

1 **RATE DESIGN**

2

3 ***Switched and Special Access Rates***

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5 **Q. Would you please summarize the Companies' proposals regarding switched**

6 **access?**

7 A. Certainly. In the testimony of Ms. Robinson, GTE/Contel propose to decrease their

8 revenues from switched access by a total of \$3,549,453, a reduction of more than

9 50%. This substantial reduction is achieved via several distinct proposals.

10

11 First, the Companies intend to mirror the traffic-sensitive rate elements from the

12 Interstate General Telephone Operating Companies tariff FCC No.1. Included in this

13 proposal is an unbundling of the transport elements. This includes the elimination of

14 Premium Switched Transport Facility and Premium Local Transport Circuit Connect

15 rates categories, which are replaced by a category labeled "Transport Revenues." As

16 described in Ms. Robinson's testimony, this summarized category includes three

17 proposed rate elements: entrance facility, direct-trunked transport, and tandem-

18 switched transport. In exception to the FCC tariff, the Companies have proposed not

19 to include an interconnection rate element at the intrastate level. As described by Ms.

20 Robinson, this element is merely a revenue mechanism with no associated costs,

21 intended by the FCC to result in transport revenue neutrality. Ms. Robinson believes

22 that it is neither required or appropriate in this proceeding. The net effect of the

23 transport proposal is a reduction of more than \$1.5 million, or 86%.

24

25 The second major element of the proposal is the reduction of the other traffic sensitive

26 element, End Office Switching. The Companies propose a reduction of approximately

27 \$950,000 for this category, or 52%.

1 The third major element of the proposal includes an overall reduction in the carrier  
2 common line (CCL) revenues, as well a modification of the current rate structure. In  
3 order to align the rate structure more with GTOC FCC No. 1, the Companies' have  
4 eliminated rate elements of common line termination and intercept. The terminating  
5 CCL rate element has been "priced to result in an average switched access composite  
6 rate that is not above the current GTESW or Contel composite rates and is comparable  
7 to switched access rates of other LECs in New Mexico and surrounding states."

8 [Robinson Testimony, p. 9.]  
9

10 **Q. What are the impacts of these proposals on the composite rates of GTE and**  
11 **Contel?**

12 A. Currently, GTE's average composite rate for intrastate switched access is \$0.0597895  
13 per minute. The existing Contel composite switched access rate is \$.1407225. The  
14 proposed composite rate in this proceeding is \$0.0544588 or a reduction of about 9%  
15 for GTE and a reduction of about 61% for Contel  
16

17 **Q. Do you agree with these proposals?**

18 A. No. The Companies have allotted \$3.5 million of the ordered \$8.3 million reduction in  
19 revenue to the switched access category. This reduction is accomplished at the expense  
20 of residence local exchange ratepayers. This massive shift of the revenue burden is  
21 unwarranted, unnecessary, and inappropriate.  
22

23 In particular, the proposed reduction in the CCLC is not adequately supported. The  
24 Companies argue that they must take this step to in order better align their rates with  
25 other companies in New Mexico and surrounding states. This argument should be  
26 rejected; even if one were to accept the premise that competition is increasing in the  
27 switched access market (which has not been demonstrated), there has been no showing

1 that the competitive pressures in Contel's service territory are (or will become) so  
2 severe that rates need to decline by 61%.

3  
4 Furthermore, the New Mexico Telecommunications Act prohibits any competition with  
5 GTE/Contel in the local exchange market, thus the switched access market:

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7 "...any telecommunications company with less than one hundred thousand  
8 access lines holding a certificate of public convenience and necessity to provide  
9 local exchange service to the public shall have the exclusive right to provide  
10 local exchange service within its certificated service territory and shall not be  
11 subject to competition in the provision of local exchange service in its  
12 certificated service territory unless the commission determines that public  
13 convenience and necessity require additional plant or equipment for the  
14 provision of local exchange service within the certificated service territory of the  
15 existing telecommunications company and a certificate of public convenience  
16 and necessity is granted.. [New Mexico Telecommunications Act, 63-9A-C,  
17 Paragraph D, p. 71.]

