

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Comprehensive review of the
requirements and rate stabilization)
plan of SOUTHERN BELL TELEPHONE AND
TELEGRAPH CO.)
_____)

DOCKET NO. 920260-TL

TESTIMONY OF DON J. WOOD
ON BEHALF OF MCI TELECOMMUNICATIONS CORPORATION
NOVEMBER 16, 1992

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1 Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2

3 A: My name is Don J. Wood and my business address is 3
4 Ravinia Drive, Atlanta, Georgia, 30346.

5

6 Q: BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

7

8 A: I am employed by MCI Telecommunications Corporation
9 as a Manager in the Economic Analysis and
10 Regulatory Affairs organization.

11

12 Q: PLEASE STATE YOUR BACKGROUND AND EXPERIENCE.

13

14 A: I received a BBA with Distinction in Finance from
15 Emory University and a Masters degree in Business
16 Administration from the College of William and Mary
17 in Virginia, where I concentrated in Finance and
18 Microeconomics. My work experience includes two
19 years with the Georgia Power Company Planning and
20 Cost Department, where I was responsible for
21 project planning and costing of construction
22 activities. I was a founding partner of Wood,
23 Pierson and Associates: General Business
24 Consultants. The firm provided a range of services

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1 including cash flow analysis, determination of
2 financial needs for planned growth, and evaluation
3 of merger potential.

4
5 Before coming to MCI, I was employed by BellSouth
6 Services in its Pricing and Economics, Service Cost
7 Division. My responsibilities included performing
8 cost analysis of new services, preparing cost
9 documentation for tariff filings, developing
10 methodology and computer models for use by other
11 analysts, and performing special assembly studies.

12
13 Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

14
15 A: The purpose of my testimony is to present a rate
16 design proposal for basic local exchange (*local*)
17 and intraLATA toll service (*toll*) to be implemented
18 in Southern Bell's service territory. The rate
19 design I propose is designed to increase the value
20 of these services to Florida consumers in a way
21 that does not depend on the individual customer's
22 calling patterns within the LATA. In other words,
23 subscribers who make all local calls, predominantly
24 short-haul intraLATA toll calls, predominantly

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1 longer-haul intraLATA toll calls, or any
2 combination of these will each benefit under this
3 proposal. In addition, a subscriber need not make
4 calls that are either shorter or longer than a
5 given duration in order to benefit, nor must he
6 make more or less than a given number of calls in a
7 month. Finally, the recommended rate design does
8 not require subscribers to obtain special
9 directories or to have any additional knowledge of
10 toll rate centers or the mileage between them.

11

12 Q: WHY IS IT IMPORTANT FOR THE COMMISSION TO ADDRESS
13 THE ISSUE OF AN APPROPRIATE LOCAL/TOLL RATE
14 STRUCTURE IN THIS CASE?

15

16 A: The Commission has before it a rate design plan by
17 Southern Bell that will expand the definition of
18 "local" calling to include local measured service
19 and a significantly larger geographic area. The
20 Expanded Local Calling Area in Southern Bell's plan
21 will include, as "local" calling with a usage
22 charge, approximately sixty percent of Southern
23 Bell's existing intraLATA toll minutes. The
24 present review of Southern Bell's operations

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1 pursuant to F.S. §364.035 and §364.036, and the
2 fact that another such review will not take place
3 for four years, makes this case a logical
4 opportunity for the Commission to address this
5 issue. Specifically, the Commission should
6 determine how the calling needs of Florida
7 subscribers can best be met, and adopt a local/toll
8 rate design that will meet those needs. In its
9 determination of what type of calling will be
10 denominated as local and which calls will be
11 considered intraLATA toll, the Commission will in
12 effect be deciding what traffic will be shielded
13 from competition by statute and rate design, and
14 what traffic will be subject to the Commission's
15 competitive toll policies.

16

17 Q: WHAT BASIC CRITERIA SHOULD A LOCAL/TOLL RATE DESIGN
18 INCLUDE?

19

20 A: The local/toll rate structure adopted by the
21 Commission should include the following basic
22 elements:

23

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1 1) A local/toll rate design should allow for a
2 more uniform response to any pressures that
3 might exist for expansion of the local flat-
4 rate calling area. Ideally, a uniform plan
5 could replace most or all of the variety of
6 Extended Area Service (EAS) type plans
7 currently in place in Florida.

8
9 2) The local/toll rate design should allow for
10 responses to the pressures for lower usage
11 rates for intraLATA toll services, and should
12 seek to make intraLATA toll calling as
13 convenient as possible for consumers to use.

14
15 3) The local/toll rate design should be based on
16 conventional dialing patterns that customers
17 are familiar with using. A local/toll
18 structure designed for consumer benefit will
19 not require the use of additional dialing
20 directories or presuppose knowledge of rate
21 centers and call mileage in order for the
22 subscriber to avoid unexpected usage charges.

23

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1 4) A local/toll rate design structured to
2 maximize consumer benefit will not require
3 subscribers to make calls of a given
4 frequency, duration, or length in order to be
5 better off when compared to the existing rate
6 design.

7

8 Q: HOW SHOULD "LOCAL" SERVICE AND "TOLL" SERVICE BE
9 DEFINED WITHIN THE CONTEXT OF A LOCAL/TOLL RATE
10 DESIGN STRUCTURE?

11

12 A: The distinction between local and toll services is
13 ultimately a matter of labelling a given call as
14 one service or the other. While the revenues and
15 costs for local and toll services have historically
16 been treated differently in the Separations process
17 and subsequent accounting conventions, the LECs
18 provide local, toll, and access services over the
19 same ubiquitous public network. If a call
20 completed between two stations is billed by the LEC
21 as toll service today but is "reabeled" as local
22 service tomorrow, the call will continue to be
23 carried in the same way over the same network
24 facilities. Functionally, a LEC-completed call

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1 between two end-users is the same regardless of the
2 service label; the difference arises in how the
3 customer is billed for the service.

4
5 The existence of separate classifications of
6 calling (local vs. toll), therefore, are tariff
7 distinctions, not technical or network
8 distinctions. The tariff distinctions between
9 local and toll (or long distance) calls are not
10 based on an empirical definition, however.
11 Southern Bell's General Subscriber Service Tariff
12 (GSST), Section A1., defines *local service* as "A
13 type of localized calling whereby a subscriber can
14 complete calls from his station to other stations
15 within a specified area without the payment of long
16 distance charges." The definition provided for
17 *local service area* goes on to state that "A *local*
18 *service area* may include one or more exchange
19 service areas." In other words, *local calls* are
20 those calls that are 1. local, 2. not "long
21 distance," and 3. completed between stations that
22 are located within the same exchange, unless they
23 are located in different exchanges.

24

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1 Section A1. goes on to define a *local message* as "a
2 message between telephone stations within the same
3 local service area," and a *long distance message* as
4 "a message between telephone stations in different
5 exchange areas for which a long distance message
6 charge is made." While no comprehensive definition
7 is provided in Southern Bell's present tariff, it
8 is clear that the presence of usage charges is an
9 important element in distinguishing the two
10 services.

11
12 With no technical or network differences, and no
13 empirical definition in the Southern Bell tariff,
14 the distinction between local and toll service
15 becomes a matter of end user perception. To
16 subscribers, *local service* does not mean that calls
17 are carried over certain network facilities
18 according to a tariffed definition, it most often
19 means that another telephone subscriber located
20 relatively nearby can be reached by dialing a seven
21 digit number and that the call will be "free;" that
22 is, it will carry no usage charges over and above
23 the flat rate monthly charge for the service.
24 *Toll, or long distance service* means to subscribers

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1 that the call to another subscriber located
2 relatively farther away will require that a "1" or
3 "0" be dialed before the number, and by dialing the
4 "1" or "0" the customer is reminded to expect usage
5 charges for the call.

6
7 In the absence of technical distinctions or
8 empirical tariff definitions, local and toll
9 service should be defined from the customer's
10 perspective in terms of dialing arrangement and
11 usage charges. Customers in Florida have come to
12 expect that local calls dialed on a seven digit
13 basis do not carry usage charges, and that by
14 dialing a "1" or "0" the subscriber understands
15 that he has made a *long distance* or *toll* call and
16 will be billed usage charges. The Commission
17 should require any party wishing to change these
18 well-understood conventions to demonstrate
19 conclusively why such a change is needed.

20
21
22
23

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1 Q: PLEASE DESCRIBE THE CALLING PLAN PRESENTED BY
2 SOUTHERN BELL IN THIS PROCEEDING.

