

MACFARLANE AUSLEY FERGUSON & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(904) 224-9115 FAX (904) 222-7560

111 MADISON STREET, SUITE 2300
P.O. BOX 1531 (ZIP 33601)
TAMPA, FLORIDA 33602
(813) 273-4200 FAX (813) 273-4386

July 15, 1994

400 CLEVELAND STREET
P.O. BOX 1669 (ZIP 34617)
CLEARWATER, FLORIDA 34615
(813) 441-8966 FAX (813) 442-8470

IN REPLY REFER TO:
Tallahassee

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32301

ORIGINAL
FILE COPY

Re: In re: Expanded Interconnection Phase II and
Local Transport Restructure; Docket Nos. 921074-TP,
930955-TL, 940014-TL, 940020-TL and 931196-TL

Dear Ms. Bayo:

Enclosed for filing in the above-styled docket are the original and fifteen (15) copies of ALLTEL Florida, Inc.'s Supplemental Direct Testimony of H. E. Eudy. Part III of this testimony, relating to the local transport issues in this docket, has not been changed since this testimony was originally submitted.

ACK Please acknowledge receipt and filing of the above by stamping
AFA _____ the duplicate copy of this letter and returning the same to this
AFC _____ writer.
CAF _____

Ruth Thank you for your assistance in this matter.

Sincerely,

Jeff Wahlen
J. Jeffrey Wahlen

CTP _____
EFC _____ RECEIVED & FILED
LET *Conson*
LET *Oris* *AT* FPSC-BUREAU OF RECORDS
CFC _____ JJW/csu
RCN _____ Enclosures
SEC 1 _____ cc: Parties of Record (w/encl.)
WAS _____
QTH all\921074.by

DOCUMENT NUMBER-DATE
07089 JUL 15 94
FPSC-RECORDS/REPORTING

1 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2 PREPARED DIRECT TESTIMONY

3 OF

4 HARRIET E. EUDY

5
6 Q. Please state your name and business address.

7
8 A. My name is Harriet E. Eudy. My business address is 206
9 White Avenue, Live Oak, Florida, 32060.

10
11 Q. By whom and in what capacity are you employed?

12
13 A. I am employed by ALLTEL Florida, Inc. ("ALLTEL Florida"
14 or the "Company") as Manager, Regulatory Matters. In
15 that position, I am responsible for the preparation of
16 various studies and reports filed periodically with the
17 Florida Public Service Commission ("FPSC" or the
18 "Commission"), general oversight of other Commission
19 related matters, and monitoring of the service
20 performance results filed quarterly with the Commission.

21
22 Q. Please describe your educational background.

23
24 A. I was graduated from North Florida Junior College in 1966
25 with an Associate in Arts degree. I began working for

DOCUMENT NUMBER-DATE

07089 JUL 15 1994

FPSC-RECORDS/REPORTING

1 North Florida Telephone Company (now ALLTEL Florida) in
2 1973, where I served in various capacities in the
3 accounting and cost separations areas. I became a
4 supervisor in the regulatory department in 1987, and I
5 have held my current position in that department since
6 1991.

7
8 Q. What is the purpose of your testimony?

9
10 A. The purposes of my direct testimony are to (1) describe
11 ALLTEL, and (2) explain why the Florida Public Service
12 Commission should not require mandatory switched access
13 expanded interconnection for Tier 2 local exchange
14 companies ("LECs") like ALLTEL at this time, and (3)
15 explain ALLTEL's position on the local transport issues
16 in this case.

17
18 Q. Have you prepared an exhibit which you sponsor in this
19 proceeding?

20
21 A. Yes. Exhibit ____ (HEE-1), titled "Exhibit of H. E.
22 Eudy," consists of one document and was prepared under my
23 direction and supervision for filing in this proceeding.
24
25

I.

1
2
3 Q. Please describe ALLTEL Florida, Inc.

