course, Alltel will also comply with other applicable laws and rules relating to
7 Lifeline, including the 2005 amendments to Section 364.10, Florida Statutes.

8
9 **Q. What about the impact on other low-income residential consumers?**

10 **A.** As part of the Act, the Legislature wanted to assure that some low-income residential
11 customers will not be adversely impacted by a basic service rate increase. The
12 Legislature included a provision in the Act that expands the eligibility criteria for the
13 Lifeline program, thereby potentially increasing the number of customers who will not
14 be impacted by planned rate increases.

15
16 **VI. ALLTEL'S RATE REBALANCING PLAN MEETS THE CRITERIA IN THE**
17 **ACT**

18
19 **A. The Rate Rebalancing Plan Requires Intrastate Switched Network Access**
20 **Rate Reductions Over a Period Of Not Less Than Two Years Or More**
21 **Than Four Years**

22
23 **Q. What provisions of the Act govern Alltel's petition to reduce its intrastate,**
24 **switched access rates?**

1 **A.** The applicable provisions of the Act associated with the access reductions include the
2 following:

3
4 Section 364.164 (1), Florida Statutes, states:

5 “Each local exchange telecommunications company may, after July 1, 2003 petition
6 the commission to reduce its intrastate switched network access rate in a revenue
7 neutral manner.”

8
9 Section 364.164 (5), Florida Statutes, states:

10 “If the company has 1 million or fewer access lines in service, the term “parity” means
11 that the company’s intrastate switched network access rate is equal to 8 cents per
12 minute. This section does not prevent the company from making further reductions in
13 its intrastate switched network access rate, within the revenue category established in
14 this section, below parity on a revenue-neutral basis, or from making other revenue-
15 neutral rate adjustments within this category.”

16
17 Section 364.164 (6), Florida Statutes, states:

18 “As used in this section, the term “intrastate switched network access rate” means the
19 composite of the originating and terminating network access rate for carrier common
20 line, local channel/entrance facility, switched common transport, access tandem
21 switching, interconnection charge, signaling, information surcharge, and local
22 switching.”

23
24 **Q.** Are there any differences between Alltel’s interstate and intrastate switched
25 network access rate structures?

1 A. Yes. Alltel's intrastate, switched network access rates include rates for carrier
2 common line and interconnection charge, however the interstate rates for these
3 elements are set at zero.

4
5 **Q. How will Alltel reduce intrastate switched network access rates to be in parity**
6 **with the 8 cents per minute intrastate switched network access rate referenced in**
7 **the Act?**

8 A. Alltel proposes to lower its intrastate, switched network access rates in three
9 installments over a two-year period pursuant to Section 364.164, Florida Statutes. The
10 switched network access revenue reductions will be offset by increases in basic local
11 exchange services and certain non-recurring service charges. Alltel will establish a
12 rate structure for its intrastate switched network access rates that mirrors the rate
13 structure for its interstate switched network access. The first installment will reduce
14 the intrastate carrier common line charge to approximately 0.028819 and eliminate the
15 interconnection surcharge. In the second installment, Alltel will reduce the intrastate
16 carrier common line charge to approximately 0.019437. In the final installment, Alltel
17 will reduce the intrastate carrier common line charge to approximately 0.010056. As
18 described earlier, the exact resulting rate will depend on the revenue expected to be
19 generated by the local rate increases.

20
21 **Q. How did Alltel calculate the revenue reduction associated with the intrastate**
22 **switched network access rate reduction?**

23 A. As specified by the Act, Alltel used the most recent 12 months actual pricing units, in
24 this case minutes of use, in developing the revenue impact of the intrastate switched
25 network access reduction. For purposes of this filing, the most recent available 12

1 months information is for the period from September 2004 to August 2005. Alltel
2 applied the current intrastate switched network access rates to the actual minutes of
3 use (pricing units) to develop the current intrastate switched network access revenues.
4 Alltel then applied a \$6 million reduction to intrastate switched network access
5 revenues and the remaining revenues were then used to develop the estimated
6 intrastate switched network access rates to be in effect at the end of the two-year
7 period. This proposal brings the intrastate switched network access rates below the
8 required 8 cents per minute parity rate specified in Section 364.164 to an estimated 6
9 cents per minute at the end of the two-year period.

10

11 **Q. Does Alltel's approach result in parity between the intrastate composite switched**
12 **network access rate and the 8 cents per minute switched network access rate?**

13 **A.** Alltel proposal goes farther than the Act's minimum to reach parity. As previously
14 noted, Section 364.164(6), Florida Statutes, provides a comprehensive description of
15 what is included in the term "intrastate switched network access rate." It further
16 states: "As used in this section, the term "intrastate switched network access rate"
17 means the composite of the originating and terminating network access rate for carrier
18 common line, local channel/entrance facility, switched common transport, access
19 tandem switching, interconnection charge, signaling, information surcharge, and local
20 switching."

21

22 I have prepared Exhibit No. ____ (BJW-1) through Exhibit No. ____ (BJW-6), which
23 demonstrate that Alltel's access rate reduction plan will produce a composite switched
24 intrastate switched network access rate that is less than the 8 cents per minute
25 composite rate. Alltel's current intrastate composite switched network access rate is

1 \$0.113229 and \$0.152407 for the Modified Access Based Compensation rate
2 ("MABC"). Alltel's proposed rate reductions produce an intrastate switched access
3 composite rate of approximately \$0.0603194 after all increments of the planned access
4 rate reduction are completed.

5

6 **Q. What is Alltel's schedule for adjusting intrastate switched network access rates?**

7 **A.** Alltel will reduce its intrastate switched network access rates to the target levels in
8 three separate annual increments over a two-year period. The first annual access rate
9 reduction will target removing the interconnection charge with the remaining
10 reduction coming from the carrier common line rate element. The first reduction will
11 reduce intrastate switched network access revenues approximately \$2,050,653 and will
12 remove the disparity between the MABC access rates and intrastate InterLATA access
13 rates. Exhibit No. ____ (BJW-3) provides calculations supporting the first annual
14 access reductions.

15

16 **Q. What intrastate switched network access rate changes are planned for the second
17 increment?**

18 **A.** The second annual intrastate switched network access rate reduction will further
19 reduce carrier common line rates. Alltel has estimated the impact of the second annual
20 increment of the access reduction to be \$1,974,769 based on current pricing units.
21 This calculation is shown in Exhibit No. ____ (BJW-4).

22

23 **Q. What intrastate switched network access rate changes are planned for the third
24 increment?**

1 A. The third annual intrastate switched network access rate reductions will be equal to the
2 second increment, which will decrease the carrier common line revenues further by
3 \$1,974,769. This calculation is shown in Exhibit No. ____ (BJW-5).
4

5 **Q. Does Alltel's plan comply with the provisions of the Act regarding intrastate**
6 **switched network access rate levels?**

7 A. Yes. Based on this plan, Alltel will reduce its intrastate switched network access rates
8 below the 8 cents per minute intrastate switched network access rate over a two-year
9 period utilizing three separate access reductions. These changes are shown in Exhibit
10 No. ____ (BJW-3) through Exhibit No. ____ (BJW-5). Although Alltel has estimated
11 the impact of each increment of the access reduction, the actual reduction amount for
12 each increment will be based on the latest 12 months pricing units at that time for
13 switched network access and basic local telecommunications services. As a result, the
14 impact of the access reduction for each of the three increments will likely vary from
15 the estimated amounts; however, Alltel does not believe that the actual results will be
16 materially different. Exhibit No. ____ (BJW-6) reflects these calculations.
17

18 **B. The Plan Is Revenue Neutral, As That Term Is Defined In The Act.**
19

20 **Q. What does the Act require regarding revenue neutrality?**

21 A. The Act requires that any access reductions be made in a revenue neutral manner.
22 Specifically, Section 364.164(2), Florida Statutes, states:

23 the local exchange company is authorized, the requirements
24 of section 364.051 (3) notwithstanding, to immediately
25 implement a revenue category mechanism consisting of

1 basic local telecommunications service revenues and
2 intrastate switched network access revenues to achieve
3 revenue neutrality. The local exchange company shall
4 thereafter, on 45 days' notice, adjust the various prices and
5 rates of the services within its revenue category authorized
6 by this section once in any 12-month period in a revenue-
7 neutral manner.