3
4 A: The Southern Bell Plan (SBT Plan) presented by
5 Southern Bell's witness Sims creates an Expanded
6 Local Calling Area (ELCA) that will include calls
7 made beyond the existing local calling area up to a
8 distance of forty miles. Calls within the ELCA are
9 billed on a per minute basis at a discounted rate
10 of 8 cents per minute and are to be dialed on a
11 seven digit basis.

12
13 The SBT Plan requires the subscriber to pay usage
14 charges of 2 cents per minute for calls that are
15 within the existing local calling area, designated
16 as the Basic Local Calling Area (BLCA) for purposes
17 of the Plan. The customer would also pay a flat-
18 rated access line charge. The total monthly usage
19 charge for calls within the BLCA, but not for calls
20 within the ELCA, would be capped.

21
22 In other words, the customer will continue to
23 purchase a flat-rate local access channel from
24 Southern Bell, and will continue to pay usage

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1 charges for "toll" traffic beyond the existing
2 local calling area. There are two primary
3 differences, however, between the SBT Plan and the
4 existing rate structure. First, in order to
5 receive the discounted rate on their "toll" traffic
6 out to forty miles, the subscriber must agree to
7 pay a local measured service rate of 2 cents per
8 minute for calls that he can currently make with no
9 usage charge. Second, the subscriber will not
10 know, based on the dialing arrangement, which usage
11 charge will be incurred (or, if he has reached the
12 cap, whether any usage charge will be incurred) for
13 any given call because each type of call will be
14 made on a seven digit basis.

15

16 Q: PLEASE DESCRIBE THE PROBLEMS WITH THIS PLAN.

17

18 A: A number of problems are inherent in the SBT Plan
19 that, taken individually, should warrant its
20 rejection by the Commission. First and foremost,
21 it is significantly more complex than the local and
22 toll service arrangements that most consumers
23 receive today. Customers will need to know, in
24 advance, information on their anticipated calling

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1 patterns - including typical call durations,
2 mileage, and frequency - in order to determine if
3 they are likely to benefit under the SBT Plan. The
4 plan is further complicated by a usage discount
5 structure based on the payment of additional
6 monthly charges, and a usage cap for BLCA, but not
7 ELCA, calls.

8
9 A second problem with the Southern Bell Plan is
10 that its extension of "local" calling to a forty
11 mile radius is an over-inclusive response to EAS
12 pressures. Southern Bell's witness Sims states
13 that "this Plan will also help to alleviate
14 pressures for new EAS routes, particularly in areas
15 where the community of interest does not meet the
16 standards for creating an additional EAS route."¹
17 While Ms. Sims does not list the routes that she is
18 referring to, it is unclear why a Plan is needed to
19 redefine local calling to include routes that do
20 not have sufficient community of interest calling
21 today, as defined by the Commission's standard. In
22 other words, in order for it to be appropriate to

23 ¹ Direct Testimony of Nancy H. Sims on behalf of
24 Southern Bell, p. 5.

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1 "localize" all potential new EAS routes today, they
2 must either meet the Commission's existing standard
3 for determining a community of interest or the
4 Commission's standard would must be redefined to
5 include the characteristics of all existing routes.
6 The Commission presently has a standard for
7 determining the existence of community of interest,
8 and no party, including Southern Bell, has argued
9 that the standard should be revised. A Plan that
10 converts routes to local calling that do not meet
11 that standard is clearly over-inclusive in its
12 geographic scope.

13

14 Third, the SBT Plan effectively puts into place
15 tariffed rates for intraLATA toll service that are
16 below the rates charged to interexchange carriers
17 for access service. Southern Bell's GSST defines
18 *Long Distance Message Telecommunications Service* as
19 "the furnishing of facilities for subscribers'
20 telephone communications on an individual message
21 basis between two or more points which are located
22 in the same Local Access and Transport Area
23 (LATA)." As described previously, GSST
24 distinguishes a long distance message from a local

1 message based solely on the fact that the long
2 distance message carries a usage charge. The SBT
3 Plan labels calls made beyond the existing local
4 calling area but less than forty miles as "ELCA
5 local." Yet these calls very clearly meet Southern
6 Bell's tariffed definition of *Long Distance Message*
7 *Telecommunications Service*: the calls are provided
8 on an individual message basis, within the LATA,
9 and incur a usage charge. Thinly disguised
10 intraLATA toll calling is toll calling
11 nevertheless, and should be priced to recover the
12 access charges paid by the IXCs to complete a
13 similar call as described in the Commission's Order
14 No. 24859.²

15
16 Fourth, the SBT Plan, as filed, offers no benefit
17 to those subscribers who typically make intraLATA
18 calls that are greater than 40 miles in length.
19 These calls will continue to be billed at Southern
20 Bell's current intraLATA MTS rate. The ability of

21² Order Establishing Parameters for Local Exchange Company
22 Toll Pricing, issued 7/29/91. Specifically, the rates
23 for the ELCA in Southern Bell's Plan violate Guideline 1
24 of the Order requiring that "revenues cover aggregate
25 access charges by service."

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1 a given subscriber to benefit from the SBT Plan,
2 therefore, depends on his need to make intraLATA
3 toll calls within the 40 mile ELCA and his
4 willingness to subscribe to local measured service.
5 In contrast, a general reduction in the rates for
6 all mileage bands of intraLATA toll service would
7 benefit subscribers regardless of their calling
8 patterns. Such a reduction can be achieved for
9 customers of Southern Bell's intraLATA toll service
10 by direct reductions in rates, and for customers of
11 other carriers through a reduction in level of
12 intrastate switched access charges. Similarly, a
13 mechanism that would give subscribers easier and
14 more convenient access to the carrier of their
15 choice for intraLATA toll service would produce a
16 benefit that does not depend on a customer's usage
17 patterns.

18
19 Finally, the Plan's dialing pattern will create
20 customer confusion. Most customers have learned to
21 equate seven digit dialing with the "free" (i.e. no
22 usage charge) local calling zone. The SBT Plan
23 extends seven digit dialing to include ELCA
24 intraLATA toll calls, which are billed at a higher

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1 usage rate than the customer's BLCA calls, or, if
2 the customer has reached the cap on BLCA usage, are
3 the only calls that will incur a usage charge. The
4 subscriber will be unable to determine from the
5 dialing pattern how he will be billed for the call.

6

7 Q: HAS THE IMPOSITION OF USAGE CHARGES ON CALLS DIALED
8 WITH SEVEN DIGITS BEEN FOUND TO CREATE CUSTOMER
9 CONFUSION IN OTHER BELLSOUTH STATES?

10

11 A: Yes. Within two months of implementing a similar
12 plan that included usage charges for calls dialed
13 on a seven digit basis, the Louisiana Public
14 Service Commission issued an Order reinstating
15 the "1+" dialing arrangement for these calls,
16 citing "numerous complaints from their
17 constituents."³ Among others, the Louisiana
18 Commission received a written complaint from
19 approximately twenty business subscribers stating
20 that

21 "[while the] 7 digit plan saves the
22 consumer the 1/10 of a second which is
23 required to dial the "1" before certain

24 ³ Order No. U-17949-S of the LPSC, February 10, 1992,
25 p. 1.

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1 calls, this dubious advantage must be
2 weighed against the many serious problems
3 which the plan creates."⁴

4 The Louisiana customers described the Plan as a
5 source of confusion, explaining that

6 "many consumers wrongly believe that all
7 7 digit calls are 'free.' They have
8 always dialed '1' before calls for which
9 they expected to pay long distance
10 charges. Habits of a lifetime do not
11 change easily. Many customers are
12 receiving bills for long distance service
13 for calls which they did not realize were
14 subject to long distance billing."⁵

15 For those customers who did understand that long
16 distance charges would be incurred on a 7 digit-
17 dialed call, confusion remained because

18 "they cannot easily know whether or not a
19 particular call is subject to long
20 distance charges. In order to make this
21 determination, consumers must refer to a
22 confusing table which depicts which seven
23 digit calls are within the 'basic local
24 calling area' and which are within the
25 'expanded local calling area.' This
26 exercise assumes that the caller has such
27 a table close at hand. Using this table
28 is cumbersome, time consuming, and
29 confusing."⁶

30 ⁴ See, Motion for Modification of Order, filed
31 January 24, 1992 by Acadiana Bottling Company,
32 Iberia Parish School Board, First American Bank and
33 Trust, et. al.; Louisiana Public Service
34 Commission, Docket No. U-17949-B.

35 ⁵ Id., p. 2.

36 ⁶ Id., p. 3.

