Legal Department

NANCY B. WHITE
General Attorney

Southern Bell Telephone
and Telegraph Company
150 South Monroe Street
Suite 400
Tallahassee, Florida 32301
(404) 529-5387

ORIGINAL FILE COPY

July 10, 1995

Mrs. Blanca S. Bayo
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

RE: Docket No. 920260-TL

Dear Mrs. Bayo:

Enclosed are an original and fifteen copies of Southern Bell Telephone and Telegraph Company's Rebuttal Testimony of Joseph A. Stanley, Jr. and Jerry D. Hendrix. Please file these documents in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served on the parties shown on the attached Certificate of Service.

Sincerely,

Nancy B. White

Nancy B. White

Enclosures

cc: All Parties of Record
A. M. Lombardo
R. G. Beatty
R. D. Lackey

ACK
AFA 1
APP
CAF
CMU Norton
CTR
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LEG 1
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RCH Vinson
SEC 1
WAS
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Hendrix
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06519 JUL 10 95
FPSC-RECORDS/REPORTING

Stanley
DOCUMENT NUMBER-DATE
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FPSC-RECORDS/REPORTING

CERTIFICATE OF SERVICE
Docket No. 920260-TL
Docket No. 900960-TL
Docket No. 910163-TL
Docket No. 910727-TL

I HEREBY CERTIFY that a copy of the foregoing has been furnished by United States Mail this 10th day of July, 1995 to:

Robin Norton
Division of Communications
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Tracy Hatch
Division of Legal Services
Florida Public Svc. Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Joseph A. McGlothlin
Vicki Gordon Kaufman
McWhirter, Grandoff & Reeves
315 South Calhoun Street
Suite 716
Tallahassee, FL 32301-1838
atty for FIXCA

Kenneth A. Hoffman
Messer, Vickers, Caparello, Madsen, Lewis & Metz, PA
Post Office Box 1876
Tallahassee, FL 32302
atty for FPTA

Michael W. Tye
AT&T Communications of the Southern States, Inc.
106 East College Avenue
Suite 1410
Tallahassee, Florida 32301

Dan B. Hendrickson
Post Office Box 1201
Tallahassee, FL 32302
atty for FCAN

Charles J. Beck
Deputy Public Counsel
Office of the Public Counsel
111 W. Madison Street
Room 812
Tallahassee, FL 32399-1400

Michael J. Henry
MCI Telecommunications Corp.
780 Johnson Ferry Road
Suite 700
Atlanta, Georgia 30342

Richard D. Melson
Hopping Boyd Green & Sams
Post Office Box 6526
Tallahassee, Florida 32314
atty for MCI

Rick Wright
Regulatory Analyst
Division of Audit and Finance
Florida Public Svc. Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Laura L. Wilson, Esq.
Florida Cable Telecommunications Assn., Inc.
310 North Monroe Street
Tallahassee, FL 32301
atty for FCTA

Chanthina R. Bryant
Sprint Communications Co. Limited Partnership
3100 Cumberland Circle
Atlanta, GA 30339

Benjamin H. Dickens, Jr.
Blooston, Mordkofsky,
Jackson & Dickens
2120 L Street, N.W.
Washington, DC 20037
Atty for Fla Ad Hoc

C. Everett Boyd, Jr.
Ervin, Varn, Jacobs, Odom
& Ervin
305 South Gadsen Street
Post Office Drawer 1170
Tallahassee, Florida 32302
atty for Sprint

Angela Green
Florida Public
Telecommunications Assn., Inc.
125 South Gadsden Street
Suite 200
Tallahassee, FL 32301

Monte Belote
Florida Consumer Action Network
4100 W. Kennedy Blvd., #128
Tampa, FL 33609

Joseph Gillan
J.P. Gillan & Associates
P.O. Box 541038
Orlando, FL 32854-1038

Mark Richard
Attorney for CWA
Locals 3121, 3122, and 3107
304 Palermo Avenue
Coral Gables, FL 33134

Gerald B. Curington
Department of Legal Affairs
2020 Capital Circle, SE
Alexander Building, 2nd Floor
Tallahassee, FL 32301

