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March 29, 2002

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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Re: Docket No. 000075-TP (Phase II)
Investigation into appropriate methods to compensate carriers for exchange of
traffic subject to Section 251 of the Telecommunications Act of 1996

Dear Ms. Bayo:

Please find enclosed an original and 15 copies of Verizon Florida Inc.'s Prehearing
Statement for filing in the above matter. Also enclosed is a diskette with a copy
of the Prehearing Statement in Word 97 format. Service has been made as indicated
on the Certificate of Service. If there are any questions regarding this matter, please
contact me at 813-483-2617.

Sincerely,

Kimberly Caswell

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into appropriate methods) Docket No. 000075-TP
to compensate carriers for exchange of traffic) Filed: March 29, 2002
subject to Section 251 of the)
Telecommunications Act of 1996)
_____)

VERIZON FLORIDA INC.'S PREHEARING STATEMENT

Verizon Florida Inc. (Verizon) files its Prehearing Statement in accordance with the Second Order on Procedure, Schedule and Issues for Phase II (Order No. PSC-02-0139-PCO-TP, Jan. 31, 2002) and Commission Rule 25-22.038.

A. Witnesses

Verizon's witness for all issues in this proceeding is Dennis B. Trimble.

B. Exhibits

Verizon has no plans to introduce exhibits at this time, but reserves the right to do so at the hearing or other appropriate points.

C. Verizon's Basic Position

The Commission should encourage contracting parties to negotiate the definition of the local calling area for reciprocal compensation purposes. If negotiations are not successful, then the incumbent local exchange carrier's (ILEC's) tariffed local calling areas should be used as the default for determining reciprocal compensation obligations. All carriers are familiar with these Commission-approved areas, which have been used for years to define local

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calls for assessment of reciprocal compensation. Continued use of the ILEC's local calling areas is the most administratively simple approach and will not affect the alternative local exchange carriers' (ALECs') ability to define their own local calling areas for retail purposes.

The Commission should, likewise, allow carriers to negotiate their own reciprocal compensation mechanisms for traffic subject to Section 251 of the Telecommunications Act of 1996 (Act). It should defer any decision on a default compensation mechanism until the FCC has ruled in its Unified Intercarrier Compensation Rulemaking. In the meantime, the status quo—a per-minute reciprocal compensation rate—would remain in effect. While a properly designed bill-and-keep approach can have merit, the parties differ as to the specifics of that design and there is no assurance that any scheme this Commission orders will track the FCC's. Waiting for the FCC to rule is the simplest and most efficient approach.

D., E., F., G. Verizon's Specific Positions

Verizon believes the issues identified for resolution in this case are mixed questions of fact, law, and policy.

Issue 13: How should a "local calling area" be defined, for purposes of determining the applicability of reciprocal compensation?

- a) What is the Commission's jurisdiction in this matter?**
- b) Should the Commission establish a default definition of local calling area for the purpose of intercarrier compensation, to apply in the event parties cannot reach a negotiated agreement?**

- c) If so, should the default definition of local calling area for purpose of intercarrier compensation be: 1) LATA-wide local calling, 2) based upon the originating carrier's retail local calling area, or 3) some other default definition/mechanism?

Verizon's Position: The local calling area for reciprocal compensation purposes should be defined by the parties in their interconnection agreement.

- a) The Commission has the authority to define the local calling area, consistent with its historical practice.
- b) Yes.
- c) The default definition should be the ILEC's tariffed local calling areas. All carriers are familiar with these areas, which are used today for purposes of assessing reciprocal compensation. Using the ILEC's local calling areas for reciprocal compensation purposes is also the most administratively simple option. In no event should the Commission adopt as a default either a LATA-wide local calling area for reciprocal compensation purposes or a system where the originating carrier's retail calling areas determine what calls are subject to reciprocal compensation. These methods are not competitively neutral; would undermine universal service goals; would cause undesirable arbitrage; and are not in consumers' best interests.

Issue 17: Should the Commission establish compensation mechanisms governing the transport and delivery or termination of traffic subject to Section 251 of the Act to be used in the absence of the parties reaching agreement or negotiating a compensation mechanism? If so, what should be the mechanism?

- a) Does the Commission have jurisdiction to establish bill and keep?
- b) What is the potential financial impact, if any, on ILECs and ALECs of bill and keep arrangements?
- c) If the Commission imposes bill and keep as a default mechanism, will the Commission need to define generically “roughly balanced”? If so, how should the Commission define “roughly balanced”?
- d) What potential advantages or disadvantages would result from the imposition of bill and keep arrangements as a default mechanism, particularly in comparison to other mechanisms already presented in Phase II of this docket?

Verizon's Position: No, the Commission should not establish any compensation mechanism governing traffic subject to Section 251 of the Act. It should instead defer any decision on this issue until the FCC has ruled in its Unified Intercarrier Compensation Rulemaking. *Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92. All comments have been filed in that proceeding, which will address the same issue raised in this case. Until the FCC rules, the most efficient approach is to maintain the status quo (a per-minute rate).

- a) Yes. The FCC has given States explicit authority to impose bill-and-keep arrangements. (FCC Rule 51.713.)
- b) It is impossible to determine the financial impact of a bill-and-keep arrangement on individual ILECs or ALECs without knowing their particular circumstances. In addition, it is difficult to estimate the impact of a bill-and-keep mechanism on ALEC and ILEC industry segments without knowing the details of that mechanism.

- c) The Commission need not define generically “roughly in balance,” but Verizon would recommend doing so. Verizon suggests that the Commission define traffic as roughly in balance if the traffic imbalance is less than 10% in any three-month period.
- d) A carefully designed bill-and-keep regime can have merit. An appropriate default bill-and-keep mechanism must produce the correct incentives for the development of an efficient network that minimizes the overall costs of interconnection; discourage game-playing and arbitrage; contain a rational geographic limit on the obligation to deliver traffic, and reasonably assign the cost of transport between interconnecting carriers in a symmetrical manner that does not penalize any carrier. Verizon has proposed a mechanism that meets these criteria at the FCC, and has outlined the same approach in this proceeding, should the Commission be inclined to establish a compensation mechanism before the FCC rules.

H. Stipulated Issues

There are no stipulated issues at this time, but Verizon believes there is potential to reach a stipulation among the parties on Issue 17.

I. Pending Matters

Verizon is unaware of any pending matters.

J. Procedural Requirements

To the best of its knowledge, Verizon can comply with all requirements set forth in the procedural order in this case.

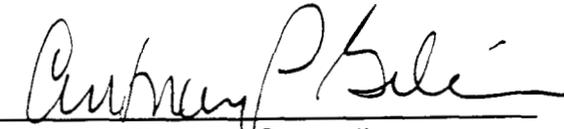
Respectfully submitted on March 29, 2002.

By: 
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Attorney for Verizon Florida Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of Verizon Florida Inc.'s Prehearing Statement in Docket No. 000075-TP were sent via U.S. mail on March 29, 2002 to the parties on the attached list.



Kimberly Caswell
on

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