4
5 A. ALLTEL Florida, Inc., a Florida corporation, is a wholly-
6 owned subsidiary of ALLTEL Corporation, a Delaware
7 corporation. As of March 31, 1994, ALLTEL Florida had
8 179 employees and was the fifth largest local exchange
9 company ("LEC") in Florida.

10
11 Q. What are the areas of Florida in which ALLTEL Florida
12 provides local exchange service?

13
14 A. ALLTEL Florida renders telephone service to all or parts
15 of thirteen (13) counties in North Central Florida.
16 Service is provided under authority from the Commission
17 as evidenced by Certificates of Public Convenience and
18 Necessity. We serve all of the counties of Suwannee,
19 Hamilton and Lafayette and parts of the counties of
20 Alachua, Gilchrist, Bradford, Nassau, Marion, Putnam,
21 Clay, Columbia, St. Johns, and Union.

22
23 Q. How many exchanges has ALLTEL Florida established to
24 serve this area?

1 **A.** The Company presently has twenty-seven (27) exchanges
2 which are located at Alachua, Bradford, Brooker,
3 Callahan, Citra, Crescent City, Dowling Park, Florahome,
4 Florida Sheriffs Boys Ranch, Fort White, Hastings, High
5 Springs, Hilliard, Interlachen, Jasper, Jennings, Lake
6 Butler, Live Oak, Luraville, Mayo, McIntosh, Melrose,
7 Orange Springs, Raiford, Waldo, Wellborn and White
8 Springs.

9

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

12

13 **A.** ALLTEL Florida's service territory is approximately 3,568
14 square miles. As of December 31, 1993, we served 61,327
15 access lines. This equates to approximately 17 access
16 lines per square mile, as compared to Central Telephone
17 Company of Florida with 320,088 access lines at
18 approximately 48 access lines per square mile.

19

20 **Q.** Is there any significance to this density figure?

21

22 **A.** Yes. It is indicative of the type of area we serve, a
23 predominately rural agricultural area. We serve no major
24 urban area or city. Such an area tends to be more costly
25 to serve, both in terms of the cost of initial

1 construction and in terms of operating and maintenance
2 costs. Our density ratio is less than half that of the
3 next largest LEC, Central Telephone Company of Florida,
4 which has five times the number of access lines as ALLTEL
5 Florida.

6
7 Q. What is the significance of these size and density
8 statistics?

9
10 A. These size and density statistics are very significant.
11 Because ALLTEL is smaller and has fewer customers than
12 the Tier 1 LECs operating in Florida, it is relatively
13 more difficult for ALLTEL to respond to competitive
14 pressures caused by AAVs and other potential competitors.
15 The advent of competition for customers using switched
16 access will make it more difficult for ALLTEL to earn its
17 authorized rate of return without increasing the prices
18 it charges to its basic residential and business
19 customers. ALLTEL's ability to recover "lost" revenues
20 from its remaining customers is less than that of Tier 1
21 LECs which have large numbers of business and residential
22 customers and a wide variety of vertical services over
23 which to spread any "lost" revenues.

24
25 Q. How does ALLTEL's size compare to the size of the other

1 LECs in Florida?
2

3 A. A comparison of ALLTEL's size to the size of the other
4 LECs in Florida is shown on document one of my Exhibit
5 (HEE-1).
6

7 II.
8

9 Q. What is ALLTEL's basic position in this proceeding?
10

11 A. ALLTEL has no position on the issues in this case as they
12 relate to Tier 1 local exchange companies. As this
13 proceeding may relate to Tier 2 companies like ALLTEL,
14 the FPSC's policy on expanded interconnection for
15 switched access for alternative access vendors ("AAVs")
16 should mirror the policy recently adopted by the FCC.
17

18 Q. Has the FCC mandated any form of expanded interconnection
19 for Tier 2 LECs like ALLTEL?
20

21 A. No. The FCC's first order on expanded interconnection
22 for private line and special access exempted Tier 2 LECs
23 like ALLTEL. I understand that the FCC's recent decision
24 on expanded interconnection for switched access also
25 exempted Tier 2 LECs like ALLTEL.