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1 Finally, these business customers complained that
2 they were unable to control long distance calling
3 on their phones by restricting which extensions had
4 access to "1+" dialing. The seven digit dialing
5 portion of the plan had rendered ineffective their
6 billing control, cost containment, and anti-fraud
7 systems.⁷ According to Southern Bell, Florida
8 business customers will also not have access to
9 toll restriction services under the plan, even
10 though seven digit-dialed calls will carry usage
11 charges.⁸

12
13 The SBT Plan proposed in Florida can be expected to
14 cause similar problems to those experienced in
15 Louisiana. Subscribers will not know, based on
16 dialing seven digits, which usage charge will be
17 incurred, or, if they have reached the cap, whether
18 any usage charge will be incurred for a given call.
19 Business subscribers may find that the seven digit
20 dialing arrangement allows their call control
21 systems to be circumvented.

22 ⁷ Id., p. 3.

23⁸ See Southern Bell's response to MCI's First Set of
24 Interrogatories, Item No. 87.

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1 Q: HAS SOUTHERN BELL REQUESTED THE APPROVAL OF A
2 CALLING PLAN WITH SIMILAR CHARACTERISTICS SINCE THE
3 EXPERIENCE WITH CUSTOMER CONFUSION IN LOUISIANA?

4
5 A: Yes. Recently, the South Carolina Public Service
6 Commission rejected an Expanded Area Calling Plan
7 proposed by a number of LECs, including Southern
8 Bell. One element of the Plan was seven digit-
9 dialing for all intraLATA toll calls. In support
10 of decision to reject the proposed Plan, the
11 Commission found that "because there would be no
12 way to indicate to a customer that the seven-digit
13 number that the customer was dialing was a toll
14 call, a subscriber may not realize that he is in
15 fact making a toll call and incurring long distance
16 charges."⁹ The LECs responded that the customer
17 could avoid unexpected usage charges by consulting
18 a telephone directory to determine if the call was
19 long distance, or the customer could "dial 1+ to
20 find out if such a dialing arrangement was
21 necessary to make the call and then the operator
22 would advise the customer that the dialing of 1+

23⁹ Order No. 92-802 of the South Carolina Public Service
24 Commission, September 28, 1992, pp. 10-11.

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1 would not be necessary for that call."¹⁰ The
2 Commission concluded that such an arrangement "puts
3 an undue burden on the subscriber" to determine if
4 a seven digit-dialed call will be part of his flat-
5 rate local service, or whether the making the call
6 will result in a bill for usage charges.¹¹

7
8 These decisions of the Louisiana and South Carolina
9 Public Service Commissions make clear their
10 findings that customer confusion can best be
11 avoided by retaining the traditional dialing
12 arrangements of seven digits for flat-rate local
13 calling and a "1" or "0" before the number for
14 calls that will carry usage charges.

21¹⁰ Id., p. 11.

22¹¹ Id., p. 12.

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1 Q: IN DOCKET NO. 880069-TL, THE STAFF PRESENTED A
2 RECOMMENDATION TO THE COMMISSION THAT INCLUDED A
3 PROPOSED LOCAL/TOLL RATE DESIGN PLAN. PLEASE
4 DESCRIBE THE STAFF'S PLAN.

5
6 A: The Staff's October 24, 1991 Memorandum describes a
7 local/toll rate structure that would expand the
8 flat-rate local calling area to include those calls
9 that are currently intraLATA toll in the 0-10
10 mileage band. In addition, those calls that are
11 more than ten but less than thirty miles in length
12 would incur a usage charge of ten cents per minute
13 for the first minute, and five cents per minute for
14 any additional minutes (time of day discounts would
15 apply). As an alternative to these per minute
16 charges, Staff suggests a twenty five cents per
17 message charge for residential subscribers as an
18 effective per-call "cap" on usage charges. All
19 calls within thirty miles would be dialed on a
20 seven digit basis. In order to provide a benefit
21 under the Plan for those subscribers who make toll
22 calls greater than thirty miles, the Staff
23 recommends that the Commission immediately open a
24 docket to proceed toward implementation of "1+"

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1 presubscription for intraLATA toll service in
2 Southern Bell territory. Finally, the Staff
3 expects its Plan to replace the EOEAS, OEAS, and
4 Toll-Pac plans currently in place.¹²

5

6 Q: SHOULD THE COMMISSION ADOPT SOME ELEMENTS OF THE
7 LOCAL/TOLL RATE STRUCTURE RECOMMENDED BY STAFF?

8

9 A: Yes. The Staff Plan contains a number of elements
10 that are important to a local/toll rate structure
11 and should be a part of any Plan that is adopted by
12 the Commission. Specifically, the Plan's treatment
13 of calls of less than ten miles creates an expanded
14 local calling area in which calls are completed on
15 a seven digit basis and are included as part of the
16 flat rate monthly charge for local service; no
17 additional usage charges apply. This structure
18 allows subscribers to have access to a larger local
19 calling area, but does not introduce the confusion
20 of unexpected usage charges for calls dialed with a
21 "local" (i.e. seven digit) dialing pattern.

22

23 ¹² The Staff recommended that the premium flat rate
24 option for EOEAS be continued.

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1 The Staff Plan advocates that "1+" presubscription
2 be implemented for the IntraLATA toll services¹³ of
3 all carriers. This element of the Staff's proposal
4 expands the benefits of the Plan to subscribers who
5 make intraLATA toll calls beyond the local mileage
6 boundary by providing more convenient access to the
7 services provided by their carrier of choice.
8 These subscribers will also be able to take
9 advantage of services offered by interexchange
10 carriers that are only available via "1+" dialing.

11
12 The Staff also states that their Plan should allow
13 a number of other EAS-type plans to be
14 discontinued. Their proposal represents an attempt
15 to design a rate structure that provides a more
16 uniform response to subscriber requests for
17 expanded local calling.

18
19 These elements of the Staff Plan are integral
20 components of any local/toll rate structure adopted

21 ¹³ For a local/toll rate structure based on this
22 element of the Staff Plan, the IntraLATA Toll
23 market would be composed of existing intraLATA toll
24 calls, minus those calls within the local mileage
25 boundary.

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1 by the Commission. Changes to some other elements
2 are needed, however, to make the Staff Plan
3 beneficial to a broader base of subscribers.

4

5 Q: HOW CAN THE STAFF PROPOSAL BE IMPROVED?

6

7 A: For calls greater than ten miles but less than
8 thirty miles, the Staff Plan includes either a "per
9 minute" or a "per message" usage charge. As the
10 extensive Staff analysis supporting these
11 recommendations indicates, it is difficult to
12 determine which usage rate element will make
13 customers better off. Such a determination
14 requires that detailed data regarding customer
15 calling patterns and call durations be collected
16 and assumptions made regarding customer preferences
17 and behavior, the rates to be charged for each type
18 of usage, and the application of discounts. The
19 complexity of this analysis, and the uncertainty of
20 the conclusions due to the number of assumptions
21 that must be made, presumably led to the Staff's
22 decision to include two alternative recommendations
23 on rate structure.

24

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1 While it is difficult to determine whether
2 subscribers would be better off under the "per
3 minute" or "per message" structure for usage
4 charges, it is clear that customers will benefit
5 most under the Staff Plan when making those "local"
6 calls that fall within the ten mile boundary. This
7 is because these calls will continue to be made in
8 a way that is consistent with subscribers' current
9 understanding of "local" calling: they will be
10 included in the flat rate monthly charge that the
11 customer pays for the service. The customer
12 confusion caused by applying usage charges to calls
13 dialed using seven digits is avoided. If such a
14 structure is most beneficial to customers for calls
15 within the first ten miles, then it will also prove
16 to be the most beneficial structure for all calling
17 within the entire mileage-defined "local" calling
18 area.

19
20 As the Staff describes in its recommendation¹⁴, the
21 details of any proposed plan of this type are a
22 trade-off between the usage rates established

23 ¹⁴ October 24, 1991 Staff Memorandum, p. 4.

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1 (including discounts) and the distance or mileage
2 to the "local" calling boundary. In other words,
3 higher usage rates will permit a larger calling
4 area, while a smaller calling area will make lower
5 usage rates possible. If the flat rate structure
6 advocated by the Staff for calls less than ten
7 miles is adopted for all calling within the new
8 "local" calling area, the distance to this new
9 "local calling boundary" will be determined by the
10 level of revenues that the Commission determines
11 are available to implement such a plan.

12
13 This solution (extending the flat rate calling area
14 to include all calls within the new "local calling
15 boundary") to the tradeoff identified by the Staff
16 includes a number of important benefits. First, the
17 flat rate monthly charge paid by a customer for
18 local service will allow him to make calls to an
19 expanded area. Second, a customer's access to
20 other subscribers within this expanded "local
21 calling area will not be restricted by the
22 requirement that he pay usage charges when making
23 these calls. Third, the well-understood dialing
24 distinction between "local" and "toll" calls will

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1 be maintained: customers will know that when they
2 dial seven digits, the call is part of the "free"
3 local calling area covered by their monthly rate,
4 and that when they dial a "1" or "0" before the
5 number, long distance charges will apply. Fourth,
6 the cost of additional calling directories -
7 describing to customers which seven digit calls
8 will have usage charges applied and which will not
9 - is avoided. The available revenue dollars that
10 would have been required for the printing and
11 distribution of these "confusing and difficult to
12 use" tables can be applied instead toward making
13 more routes available within the "local" calling
14 boundary. Finally, the difficulty in determining
15 whether a "per minute" or "per message" charge is
16 better for subscribers is avoided; all subscribers
17 will be benefit from an expanded flat rate calling
18 area.

