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January 9, 1998

Ms. Blanco S. Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

RE: Docket No. ~~950020~~ TP

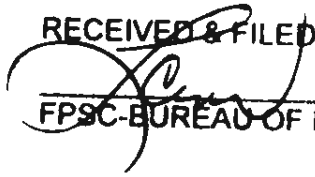
Dear Ms. Bayo:

Please find enclosed an original and fifteen copies of the Direct Testimony of Mike Guedel on behalf of AT&T of the Southern States, Inc. for filing in the above matter. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this matter, please contact me at (850) 222-8611.

Very truly yours,  
  
Mark Logan

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**REBUTTAL TESTIMONY OF MIKE GUEDEL  
ON BEHALF OF AT&T COMMUNICATIONS  
OF THE SOUTHERN STATES INC.**

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 970526-TP**

**FILED: JANUARY 9, 1998**

**Q. WILL YOU PLEASE IDENTIFY YOURSELF?**

**A. My name is Mike Guedel and my business address is AT&T, 1200 Peachtree Street, NE, Atlanta, Georgia, 30309. I am employed by AT&T as Manager-Network Services Division.**

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCES.**

**A. I received a Master of Business Administration with a concentration in Finance from Kennesaw State College, Marietta, GA in 1994. I received a Bachelor of Science degree in Business Administration from Miami University, Oxford, Ohio. Over the past years, I have**

1 attended numerous industry schools and seminars  
2 covering a variety of technical and regulatory  
3 issues. I joined the Rates and Economics  
4 Department of South Central Bell in February of  
5 1980. My initial assignments included cost  
6 analysis of terminal equipment and special  
7 assembly offerings. In 1982, I began working  
8 on access charge design and development. From  
9 May of 1983 through September of 1983, as part  
10 of an AT&T task force, I developed local  
11 transport rates for the initial NECA interstate  
12 filing. Post divestiture, I remained with  
13 South Central Bell with specific responsibility  
14 for cost analysis, design, and development  
15 relating to switched access services and  
16 intralATA toll. In June of 1985, I joined  
17 AT&T, assuming responsibility for cost analysis  
18 of network services including access charge  
19 impacts for the five South Central States  
20 (Alabama, Kentucky, Louisiana, Mississippi, and  
21 Tennessee).

22 **Q. PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.**

23

24 **A.** My current responsibilities include directing  
25 analytical support activities necessary for  
26 AT&T's provision of intrastate communications  
27 services in Florida and other southern states.  
28 This includes detailed analysis of access  
29 charges and other Local Exchange Company (LECO)

1 filings to assess their impact on AT&T and its  
2 customers. In this capacity, I have  
3 represented AT&T through formal testimony  
4 before the Florida Public Service Commission,  
5 as well as regulatory commissions in the states  
6 of Georgia, Kentucky, North Carolina, and South  
7 Carolina.

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9

10 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

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12 A. The purpose of my testimony is to rebut the  
13 testimony of Mr. Munsell of GTE. I will show  
14 that GTE has not presented sufficient evidence  
15 in this case to justify the Commission's  
16 adoption of GTE's recommendation. I will  
17 recommend that the Commission establish GTE's  
18 rate for the additional PIC (Primary  
19 Interexchange Carrier) similar to that  
20 established for BellSouth in an earlier  
21 proceeding.

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23

24 A. WHAT IS MR. MUNSELL'S RECOMMENDATION?

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26 A. Mr. Munsell appears to be recommending that GTE  
27 establish its charge for an additional PIC  
28 change at the level equivalent to the current  
29 PIC change charge of \$4.14. Therefore, if a

1 customer were to change its interLATA PIC GTE  
2 would charge that customer \$4.14 for the  
3 service. If the customer were to  
4 simultaneously change both its interLATA PIC  
5 and its intraLATA PIC (through the same service  
6 order), GTE would charge the customer \$8.28 for  
7 the service - i.e., two PIC change charges.

8  
9

10 **A. WHAT IS THE BASIS FOR MR. MUNSELL'S**  
11 **RECOMMENDATION?**

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14 **A. Mr. Munsell proposes an analysis that**  
15 **offers to subtract the estimated incremental**  
16 **cost savings associated with the additional PIC**  
17 **change from the current PIC change charge.**  
18 **Mr. Munsell then asserts that the incremental**  
19 **cost savings associated with the additional PIC**  
20 **change is negligible. He then concludes that**  
21 **the Commission should set the additional PIC**  
22 **change charge at the current PIC change charge**  
23 **level.**

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26 **A. IS MR. MUNSELL'S ANALYSIS APPROPRIATE?**

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28 **A. No. First, Mr. Munsell has not provided**  
29 **any substantive support (i.e., a documented and**

