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September 2, 1998

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director  
Division of Records and Report'ng  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket No. 980696-TP

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of ALLTEL Florida, Inc.'s Rebuttal Testimony of Dennis Curry.

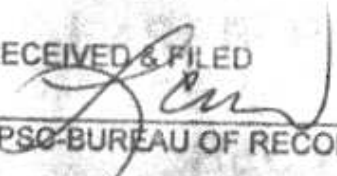
Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

Sincerely,

  
J. Jeffrey Wahlen

ACK \_\_\_\_\_  
AFA 2 Enclosures  
APP cc All parties of record  
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing Rebuttal Testimony has been furnished by U. S. Mail or hand delivery (\*) this 2nd day of September, 1998, to the following:

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ORIGINAL

ALLTEL FLORIDA, INC.  
DOCKET NO. 980696-TP  
FILED: 09/02/98

1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2                                   REBUTTAL TESTIMONY

3   OF

4   DENNIS CURRY

5  
6 Q.   Please state your name.

7  
8 A.   My name is Dennis Curry.

9  
10 Q.   Are you the same Dennis Curry who previously filed direct  
11       testimony in this docket?

12  
13 A.   Yes.

14  
15 Q.   What is the purpose of this rebuttal testimony?

16  
17 A.   The purpose of this testimony is to respond to the witnesses  
18       who have suggested that there is no need for a state  
19       universal service fund in Florida. This testimony is being  
20       submitted on behalf of the small local exchange companies in  
21       Florida.

22  
23 Q.   Is the need for a state universal service fund one of the  
24       issues identified in the Order on Prehearing Procedure in  
25       this docket?

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1 A. No. The direct testimony suggesting that there is no need  
2 for a state universal service fund does not relate to any of  
3 the issues identified in the Order on Prehearing Procedure.  
4 Moreover, while I am not a lawyer, my reading of HB 4785  
5 suggests to me that the Legislature did not specifically  
6 request a recommendation from the Commission regarding the  
7 need for a state universal service fund. Nevertheless, if  
8 the Commission decides to explore this subject, I think that  
9 they should be aware of the ramifications of this issue for  
10 the small local exchange companies ("small LECs") operating  
11 in Florida.

12  
13 Q. How many small LECs are operating in Florida?

14  
15 A. There are seven (7) small LECs operating in Florida. These  
16 small LECs serve approximately two (2) percent of the access  
17 lines in Florida. As a general rule, the small LECs serve  
18 rural, rather than urban areas. These rural areas tend to  
19 have fewer access lines per square mile and cost more to  
20 serve than more dense, urban areas.

21  
22 Q. From the perspective of small LECs, is there a need for a  
23 state universal service fund in Florida?

24  
25 A. Yes. If the Commission is concerned about maintaining and

1 promoting universal service in rural areas, there is a need  
2 for a permanent state universal service fund.

3

4 Q. Please explain.

5

6 A. The objective of a universal service program is to ensure  
7 that basic local exchange services are available to a large  
8 number of customers at affordable prices. The federal  
9 Telecommunications Act of 1996 ("Act") was intended to  
10 promote local exchange competition while maintaining and  
11 improving universal service. As part of this effort, the  
12 Act requires the removal of implicit subsidies from rates,  
13 and the establishment of an explicit mechanism to keep basic  
14 local telecommunications rates just, reasonable and  
15 affordable. The Act also discourages price differences  
16 between rural and urban areas. The Act gives states the  
17 authority to establish a universal service support mechanism  
18 as necessary, to continue the goals of universal service. A  
19 permanent state universal service fund is one explicit  
20 mechanism that would accomplish these goals.

21

22 The cornerstone of a smooth transition to robust local  
23 exchange competition is a permanent state universal service  
24 funding mechanism that ensures competitive and structural  
25 neutrality for all telecommunications service providers.

1 This can only be accomplished by moving universal service  
2 contributions that are now implicit in rate structures of  
3 incumbent local exchange carriers ("ILECs") to a mechanism  
4 that is explicit in nature as directed by the Act. A  
5 permanent state universal service fund would allow the  
6 Commission to replace displaced implicit subsidies, but  
7 would not result in a windfall for any company.

8  
9 If implicit subsidies are not replaced by an explicit  
10 funding mechanism, the unavoidable result will be the  
11 increase in the prices of basic local exchange  
12 telecommunications services. This is inconsistent with the  
13 goals of universal service.

14  
15 Q. Are there any other reasons for the Commission to conclude  
16 that a permanent state universal service fund is  
17 appropriate?

18  
19 A. Yes. It appears that the FCC will eventually change the  
20 existing federal universal service funding methodology for  
21 small LECs. One approach being considered for the small  
22 LECs is to adopt the method of funding prescribed by the FCC  
23 for non-rural LECs.

24  
25 The FCC has considered federal universal service funding for



1 non-rural LECs and decided to change the current universal  
2 service mechanism for non-rural LECs beginning in 1999.  
3 Under the new approach, only 25% of total universal service  
4 funding for non-rural LECs will come from the federal  
5 (interstate) jurisdiction. The remaining 75% will have to  
6 come from a state universal service fund, increased local  
7 rates or some combination of the two.

8  
9 The FCC has not decided how to change the federal universal  
10 service funding methodology for rural LECs at this time, but  
11 has stated that universal service funding for rural LECs  
12 will not change until 2001. Until then, universal service  
13 funding for rural ILECs is not expected to change.

14  
15 The FCC could adopt the approach it has prescribed for non-  
16 rural LECs for rural LECs. Recognizing that as a  
17 possibility, the Commission should be in favor of the  
18 creation of a mechanism at the state level that would allow  
19 for the increase in prices of basic local telecommunications  
20 services to some maximum affordable price, or increase the  
21 company's recovery of implicit subsidies from an explicit  
22 source such as the state universal service fund, or a  
23 combination thereof on a revenue neutral basis. This will  
24 assure the continued provision of basic local exchange  
25 telecommunications service, at affordable rates in both

1 urban and rural areas of the state, as required by federal  
2 law.

3  
4 Q. Does that conclude your prepared rebuttal testimony?

5  
6 A. Yes.

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