

**ORIGINAL**

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 991237-TP**

**DIRECT TESTIMONY**

**OF**

**RICHARD GUEPE**

**ON BEHALF OF**

**AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.**

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**AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.**  
**DOCKET NO. 991237-TP**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TITLE.**

A. My name is Richard Guepe, and my business address is 1200 Peachtree Street, N.E., Atlanta, Georgia 30309. I am employed by AT&T as a District Manager in the Law & Government Affairs organization.

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

A. I received a Bachelor of Science Degree in Metallurgical Engineering in 1968 from the University of Notre Dame in South Bend, Indiana. I received a Masters of Business Administration Degree in 1973 from the University of Tennessee in Knoxville, Tennessee. My telecommunications career began in 1973 with South Central Bell Telephone Company in Maryville, Tennessee, as an outside plant engineer. During my tenure with South Central Bell, I held various assignments in outside plant engineering, buildings and real estate, investment separations and division of revenues. At divestiture (1/1/84), I transferred to AT&T where I have held numerous management positions in Atlanta, Georgia, and Basking Ridge, New Jersey, with

1 responsibilities for investment separations, analysis of access charges and  
2 tariffs, training development, financial analysis and budgeting, strategic  
3 planning, regulatory issues management, product implementation, strategic  
4 pricing, and docket management.

5

6 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY STATE**  
7 **PUBLIC SERVICE COMMISSIONS?**

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

11

12 **Q. ON WHOSE BEHALF ARE YOU APPEARING IN THESE**  
13 **PROCEEDINGS?**

14 A. I am appearing on behalf of AT&T Communications of the Southern States,  
15 Inc.

16

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

18 A. The purpose of my testimony is to provide historical background on the  
19 recovery of access costs and the development of access charges, which  
20 explains the costs that the Carrier Common Line (CCL) access rate element  
21 was designed to recover, and to demonstrate that refunds due to the  
22 misapplication of the CCL, which is explained by AT&T witness Dr. Jerry J.

1           Langin-Hooper, are appropriate and necessary and the improper application  
2           of the CCL should be discontinued.

3

4   **Q.    CAN YOU PROVIDE A BRIEF HISTORY OF THE ORIGINATION**  
5   **OF ACCESS CHARGES?**

6   **A.    Yes. The access charge concept and structure was developed by the FCC**  
7   **and Federal State Joint Board in CC Docket No. 78-72. In February, 1978,**  
8   **the FCC issued a Notice of Inquiry and Proposed Rulemaking to evaluate the**  
9   **market structure for Message Telephone Service (MTS, or long distance**  
10   **service) and Wide Area Telephone Service (WATS or "800" service). The**  
11   **initial purpose of the rulemaking was to determine the appropriate market**  
12   **structure - competitive or monopoly - for these services. In April, 1980, the**  
13   **FCC issued a Second Supplemental Notice of Inquiry and Proposed**  
14   **Rulemaking seeking comment on various proposals to revise the**  
15   **methodology employed to recover those costs that are associated with**  
16   **originating and terminating interstate calls at the customer's premises and**  
17   **that are assigned to the interstate jurisdiction through the separations process.**  
  
18   **In an August, 1980 Report, the FCC concluded that MTS and WATS type**  
19   **services should be provided by competing carriers rather than a single**  
20   **carrier. This was the beginning of full-fledged competition in the long-**  
21   **distance market. One consequence on this decision was that a suitable**  
22   **mechanism needed to be developed for new entrants into the long distance**  
23   **market (known as Other Common Carriers) to contribute to local exchange**

1 costs. In its Third Report and Order, adopted in December, 1982, the FCC  
2 selected an approach that was driven in a large part by the August 1982  
3 consent decree between AT&T and the Department of Justice. In this  
4 decision, the FCC promulgated rules under which the exchange carriers  
5 would recover the costs of originating and terminating interstate calls, in part  
6 from subscribers and in part from long distance carriers. The FCC initially  
7 required that local exchange companies initiate minimum subscriber line  
8 charges of \$2 for residential customers and \$4 for business customers, in  
9 combination with a charge based on usage. The remainder of costs, not  
10 recovered directly from customers through a flat fee or usage charge, would  
11 be recovered indirectly through the long distance charges of interexchange  
12 carriers. Exchange carriers would assess a Carrier Common Line charge to  
13 interexchange carriers for the remaining subscriber line costs. The plan  
14 called for gradual increases in the flat monthly fee until nearly all the  
15 interstate costs of providing the subscriber line would be recovered directly  
16 from customers through the subscriber line charge. The central feature of  
17 the FCC's order was a planned transition to shift the interstate contribution  
18 then embedded in usage rates to a flat rate subscriber line charge.