1 Q. Why did the FCC exempt Tier 2 LECs like ALLTEL from its
2 expanded interconnection requirement?

3

4 A. The reasons behind the FCC's decision to exempt Tier 2
5 LECs from the private line/special access expanded
6 interconnection requirement were made clear in the FCC
7 report and order released October 19, 1992. The FCC
8 report and order released October 19, 1992, states:

9 Small LECs argue that expanded
10 interconnection requirements should not apply
11 either to small LECs or to Tier 1 LECs in
12 rural areas or in Puerto Rico because of
13 potential adverse effects on universal
14 service and infrastructure development, and
15 because the demand for collocation is likely
16 to be limited in rural area. TVS
17 specifically states that rural areas often
18 have only one or two large business
19 customers, adding that the diversion of these
20 customers' traffic would have a far greater
21 impact than the loss of one or two customers
22 in an urban area.

23

* * *

24

While requiring all LECs to provide expanded
25 interconnection would ensure that customers

1 in all areas can benefit from the expanded
2 interconnection, it is unlikely that there
3 would be great demand for expanded
4 interconnection in small LEC service areas,
5 at least in the near term. Requiring smaller
6 LECs to offer expanded interconnection might
7 also tax their resources and harm universal
8 service and infrastructure development in
9 rural areas. We believe that the demand for
10 expanded interconnection that does exist in
11 rural areas typically would come from a
12 single large user. The use of expanded
13 interconnection offered by such customers
14 could create substantial stranded LEC
15 investment that could not readily be reused,
16 possible threatening economic viability of a
17 small LEC.

18
19 We therefore adopt our proposal to limit the
20 requirement to Tier 1 LECs. This would
21 ensure the availability of expanded
22 interconnection in most urban and suburban
23 areas where demand is likely to be greatest.

24
25 I believe these policy reasons apply with equal force to

1 the decisions facing the FPSC in the second phase of this
2 docket.

3
4 Q. As it relates to non-Tier 1 LECs, should the FPSC's
5 decision in Phase II of this proceeding mirror its
6 decision in Phase I?

7
8 A. No. I understand that the United States Court of Appeal
9 for the District of Columbia Circuit has recently issued
10 an opinion that strongly suggests that the Phase I Order
11 (Order No. PSC-94-0285-FOF-TP, issued March 10, 1994) is
12 unlawful insofar as it requires certain physical
13 collocation.

14
15 Q. Did the Phase I Order require mandatory physical
16 collocation for non-Tier 1 LECs?

17
18 A. No. As it relates to non-Tier 1 LECs, the Phase I Order
19 states:

20 Upon review, only the Tier 1 LECs shall
21 be required to offer expanded
22 interconnection as a tariffed generally
23 available service. We also find it
24 appropriate to allow non-Tier 1 LECs to
25 negotiate provision of the service in

1 response to bona fide requests. If the
2 terms and conditions of such a request
3 cannot be reached, the Commission will
4 review the matter on a case-by-case
5 basis.

6 Order No. 94-0285 at 145.

7
8 Q. Why shouldn't the FPSC adopt this policy in this phase?

9
10 A. While the language from the Phase I Order quoted above
11 can be construed different ways, that language implies
12 that the Commission may lawfully require a non-Tier 1 LEC
13 to offer physical collocation on terms and conditions
14 approved by the FPSC if the parties are unable to reach
15 an agreement on a negotiated basis. Insofar as the
16 recent Court of Appeals decision strongly suggests that
17 the FPSC may not lawfully do so, the FPSC should not
18 adopt this position as its policy in Phase II. Instead,
19 the FPSC should follow the lead of the FCC and impose no
20 requirements on non-Tier 1 LECs like ALLTEL.