19

20 Based on these considerations, the structure of the
21 Staff proposal should be modified to eliminate the
22 distinction between calls of less than ten miles
23 and calls between ten miles and the new "local"
24 boundary. For any local/toll rate structure

1 proposal adopted by the Commission, all seven digit
2 dialed "local" traffic should be provided to
3 customers on a flat rate basis.

4

5 Q: INTRALATA "1+" AND "0+" PRESUBSCRIPTION HAS BEEN
6 MADE AN ISSUE IN THIS PROCEEDING. HOW DID THE
7 COMMISSION ADDRESS THIS ISSUE IN DOCKET NO. 880812-
8 TL (THE INVESTIGATION INTO THE DESIRABILITY OF
9 INTRALATA TOLL COMPETITION)?

10

11 A: In Order No. 23540 concluding the investigation
12 into the desirability of allowing interexchange
13 carriers to provide intraLATA, intraEAEA toll
14 services, the Commission decided to allow entry
15 into this market based on alternative dialing
16 patterns (access codes). The Commission decided to
17 continue to reserve to the LECs the ability for
18 customers to originate toll calls using "1+" or
19 "0+" dialing. This decision was based on the
20 Commission's observation that a substantial amount
21 of the information needed to decide this issue was
22 not available at that time. Specifically, the
23 Commission cited uncertainty regarding the
24 availability of generic switching software that

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1 includes the intraLATA presubscription feature, the
2 lack of available evidence regarding implementation
3 costs, the absence of a proposed plan for
4 "balloting" customers regarding their selection of
5 a preferred intraLATA carrier (if intraLATA
6 balloting is determined to be appropriate), the
7 need for a proposal for the recovery of the costs
8 associated with intraLATA presubscription, and
9 concerns regarding possible LEC toll revenue
10 losses."¹⁵

11

12 Q: IS INFORMATION NOW AVAILABLE TO ADDRESS THE
13 IDENTIFIED AREAS OF CONCERN?

14

15 A: Yes. For the issues of software availability and
16 implementation cost, two significant sources of
17 data have recently become available. Industry Task
18 Forces in North Dakota and Kentucky have completed
19 their efforts to collect detailed data and have
20 issued their Reports regarding the generic
21 switching software needed to provided an intraLATA
22 presubscription function. The North Dakota Report

23 ¹⁵ FPSC Order No. 23540, October 1, 1990, p. 24.

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1 was released in September, and the Kentucky Report
2 is currently being distributed.¹⁶ The data
3 collected in each Report is specific to each switch
4 manufacturer and outlines availability dates and
5 cost for each manufacturer's generic switching
6 software that currently includes, or will include,
7 the capability to provide intraLATA presubscription
8 on a "2-PIC" basis.

9
10 Q: PLEASE BRIEFLY DESCRIBE WHAT IS MEANT BY INTRALATA
11 PRESUBSCRIPTION ON A "2-PIC" BASIS.

12
13 A: The "2-PIC" option would allow an end user to
14 select both a presubscribed intraLATA carrier and a
15 presubscribed interLATA Primary Interexchange
16 Carrier (PIC). The customer's available choices
17 for an intraLATA "1+" carrier would include
18 Southern Bell and would not be restricted to his

19¹⁶ The Report of the Task Force Coordinating Committee to
20 the Kentucky PSC, with attachments, consists of
21 approximately 550 pages. Because this report was made
22 available immediately before the due date of this
23 testimony, I am unable to provide a complete analysis of
24 the contents the Kentucky report in this filing. If
25 subsequent analysis of the findings of the Kentucky Task
26 Force yields information that would be useful to the
27 Commission in deciding this issue, I will supplement my
28 testimony with the additional information.

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1 interLATA PIC. Calls within the basic local
2 calling area would continue to be completed by the
3 LEC.

4
5 In both North Dakota and Kentucky, the IntraLATA
6 Presubscription Task Force identified "2-PIC"
7 capability, when available, as the preferred
8 presubscription option.¹⁷

9
10 Q: ARE OTHER OPTIONS AVAILABLE TO PROVIDE SUBSCRIBERS
11 WITH ACCESS TO THEIR INTRALATA CARRIER OF CHOICE ON
12 A "1+" OR "0+" BASIS?

13
14 A: Yes. Other IntraLATA presubscription options
15 include "modified 2-PIC," an Advanced Intelligent
16 Network (AIN) option, and "1-PIC." The "modified

17¹⁷ In Kentucky, members of the Task Force evaluated
18 alternative methods of providing intraLATA
19 presubscription and identified the "2-PIC" method as "the
20 method that will evolve as the national standard for
21 intraLATA equal access" (Report of the Task Force
22 Subcommittee, p. 17). In North Dakota, the Task Force
23 focused on the "2-PIC" option in response to a finding of
24 fact of the North Dakota PSC that "the '2-PIC' method for
25 presubscription provides consumers with the greatest
26 number of choices, and consequently better promotes
27 competition, so the '2-PIC' method should be the
28 technology installed" (Order at p. 24, Finding of Fact
29 104, and p. 33, cited in Final Report of the Equal Access
30 Workshop, p. 3).

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1 2-PIC" and AIN options have generally been
2 determined to be less desirable than other
3 available alternatives. The "1-PIC" option,
4 however, has been implemented in at least one other
5 state and could be implemented in Florida without
6 delay.

7

8 Q: PLEASE DESCRIBE THE "1-PIC" OPTION.

9

10 A: This presubscription option would provide end users
11 with the ability to select one Primary
12 Interexchange Carrier, and the customer would then
13 be able to access that carrier of choice for both
14 intraLATA and interLATA toll calls by dialing a "1"
15 or "0." As a practical matter, the "1-PIC" option
16 gives the customer "1+/0+" access to his
17 presubscribed interLATA carrier for intraLATA
18 calls. The customer would still have the option of
19 using Southern Bell for intraLATA calls by dialing
20 a five-digit access code similar to the codes that
21 customers are currently required to dial in order
22 to access an IXC for intraLATA calls.

23

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1 The advantage of the "1-PIC" intraLATA
2 presubscription option over the existing dialing
3 arrangement available to Florida end users is that
4 with "1-PIC" presubscription, the customer will be
5 able to have "1+/0+" intraLATA access to any toll
6 carrier in the state except one; one carrier must
7 be accessed by dialing a five-digit code. The
8 existing arrangement allows customers "1+/0+"
9 access to only one carrier; to reach any other
10 carrier, the customer must dial an access code.
11 The "1-PIC" presubscription, therefore, would
12 provide end users with significantly more carrier
13 choices for intraLATA toll calls using the more
14 convenient "1+/0+" dialing arrangement. The
15 inconvenience of dialing an access code for these
16 calls would be restricted to the use of one
17 carrier.

18
19 The "1-PIC" presubscription method also enjoys an
20 advantage over the "2-PIC" method previously
21 described, at least in the short term. While the
22 "2-PIC" feature must be programmed into the generic
23 switching software for each type of switch used by
24 Southern Bell in Florida, the "1-PIC" method can be

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1 implemented using existing hardware and software.
2 Even if the Commission determines that the "2-PIC"
3 method provides the greatest possible customer
4 choice and is the preferred long term means of
5 providing intraLATA presubscription, the
6 opportunity remains to provide customers with the
7 increased number of "1+/0+" carrier choices offered
8 by the "1-PIC" option without delay. The "2-PIC"
9 feature would then be implemented as the generic
10 software containing the feature becomes available
11 for each switch type.

12
13 Q: PLEASE DESCRIBE THE STATUS OF THE AVAILABILITY OF
14 THE GENERIC SWITCHING SOFTWARE CONTAINING THE "2-
15 PIC" INTRALATA PRESUBSCRIPTION FEATURE.