Mr. Douglas S. Metcalf
Communications Consultants, Inc.
631 S. Orlando Ave., Suite 450
P. O. Box 1148
Winter Park, FL 32790-1148

Mr. Cecil O. Simpson, Jr.
General Attorney
Mr. Peter Q. Nyce, Jr.
General Attorney
Regulatory Law Office
Office of the Judge
Advocate General
Department of the Army
901 North Stuart Street
Arlington, VA 22203-1837

Mr. Michael Fannon
Cellular One
2735 Capital Circle, NE
Tallahassee, FL 32308

Floyd R. Self, Esq.
Messer, Vickers, Caparello,
Madsen, Lewis, Goldman & Metz
Post Office Box 1876
Tallahassee, FL 32302-1876
Attys for McCaw Cellular

Stan Greer
Division of Communications
Florida Public Svc. Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Nancy B. White
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SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY
REBUTTAL TESTIMONY OF JOSEPH A. STANLEY, JR.
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET ~~920260-TL~~
JULY 10, 1995

Q. Please state your name and business address.

A. I am Joseph A. Stanley Jr. My business address is 3535 Colonnade Parkway, Birmingham, Alabama 35243.

Q. By whom are you employed?

A. I am employed by BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company (Southern Bell).

Q. Have you previously filed testimony in this docket?

A. Yes. I filed direct testimony in support of Southern Bell's proposal to achieve the unspecified $25 million rate reduction for 1995 through the implementation of Extended Calling Service (ECS) on selected routes.

Q. What is the purpose of this testimony?

A. The purpose of this testimony is to rebut certain contentions of AT&T's witness Guedel, FIXCA's witness Gillan and Ad Hoc's witness Metcalf. Specifically, I will deal with the following issues:

1. Competition will continue to flourish with the introduction of ECS. ECS will not re-monopolize service on routes where it is implemented.
2. ECS is a better use of the $25M rate reduction than the PBX trunks and DID proposals suggested by witnesses Guedel and Metcalf.

Q. Will the implementation of Southern Bell's ECS service foreclose effective toll competition as suggested in the testimony of Mr. Metcalf on page 9 (lines 10 & 11), Mr.

Gillan on page 5 (lines 7-10), and Mr. Guedel on page 4 (lines 1-4)?

A. Absolutely not. With or without ECS, competition will continue to flourish in the state of Florida. This will happen for two very important reasons:

- Southern Bell can provide only intraLATA service while its competitors can provide the full spectrum of toll services, including intraLATA, interLATA, interstate, and international services.
- Southern Bell is not the only provider of access service in Florida.

Q. What is the competitive significance of Southern Bell's being prohibited from offering a full range of toll services?

A. This prohibition affects Southern Bell's ability to compete in at least three ways. First, Southern Bell's competitors have the ability to offer "one-stop shopping" for all of their toll services. Customers can deal with one vendor and have all of their toll usage consolidated on one bill. This gives Interexchange Carriers (IXC) a distinct advantage because of the convenience that it offers to customers. Second, Southern Bell's competitors can allow customers to combine their intraLATA usage with their remaining toll usage to increase the benefit of volume discount plans. We have already seen IXC initiatives which take advantage of this capability. Third, intraLATA toll service in Florida today represents less than 20% of the total toll business. Even if Southern Bell could capture the entire intraLATA market, which is certainly not realistic, the IXCs would still control over 80% of the total market.

Q. Mr. Metcalf, on page 9 (lines 13-15) of his testimony, argued that the IXCs cannot effectively compete with ECS because Southern Bell's ECS rates are less than switched access rates. How do you respond to this argument?

A. The argument is invalid to the extent that it considers only Southern Bell's intrastate switched access rates. The level of these rates is only one factor in an analysis of the competitiveness of the ECS market. Other access rates and providers must be considered as well. For example, IXCs which provide a full spectrum of toll services are able to evaluate the economic validity of their offerings on an aggregated basis. Therefore, the combined cost to the IXC of intrastate access, interstate access, and alternative access is the relevant factor that will determine whether an IXC can effectively compete for ECS traffic. Additional considerations are provided in the rebuttal testimony of Mr. Hendrix.