21
22 Q. If the FPSC requires mandatory expanded interconnection
23 for Tier 2 LECs, would ALLTEL and its customers be
24 harmed?

1 A. Yes.

2

3 Q. How?

4

5 A. Imposing an expanded interconnection for switched access
6 on Tier 2 LECs will serve to increase the competitive
7 pressures faced by ALLTEL. While ALLTEL is not opposed
8 to competition, ALLTEL is concerned that the increased
9 competition from expanded interconnection will (1) create
10 downward pressure on some of ALLTEL's switched access
11 rates, (2) result in the loss of large switched access
12 customers, or (3) a combination of (1) and (2). Any of
13 these alternatives will put pressure on ALLTEL's other
14 rates, especially the rates ALLTEL charges to its basic
15 local business and residential customers.

16

17 Likewise, for the FPSC to impose mandatory physical
18 collocation on Tier 2 LECs would limit ALLTEL's ability
19 to control it property.

20

21 Q. Are switched access revenues important to ALLTEL?

22

23 A. Yes. While ALLTEL's switched access revenues are not
24 primarily dependent on a small number of large customers,
25 the loss of one or two large switched access customers to

1 an AAV would have an adverse impact on ALLTEL and its
2 customers. The loss of switched access revenues will
3 create upward pressure on the basic local business and
4 residential rates charged by ALLTEL. This would harm
5 ALLTEL and its customers.

6
7 Imposing mandatory expanded interconnection requirement
8 for switched access on ALLTEL and the other Tier 2 LECs
9 will increase the likelihood that AAVs will compete for
10 these revenues. This, in turn, will increase the
11 competitive pressure on ALLTEL's switched access rates.

12
13 III.

14 Local Transport

15
16 Q. Please describe ALLTEL's interest in the local transport
17 part of this proceeding.

18
19 A. ALLTEL has traditionally concurred in the local transport
20 tariff of Southern Bell. Since ALLTEL expects to concur
21 in the new local transport tariff rates and structure
22 filed by Southern Bell, we agree with the testimony of
23 Jerry Hendrix with regard to the local transport issues.

24
25 Q. Will ALLTEL mirror Southern Bell's new LTR tariff for

1 each of the individual rate elements?
2

3 A. No. In order to achieve revenue neutrality, the residual
4 interconnection rates will be different for those LECs,
5 like ALLTEL, that concur in Southern Bell's tariff.
6

7 Q. How does Southern Bell's LTR tariff affect the MABC?
8

9 A. We agree with Southern Bell that the current MABC plan,
10 rates, and rate structure should remain in place until
11 LTR is fully implemented and the Commission determines
12 that it is appropriate to introduce the proposed
13 transport structure into the MABC.
14

15 Q. How would Southern Bell's Zone Density Pricing tariff
16 filing affect ALLTEL?
17

18 A. ALLTEL does not expect to concur in Southern Bell's Zone
19 Density Pricing tariff and would not expect to be
20 affected by this filing. If, however, there is any
21 residual effect on ALLTEL because of changes in the rates
22 Southern Bell charges ALLTEL for carrying its traffic, we
23 would elect to make a tariff filing to achieve revenue
24 neutrality.
25

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IV.

Conclusion

Q. Please summarize your testimony.

A. This Commission should be particularly aware of and sensitive to the effect the Commission's actions in this docket might have on residential and small business customers, especially those in rural areas. This Commission should not require smaller companies serving rural areas to provide expanded interconnection. This action is consistent with the FCC's actions in the matter of expanded interconnection with local telephone company facilities.