16
17 A: The Kentucky IntraLATA Equal Access Task Force
18 collected information on the availability of this
19 software from eight different manufacturers of LEC
20 switches. It is my understanding, however, that
21 Southern Bell-Florida currently uses switches of
22 three vendors: AT&T's 1AESS, 2BESS, and 5ESS,
23 Northern Telecom's DMS 100 and DMS 100/200, and

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1 Siemens Stromberg-Carlson's EWSD.¹⁸ Southern Bell
2 has provided estimated software availability dates
3 of fourth quarter 1992 for Northern Telecom and
4 1994 for AT&T and Seimens.¹⁹

5
6 The information provided by Northern Telecom and
7 Siemens Stromberg-Carlson to the Switch Vendor
8 Subcommittee in Kentucky is consistent with the
9 dates provided by Southern Bell. The responses of
10 these companies are included in Attachment B to
11 this testimony. The response of AT&T Network
12 Systems is less clear, however.

13
14 AT&T Network Systems responded to the Request For
15 Information for Feature Development of the Kentucky
16 Task Force in a letter dated March 17, 1992,
17 stating that "firm development dates have not been
18 established for the 2-PIC solution."²⁰ AT&T-NS
19 goes on to state in this response that development

20¹⁸ Response of Southern Bell to FIXCA's First Set of
21 Interrogatories, Item No. 11.

22¹⁹ Southern Bell Response to FIXCA's First Set of
23 Interrogatories, Item No. 13.

24²⁰ All correspondence referred to is included in Attachment
25 B to this testimony.

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1 dates will not be set until it receives a request
2 for feature development from one of its customers.

3

4 In a letter dated October 2, 1992, AT&T-NS
5 responded to a request for information by Michigan
6 Bell, stating that "we expect it would require
7 between 14-18 months development effort from the
8 time we get a firm commitment to deliver the
9 feature. As of today, we do not have a firm
10 request from any company, hence, our development
11 clock has not begun...I must emphasize, this is a
12 rolling window, which will continue to slide until
13 we receive an order from a Local Exchange Company."

14

15 On October 6, 1992, AT&T-NS sent a follow-up letter
16 to the Kentucky Task Force in order to "clarify
17 misunderstandings" caused by the letter to Michigan
18 Bell. The letter reiterates that "switch features
19 are developed only at customer request," and
20 estimated that 24 months will be needed to develop
21 this feature, once a request for development has
22 been made. In a letter dated October 28, 1992,
23 AT&T-NS offered a further clarification, stating
24 that "Since, as of this writing, no customer has

1 requested the feature, development has not begun,"
2 but that "it may be possible to release the feature
3 in 18 months."

4
5 These response make clear two important points.
6 First, AT&T-NS, like any vendor in a competitive
7 marketplace, is responsive to the needs and desires
8 of its customers. While it has apparently given
9 some thought as to how a "2-PIC" feature would be
10 developed, it is unlikely to expedite the
11 development of a feature that its largest customers
12 do not want to be developed quickly. Second, AT&T-
13 NS states that as of October 28, 1992, it had
14 received no customer requests for the development
15 of the "2-PIC" feature. These requests have not
16 yet been made in spite of the fact that 1) the
17 North Dakota Public Service Commission issued a
18 Finding of Fact on April 7, 1992 that "the "2-PIC
19 method should be the technology installed,"²¹ and
20 2) the Kentucky Public Service Commission found in
21 its March 29, 1990 Order that "intraLATA
22 competition should extend to equal access on a

23²¹ Findings of Fact, Conclusions of Law, and Order, NDPSC,
24 April 7, 1992, pp. 24 and 33.

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1 presubscribed basis,"²² and the decision of the
2 Switch Vendor Subcommittee (which included a
3 representative from South Central Bell), prior to
4 issuing its Request For Information on January 10,
5 1992, that the "2-PIC" feature would be the
6 preferred method of providing intraLATA
7 presubscription.

8
9 Clearly, additional incentives are needed in order
10 for any Bell Operating Company, including Southern
11 Bell, to request development of the "2-PIC" feature
12 from AT&T-NS.

13
14 Q: HOW SHOULD THIS COMMISSION ENSURE THAT THE
15 OPPORTUNITY FOR END USERS TO USE THEIR INTRALATA
16 CARRIER OF CHOICE BY DIALING A "1" OR "0" IS
17 AVAILABLE IN A TIMELY MANNER?

18
19 A: In order to provide Florida IntraLATA Toll users
20 with the benefits of intraLATA presubscription,²³

21²² Order of the Kentucky Public Service Commission,
22 Administrative Case No. 323.

23²³ The ability of end users to access their carrier of
24 choice on a "1+/0+" basis gives them access to lower
25 rates and additional service offerings through dialing

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1 the Commission should implement the option
2 described earlier in my testimony. IntraLATA
3 presubscription on a "1-PIC" basis should be
4 implemented until the "2-PIC" software feature is
5 available. This option has two distinct
6 advantages. First, customers are not required to
7 wait for intraLATA presubscription, potentially
8 indefinitely, until Southern Bell is willing to
9 request that the feature be developed for its
10 switches manufactured by AT&T. Second, Southern
11 Bell will effectively "control its own destiny." If
12 it wishes to participate in the Florida IntraLATA
13 Toll market as a "1+" carrier, it must request "2-
14 PIC" feature development from AT&T. This option
15 will provide the motivation to Southern Bell that
16 is needed in order to ensure that intraLATA
17 presubscription on a "2-PIC" basis is available to
18 Florida end users.

19

20

21

22 arrangement that is more convenient than the access codes
23 that they must dial to reach these carriers today.

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1 Q: PLEASE DESCRIBE MCI'S POSITION REGARDING THE NEED
2 FOR "BALLOTING" CUSTOMERS FOR THEIR PREFERRED
3 INTRALATA CARRIER.

4
5 A: The issue of intraLATA balloting is a policy matter
6 to be decided by the Commission. For intraLATA
7 presubscription on a "1+" basis, balloting will not
8 be required because a customer's intraLATA toll
9 calls will be routed to its interLATA carrier of
10 choice. For intraLATA presubscription on a "2-PIC"
11 basis, MCI is not requesting that any end offices
12 be "re-balloted" to include a customer's intraLATA
13 PIC. It would be up to the IXCs, through their
14 marketing efforts, to attract customers on an
15 intraLATA presubscribed basis.

16
17 Q: PLEASE DESCRIBE MCI'S PROPOSAL FOR THE RECOVERY OF
18 INTRALATA PRESUBSCRIPTION COSTS.

19
20 A: It is MCI's position that the recovery of the costs
21 of implementing IntraLATA presubscription should be
22 accomplished in the same way that the recovery of
23 InterLATA presubscription costs has been
24 accomplished. Part 69 rules currently allow LECs

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1 to recover equal access costs through the local
2 switching rate element, a monthly charge per
3 presubscribed access line, or a monthly charge per
4 Feature Group D trunk. The incremental costs to
5 Southern Bell of providing IntraLATA
6 presubscription should be included in the existing
7 cost recovery mechanism for InterLATA
8 presubscription.

9

10 Q: HOW SHOULD THE COMMISSION ADDRESS THE CONCERN
11 REGARDING THE POTENTIAL IMPACT ON SOUTHERN BELL'S
12 TOLL REVENUES RESULTING FROM INTRALATA
13 PRESUBSCRIPTION?

14

15 A: In its Order concluding Docket No. 880812-TL, the
16 IntraLATA Competition Investigation, the Commission
17 stated that "we have previously addressed our lack
18 of confidence in the [Southern Bell] contribution
19 study," but found that the potential remained for
20 LEC revenue losses. MCI believes that this
21 investigation into the earnings of Southern Bell
22 provides the Commission with an opportunity to
23 evaluate the implications of potential revenue

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1 impacts within the context of Southern Bell's
2 current earnings situation.

3

4 Q: PLEASE DESCRIBE MCI'S PROPOSAL FOR A FLORIDA
5 LOCAL/TOLL RATE STRUCTURE.

6

7 A: A local/toll rate structure adopted by the
8 Commission should be designed to accomplish the
9 following objectives:

10

11 1) The structure of local and toll calling should
12 be designed to meet the needs of Florida
13 subscribers. It should provide a uniform
14 response to any pressures for the expansion of
15 the local calling area.

16

17 2) The local/toll rate design should also be
18 responsive to consumer pressures for lower
19 rates for intraLATA toll services, and will
20 allow customers to utilize the toll services
21 of the carrier of their choice using the most
22 convenient form of access available.

23

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1 3) The local/toll rate design should be based on
2 dialing patterns that subscribers are familiar
3 with using. The potential for subscribers to
4 be billed unexpected usage charges for calls
5 dialed on a seven digit basis should be
6 avoided. Similarly, the rate design adopted
7 should be structured so that an additional
8 dialing directory, or customer knowledge of
9 the location of rate centers and call
10 mileages, is not needed.

11

12 4) A rate design for local and toll calling
13 should benefit all subscribers, and an
14 individual customer's ability to be better off
15 under the new structure should not require
16 that he make calls of a given frequency,
17 duration, or length.

