

ORIGINAL

Commissioners:  
JULIA L. JOHNSON, CHAIRMAN  
J. TERRY DEASON  
SUSAN F. CLARK  
DIANE K. KIESLING  
JOE GARCIA

State of Florida



Blanca S. Bayó, Director  
Division of Records and Reporting  
(850) 413-6770

Public Service Commission

DATE: October 17, 1997  
TO: Parties of Record  
FROM: Blanca S. Bayó, Director *BSB*  
Division of Records and Reporting  
RE: Docket No. 970744-TP - Implementation of changes in the Federal Lifeline Assistance Plan currently provided by telecommunications carriers of last resort.

This is to inform you that the Commission has reported the following communication in the above-referenced docket.

- Letter from Beverly Y. Menard of GTE Telephone dated September 15, 1997.

The letter, a copy of which is attached, is being made a part of the record in these proceedings. Pursuant to Section 350.042, F.S. any party who desires to respond to an ex parte communication may do so. The response must be received by the Commission within 10 days after receiving notice that the ex parte communication has been placed on the record. Please mail your response to the Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870.

BSB/cp

ACK \_\_\_\_\_  
AFA \_\_\_\_\_ Attachment  
APP - cc: Rob Vandiver/w/letter  
CAF \_\_\_\_\_  
CMC \_\_\_\_\_  
CTR \_\_\_\_\_  
EAC \_\_\_\_\_  
LEP \_\_\_\_\_  
LIT \_\_\_\_\_  
OP \_\_\_\_\_  
RC \_\_\_\_\_  
SEL |

DOCUMENT NUMBER-DATE

10699 OCT 17 96

FPSC-RECORDS/REPORTING

*By the donee*

*may be filed with Commission for today  
not circulated to Commission K.*

**GTE**

*CB*

Beverly Y. Menard  
Regional Director-Regulatory & Industry Affairs (FL)

**GTE Telephone Operations**

One Tampa City Center  
Post Office Box 110, FLTC0616  
Tampa, Florida 33601-0110  
813-483-2526  
813-223-4888 (Facsimile)

September 15, 1997

Honorable Diane K. Kiesling  
Commissioner  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-085

Dear Chairman Kiesling:

I am writing to bring to your attention an aspect of the FCC's Universal Service Order in its CC Docket Number 96-45 that will increase the cost of providing basic telephone service in your state for those telephone companies serving high cost (typically rural) areas. Responding to a direction from Congress to assure that there are in place specific, predictable and sufficient mechanisms to preserve and advance universal service, the FCC has eliminated the federal program that today plays a vital role in assuring universal service, and has shifted the associated cost burden to the states.

Today's Universal Service Fund (USF) is governed by Part 36, Subpart F of the FCC Rules. Part 36 of the FCC Rules prescribes the way costs are to be allocated between the federal and state jurisdictions. Rule 36.601(a) defines the high cost expense adjustment process, which causes a portion of the loop costs for high cost study areas to be assigned to the federal jurisdiction. Once these costs are assigned to the federal jurisdiction, they come within the regulatory responsibility of the FCC, and they are recovered through payments from the USF. The net effect of this process, which was formulated as a result of the Federal/State Joint Board on Separations in FCC CC Docket 80-286, is to reduce the costs that telephone companies serving high cost areas must recover in their intrastate rates.

In 1997, telephone companies serving high cost areas in the state of Florida will receive \$28.4 million from the federal USF to help defray the cost of providing basic local telephone service. This universal service support assists local exchange carriers (LECs) operating in high cost areas to keep local rates affordable. Unfortunately, under the FCC's revised Rule 36.601(c), which goes into effect on January 1, 1999, \$16.8 million of those federal funds will no longer be available to support universal service provided by some large LECs in your state. This loss of

Honorable Diane K. Kiesling  
September 15, 1997  
Page 2

support for basic local rates will also be eliminated for smaller LECs when the FCC's new plan goes into effect for them, and will account for an additional loss of \$11.6 million. This cost burden not only shifts to Florida but it does so only for those companies that are serving high cost areas. The total loss of federal support for all states will amount to \$776.6 million, based upon the 1997 USF.