19 In its First Reconsideration Order released in August, 1983, the plan for  
20 recovering interstate local loop costs was simplified. Under the modified  
21 plan, whatever interstate local loop costs are not recovered by flat subscriber  
22 line charges, are to be recovered from the Carrier Common Line charge.  
23 Residential subscribers would initially pay \$2 per month per line and  
24 business subscribers would pay no more than \$6 per month per line. By

1 1986, residential line charges would be \$4 per line per month while business  
2 charges would remain at \$6 per month per line. Beginning in 1987,  
3 subscriber line charges would rise again subject to a further proceeding.  
4 Based on this history, it is clear that the interstate carrier common line  
5 charge was designed to recover non-traffic sensitive local loop costs.

6

7 **Q. PLEASE DESCRIBE THE INTERSTATE ACCESS RATE DESIGN**  
8 **AND STRUCTURE?**

9 A. The method by which all charges were calculated for the initial interstate  
10 access rate design was essentially a separations, embedded cost basis. In  
11 Docket 78-72, the FCC established rules by which those embedded cost-  
12 based rates were determined. The FCC created twenty-one separate service  
13 categories, each with its own revenue requirement. The rates for the  
14 chargeable elements that comprised each of the service categories were  
15 required to balance back to the revenue requirement of each service  
16 category. There was one exception to this is and that was billing and  
17 collection that was allowed to exceed the authorized earning level of  
18 12.75%.

19 The Order also provided for the formation of an Exchange Carriers  
20 Association (ECA) whose responsibility was to develop, file, and administer  
21 a nationwide tariff for the carrier common line charge (sometimes referred to  
22 as the carrier's carrier charge) and two other sets of charges<sup>1</sup>. Each  
23 exchange telephone company was required to concur in the CCL charge but

1 had the option to concur in either of the other two pools or file its own tariffs  
2 with the FCC for these charges.

3

4 **Q. WHAT SERVICES AND STRUCTURE WAS PROPOSED FOR**  
5 **FLORIDA INTRASTATE ACCESS TARIFFS?**

6 A. In testimony<sup>2</sup> before this commission Southern Bell proposed intrastate access  
7 service tariffs in parity with interstate tariffs. Southern Bell witness Price  
8 explained this concept:

9 "By parity. I mean state rates that are identical in structure and level  
10 with interstate. The only exception to this would be in the level of end-  
11 user flat rate charges where differences will necessarily occur due to  
12 the differences in total interstate and intrastate access revenue  
13 requirements."

14

15 Mr. Price further described the proposed access service tariff:

16 "The proposed tariff is structured around three basic service types:  
17 Switched Access, Special Access, and ancillary services. Switched  
18 Access contains rates and charges applicable to carriers and end users  
19 related to the provision of MTS-type or WATS-type services. Another  
20 way to describe it is that Switched Access is applicable to all  
21 interexchange services which utilize the local exchange company's end  
22 office switching. Special Access and ancillary services apply only to  
23 carriers."

1 Mr. Price additionally explained Southern Bell's switched access rate  
2 categories as follows:

3 "The four rate categories for Switched Access are proposed to be: (1)  
4 Access Connections, (2) Local Transport, (3) End Office and (4)  
5 Common/Dedicated Access Lines. These rate categories are  
6 functionally representative of the manner in which Switched Access is  
7 constructed and provided."

8  
9 "The Access Connections rate category is associated with the provision  
10 of an interface at the IC's Point of Presence (POP) and signaling and  
11 transmission parameters on the facilities provided to the IC."