Q. Do IXCs in Florida have viable alternatives for access service?

A. Yes. Today there are seventeen (17) AAVs that are certificated to operate in Florida. These AAVs offer alternatives to Southern

Bell's access services. Indeed, MCI has publicly stated that they intend to actively pursue alternatives to obtaining access from the Regional Bell operating companies. Alternatives to Southern Bell access are available today and I would expect that the choices available to an IXC will multiply as a result of the recently passed legislation.

Q. Are there reasons why re-monopolization of the ECS traffic is unlikely?

A. Yes, there is one in particular. The $.25 residence rate may be less attractive for customers who make a lot of calls of short duration and distance, when compared to a per minutes charge levied by the IXCs. My exhibit JAS-3 depicts situations in which calls of short duration and distance would cost less than ECS calls. These examples depict another reason why Southern Bell simply would not be able to re-monopolize with ECS.

Q. In the testimony of Mr. Metcalf, on page 4 (lines 13 & 14), and Mr. Guedel, on page 8 (lines 8-17), they argue that PBX is at a distinct disadvantage compared to ESSX[R] Service and, hence, a better use of the $25M rate reduction would be to reduce rates for trunks and DID. Do you agree?

A. No, I do not. The assertion that pricing differences between PBX trunks and ESSX Service cause PBX to be uncompetitive with ESSX Service is without merit. My calculations show that Southern Bell's ESSX Service's relative market share has increased no more than 1% in the past three years. Given this, it appears that PBX can successfully compete with ESSX Service. It also raises serious doubt with regard to Mr. Medcalf's contention on page 4 (lines 18-19) of his testimony that the PBX market has lost "tremendous market share in the last few years".

Q. Has Southern Bell reduced the price of PBX trunks in the last few years?

A. Yes. In 1994, Southern Bell reduced the price of PBX trunks and Direct Inward Dialing (DID) by $35.0M. These reductions included disaggregation of hunting from PBX trunk rates. This was significant because it meant that customers could purchase a lower rated trunk for outgoing traffic. Hunting was disaggregated from Network Access Registers (NARs), which are used in the provisioning of ESSX Service. However, the reductions to the PBX trunks were greater than those to NARs, thus working to the advantage of PBX.

Q. Does Southern Bell offer any alternatives to buying PBX trunks?

A. Yes. We offer MegaLink[R] Service. MegaLink Service consists of a "pipe" that contains the equivalent of 24 trunks. A customer can buy the pipe and then pay to activate the individual trunks as they are needed. The pricing advantages relative to PBX trunks can be significant for a customer with higher traffic volumes. Overall demand for MegaLink Service has been strong in Florida with sufficient units sold to handle over 53,000 PBX trunks.

Q. Do you agree with Mr. Metcalf's assertion that changing the pricing relationship between PBX trunks and ESSX Service would result in a more active and competitive market?

A. No. This is already one of the most competitive markets in the telecommunications industry, and it has been for many years. The competition is not typically between a single PBX proposal and an ESSX Service proposal. Rather, it is between multiple PBX proposals from multiple vendors and, possibly, an ESSX Service proposal. With a market share less than 12%, ESSX Service cannot possibly be considered the leader in this market. It is simply not reasonable to expect that changing the pricing relationship between PBX trunks and ESSX Service would have such a profound effect. In my opinion, nothing would happen beyond what is already happening today.

Q. Will the new telecommunications legislation have an impact on the relationship between PBX trunks and ESSX Service pricing?

A. Yes. Implementation of the legislation will mean that other companies will likely enter the local market and offer alternatives to our PBX trunks. In addition, the recent filing in Georgia of MFS Intelenet of Georgia, Inc. (exhibit JAS-4) indicates that certain competitors are willing and able to provide their version of our ESSX Service.

We may need to make changes to the prices of our services as this competition develops. However, we need to carefully monitor how the market is moving and then determine which services, if any, need to be adjusted. For example, to simply reduce PBX trunks in all rate groups might not be the right answer, especially since we would expect significant competition to occur in larger cities.