8

9 **Q. Does Alltel's plan meet the revenue neutral requirement of the Act?**

10 **A.** Yes. To achieve the revenue neutrality required by the Act, Alltel proposes to
11 increase rates for basic local telecommunications services over the same two-year
12 period as the access rate reductions. As shown on Exhibit No. ___ (BJW-7), Alltel
13 will increase basic local residential, single-line business and associated non-recurring
14 rates in three increments over two years in amounts approximately equal to the
15 previously described access reductions of \$6,000,191.

16

17 **Q. Describe the specific rate changes to basic local telecommunications services that**
18 **will take place to achieve revenue neutrality.**

19 **A.** Exhibit No. ___ (BJW-8) summarizes Alltel's plan for its basic residential and single-
20 line business local service rates as well as its non-recurring charges associated with
21 these services for the three increments. Alltel will increase basic local residential
22 service rates by approximately \$2.11 in each of three increments. Rates for single-line
23 business basic local service will increase by approximately \$1.47 in each of three
24 increments. These changes will increase basic local service revenues by a total of
25 approximately \$5,693,454.

1 Additionally, Section 364.164(2), Florida Statutes, states: "An adjustment in rates may
2 not be offset entirely by the company's basic monthly recurring rate." Therefore,
3 Alltel will increase certain non-recurring service charges by an estimated \$305,234.
4 As a result, Alltel will not offset access charge reductions entirely by increases in
5 basic local service monthly recurring rates, but through a combination of recurring and
6 non-recurring rate elements as contemplated in the Act.

7

8 **Q. What factors could change the actual basic local service rates increases in Alltel's**
9 **Plan?**

10 **A.** The Act provides that the actual pricing changes to accomplish revenue neutrality
11 must be based on the company's most recent 12 months' pricing units. As a result,
12 changes in pricing units for both switched network access services and basic local
13 telecommunications services will affect all three increments of Alltel's price changes.

14

15 **VII. IMPLEMENTATION OF THE REBALANCING PLAN**

16

17 **Q. How will Alltel implement its rebalancing plan?**

18 **A.** Upon approval by the Commission of its plan, Alltel will follow the process outlined
19 in the Act. Alltel will implement a revenue category mechanism that consists of
20 intrastate switched network access services, basic local residential service, basic local
21 single-line business service, residential service connection charges and business
22 service connection charges. Billing information will be used to determine the most
23 recent 12 months pricing units for intrastate switched network access services and
24 basic local telecommunications services. These pricing units will be used to determine
25 switched network access revenue decreases and basic local telecommunications

1 services revenue increases necessary for revenue neutrality. Exhibit No. ___ (BJW-7)
2 illustrates this calculation.

3
4 Second, consistent with the Act, Alltel will file tariffs with the Commission reflecting
5 the rate adjustments, and notify affected customers of the pending rate changes. Alltel
6 will follow this process for all three increments of price adjustments.

7

8 **VIII. CONCLUSION**

9

10 **Q. Please summarize your testimony.**

11 **A.** Alltel's plan is consistent with the Act and results in the removal of support from basic
12 local services through an approximate \$6 million reduction in intrastate switched
13 network access revenue with a corresponding increase in basic local residential service
14 rates, single-line business service rates and associated non-recurring charges by the
15 same amount. Alltel's plan will be accomplished in three increments over a two-year
16 period and is revenue neutral each year and in total. Alltel's plan accomplishes rate
17 rebalancing in not less than two years or more than four years in a revenue neutral
18 manner as required by the Act.

19

20 **Q. Does this conclude your direct testimony?**

21 **A.** Yes, it does.

22

23

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1 BY MR. WAHLEN:

2 Q Ms. Willis, did you also prepare eight exhibits
3 numbered BJW-1 to BJW-8, which have been identified and
4 admitted into the record as Exhibits 49 through 56?

5 A Yes.

6 Q Would you please summarize your testimony?

7 A Thank you.

8 Commissioners, on September 29, 2005, Alltel Florida,
9 Inc., filed its petition to rebalance its access and basic
10 local service rates pursuant to Section 364.164 of the Florida
11 Statutes. In my testimony I describe Alltel's proposal to
12 rebalance its rates, provide evidence that Alltel's proposal
13 meets the criteria set forth in 364(1)(c) and (d) and explain
14 how Alltel will implement its plan. I provide evidence that
15 Alltel's rebalancing proposal will reduce switched network
16 access rates to below parity as that is defined in
17 Section 364.164 in three installments over a period of two
18 years, and that Alltel's proposal will be revenue neutral for
19 each installment and in total as required by the law.

20 Alltel's rebalancing proposal complies with the
21 provisions of the statute regarding intrastate switched network
22 access rates. Alltel proposes to remove implicit support in
23 access rates by reducing its switched network access rates by
24 \$6 million in three installments over a period of not less than
25 two years. The proposal will reduce the company's intrastate

1 switched network access rates below parity as that term is
2 defined in the statute. And at the end of the third
3 installment, Alltel's intrastate switched network access rates
4 will be approximately six cents per minute, which is below the
5 required eight cents per minute parity rate.

6 The statute allows Alltel to recover these proposed
7 reductions dollar-for-dollar by increasing basic local service
8 rates for flat rate residential and single line business rates.
9 Alltel will increase its flat rate residential service rate by
10 approximately \$2.11 in each installment and its single-line
11 business rate by approximately \$1.47 in each installment. The
12 average residential rates will increase from approximately
13 \$10.49 to approximately \$16.49, which is consistent with what
14 this Commission has approved for the large ILECs in their
15 rebalancing case.

16 In addition, Alltel will increase the rates of
17 service order charges, premise visit charges, and central
18 office work for residential and business customers. The
19 statute allows Alltel's proposal to be revenue neutral to the
20 company, but does not require that Alltel's proposal be bill
21 neutral to any particular customer or class of customers.

22 The exhibits submitted with my direct testimony
23 demonstrate that Alltel's rebalancing proposal is revenue
24 neutral as contemplated by the statute. Consistent with the
25 Commission's goal that low income residential customers not be

1 BY MR. BECK:

2 Q Good morning, Ms. Willis.

3 A Good morning.

4 Q Ms. Willis, Alltel proposes to raise the R1 and B1
5 rates among other things in this case, is that right?

6 A Correct.

7 Q And the R1 rate you propose to increase by \$2.11 per
8 month each year for three years, is that right?

9 A In three installments, that's correct.

10 Q So if the Commission were to grant your proposal, you
11 would soon thereafter implement the first rate increase at
12 \$2.11 on average to residential customers?