Q. Does this conclude your rebuttal testimony?

A. Yes.

ALLTEL FLORIDA, INC.
DOCKET NO. 921074-TP
WITNESS: EUDY
EXHIBIT NO. _____ (HEE-1)

EXHIBIT
OF
H. E. EUDY

ALLTEL FLORIDA, INC.
DOCKET NO. 921074-TP
WITNESS: EUDY
EXHIBIT NO. _____ (HEE-1)
DOCUMENT NO. 1
PAGE 1 OF 1

LOCAL EXCHANGE COMPANY
COMPARATIVE STATISTICS
DECEMBER 31, 1993

<u>Company Name</u>	<u>Exchanges</u>	<u>Total Access Lines</u>
Southern Bell	101	4,849,588
GTE Florida	24	1,848,709
United	68	1,222,775
Centel	35	320,088
ALLTEL	27	61,327
St. Joseph	13	24,813
Quincy	3	10,736
Gulf	2	8,048
Vista-United	1	7,213
Northeast	2	6,502
Southland	2	3,421
Indiantown	1	2,939
Floral	<u>2</u>	<u>1,920</u>
TOTALS	<u>281</u>	<u>8,368,086</u>

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U. S. Mail or hand delivery (*) this 15th day of July, 1994, to the following:

Daniel V. Gregory
Quincy Telephone Company
P. O. Box 189
Quincy, FL 32351

John A. Carroll, Jr.
Northeast Florida Telephone
P. O. Box 485
Macclenny, FL 32063-0485

Michael W. Tye
AT&T Communications
106 E. College Ave., Suite 1410
Tallahassee, FL 32301

Joseph Gillan
Florida Interexchange Carriers
P. O. Box 541018
Orlando, FL 32854

Brad E. Mutschelknaus
Rachel J. Rothstein
Ann M. Szemplenski
Wiley, Rein & Fielding
1775 K Street, N.W.
Washington, DC 20006

Laura L. Wilson
Florida Cable Television Assn.
P. O. Box 10383
Tallahassee, FL 32302

Patrick K. Wiggins
Kathleen Villacorta
Wiggins & Villacorta
P. O. Drawer 1657
Tallahassee, FL 32302

Vicki Gordon Kaufman
McWhirter, Reeves, et al.
315 S. Calhoun St., Suite 716
Tallahassee, FL 32301

Jack Shreve
Office of Public Counsel
c/o The Florida Legislature
111 W. Madison St., Rm. 812
Tallahassee, FL 32399-1400

C. Everett Boyd, Jr.
Ervin, Varn, et al.
305 S. Gadsden Street
Tallahassee, FL 32301

Chanthina R. Bryant
Sprint
3065 Cumberland Circle
Atlanta, GA 30339

Janis Stahlhut
Time Warner Cable
Corporate Headquarters
300 First Stamford Place
Stamford, CT 06902-6732

Jodie L. Donovan
Teleport Communications Group
1 Teleport Drive, Suite 301
Staten Island, NY 10311

Kenneth A. Hoffman
Floyd R. Self
Messer, Vickers, et al.
P. O. Box 1876
Tallahassee, FL 32302

Donna L. Canzano *
Division of Legal Services
Florida Public Service Comm.
101 East Gaines Street
Tallahassee, FL 32301

Marshall M. Criser, III
Southern Bell Telephone
and Telegraph Company
150 S. Monroe Street, Suite 400
Tallahassee, FL 32301

Mickey Henry
MCI Telecommunications Corp.
780 Johnson Ferry Road
Suite 700
Atlanta, GA 30342

Richard D. Melson
Hopping, Boyd, Green & Sams
P. O. Box 6526
Tallahassee, FL 32314

Peter Dunbar
Pennington, Haben, et al.
306 No. Monroe Street
Tallahassee, FL 32301

Douglas S. Metcalf
Communications Consultants, Inc.
P. O. Box 1148
Winter Park, FL 32790-1148

Jerry Johns
Sprint\United-Florida
P. O. Box 165000
Altamonte Springs, FL 32716

Beverly Menard
c/o Richard Fletcher
GTE-Florida
106 E. College Ave., Suite 1440
Tallahassee, FL 32301

Intermediate Communications
V.P., External Affairs
9280 Bay Plaza Blvd., Suite 720
Tampa, FL 32063



Attorney