18

19 In order to meet these objectives, MCI requests
20 that the Commission adopt a local/toll rate design
21 with the following characteristics:

22

23 - "Local" and "Toll" calling should be defined
24 from the point of view of the subscriber. "Local"

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1 calls should continue, as subscribers expect, to be
2 dialed on a seven digit basis and to be included as
3 part of the flat rate monthly charge for the
4 service. Unexpected usage charges should not apply
5 to any calls that are designated as "local."
6 "Toll" calling, conversely, should retain the "1+"
7 or "0+" dialing pattern so that customer will know
8 to expect usage charges for these calls.
9
10 - A mileage-defined boundary for the local calling
11 area should be established by the Commission. The
12 location of this mileage boundary should be a
13 function of both the Commission's evaluation of any
14 existing EAS pressures that might exist, and the
15 availability of the Southern Bell revenues required
16 to implement an expanded local calling area of a
17 given size.
18
19 - Calls within the local calling area established
20 by the Commission according to the above criteria
21 will be seven digit dialed and provided on a flat
22 rate basis. Calls within the LATA, but beyond the
23 local calling mileage boundary, should be provided
24 so that the subscriber can reach his carrier of

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1 choice on a "1+" or "0+" basis. Such intraLATA
2 presubscription should be implemented at the date
3 of the Commission's Order in this proceeding. If
4 the "2-PIC" presubscription feature is available at
5 that time, Southern Bell should make the necessary
6 generic switching software upgrades to provide the
7 feature. If the "2-PIC" feature is not available,
8 subscriber access to a more convenient dialing
9 pattern should not be delayed as a result. Under
10 this scenario, intraLATA presubscription should be
11 implemented on a "1-PIC" basis until the switching
12 software containing the "2-PIC" feature has been
13 made available.

14

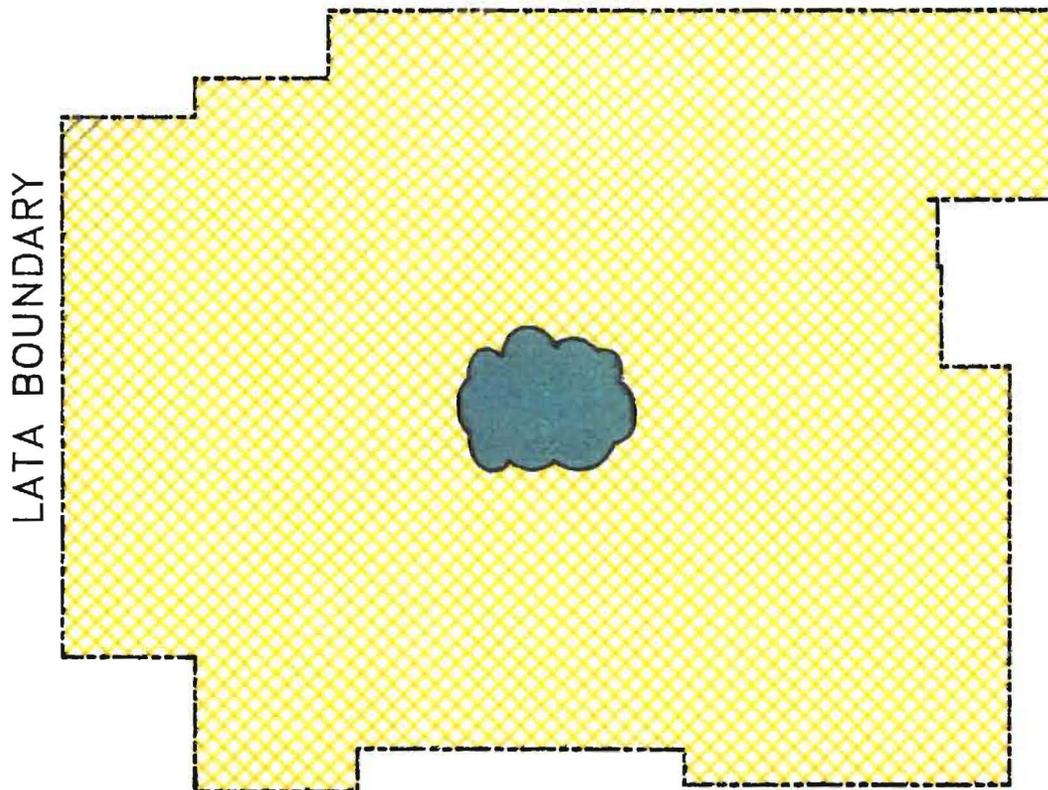
15 Q: DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

16

17 A: Yes.

EXHIBIT NO. (DJW-)
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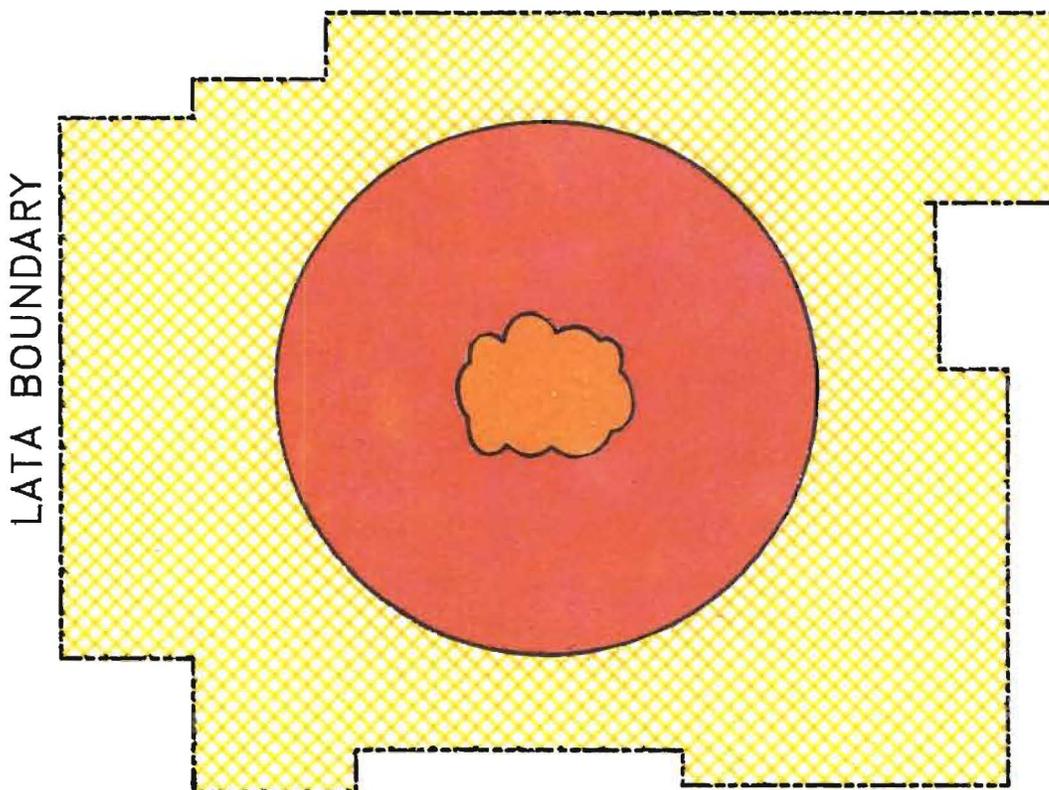
Florida Local/Toll Calling Existing Arrangement



 **BASIC LOCAL CALLING:** Basic Local Calling is currently provided on a seven digit dialed, flat-rate basis. Subscribers do not pay usage charges for calls within their Basic Local Calling Area. Exceptions exist for Extended Area Service (EAS) routes that have met the Commission's Community of Interest standard.

 **INTRALATA TOLL CALLING:** Calls placed to locations outside the Basic Local Calling Area result in usage charges for the subscriber and are dialed with a "1" or "0" before the number. Subscribers must currently dial an access code in order to use their carrier of choice for these calls.