13 A Correct.

14 Q And then two years later you would have done the
15 final of three increments, and would have, in total, increased
16 local residential rates by \$6.33 per month on average, is that
17 right?

18 A Yes.

19 Q And you also propose to increase single-line business
20 rates, is that right, your B1 rate?

21 A That's correct.

22 Q And how much is that rate increase for single-line
23 business?

24 A Approximately \$1.47 in each installment.

25 Q And those would be implemented at the same time as

1 your residential increases, is that right?

2 A Yes.

3 Q And then by the end of that you would have increased
4 your rates by three times the 1.47 per month, is that right?

5 A Yes.

6 Q The R1 and B1 services are just flat rate local
7 service, are they not?

8 A Yes.

9 Q They include no custom calling features?

10 A No, just the flat-rated service.

11 Q And it includes no long distance in it either, does
12 it?

13 A No.

14 Q It is just flat rate local calling?

15 A Right, as required by the law.

16 Q Now, Alltel also offers other services that bundle
17 local service with a combination of long distance calling and
18 some custom calling features, doesn't it?

19 A Alltel does offer a bundle, yes.

20 Q And is that what Alltel calls connect unlimited, is
21 that one of the services?

22 A Yes.

23 Q Would you please describe what connect unlimited is?

24 A The connect unlimited bundle that Alltel offers
25 consists of the residential line, a package of features, and

1 unlimited long distance calling offered by Alltel's long
2 distance affiliate for a flat rate of \$54.95, I believe.

3 Q Okay. Is there a subscriber line charge that is
4 charged on top of that \$54.95 a month for that service?

5 A I believe that the subscriber line charge is in
6 addition to that.

7 Q And you said there is a package of custom calling
8 services with that, is that correct?

9 A Correct.

10 Q Okay. Could you tell me what those are that are
11 included in connect unlimited?

12 A I believe, without looking, that they are caller ID,
13 call waiting on top of caller ID, and I would have to look,
14 actually, I don't --

15 Q Well, let me ask you --

16 A Yes, they are in --

17 Q Let me ask you to look at a couple of responses to
18 staff interrogatories that discuss this point. The first one
19 is Number 55 in your second set of interrogatories.

20 A Okay.

21 Q In 55 you discuss the pricing of your connect
22 unlimited service, as well as combining connect unlimited with
23 DSL, or DSL and video service, is that right?

24 A Yes.

25 MR. BECK: And, Commissioner, all these interrogatory

1 responses are in the exhibit that staff passed out, you know,
2 that we are discussing.

3 BY MR. BECK:

4 Q Now, if your petition is granted in this case, does
5 at Alltel plan to raise the price it charges for connect
6 unlimited service?

7 A At this time Alltel does not plan to do that.

8 Q Connect unlimited service, the price, again, you have
9 said is \$54.95 by itself, is that right?

10 A Yes.

11 Q And you also bundle that with a DSL service at 1.5
12 megabytes per second, is that right?

13 A Yes.

14 Q And if a customer subscribes to connect unlimited and
15 DSL, you provide the DSL at a discount for 19.95, is that
16 right?

17 A Yes.

18 Q How much does Alltel charge for DSL standing by
19 itself?

20 A Subject to check, I believe the price is around
21 34.95.

22 Q And then you also offer DSL and connect unlimited and
23 video in a package, is that right?

24 A That is correct.

25 Q And video, I take it, is provided by satellite

1 providers?

2 A Dish.

3 Q Dish Network?

4 A Uh-huh.

5 Q And then you offer an additional discount for DSL if
6 a customer subscribes to all three, do you not?

7 A There is an additional discount.

8 Q In that case DSL is 14.95 a month for that, is that
9 right?

10 A That's correct.

11 Q And as far as the custom calling features that are
12 included in connect unlimited, you have described that in your
13 response to Interrogatory 74, have you not, in your third set
14 of interrogatories?

15 A Yes.

16 Q The four custom calling features you provide with
17 connect unlimited are caller ID deluxe, call waiting, caller ID
18 on call waiting and selective call rejection, is that right?

19 A That's correct.

20 Q Does Alltel offer connect unlimited to provide an
21 offering that is positioned to compete against competitors who
22 provide bundles of custom calling service and long distance
23 service in their offerings?

24 A I'm sorry, repeat your question.

25 Q Let me ask more generally. With what services does

1 connect unlimited compete?

2 A With what services?

3 Q Right. What competitive services is connect
4 unlimited designed to compete against?

5 A The services that are included in connect unlimited
6 can also be found in, I believe, wireless bundles or packages
7 of services offered by wireless carriers. Any services that
8 VOIP providers, such as Vonage or Skype, would offer. And also
9 if a cable company is offering voice services, generally they
10 are bundled with other services.

11 Q So if a customer is thinking of using cell phone
12 service or VOIP, for example, instead of Alltel, this is the
13 offering that you would point them to, is it not?

14 A This is an offering that they could consider.

15 Q And this offering, the price for this offering you
16 have no plans to change that if the petition is granted, is
17 that right?

18 A Correct.

19 Q Let me compare, if I could, the custom calling
20 features that are offered by connect unlimited to what a VOIP
21 or cell phone provider would provide in their packages. We
22 have already discussed what is included. Is three-way calling
23 included in the connect unlimited package?

24 A Not at this time.

25 Q Would a customer have to purchase that separately if

1 they wanted that with connect unlimited, or can they do that?

2 A It is available on a stand-alone basis, yes.

3 Q How about call forwarding, is that available with
4 connect unlimited?

5 A Yes, Alltel does offer call forwarding.

6 Q But that is not included in the package, right?

7 A It is not included in the connect unlimited package.

8 Q So that would have to be added if a customer with
9 connect unlimited wanted to have that, is that right?

10 A It could be added.

11 Q How about voicemail, is that included?

12 A Voicemail is available with this bundle for an
13 additional charge of 3.95.

14 Q How about repeat dialing, is that included with
15 connect unlimited?

16 A It is not.

17 Q And how about return call, is that included with
18 connect unlimited?

19 A Call return?

20 Q Yes.

21 A I'm not aware that it is, no.

22 Q Would you agree that those services we have just
23 talked about that are not included in connect unlimited are
24 generally provided as part of the packages that VOIP providers
25 and cell phone providers offer?

1 A Some of those services, probably. I'm not sure that
2 all of them are, no.

3 Q Are there any specifically that come to mind that you
4 think are not offered by cell phone or VOIP providers?

5 A No.

6 Q Okay. VOIP providers typically offer a service where
7 voicemail can be e-mailed to the provider as well as normal
8 voicemail, is that right, or are you aware of that?

9 A I'm not aware of that.

10 Q In any event, Alltel doesn't offer a voicemail that
11 allows the voicemail to be e-mailed to the customer, does it?

12 A No. The type of voicemail that Alltel offers does
13 not allow it to be e-mailed. I think that is more of a
14 technology.

15 Q Now, besides the subscriber line charge that is in
16 addition to the price for connect unlimited, are there other
17 taxes or other fees that are associated with it?

18 A Taxes and fees that are associated with Alltel
19 communications services are in addition to this price.

20 Q Can you give me an idea of what the bottom line price
21 a customer would have to pay for connect unlimited when you add
22 the subscriber line charge and the taxes and fees to the 54.95?