18  
19 **Q. Do you accept the proposition that switched access rates need to be**  
20 **redesigne d?**

21 A. Yes. Recent FCC actions to encourage unbundling, expanded interconnection rights,  
22 and co-location are designed to increase competition in the switched access market,  
23 and potentially drive down the current level of access rates.

24  
25 However, the full impact of these changes may be years away. The Companies are not  
26 claiming that they face a competitive crisis now, but rather that "competition will  
27 inevitably force price levels toward their respective LRIC." [Robinson Testimony, pp.

1 9-10.] I don't necessarily agree with this conclusion. But even if one accepts the  
2 conclusion, it isn't clear that the reduction in access prices should be accomplished at  
3 the expense of local exchange ratepayers. Competition can serve to drive down costs  
4 and profits, as well as prices. Especially considering all the uncertainty which exists  
5 concerning federal legislation and other factors, it would not be appropriate to raise  
6 local rates at this juncture, in order to accommodate a downward shift in switched  
7 access prices which may or may not occur in the absence of regulatory action.

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9 In my opinion, the appropriate response to these uncertainties is not to be found in the  
10 Company's proposed rebalancing of local and access rates. Given the substantial  
11 overall revenue reduction that was ordered by the Commission, it is reasonable to take  
12 a moderate step in the direction of lower switched access rates at this time--but not at  
13 the expense of local ratepayers.

14  
15 More specifically, I recommend that the Commission order a reduction to overall  
16 switched access that is no higher than the average reduction in this case, that is 17.16%.  
17 This reduction would total approximately \$1.18 million. Further, most of this reduction  
18 should come from the proposed changes to the Local Transport rates. The Companies'  
19 proposal for this category results in a decrease of approximately \$1.5 million. In my  
20 opinion, this aspect of the Company's proposal is the most timely and appropriate,  
21 considering the changes which are being implemented in the federal jurisdiction. I  
22 recommend that the Commission adjust this reduction to match the amount I discussed  
23 above.

24  
25 In my opinion, no further access rate decreases are warranted at this time; therefore, I  
26 recommend that the request for reductions to End Office Switching be denied.  
27 Similarly, I recommend that the Companies be permitted to restructure the CCL rate

1 elements, but not be permitted to reduce the overall level of CCL revenues as  
2 requested.

3  
4 I believe that unification of the access tariffs can be accomplished at this time without  
5 creating unacceptable rate impacts. Carriers generally purchase service from both GTE  
6 and Contel (as well as other local exchange carriers), and thus rate increases in GTE's  
7 service area will tend to be offset by reductions in Contel's service area. Accordingly, I  
8 recommend that uniform rates for End Office Switching and the CCL be established  
9 which result in no change in the overall revenue level in these two categories. This  
10 requires a modest increase to GTE's rates for these categories, offset by a reduction in  
11 Contel's rates.

12  
13 **Q. What is the Companies' proposal concerning special access?**

14 A. They are proposing to merge special access tariffs and mirror the Interstate GTOC  
15 tariff FCC No.1, with the exception of the DS1 Standard Additional System Non  
16 Recurring Charge, which the Companies claim falls below LRIC. The proposal results  
17 in a \$329,969, or 56% reduction in special access revenue.

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19 **Q. What support have the Companies given for this proposal?**

20 A. Ms. Robinson has indicated that the rationale for the special access proposal is the  
21 same as that of the switched access proposal

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23 **Q. Do you agree with the proposal?**

24 A. No, I do not, Although not a large amount of revenue is at stake, the percentage  
25 decrease is very large. I believe a more moderate decrease in special access rates is  
26 warranted. As I recommended for switched access, I believe that the decrease for  
27 special access should not exceed the overall decrease in this case, 17.16%.