Florida Local/Toll Calling Southern Bell Proposal



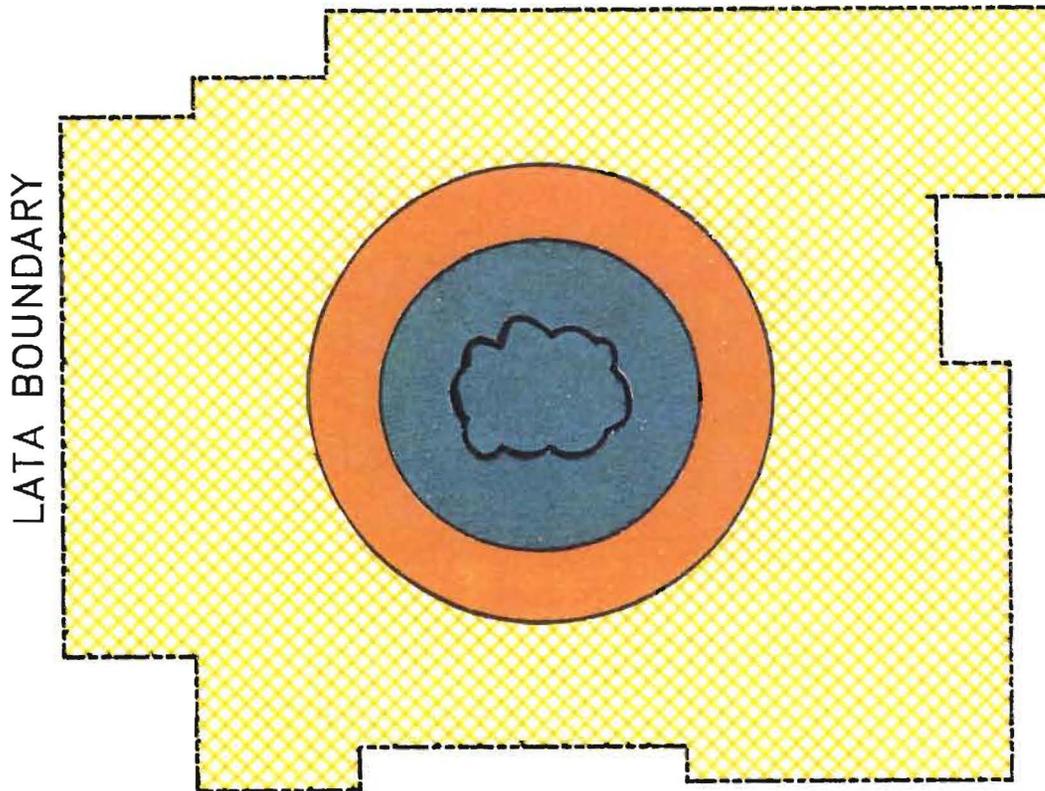
 **BASIC LOCAL CALLING:** Flat-rate local calling is not a part of the Southern Bell proposal.

 **LOCAL MEASURED SERVICE:** Southern Bell's proposal would introduce local measured service, charged at 2 cents per minute, for calls within the existing Basic Local Calling Area.

 **EXPANDED "LOCAL" CALLING AREA (ELCA):** Southern Bell's proposal would introduce a usage charge of 8 cents per minute for existing IntraLATA Toll calls of 40 miles or less. These calls would be dialed without a "1" or "0", making it difficult for the subscriber to determine if he will be charged a usage rate for the call.

 **INTRALATA TOLL CALLING:** The Southern Bell proposal offers no benefit to customers who make intraLATA toll calls of greater than 40 miles.

Florida Local/Toll Calling Staff Proposal

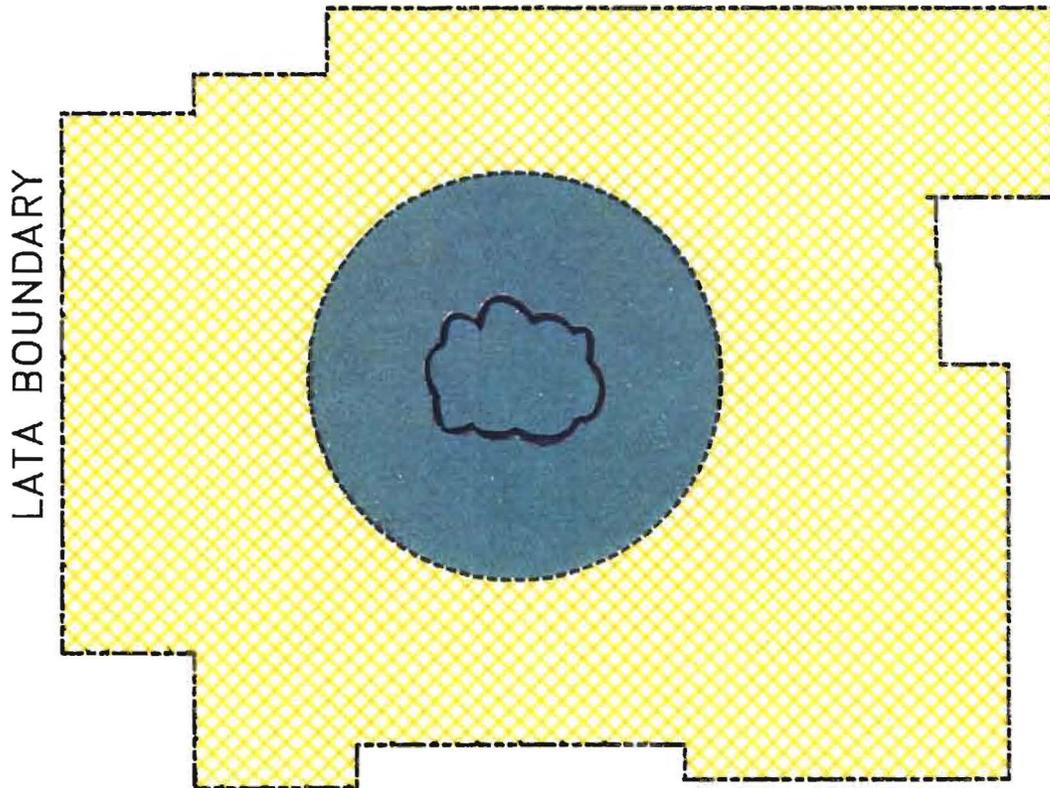


BASIC LOCAL CALLING: The Staff proposal retains the existing flat-rate Basic Local Calling Area. In addition, existing IntraLATA Toll calls up to ten miles in length would be dialed on a seven digit basis and would be included in the subscriber's flat monthly charge for Local Service.

EXPANDED "LOCAL" CALLING: The Staff Plan places a usage charge of 10 cents for the first minute, 5 cents for additional minutes on existing IntraLATA Toll calls that are greater than ten but less than thirty miles. These calls would be dialed without a "1" or "0." The Staff proposes an alternative 25 cents per message charge for this traffic, because it is difficult to determine which type of usage charge would be preferred by subscribers.

INTRALATA TOLL CALLING: The Staff plan is designed to benefit those subscribers who make IntraLATA Toll calls of greater than 30 miles by allowing them to reach their carrier of choice on a presubscribed, "1+/0+" basis. This dialing arrangement would give subscribers convenient access to lower rates and additional services.

Florida Local/Toll Calling MCI Proposal



BASIC LOCAL CALLING: The MCI plan would introduce a mileage-defined Local Calling Area inside which all calls would be dialed on a seven digit basis and would be included in the flat monthly charge paid by the subscriber for Local Service. The size of this Local Calling area would be determined by the Commission, based on its evaluation of any existing EAS pressures and the availability of the Southern Bell revenues needed to implement a Local Calling Area of a given size.

INTRALATA TOLL CALLING: The MCI proposal would make the convenience of "1+/0+" dialing to the carrier of the subscriber's choice available without delay for IntraLATA Toll calls. If the "2-PIC" feature has been requested by Southern Bell, intraLATA presubscription should be implemented on that basis. If the "2-PIC" feature is not in place at the time of the Commission's Order, intraLATA presubscription should be implemented on a "1-PIC" basis.

EXHIBIT NO. (DJW-)
FPSC DOCKET NO. 920260-TL

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P.S.C.
RESEARCH DIVISION

January 31, 1992

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FEB 6 1992

PUBLIC SERVICE
COMMISSION

IntraLATA Equal Access Task Force
Attn: Vendor Subcommittee
C/O Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, Kentucky 40601

Dear Vendor Subcommittee:

This is in response to your letter dated January 10, 1992 regarding intraLATA presubscription capability on the DMS-100 and DMS-10.

The ability to provide intraLATA carrier presubscription is planned for general availability in BCS35 (4Q92) on the DMS-100. This will require NTXF58AA and NTXF69AA software packages. The required software and their associated price is listed below.

<u>S/W</u>	<u>List Price</u>
NTXF58AA (POTS IntraLATA PIC in EAEO)	\$20,000
NTXF69AA (IBN IntraLATA PIC in EAEO)	\$20,000

The DMS-100 can accept up to 3 BCS upgrades per load. A BCS load from BCS32 to BCS35 would be a cost of \$15,000 for one load. Additional memory, increased processor capacity and gating hardware will be required dependant of current BCS and individual office configuration.

The DMS-10 is planned to provide intraLATA carrier presubscription with the 405.10 Generic (2Q92) using the Multiple PIC Option software. A typical Generic upgrade from 404 to 405.10 costs \$5,000. Please note that this price does not include hardware, engineering or installation related to the DMS-10 Generic upgrade.