23 A I would only be guessing, and I would say with the
24 54.95 subscriber line charge and potential, it could be 60 or
25 more dollars, 60 or close to \$70. That is just a guess.

1 Q Would you agree that that figure is generally more
2 than VOIP providers charge for their service?

3 A If you are comparing it to, like, a Vonage and their
4 25.95 package or whatever it is that they offer, then, yes, it
5 is more.

6 Q What considerations did Alltel make in setting the
7 price for connect unlimited, given the comparison of the price
8 that you are charging to a Vonage, for example?

9 A When Alltel set the price for its bundle, Alltel
10 looked at comparative bundles offered by other ILECs similar to
11 Alltel, such as BellSouth and Sprint. And when we priced the
12 package, we felt like that the market would -- this is the
13 price that the market would bear based on the services offered.
14 The bundle that we offer is similar to bundles offered by other
15 ILECs.

16 Q So you are using other ILECs prices as your benchmark
17 as opposed to what VOIP providers and cell phone providers are
18 charging, is that right?

19 A That is part of the consideration that goes into the
20 pricing, or the thought process into the bundle. It may not be
21 the main thing, but it is certainly part of it.

22 Q Could I ask you to go to your response to Staff
23 Interrogatory 63. And I really want to ask you a question just
24 to clarify the record, since all of these exhibits are part of
25 that. You say the average monthly revenue per R1 account for

1 Alltel is \$34.23 per month. Do you see that there?

2 A Yes, I see it.

3 Q That does not include any long distance calling by
4 the customers, correct?

5 A Correct. My understanding is that it does not
6 include a estimate for toll.

7 Q Does it include the subscriber line charge?

8 A I believe that it does, yes.

9 Q It does include that?

10 A I believe that it does.

11 Q And then, of course, it includes custom calling
12 features, doesn't it?

13 A Yes, it does.

14 Q Does it also include voicemail?

15 A I don't know that.

16 Q But that is the average amount Alltel now gets from
17 residential subscribers for local phone service and custom
18 calling features that are ordered by customers?

19 A That is the average that Alltel receives for
20 residential customers for their local service, custom calling
21 features, and other features such as voicemail that the
22 customer on the average takes.

23 Q I thought you just told me that you didn't know
24 whether voicemail was included?

25 A I can't tell you for sure. But as you indicated

1 earlier, voicemail is a popular service, and Alltel does offer
2 it. So it is conceivable that on the average customers are
3 likely to have voicemail as part of their service, and that
4 would be factored into our average revenue per customer.

5 Q Let's talk about DSL a little bit, if we could.
6 Alltel offers DSL service to its customers, is that right?

7 A Yes.

8 Q And as I understand it from the prefiled testimony of
9 Mr. Blessing, it is offered in every exchange ALLTEL has except
10 Hastings?

11 A That is correct.

12 Q Do you have plans to offer it in Hastings, just as an
13 aside, or --

14 A I believe that eventually. I can't tell you for
15 sure. I don't know what those plans are.

16 Q Does Alltel require customers to also purchase local
17 service in order to get DSL service?

18 A Yes.

19 Q Why?

20 A At this particular point Alltel does not offer DSL,
21 or naked DSL, or stand-alone DSL, I think, as you have referred
22 to it in the interrogatories. We do require the customers to
23 have the access line, which is part of providing the service.
24 The access line is part of providing the service for DSL. And
25 currently that is what is required in order to have it in our

1 area.

2 Q You would agree that not all local exchange companies
3 require customers to purchase residential service in order to
4 get DSL service, wouldn't you?

5 A I don't know what other companies require.

6 Q You are not familiar, for example, if Verizon,
7 whether they requires customers to order residential service in
8 addition to -- in order to get DSL service?

9 A I don't know that they do or if they don't.

10 Q Do you know whether the FCC required Verizon to
11 provide DSL service on a stand-alone basis for two years as a
12 result of approving the merger with MCI, if you know?

13 A That's probably true. I don't know.

14 Q It is not a technological issue, is it? It is simply
15 that that is how you choose to offer DSL. You just require
16 customers to take residential service in addition to DSL, is
17 that right?

18 A I don't know that it is a technological issue. The
19 line is part of the service of DSL and the cost of providing
20 the DSL and the line goes along with it, so that is how we
21 provision it.

22 Q Now, if a customer wanted to use VOIP for their
23 residential service, they need a broadband connection in order
24 to use VOIP, don't they?

25 A Yes.

1 Q So they would either need your DSL service, or
2 perhaps if a cable company were present and offered the service
3 they could use that to use VOIP, is that right?

4 A They could.

5 Q And so if a customer's only access to broadband is
6 DSL service, and they want to use VOIP, necessarily it has to
7 be as an additional line because Alltel is requiring the
8 customer to purchase local phone service from them as well, is
9 that right?

10 A You are saying necessarily it should be an additional
11 line?

12 Q Right. In other words, if a person is using your DSL
13 service to get VOIP service, it's in addition to the
14 residential service that Alltel offers?

15 A If a person is using Alltel's DSL to use VOIP
16 service, that person is also a local customer of Alltel.

17 Q Right. And so if they use DSL to use a VOIP, they
18 have to have -- you require them to take local service from
19 Alltel, as well?

20 A Correct. They are a local service customer of
21 Alltel.

22 Q Okay. Is Alltel willing to provide stand-alone DSL
23 service to its customers if the petition is granted in this
24 case?

25 A I can't make that commitment on behalf of the

1 company. That is something I would have to take back to my
2 management for consideration.

3 Q If a customer wished to use Vonage, again, talking a
4 little bit more about VOIP, as their local phone service, can
5 Alltel customers get a local phone number and still use Vonage?

6 A In some of the exchanges Vonage, I believe, offers a
7 local phone number, but I don't know that it is in every
8 exchange that Alltel has service.

9 Q Let me ask you to turn to your response to Staff
10 Interrogatory Number 76. And if you could, if you could go
11 to -- it's on Page 2 of 3 of what I have, there is a section
12 that discusses Vonage?

13 A Uh-huh.

14 Q And what I would like to ask you about is the very
15 last sentence in the section that talks about Vonage, it says
16 Vonage's VOIP-based service is available in every Alltel
17 exchange, but customers can only get a local number in the 904
18 area code, Crescent City, Hastings, High Springs, Hilliard,
19 Jasper and Mayo, which is 22 percent of Alltel's customer base.
20 Do you see that?

21 A I see it.

22 Q Vonage offers numbers in the 904 area code, but not
23 in any of those cities that you cite in the response; isn't
24 that right?

25 A Anyone in that city can get Vonage's service, so I'm

1 not sure that I understand your question.

2 Q If a person has broadband access, they can get a VOIP
3 provider anywhere they have broadband, isn't that right?

4 A That's correct.

5 Q And you can generally get a phone number, it doesn't
6 matter what area code or otherwise, as long as it is a phone
7 number that the VOIP provider, you know, provides customers;
8 right?

9 A Okay.

10 Q So I could get a Denver telephone number in Live Oak
11 if I subscribe to Vonage, if I wanted, right?

12 A That's my understanding.

13 Q My question is can you get a local phone number that
14 is local to the Alltel exchange by using Vonage?

15 A You can in Crescent City, High Springs, Hilliard,
16 Jasper and Mayo.

17 Q Ms. Willis, I'm going to pass out a document which
18 purports to be off of Vonage's web page. I printed it out at
19 7:52 last night.