12  
13 "The Local Transport rate category is associated with the facilities  
14 provided between the IC's POP and the customer's (i.e. end user's)  
15 end office."

16  
17 "The End Office rate category is associated with the end office  
18 switching and features required by the IC. The type of switching and  
19 number of features obtained substantially differentiates the technical  
20 interconnection capability provided."

21  
22 "Common/Dedicated Access Lines

1 The third major category of charges in Switched Access is the  
2 Common/Dedicated Access Line rates. These rates are associated with  
3 the use of the subscriber's local exchange line for interexchange  
4 calling. They include:(1) Charges for Carrier Common Line Access  
5 which are usage sensitive, (2) End User Common Line Access rates  
6 which are flat rate and usage sensitive, and (3) Dedicated Access Line  
7 rate which are also flat rate.”

8  
9 “It is the provision of an access line and not the use of additional  
10 Intrastate minutes that causes the Company to incur  
11 Common/Dedicated Access Line costs. The proposed  
12 Common/Dedicated Access Line rate structure recognizes this fact by  
13 moving toward a cost causative recovery method. Although the  
14 Company does not propose to go to full end user recovery initially, It  
15 does feel that the structure should be established from the outset to  
16 allow for transition to such a form of recovery. This would ensure that  
17 the customer pays the cost of the subscriber plant associated with his  
18 line on a basis which is consistent with the non traffic sensitive nature  
19 of the facilities.” (emphasis added)

20

21 **Q. BASED ON SOUTHERN BELL'S TESTIMONY AND THE**  
22 **COMMISSION'S ACCESS CHARGE DECISIONS, WOULD YOU SAY**  
23 **THE CCL IS DESIGNED TO RECOVER END-USER LOOP COSTS?**

1 A. Without a doubt, yes. Mr. Price unequivocally states the  
2 Common/Dedicated Access Line rates which include the CCL, a proposed  
3 end user charge and the dedicated access line rate are associated only with  
4 the subscriber's local exchange line.

5

6 Q. **IS THERE ANY EVIDENCE THAT THE CCL WAS INTENDED TO**  
7 **RECOVER ANY COSTS OTHER THAN NON-TRAFFIC SENSITIVE**  
8 **(NTS) COSTS?**

9 A. No, the history of the development and establishment of the Carrier Common  
10 Line Charge, both in the interstate and intrastate jurisdictions, clearly  
11 establishes that this charge is for the recovery of non-traffic sensitive costs  
12 associated with end-users access lines. When discussing the effects of the  
13 FCC's order in Docket 78-72, Southern Bell witness Price states that NTS  
14 costs are recovered through the CCL charge. As Mr. Price states:

15 "A major consequence of the Order is its shifting of the recovery of  
16 the preponderance of the revenue requirement for access lines used in  
17 common by exchange, intrastate MTS, and interstate MTS from  
18 carriers to end users. By end users, I mean local exchange customers,  
19 both business and residence. This revenue requirement for access lines  
20 is assigned to the interstate jurisdiction through the separations process  
21 and is a non-traffic sensitive (NTS) cost. As such, these-access line  
22 costs do not vary with the amount of usage imposed on any one of the  
23 lines." (emphasis added)

1 Q. DID THE FLORIDA COMMISSION ADOPT THE TARIFF  
2 STRUCTURE PROPOSED BY SOUTHERN BELL?

3 A. For the most part, yes. The Florida Commission adopted the mirrored rates  
4 and rate structure of the usage sensitive switched access rate elements  
5 including the CCL.<sup>3</sup> The Florida Commission did not adopt the proposed  
6 end user charge and instead instituted a busy hour minute of capacity charge  
7 (BHMOC) to recover residual NTS costs from long distance carriers rather  
8 than directly from end users. Changes made by the FPSC did not alter the  
9 purpose of the CCL charge. The establishment of the final BHMOC and  
10 CCL charges were based on the contribution that the ILECs such as  
11 BellSouth would lose as a result of the establishment of AT&T as the  
12 intrastate, interLATA long distance company. Over time, the BHMOC  
13 charge was eliminated and the CCL rates were lowered to the level that  
14 exists today.