1           verifiable cost study) for the assertion that  
2           the incremental cost savings will be  
3           negligible. Second, even if Mr. Munsell's  
4           estimates of the cost savings were accurate  
5           (which is not at all clear), the methodology of  
6           determining an appropriate rate for the  
7           additional PIC by subtracting the incremental  
8           cost savings from the current PIC rate, would  
9           only seem reasonable if the current PIC rate is  
10          set at TSLRIC (Total Service Long Run  
11          Incremental Cost). If the current rate  
12          includes contribution in excess of TSLRIC, or  
13          is based upon some embedded cost analysis, Mr.  
14          Munsell's process would allow GTE to double-up  
15          on current contribution levels in addition to  
16          recovering the additional costs associated with  
17          the additional PIC change. This is not  
18          appropriate.

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21           **A.       DOES \$4.14 APPEAR TO BE A REASONABLE**  
22           **ESTIMATE OF GTE'S TSLRIC OF PROVIDING A PIC**  
23           **CHANGE?**

24

25           **A.       No. BellSouth currently charges \$1.49 for**  
26           **PIC change in Florida - a rate that I**  
27           **understand to be in excess of BellSouth's cost.**  
28           **If GTE can be as efficient as BellSouth in the**  
29           **provision of this service - and it should be on**

1 a forward looking basis - then its costs will  
2 be similar to those of BellSouth. Therefore,  
3 the \$4.14 rate appears to be well in excess of  
4 GTE expected TSLRIC.

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8 A. IF THE CURRENT RATE OF \$4.14 IS FOUND TO  
9 BE IN EXCESS OF TSLRIC, WHAT IS THE APPROPRIATE  
10 METHODOLOGY FOR DETERMINING THE ADDITIONAL PIC  
11 CHARGE?

12

13 A. Optimally, if the current rate is found to be  
14 in excess of TSLRIC, then the current rate  
15 should be reduced to the TSLRIC level. The  
16 additional PIC rate can then be calculated by  
17 subtracting the incremental cost savings  
18 associated with the additional PIC from the  
19 cost (TSLRIC) of providing the first PIC  
20 change. However, if the current rate is  
21 maintained, then the additional PIC rate should  
22 be calculated by subtracting from the current  
23 rate: 1) the contribution in excess of TSLRIC  
24 associated with the current rate and 2) the  
25 incremental cost savings associated with the  
26 additional PIC. Alternatively, GTE could  
27 provide a specific TSLRIC study for the  
28 additional PIC change charge and set the rate  
29 at that level.

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**A. IF CONCLUSIVE STUDIES ARE NOT PROVIDED TO  
DETERMINE THE TSLRIC OF PROVIDING THE PIC  
CHANGE, AT WHAT LEVEL COULD THE COMMISSION  
ESTABLISH THE ADDITIONAL PIC RATE FOR GTE?**

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**A. If conclusive studies are not made available  
and verified, the Commission should not allow  
GTE any rate relief in addition to that allowed  
to BellSouth. Thus, the Commission should  
establish GTE's additional PIC charge at \$.49 -  
the level allowed to BellSouth - or at the  
extreme, limit GTE's additional PIC rate to 30%  
of its current PIC charge.**

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**A. WHY IS IT IMPORTANT TO SET PIC CHANGE  
CHARGES AT TSLRIC LEVELS?**

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**A. Competition for presubscribed customers depends  
upon the customers ability to change his/her  
PIC. Therefore, charges for PIC changes, at  
any level, offer some barrier to competition.  
While it is appropriate to allow a company some  
means of recovering costs associated with the  
provision of the PIC change service, it is not  
appropriate to inflate those charges beyond the**

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1 level of cost. Such elevated rates simply pose  
2 an unnecessary barrier to competition.

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5 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

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7 A. Yes.

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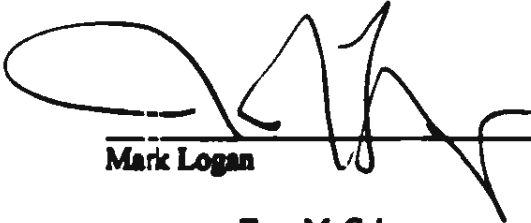
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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that copies of the Direct Testimony of Mike Guedel on behalf of AT&T of the Southern States, Inc. in Docket No. 970526-TP were sent by regular U.S. Mail on January 9th, 1998 to the parties below.



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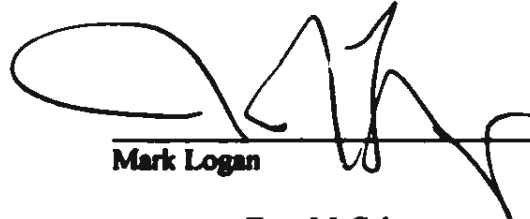
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