20 A Okay.

21 Q Vonage offers phone numbers in the 904 area code, as
22 you have already stated, is that right?

23 A That is what it says, yes.

24 Q But at least on this it lists the areas where you can
25 get a local phone, and it lists Fernandina Beach, Jacksonville,

1 Jacksonville Beach, Orange Park, and St. Augustine, doesn't it?

2 A Yes.

3 Q None of those are exchanges served by Alltel Florida,
4 are they?

5 A They are not. What Alltel did in order to pull this
6 data is we entered the 904, we entered the 904 and then one of
7 our -- some of our numbers. And when we did that, on the
8 Vonage website it said that the services were available.

9 Q Right. But isn't it true the 904 exchanges that are
10 available are not Alltel Florida exchanges, they are exchanges
11 served by BellSouth?

12 A These exchanges are served by BellSouth as listed on
13 this website, yes.

14 Q Vonage doesn't even offer service to the 850 area
15 code, does it, or do you know?

16 A I would have to check.

17 Q Can you state with any certainty that any VOIP
18 provider provides --

19 COMMISSIONER DEASON: Mr. Beck, I'm sorry, I know it
20 is strange for me to be asking an attorney a question, but I
21 just wanted you to clarify your question. When you said Vonage
22 provides service in the 850 area code, was that to get service
23 from Vonage and have an 850 telephone number, or to get service
24 period?

25 MR. BECK: No, the 850.

1 BY MR. BECK:

2 Q Again, if you have a broadband connection, you can
3 get a VOIP with a phone number somewhere, right?

4 A Yes.

5 Q And the issue I have been talking about is whether
6 you can get a local phone number where you live so that people
7 in your area can call you, you know, as a local phone call.
8 Isn't that how you understand the questions I have been asking?

9 A Yes. In some areas you can get that local phone
10 number. I don't think it's in all areas, but I do understand
11 what you said.

12 Q And my question is can you state with any certainty
13 that there is any VOIP provider out there today that will
14 provide an Alltel Florida customer with a phone number that is
15 local for them as part of the VOIP package they offer?

16 A Based on the research that was provided to me that
17 there is, that customers in our service area can access the
18 Vonage service or Skype service and keep their local phone
19 number.

20 COMMISSIONER DEASON: Let me ask a question. How is
21 that your understanding? What is that based upon?

22 THE WITNESS: That is based on information that was
23 provided to me, research that was done by entering an Alltel
24 phone numbers on the website as to whether or not a customer
25 could keep their phone number and access the Vonage service.

1 COMMISSIONER DEASON: The page that was handed out
2 which was represented to be from the Vonage website, in the
3 lower right-hand corner there is an area to enter a number and
4 to submit it to see if that number would be available to be
5 kept by the customer, is that correct?

6 THE WITNESS: Yes, that is what it says.

7 COMMISSIONER DEASON: Did you do that exercise, or
8 how did you go about determining --

9 THE WITNESS: I did not personally do that exercise.
10 One of our consultants did do that exercise.

11 COMMISSIONER DEASON: Thank you.

12 BY MR. BECK:

13 Q Which consultant is that, Ms. Willis.

14 A A consultant associated with the Blessing firm.

15 Q So Mr. Blessing -- would you think Mr. Blessing will
16 be able to tell us whether that is what they did?

17 A Sure.

18 Q Would you agree with me, Ms. Willis, that Vonage, for
19 example, offers the same price for its service regardless of
20 where the customer is located?

21 A I believe that that is true.

22 Q It's a price that is offered nationwide no matter
23 where you live, is that right?

24 A I believe that that may be correct.

25 Q Alltel Florida also has cell phone providers

1 operating in its territory, does it not?

2 A Yes.

3 Q Does Verizon wireless serve the entire territory
4 served by Alltel Florida?

5 A Verizon wireless does serve in Alltel's territory.

6 Q And they provide coverage throughout your territory,
7 do they not?

8 A I'm pretty sure they do.

9 Q How about Cingular, do they?

10 A Cingular as well as Alltel wireless.

11 Q And those companies can offer a local telephone
12 number to a subscriber?

13 A Yes.

14 Q Do you think Verizon wireless or Cingular will change
15 their price for cell phone service in your territory if the
16 Commission grants the petition in this case?

17 A I don't know if they will change their price for the
18 services that they offer. I do know that as we increase our
19 local prices that there certainly is an incentive because of
20 the difference in the increase in local service rates also
21 increases the potential profit margin. So there certainly is
22 the opportunity to do that. Whether or not any provider will
23 do that, I can't tell you.

24 Q But cell phone providers don't price their services
25 based on the local phone company's prices, do they?

1 A No, not necessarily.

2 Q And, in fact, didn't we discuss earlier that the
3 package that Alltel offers that's positioned against cell phone
4 service is your connect unlimited service, isn't it?

5 A I'm sorry, repeat that.

6 Q The package that Alltel offers that is positioned
7 against the cell phone service providers is your connect
8 unlimited service, isn't it?

9 A The connect unlimited service is a bundled offering
10 that we offer, yes.

11 Q And the price for that, there is no proposal to
12 change that price in this proceeding?

13 A No, Alltel is not proposing to change the price of
14 its bundles at this time.

15 Q And with respect to your access charge reduction, it
16 is your understanding -- or is it your understanding that the
17 long distance companies will have to flow through the access
18 change reductions and reduce long distance charges in Florida,
19 is that right?

20 A It is my understanding that any access reductions
21 that are made by Alltel Florida will be flowed through by
22 interexchange carriers.

23 Q And will you agree with me that it's likely that the
24 interexchange companies will flow through those reductions on a
25 statewide basis?

1 A Yes, those carriers that serve statewide. Alltel has
2 a long distance carrier in Florida that serves predominately
3 Alltel Florida customers. So a good portion of the access
4 reductions that we will have will also be flowed directly to
5 Alltel Florida customers. Over 50 percent of our Alltel
6 Florida customers use Alltel's distance services from their
7 affiliate.

8 Q So if they happen to use Alltel, they will see a
9 reduction in their long distance rates, you think it will be
10 noticeable if the Commission grants your petition?

11 A Absolutely.

12 Q But if they use AT&T, which I guess is SBC now, or
13 they use any of the other major long distance carriers, will
14 you agree with me it is likely they won't see a noticeable
15 reduction?

16 A I can't tell you that it won't be noticeable because
17 I don't know how many customers have access to AT&T or use AT&T
18 service. I think that customers, because of the rebalancing
19 that is done by the large ILECs already, have seen a major
20 impact already. But certainly there will be some impact in the
21 access reductions that Alltel will make.

22 Q How many residential customers, approximately, does
23 Alltel have?

24 A Approximately 73,000.

25 Q And do you know approximately how many of the

1 residential customers there are in the state of Florida?

2 A Residential, no. Total, approximately 11 million.

3 Q What I'm trying to do is get an idea of the
4 proportion of the residential customers in the state who live
5 in Alltel's territory. Do you have any feeling for that?