15  
16 Q. IS BELLSOUTH'S APPLICATION OF THE CARRIER COMMON  
17 LINE CHARGE CONSISTENT WITH THE HISTORICAL PURPOSE  
18 AND DEVELOPMENT OF THE CCLC?

19 A. No. As explained by Dr. Langin-Hooper, BellSouth's current application of  
20 the CCL is broader than the NTS (i.e., loop) costs for which it was designed.  
21 BellSouth's application of the CCLC to the use of any facility other than an  
22 end user subscriber loop is not consistent with the design of interstate or  
23 Florida intrastate access elements. BellSouth's practices are inconsistent with

1 the language in its tariff. Section E6.7.1(A)(2) of BellSouth's access tariff  
2 provides that access customers will be billed only for the access elements that  
3 are used. See Exhibit RTG-1. Misapplication of the CCLC as described by  
4 Dr. Langin-Hooper, violates Section E6.7.1(A)(2) and results in an  
5 assessment of charges that is higher than those that would result from a  
6 proper application of BellSouth's Access Services Tariff.

7

8 **Q. HOW HAS BELLSOUTH DEFINED COMMON LINE IN ITS ACCESS**  
9 **TARIFF?**

10 **A.** Section E2.6 of BellSouth's access tariff defines common line as follows:

11 The term "Common Line" denotes a line, trunk, pay telephone line or other  
12 facility provided under the General Subscriber Service Tariff of the  
13 Company, terminated on a central office switch. A common line-residence is  
14 a line or trunk provided under the residence regulations of the General  
15 Subscriber Service Tariff. A common line-business is a line provided under  
16 the business regulations of the General Subscriber Service Tariff.

17 This definition appropriately includes the end user subscriber loops as was  
18 intended by the Commission's creation of access charges. However, it may  
19 also be ambiguously read to extend to include other connections to a central  
20 office switch that were never intended to be considered common lines when  
21 access charges were created either by the FCC or this Commission. To the  
22 extent that BellSouth's tariff can be construed to technically allow for the  
23 application of the CCL charge as is currently done by BellSouth, the tariff is

1 in direct conflict with the Commission's polices and orders establishing the  
2 CCL charge. A tariff in violation of the Commission's access charge  
3 decisions can not be the basis for legitimizing the misapplication of the CCL  
4 charge or immunizing BellSouth from refunds of such misapplication.

5

6 **Q. WOULD YOU CONSIDER THE MISAPPLICATION OF THE CCLC**  
7 **TO BE ANTICOMPETITIVE?**

8 A. Yes, BellSouth's access billing practices with respect to the VIS features  
9 described by Dr. Langin-Hooper result in multiple charges for use of a single  
10 carrier common line and result in charges where common line facilities have  
11 not been used. BellSouth's practice of charging multiple carrier common  
12 line charges for a single use of a common line and charging carrier common  
13 line charges when there is no use of common line facilities constitutes an  
14 unfair and anticompetitive practice in violation of Section 364.01(4)(g),  
15 Florida Statutes.

16

17 **Q. WHAT IS YOUR RECOMMENDATION AS TO WHAT ACTION THE**  
18 **COMMISSION SHOULD TAKE IN THE PROCEEDING?**

19 A. The Commission should determine that BellSouth's misapplication of CCL  
20 charge is in violation of its tariff's and Florida Statutes and order BellSouth  
21 to refund all amounts improperly collected since the implementation of the  
22 intrastate switched access charges. Regardless of the Commission's  
23 determination regarding BellSouth's past application of the CCL charge, the

1 Commission should find that BellSouth's current misapplication of the CCL  
2 charge is unfair and anticompetitive. The Commission should order  
3 BellSouth to cease the misapplication of the CCL charge in the future.

4

5 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

6 A. Yes.

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<sup>1</sup> The other 2 pools were the end user common line pool and the traffic sensitive pool.

<sup>2</sup> Testimony of Allan K. Price, Docket No. B20537-TP, September, 1983

<sup>3</sup> See Order No. 12765 in Docket No. 820537-TP.