Q. If the Commission chooses to apply the $25M reduction to trunks and DID, who would benefit?

A. The main benefit would be to large customers who would see their rates reduced. PBX vendors could also benefit in that they would be better positioned to capture a portion of the ESSX Service market share. Southern Bell could benefit somewhat if significant reductions occurred in markets that AAVs are likely to enter.

Q. Both Mr. Metcalf and Mr. Guedel, the AT&T witness, gave limited support to McCaw's proposal to use the $25M to reduce mobile service rates. Would this be an appropriate direction for the Commission to pursue?

A. No. As I indicated in my direct testimony, this issue is already being addressed in an unrelated docket. There is no reason to also consider that proposal in this docket. In addition, the McCaw proposal is simply another type of access reduction. The Order issued by this Commission approving the agreements between the parties sets out access reductions as follows:

7-1-94	$50M
10-1-95	$55M
10-1-96	$35M
TOTAL	$140M

Given the substantial amount already targeted to access reductions, I believe it is very appropriate to implement the proposed Expanded Local Calling reductions, which are responsive to expressed customer needs.

Q. Let's turn now to the ECS plan itself. What is your assessment of Mr. Metcalf's portrayal of ECS as a form of local measured service?

A. The ECS plan does not change either the dialing pattern or the rates for calling within a customer's existing local calling area. Customers with no need to make calls over a new ECS route will see no change. No aspect of ECS imposes local measured service on any part of a customer's existing bill.

Q. How do you respond to concerns expressed by the testimony of Mr. Metcalf on page 9 (line 5) and Mr. Gillan on page 9 (lines 10, 11 & 19) regarding the fact that ECS is mandatory and requires seven digit dialing?

A. ECS is mandatory in the sense that it is the only calling plan Southern Bell will offer over certain routes. However, unlike mandatory Extended Area Service (EAS), customers only pay when they make calls. ECS has already been implemented on a number of routes in Florida. It has been well accepted by the Commission and by customers.

Likewise, seven digit dialing has been utilized on all existing intra-NPA ECS routes, just as it has with EAS. Again, the plan has been very well received. We believe the great majority of customers will welcome seven digit dialing over the affected routes.

There is an alternative for customers if ECS simply does not meet their needs. That alternative is called competition. Our competitors offer 10XXX dialing today and will very soon be able to offer 1+ dialing. While ECS offers a slight dialing advantage, it has the disadvantage of not allowing customers to aggregate their usage and take advantage of the resulting discounts and convenience. Seven digit dialing does not give Southern Bell the insurmountable competitive edge that intervenor witnesses suggest.

Q. What is your opinion regarding the proposal of Mr. Gillan on page 3 (lines 12-13) of his testimony that the Commission should use the interim refund mechanism outlined in the stipulation rather than implementing Southern Bell's ECS proposal?

A. It is unnecessary for the reasons outlined earlier in my testimony. In addition, over the past few years Southern Bell has experienced a substantial amount of customer interest in EAS. ECS has already been used in Florida to address EAS needs. ECS has been well received by both the Commission and customers and provides a standardized and lasting approach. It will cut EAS requests substantially if not totally eliminate them. A customer refund will do nothing to satisfy these demands. ECS is in the customers interest and should be implemented using the $25M rate reduction.

Q. Would you please summarize your testimony?

A. Intervenor witnesses have objected to ECS as a re-monopolization of the intraLATA market. Southern Bell, with only the ability to serve the intraLATA market, simply cannot exert this kind of market power. Interexchange carriers have the ability to aggregate their traffic and utilize sources other than Southern Bell for access. The ability to do these two things, combined with the additional flexibility that will be available to IXCs due to the new legislation allows the IXCs to fully compete with Southern Bell.

Intervenor witnesses suggested rate reductions to other services to fulfill the

$25M rate reduction. None of the proposals made by these witnesses will benefit as many customers as will ECS. ECS meets customer demand for expanded calling, while only affecting the customers that make the calls. It offers the advantage of a very attractive rate, without unduly penalizing customers that do not need it.