6 A I'm certain it is less than one percent.

7 Q Does Alltel Florida have any competitors in its
8 territory who use unbundled network elements to compete?

9 A Not at this time.

10 Q You do have some resellers, I take it, is that right?

11 A Correct.

12 Q And they simply purchase your service at retail rates
13 and resell it, is that correct?

14 A Correct.

15 Q Alltel Florida does not offer any discount to
16 resellers, is that right?

17 A Alltel Florida does not offer discounts at this time.
18 There has been no request from competitors for a discount.

19 Q Which incumbent local exchange companies are located
20 adjacent to Alltel's service territory?

21 A BellSouth and Sprint.

22 Q How does Alltel's proposed reduction to access
23 charges compare to the charges that BellSouth and Sprint
24 charge?

25 A Alltel is proposing approximately \$6 million in

1 access reductions.

2 Q I'm talking about prices.

3 A In terms of price?

4 Q If the Commission grants your petition, at the end of
5 the -- by the time of your final access rate reduction, what
6 will the approximate per minute price for access be?

7 A The combined approximate per minute access rate will
8 be about six cents per minute.

9 Q And how does that compare to the prices that
10 BellSouth and Sprint will be charging at that time?

11 A It is higher.

12 Q How much higher?

13 A I don't have the exact number.

14 Q Would you agree that it will be several multiples of
15 the price that is charged by BellSouth and Sprint?

16 A I agree that it is certainly higher.

17 Q On Page 5 of your testimony you discuss line density
18 in Alltel Florida, is that correct? I'll refer you to the last
19 question and answer of Page 5 of your testimony. You give a
20 comparison of line density in Alltel's territory compared to
21 BellSouth, Verizon, and Sprint, do you not?

22 A Yes.

23 Q And Alltel's density is significantly less than the
24 density in the large incumbents' territory, is that right?

25 A An overall comparison of access line density per

1 square mile for our territory and the large ILECs territory,
2 Alltel's access line per square mile density is lower.

3 Q Do you think in general terms that in areas where the
4 line density is greater are more attractive to competitors than
5 areas where the line density is smaller?

6 A In general that's probably true.

7 Q So if somebody -- turn to Lifeline. Alltel Florida
8 is not currently offering income-based eligibility for Lifeline
9 service, is it?

10 A Not currently, no.

11 Q But you propose to offer it -- but you will be
12 required to offer it if the Commission grants your petition, is
13 that right?

14 A That's correct.

15 Q Okay. When the large incumbent companies came before
16 the Commission, are you aware that they elected to offer income
17 eligibility before filing their petitions?

18 A Yes.

19 Q There is a difference between Alltel's petition and
20 what the other companies did, isn't it, that Alltel did not
21 elect to offer income eligibility before filing its petition?

22 A Alltel did not elect to offer income eligibility
23 prior to filing its petition, but Alltel understands the
24 importance of protecting low income customers, and Alltel is
25 certainly willing to do what it can, and to do its part to

1 promote Lifeline services. Alltel is willing to commit an
2 additional 15 to \$20,000 each year of the rebalancing period in
3 additional promotional efforts towards Lifeline and Alltel is
4 willing to work with both your office and the Commission staff
5 as to how best to use those funds to do that.

6 Q Let me go back to my question, if I might. Why did
7 Alltel not elect to offer income eligibility prior to its
8 petition like the large companies did?

9 A At the time of our petition we understood that that
10 would be a requirement, and we certainly were willing to do it,
11 we just did not offer it initially at the time when we filed
12 our petition.

13 Q Is it your understanding that BellSouth, Verizon and
14 Sprint currently are engaging in extra activities to promote
15 Lifeline service in their territories, is that right?

16 A I'm aware of some of the activities that they are
17 involved in.

18 Q And is what you are proposing to do something similar
19 to what those companies are already doing?

20 A We are proposing to commit additional dollars to
21 promote Lifeline. Alltel has participated with BellSouth,
22 Sprint, and Verizon as well as the other small ILECs in
23 additional promotional efforts such as what we did this summer
24 in putting out a brochure that describes the Lifeline service
25 and also putting our application in the hands of the local

1 schools in our service territory to give to students who are
2 eligible for the national school lunch program. So, Alltel is
3 participating in additional efforts as well as the large ILECs,
4 and we are certainly willing to commit, as I said earlier,
5 additional dollars to increase that effort and the awareness of
6 the Lifeline program.

7 Q The activities with respect to the school lunch
8 program, those are the same activities that the other local
9 exchange companies did this past summer, isn't it?

10 A Right. We all participated, yes.

11 MR. BECK: Ms. Willis, thank you. That's all I have.

12 THE WITNESS: Thank you.

13 COMMISSIONER DEASON: Staff.

14 CROSS EXAMINATION

15 BY MR. SUSAC:

16 Q Good morning, Ms. Willis.

17 A Good morning.

18 Q My name is Jeremy Susac. I'm an attorney here at the
19 Commission, and I just have a couple of questions for you.
20 These questions stem from your supplemental response to staff
21 Interrogatories 8 and 9 and your responses to staff
22 Interrogatories 10, 11, and 12. I don't believe it will be
23 necessary to refer to them, but if you feel the need to, please
24 stop me and you can do that at any time. Essentially, my
25 questions relate to the services provided by Alltel pursuant to

1 Section 251 of the Telecommunications Act of 1996 and Alltel's
2 current and future obligations under this section.

3 My first question, Ms. Willis, is do you agree that
4 Alltel is currently providing resale and interconnection to
5 CLECs for use in serving wireline residential customers in
6 Florida?

7 A I'm sorry, repeat your question.

8 Q Yes. Do you agree that Alltel is currently providing
9 resale and interconnection to CLECs for use in serving wireline
10 residential customers here in Florida?

11 A Yes.

12 Q Do you agree that Alltel is currently providing
13 interconnection to wireless carriers for use in serving
14 residential and business customers in Florida?

15 A Yes.

16 Q Do you also agree that Alltel is presently exempt
17 from certain requirements of Section 251 due to its status as a
18 rural telephone company?

19 A Alltel has not exerted any rule exemption in Florida
20 in terms of interconnection requests. So while that may be
21 true, Alltel has not asserted a rule exemption and has entered
22 into negotiations for interconnection when requested.

23 Q Okay. Well, does Section 251 include the
24 requirements to provide unbundled access, to offer resale at
25 wholesale rates any telecommunication service the carrier

1 offers at retail rates and to provide collocation?

2 A I believe that's correct.

3 Q And the exemption for rural telephone companies is
4 contained in Section 251(f)(1), is that correct?

5 A Yes, I believe so.

6 Q And under that section, is Alltel required to provide
7 collocation?

8 A I believe so.

9 Q Excuse me?

10 A Yes, I believe so.

11 Q Under 251(f)(1)?

12 A (f)(1)?

13 Q Yes.

14 A Subject to check, I don't think so.

15 Q Does Alltel currently provide collocation?

16 A Alltel provides collocation in other areas of its
17 wireline system, not in Florida.

18 Q Not in Florida, right?

19 A Not in Florida.

20 Q Following along on that same 251(f)(1) section of the
21 1996 Act, is Alltel required to provide UNEs, unbundled network
22 elements?

23 A Yes.

24 Q Did you say yes?

25 A Under 251(f)(1)?

1 Q Yes, the rural exemption.

2 A No.

3 Q Under the same rule exemption, is Alltel required to
4 provide resale at a discount?

5 A No.

6 Q If this Commission approves Alltel's petition, Alltel
7 has committed to terminating its Section 251(f)(1) rural
8 exemption, is that correct?

9 A Yes, Alltel did.

10 Q If Alltel's rural exemption is terminated, would
11 Alltel be required to provide collocation, UNEs, and resale at
12 a discount?