<u>S/W</u>	<u>List Price</u>
Multiple PIC Options	\$5/wired line Capped at 2,500 lines

...2

Page 2

Northern Telecom is studying an Advanced Intelligent Network (AIN) database solution. However, existing specifications do not include intraLATA PIC. These technical requirements are needed to determine an accurate development activity. Our feature development process includes evaluation of pricing. Due to lack of standards we do not have sufficient information available to provide the requested software or pricing.

If you have any questions concerning this information, please feel free to call me at 404-661-5136. If I can not be reached, please call Mike Kimble at 404-661-5365.

Yours truly,



Mel Crain
Vice President
Sales and Marketing

cc: Lee M. MacCracken
Tommy Langford
E. Copeland

Introduction

Siemens Stromberg-Carlson is pleased to submit this response to the Kentucky IntraLATA Equal Access Task Force Request for Information concerning the development of the capability in the EWSD to support IntraLATA equal access which is equivalent to that offered for InterLATA transport.

Overview

We have addressed in this response Method A, Method B and the Modified 2-PIC approach. Availability and individual site Right-to-Use fees are provided. We have not provided hardware and software upgrade charges to bring the various Generic Releases to the Release levels required to support each method.

We feel that a great deal of consideration is warranted of the need for national protocol standards to be determined prior to the implementation by individual states. The development of many variants of a particular method will obviously increase development costs overall as well as cause confusion to travelers from other states.

Method A "2-PIC Presubscription"

The price quoted for this method includes the options described in RFI Section 3.02.03. We declined to provide a separate price quote for the feature without options, since the amount of implementation effort would not be appreciably reduced by not implementing the options.

Method B "AIN Solution"

It is assumed for this method that an external AIN 0.1 capable Service Control Point (SCP) database equipped with the Service Logic Program (SLP) to handle "IntraLATA Equal Access" feature will be made available by the operating companies.

Concerning how the AIN 0.1 capability is used in an IntraLATA equal access scenario, the following assumptions are made:

- 1) The 6 digit (NPA-NXX) Public Office Dialing Plan triggers will be used.
- 2) If a switch supports multiple dialing plans (i.e. if the IntraLATA toll call NPA-NXXs for some subscribers is different from the IntraLATA NPA-NXXs for another set of subscribers on the same switch), then for each

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Stromberg-Carlson

Proposal No.: 920116-101
Issue: 1
Date: March 20, 1992

subscriber, the determination of calls be IntraLATA or not, will be done in the SCP.

The processor real time impact is significant, and each call per second that requires an AIN SS7-TCAP access to the external database will consume an extra 0.7 percent of total switch real time capacity. For example, if the IntraLATA toll traffic load is 10 seconds per second, then an extra 7.0 percent of the switch capacity will be used due to accessing the external database.

The impact upon the switch memory is not significant.

Additional Method

We have prepared an estimate for an additional method which is actually the "Modified 2-PIC" method as described in Attachment A of the RFI.

Availability

The following are the availability dates of the various methods:

Method A - 1995

Method B - 1993

Additional Method - 1995

Prices

The following prices are for study purposes only and may not reflect the actual prices in force at the time of implementation:

Method A - \$7,444/office

Method B - \$36,324/office

Additional Method - \$1,953/office

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MAR 19 1 31 PM '92



AT&T
Network Systems

Network Systems Sales

Western Electric® products
6701 Roswell Road, N.E.
Atlanta, GA 30328
404 573-4000

PUBLIC SERVICE
COMMISSION

March 17, 1992

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MAR 17 1992

P.S.C.
RESEARCH DIVISION

IntraLATA Equal Access Task Force
ATTN.: Vendor Subcommittee
C/O Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601

Dear Sir;

The attached documents are AT&T Network Systems' response to your Request for Information (RFI) on IntraLATA Equal Access for the 5ESS®, and 1A ESS™ Switching systems. As requested, we have provided information for 2-PIC, Modified 2-PIC, and AIN solutions. At this time, firm development dates have not been established for the 2-PIC and Modified 2-PIC solutions. This will be done once our customers request development and firm price quotes. As indicated in the attachments, we believe that our current development plans for AIN include the minimum functionality required to implement the AIN version of IntraLATA Equal Access.

Paul Craft, Senior Technical Consultant on my staff, is available to answer questions. He may be reached on (404) 573-7550.

Yours truly,

J. J. Matous
Director, Technical
Consulting and Contracting
Southern Region

Copy to:
Norm Owen - BellSouth Telecommunications, Inc.

AT&T - Business Confidential



October 2, 1992

Michigan Bell
F. M. Schweickert
29777 Telegraph, Rm 3151
Southfield, Michigan 48034

Francine,

In our recent meeting you requested information on the AT&T development of 2-PIC software. The feature, as you know, would allow equal access on calls handled Intra-LATA

AT&T does not have the capability at this time. We expect it would require between 14-18 months development effort from the time we get a firm commitment to deliver the feature. As of today, we do not have a firm request from any company, hence, our development clock has not begun.

We expect to deliver the feature on three Switches, the 5ESS®, the 1AESS™ and the 2BESS™. If we were to begin development today, 2-PIC would be available via a software update to SE9.1. It would be provided on a Periodic Partial Update (PPU) for the 2BESS™ and 1AESS™ after the general availability's of 2BES and 1AE12. I must emphasize, this is a rolling window which will continue to slide until we receive an order from a Local Exchange Company.

Our planning prices for the feature offer two purchase scenarios. First, you may purchase the 2-PIC software on a regional buyout for \$7,000,000. And secondly, we are planning a per switch price of \$90,000

The 2-PIC Intra-LATA feature, much like the Inter-LATA capability in appearance, cannot be compared since it touches a lot of features and services not existing in the Inter-LATA environment. Therefore it is far more sophisticated and requires extensive testing prior to deployment.

Lastly, I have attached a Service Planning Prospectus (SPP) for the feature which we refer to as ICLATA. As you can see, it is a preliminary draft.

Please call if you have any questions about the information or if you would like to discuss it further.

Sincerely,

Richard L. Bantau
Account Management
Switching Systems



Network Systems Sales

Western Electric® products
8701 Roswell Road, N.E.
Atlanta, GA 30328
404 573-4000

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OCT 12 1992

October 6, 1992

R.S.C.
RESEARCH DIVISION

IntraLATA Equal Access Task Force
ATTN.: Vendor Subcommittee
C/O Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, Kentucky 40602

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OCT 09 1992

PUBLIC SERVICE
COMMISSION

Dear Sir,

The purpose of this letter is to clarify misunderstandings about the availability of the IntraLATA Equal Access feature. AT&T Network Systems switch features are developed only at customer request. Since, as of this writing, no customer has requested the feature, development has not begun. Please see my letter dated March 17, 1992. Once a customer contractually commits to purchase the feature, it will take AT&T Network Systems approximately twenty-four (24) months to develop the feature for the 1A ESS™, 2B ESS, and 5ESS® switches, and make it available for the first office application. Once it passes customer testing, it will be available for other switches.

If you have any comments or additional concerns, please contact Paul Craft on 404 573-7550.

Yours truly,

A handwritten signature in cursive script that reads "John Matous".

J. J. Matous
Director, Technical
Consulting and Contracting
Southern Region



Network Systems Sales

Western Electric® products
6701 Roswell Road, N.E.
Atlanta, GA 30328
404 573-4000

October 28, 1992

IntraLATA Equal Access Task Force
ATTN.: Vendor Subcommittee
C/O Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40602

Dear Sir;

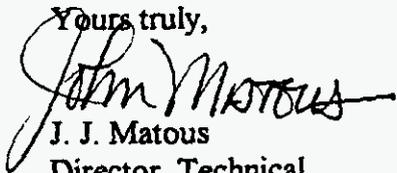
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While twenty-four months represents a normal development interval, there are several factors that impact upon switch feature development intervals. Under optimal circumstances, it may be possible to release the feature in eighteen (18) months. However in any case, AT&T will keep the development interval as short as possible.

On October 2, 1992, Mr. Richard Bantau, AT&T Network Systems, sent a letter to Michigan Bell stating that the development interval of this feature is in the range of fourteen (14) to eighteen (18) months. At this time, AT&T does not believe that this feature can be developed any sooner than eighteen (18) months. We apologize for any inconvenience this may have caused. Clarification is being sent to Michigan Bell.

If you have any comments or additional concerns, please contact Paul Craft on 404 573-7550.

Yours truly,

A handwritten signature in cursive script that reads "John Matous". The signature is written in black ink and is positioned above the printed name.

J. J. Matous
Director, Technical
Consulting and Contracting
Southern Region