ECS is in the interest of a great number of Floridians. It offers benefits to more customers than any proposals submitted by other witnesses. I urge the Commission to approve the ECS plan as filed by Southern Bell.

Q. Does this conclude your testimony?

A. Yes, it does.

Southern Bell Tel. & Tel. Co.
FPSC Docket No. 920260-TL ('95 Rate Red.)
Witness: Stanley
Rebuttal Exhibit No. _____ (JAS-3)

RESIDENCE CALLS CHEAPER WITH IXC TOLL

CARRIER	DISTANCE	RATE PERIOD	MAXIMUM BILLED MINUTES*
AT&T/MCI/SPRINT	1 - 10 MILES	DAY	1
		EVENING	2
		N/W	4
AT&T/MCI/SPRINT	11 - 22 MILES	EVENING	1
		N/W	2
AT&T/MCI/SPRINT	23 - 55 MILES	EVENING	1
		N/W	1
AT&T/MCI/SPRINT	56 - 124 MILES	EVENING	1
		N/W	1

*ECS IS LESS EXPENSIVE THAN IXC TOLL ONLY WHEN A CALL IS BILLED FOR MORE THAN THE NUMBER OF MINUTES SHOWN

EXCHANGE ACCESS SERVICE

5.7 Centrex Service

Centrex Service provides the Customer with multiple individual voice-grade telephone communications channels, each of which can be used to place or receive one call at a time. Centrex Station Lines are provided for connection of Centrex-compatible Customer-provided station sets to the public switched telecommunications network. Centrex Service standard and optional features are described in the Definitions Section of this tariff. Centrex Service is provided with a minimum of five Centrex Station Lines. Each Centrex Station Line is provided in combination with other Company-provided services. Centrex Services are offered as Centrex Basic and Centrex Select.

5.7.1 Centrex Basic

The standard features as follows:

Touch Tone
Call Transfer
Call Hold
Three-Way Conference Calling

* Some features may not be available in all locations.

5.7.2 Centrex Select

The standard features are as follows:

Touch Tone	Call Forward/Variable
Call Transfer	System Speed Dial
Call Hold	Call Pick-up
Three-Way Conferencing	Call Hunting
Call Forward/Busy	Call Waiting
Call Forward/Don't Answer	

* Some features may not be available in all locations.

Additional non-recurring and monthly recurring Centrex Service charges are listed in Section 5.7.5.

EXCHANGE ACCESS SERVICE

5.7 Centrex Service (cont'd)

5.7.3 Station Line Charges

The Centrex Station Lines are charged on a monthly recurring and non-recurring basis.

	Non-Recurring	Monthly Recurring
Centrex Basic -Per Station Line	$X.XX	$X.XX
Centrex Select -Per Station Line	$X.XX	$X.XX

5.7.4 Usage Charges

A) Local Service Rates

Refer to the Rate Schedule located in Section

B) IntraLATA Rates

Refer to the Rate Schedule located in Section 9.3.

EXCHANGE ACCESS SERVICE

5.7 Centrex Service (cont'd)

5.7.5 Rate Elements

The following Rate Elements are in addition to the standard features located in Section 5.7.1 and 5.7.2. These rates are applied on a non-recurring and monthly recurring basis.

	Rate
Number Retention	
-Per Number	
Recurring	$X.XX
Non-Recurring	$X.XX
Order Processing Charge	
-Per Order	
Non-Recurring	$X.XX
Additional Directory Listing	
-Per Listing	
Recurring	$X.XX
Remote Call Forwarding	
-Per Path	
Recurring	$X.XX
Account Codes	
-Per Line	
Recurring	$X.XX

EXCHANGE ACCESS SERVICE

5.7 Centrex Service (cont'd)

5.7.5 Rate Elements (cont'd)

	Rate
Service Establishment Charge	
-Per Order	
Non-Recurring	$X.XX
Vanity Number	
-Per Number	
Recurring	$X.XX
Vanity Number Retention	
-Per Number	
Recurring	$X.XX
Non-Recurring	$X.XX