13 A Yes.

14 Q And in this proceeding, has Alltel provided proposed
15 rates for collocation and UNEs?

16 A Alltel has not proposed any rates in this proceeding.

17 Q Has Alltel provided a proposed resale discount in
18 this proceeding?

19 A Alltel has not proposed a resale discount in this
20 proceeding.

21 MR. SUSAC: Just give me one second, Mr. Chairman, I
22 think that is pretty much it. (Pause.)

23 BY MR. SUSAC:

24 Q And just following back, going back to Mr. Beck's
25 question regarding the brochures provided to school-aged

1 children by including them into the back-to-school packages,
2 did Alltel provide and mail those brochures?

3 A That was done in a joint effort with all the parties
4 and the Commission staff. Alltel consented to have those
5 brochures and our application included in the packages for the
6 schools in our area, in our local area.

7 MR. SUSAC: That's all the questions I have.

8 COMMISSIONER DEASON: Commissioners, questions?
9 Redirect.

10 MR. WAHLEN: Thank you, Commissioner.

11 REDIRECT EXAMINATION

12 BY MR. WAHLEN:

13 Q Ms. Willis, Mr. Beck asked you some questions about
14 the portion of the access reduction that Alltel is proposing
15 that might inure to the benefit of Alltel's residential
16 customers. Do you remember that question?

17 A Uh-huh.

18 Q And you said that you thought a substantial part of
19 the reduction would flow through to Alltel residential
20 customers, do you remember that?

21 A Yes.

22 Q What percentage of Alltel's intrastate switched
23 access charges are paid to Alltel by its long distance
24 affiliate, Alltel Communications, Inc.?

25 A From the figures I have seen, approximately one-third

1 of Alltel Florida's intrastate access charges are paid by
2 Alltel's long distance affiliate.

3 Q So does it follow then just in general terms that
4 approximately a third of the access charge reduction proposed
5 by Alltel in this case would be a reduction to Alltel
6 Communications, Inc., and therefore that would be flowed
7 through to Alltel's customers?

8 A Yes.

9 Q And most of Alltel Communications, Inc.'s long
10 distance customers are also customers of Alltel Florida, Inc.,
11 the local exchange company?

12 A Yes.

13 Q So in round numbers, maybe 1.5 to \$2 million of this
14 access charge reduction might show up in the --

15 A In round numbers, approximately 2 million of the
16 access reductions would flow through to Alltel's customers.

17 Q I'd like to change gears. Mr. Beck asked you some
18 questions about the level of Alltel's access charges if the
19 rebalancing proposal is approved, and I think you said it would
20 be six cents a minute?

21 A Yes.

22 Q And he asked you if that would be higher than the
23 access charges that will result from the rebalancing done by
24 the large companies. Do you remember that?

25 A Yes, he did ask that.

1 Q And you said yes?

2 A Uh-huh.

3 Q Why didn't Alltel propose to reduce its access
4 charges below six cents a minute, maybe down to a penny a
5 minute, or something closer to interstate parity?

6 A When Alltel looked at the rebalancing legislation and
7 what we are allowed to do, Alltel not only looked at the access
8 reductions that we could make, Alltel also looked at the local
9 rate increases that would be required in order to make the
10 reductions. And we compared those to what was already approved
11 by this Commission for the large ILECs, and we made a decision
12 to rebalance as much as we could while keeping local rates
13 affordable as determined by the Commission in the large ILEC
14 cases. The local rate increases that Alltel is proposing are
15 within the range of what has already been approved for
16 BellSouth, Sprint, and Verizon, and that is why we made the
17 decision to rebalance to the level that we did.

18 Q And so just to be clear, if you had proposed reducing
19 your access charges further, it would have resulted in a
20 greater increase to residential rates?

21 A If we had proposed, for example, to reduce our access
22 charges to parity with interstate, it would have amounted to
23 approximately a ten to \$11 rate increase on the local side for
24 residential customers. And Alltel felt like that that was a --
25 that was not within the range of what was already approved.

1 Q Thank you. Mr. Beck asked you some questions about
2 the price of DSL in different bundles, and I think you said
3 that in one of the bundles the price was \$14.95, do you
4 remember that?

5 A Yes.

6 Q And I think Public Counsel has, somewhere in its
7 prehearing statement, taken the position that the Commission
8 should only approve the rebalancing proposal if Alltel is
9 willing to offer stand-alone DSL at the lowest price it offers
10 it in any bundle. Do you remember that position?

11 A Yes, I do.

12 Q Do you think \$14.95 a month covers the line costs
13 that Alltel would incur to provide DSL?

14 A The \$14.95 DSL price in the bundle only recovers the
15 cost of providing the information services part of it. The
16 line, the actual loop cost is recovered elsewhere in the
17 bundle. So to say that Alltel should offer the DSL at the
18 lowest price offered in the bundle is to say that Alltel would
19 essentially be offering the service priced under its cost,
20 which could be perceived by some of our competitors as
21 anticompetitive.

22 Q Thank you. I would like to look at Interrogatory
23 Number 74. Mr. Beck asked you some questions about that, and
24 this is the interrogatory that talks about different bundles.
25 Can you refer to that for me, please?

1 A Number 74?

2 Q 74, 7-4. Mr. Beck asked you that if Alltel increases
3 its local rates \$6, are you also going to increase the price
4 for Alltel's connect unlimited bundle, and I think your answer
5 was no, is that right?

6 A Yes.

7 Q If Alltel increases its R1 price from \$10.50 to
8 16.50, roughly, do you think that Alltel competitors will find
9 the bundles offered by the competitors listed in 74 relatively
10 more attractive?

11 A Do I think that the competitors will --

12 Q No, do your customers. Your customers. If you've
13 got a customer that right now is paying \$10.50 and might have
14 to pay \$16.50. When they are paying \$16.50, do you think they
15 will look at these bundles that you have got listed in
16 Interrogatory Number 74 and be more likely to consider taking
17 one of those bundles?

18 A Certainly as the local rate increases and there are
19 alternatives for customers to look at, I think customers will
20 start to look at those alternatives.

21 Q So do you think that that phenomena you just
22 described will make it more attractive to competitors to offer
23 new and innovative bundles to compete with your R1 service?

24 A Absolutely.

25 Q Now, Mr. Beck asked you several questions about

1 Vonage and whether you would be able to use Vonage's service
2 and have a local telephone number in Alltel's service
3 territory. And our interrogatory answer says, I think, that
4 that is available to 22 percent of your customers, and Mr. Beck
5 has given some information that suggests that maybe that's not
6 true.

7 Setting aside whether or not that is true, do you
8 think Vonage is going to be more likely to go out and make
9 arrangements to provide local telephone numbers in your
10 territory if you increase your local price and they have a
11 better chance of taking customers from you?

12 A Certainly. As our local price increases, as we have
13 talked about before, customers are going to begin to look at
14 alternatives for the same service. And if Vonage is in the
15 market and a viable alternative, then customers are going to
16 begin to compare that. And a 25.95 rate for a bundle of
17 services compared to a 16.49 rate for our R1 service, customers
18 will begin to look at Vonage in a different light.

19 Q And that might induce some people, it might induce
20 Vonage to compete harder and it might induce some people to
21 take Vonage's service?

22 A I think it certainly makes our markets more
23 attractive for companies like Vonage and others to come in
24 where they think they can actually gain some customers.

25 Q You indicated that Alltel has not offered unbundled

1 network elements. Has Alltel been requested by a carrier to
2 provide unbundled network elements?

3 A Alltel has not received a request in Florida to
4 provide unbundled network elements. Alltel provides unbundled
5 network elements in several of its other states. So it's just
6 a fact that Alltel has not received a request here in Florida,
7 not that Alltel is unwilling to entertain that request. We
8 simply have not had a request.

9 Q And just to be clear, as part of the commitment
10 Alltel has made, if the petition is granted, Alltel will move
11 forward and provide unbundled network elements through the
12 negotiation process, if they are requested?

13 A That's correct.

14 Q And the same for collocation?

15 A Yes.

16 Q And the same for resale at a wholesale discount?

17 A That's correct.

18 Q Now, am I correct in understanding that no CLEC has
19 requested collocation?

20 A Not in Florida.

21 Q And no CLEC has requested resale at a wholesale
22 discount?

23 A Not in Florida.

24 Q Do you believe that if Alltel's basic residential
25 service rate goes from \$10.50 to \$16.50 that CLECs will be more

1 likely to pursue that, pursue unbundled network elements?

2 A I believe that if we increase our local rates by the
3 \$6.33 as proposed, certainly our local exchanges will be more
4 attractive and CLECs will be more likely to request UNEs.

5 Q And the same for resale at a wholesale discount?

6 A Yes.

7 Q And the same for collocation?

8 A Yes.

9 Q Now, Mr. Beck asked you some questions about the
10 flow-through of long distance charges, do you remember that?
11 And I think he was concerned about the relatively small effect
12 that a \$6 million access charges reduction might have on IXC
13 customers who were paying statewide average toll rates. Do you
14 remember that?

15 A Uh-huh.

16 Q Do you think that some of Alltel Florida's existing
17 residential customers have received a benefit from the access
18 charge reduction the Commission approved for the large
19 companies?

20 A Certainly. Those customers who used the services of
21 AT&T and MCI and other national carriers have already received
22 benefits from the rate reductions of the large ILECs without
23 receiving the local rate increases.

24 Q Well, and that is where I want to go. The benefits
25 that Alltel Florida's customers have received are similar to

1 the benefits that the large LEC customers would receive, right?

2 A Yes.

3 Q But the large LEC customers have to pay the local
4 rate increase, right?

5 A Yes, sir.

6 Q So do you think from a fairness perspective the
7 customer of a large LEC that has to pay the rate increase to
8 get the access reduction might think it is unfair that Alltel's
9 customers get the rate reduction but don't have to pay a rate
10 increase?

11 A I can certainly see how that could be perceived.

12 Q And Mr. Beck asked you some questions about the
13 density in Alltel's territory, and we talked about how Alltel's
14 territory is relatively less dense than the territories of the
15 large LECs, do you remember that?

16 A On a whole, yes, if you look at the large LECs'
17 density in total.

18 Q Right. And Mr. Beck said that high density areas are
19 more attractive for competition, and you agreed with him,
20 right?

21 A Generally speaking, that is probably true.

22 Q Do you think it is harder to compete in a lower
23 density area relative to a high density area?

24 A I think it's perceived to be more expensive to
25 compete in a low density area.

1 Q So if you assume, just for a minute, that the
2 Commission is charged with encouraging competition, do you
3 think that the rural areas of Florida need a little more
4 encouragement than the urban areas of Florida for competition
5 to occur?

6 A If the public policy of this Commission is to
7 encourage competition in the state, and that includes rural
8 areas. Subsidized or low local rates certainly don't encourage
9 that. So the higher the local rate and the less subsidized
10 they are, certainly that encourages competition. It is
11 difficult, I think, for any competitor to compete with a \$10
12 rate that is substantially subsidized by other rates. As that
13 rate moves closer to its cost, then that is an incentive for
14 competitors to look at those markets because that increases
15 their potential for profit margin.

16 MR. WAHLEN: Thank you.

17 MR. BECK: Commissioner Deason, might I ask your
18 indulgence to ask just a few questions raised by Mr. Wahlen's
19 redirect?

20 COMMISSIONER DEASON: Mr. Wahlen, if there is no
21 objection.

22 MR. WAHLEN: I have no objection.

23 COMMISSIONER DEASON: Mr. Beck, please proceed.

24 RE CROSS EXAMINATION

25 BY MR. BECK:

1 Q Ms. Willis, I believe you said in response to Mr.
2 Wahlen that one-third of the access charges that are charged by
3 Alltel Florida, Incorporated, are paid to your long distance
4 affiliate, is that right?

5 A Paid by the long distance affiliate?

6 Q Yes.

7 A Approximately.

8 Q Does your long distance affiliate only operate in the
9 territory of Alltel Florida, Incorporated?

10 A It operates predominately in Alltel Florida
11 territory; but, no, not only.

12 Q So I could have Alltel long distance affiliate
13 service in Tallahassee, for example, if I wished, couldn't I?

14 A Yes.

15 Q With regard to DSL service, Alltel is not willing to
16 offer DSL on a stand-alone basis at 14.95 per your redirect
17 examination?

18 A I can't make that commitment.

19 Q But you are also not willing to offer it at 34.95,
20 which is your stand-alone rate for DSL, isn't that right?

21 A I'm sorry, repeat that.

22 Q What I'm asking about is whether the willingness of
23 Alltel Florida to offer stand-alone DSL, and as I understand
24 it, correct me if I'm wrong, Alltel Florida is not willing to
25 offer stand-alone DSL at 34.95, either, isn't that correct?

1 A Alltel does not offer stand-alone DSL.

2 Q If I had R1 service right now and I wanted to add DSL
3 service, the price would be 34.95, is that right?

4 A Subject to check, I believe that it would be.

5 Q And then you have various discounts if you order
6 certain packages, right?

7 A Yes. We have various discounts for services, and we
8 offer promotional discounts, also.

9 Q What I'm asking is, is Alltel Florida is not willing
10 to offer stand-alone DSL at the highest price that it is
11 offered either, is it?

12 A Currently Alltel Florida is not and has not
13 considered offering stand-alone DSL at any price. It is
14 something that Alltel is looking at but has not made a
15 commitment to do.

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

17 COMMISSIONER DEASON: Mr. Wahlen.

18 MR. WAHLEN: No re-redirect.

19 COMMISSIONER DEASON: I believe that we have already
20 entered the exhibits, is that correct?

21 MR. WAHLEN: I believe that is correct.

22 May Ms. Willis be excused?

23 COMMISSIONER DEASON: Yes.

24 Thank you, Ms. Willis, you may be excused.

25 MR. SUSAC: Excuse me, Mr. Chairman, may I interject

1 something real quick. I didn't know if it was OPC's
2 willingness to enter this as an exhibit or just use it for
3 cross-examination, the printout of the Vonage sheet.

4 MR. BECK: The witness couldn't speak to it or
5 authenticate it, so I'm not offering it as an exhibit.

6 MR. SUSAC: Thank you for that clarification.

7 COMMISSIONER DEASON: We will take a ten-minute
8 recess.

9 (Recess.)

10 (Transcript continues in sequence with Volume 2.)

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STATE OF FLORIDA)

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CERTIFICATE OF REPORTER

COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Office of Hearing Reporter Services, FPSC Division of Commission Clerk and Administrative Services, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 2nd day of December, 2005.



JANE FAUROT, RPR

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