How did this happen? Without any discussion or explanation of how the elimination of today's only explicit federal high cost support will improve universal service -- which it obviously will not do -- the FCC, in a one line rule change eliminated today's USF. The new language of revised Part 36.601(c) says, "Beginning January 1, 1999, non-rural carriers shall no longer receive support pursuant to this Subpart F."

This change in the Part 36, Jurisdictional Separations Rules, was made without action by a Separations Joint Board, without review and comment by the Universal Service Joint Board, and without, so far as GTE knows, input from the states. GTE believes such unilateral action on the part of the FCC is a violation of the letter and spirit of Section 410(c) of the Communications Act. Even though this rule change applies only to non-rural carriers in 1999, the expense adjustment currently benefiting the customers of rural high cost companies will also transition to the states when the FCC's cost model is applied to those companies.

You may already be aware of this reduction in universal service support caused by the FCC's Universal Service Order. However, because I have become aware that the FCC's action, and its implications for universal service burdens to be assumed by the states, has missed the attention of many regulators, I wanted to be sure you are apprised of this significant change in the cost separation rules. If you would like further information about this matter, please call me at 813/483-2526.

Sincerely,

*Beverly Y. Menard*

Beverly Y. Menard  
Regional Director-Regulatory & Industry Affairs (FL)

BYM:wjh



RECEIVED

OCT 06 1997

Public Service Commission PSS - Records/Reporting

MEMORANDUM

October 1, 1997

TO : RECORDS AND REPORTING

FROM: CATHERINE BEDELL, ASSISTANT TO COMMISSIONER KIESLING CB

RE : EX PARTE COMMUNICATION DATED SEPTEMBER 15, 1997  
FROM BEVERLY Y. MENARD

---

The attached letter from Beverly Y. Menard of GTE Telephone dated September 15, 1997, was received by this office. This is an ex parte communication since it relates to matters which may be filed with the Commission within 90 days.

Pursuant to the Commission on Ethics Opinion 91-31, issued July 24, 1991, the attached correspondence is an ex parte communication; however it was not circulated to Commissioner Kiesling. It is necessary to place this memorandum and attachment on the record of the above-referenced proceeding pursuant to Section 350.042, Florida Statutes. Please give notice of this communication to all parties to the docket and inform them that they have 10 days from receipt of the notice to file a response.

CB:bf  
attachment

-----  
From: Carol Purvis  
To: Bill Berg, Billy Stiles, Braulio Baez, Brenda Ferris, Curtis Williams  
Subject: fwd: Ex Parte  
-----

====NOTE=====10/08/97==3:53pm=====

Commissioner Kiesling has reported receiving a letter from Ms. Beverly Y. Menard on behalf of GTE Telephone dated September 15, 1997, concerning an aspect of the FCC's Universal Service Order in its CC Docket Number 96-45. We are preparing to distribute this letter to the parties to this docket. Would you please let me know if your Commissioner also received this letter from Ms. Menard.

Fwd-by:=-Curtis-Willia-10/08/97==4:22pm=====

Fwd to: Carol Purvis

.....  
yes  
-----

CONFIRMED

From: Carol Purvis  
To: Bill Berg, Billy Stiles, Braulio Baez, Brenda Ferris, Curtis Williams  
Subject: fwd: Ex Parte

====NOTE=====10/08/97==3:53pm=====

Commissioner Kiesling has reported receiving a letter from Ms. Beverly Y. Menard on behalf of GTE Telephone dated September 15, 1997, concerning an aspect of the FCC's Universal Service Order in its CC Docket Number 96-45. We are preparing to distribute this letter to the parties to this docket. Would you please let me know if your Commissioner also received this letter from Ms. Menard.

Fwd-by:=Billy=Stiles==10/08/97==5:06pm=====

Fwd to: Kay Posey

.....

Kay, did we get this?

Fwd-by:=Kay=Posey=====10/08/97==5:09pm=====

Fwd to: Billy Stiles

.....

don't remember seeing anything from bev. I would not have given it to susan if we had. I would have given it to you.

Fwd-by:=Billy=Stiles==10/08/97==5:14pm=====

Fwd to: Carol Purvis

.....

Carol, we did get this letter; however, we intercepted it. It does not purport to relate to any particular Florida Commission docket, but the subject was universal service. Since I wasn't sure if our Commission had any universal service dockets pending, I thought it prudent to intercept the letter. Susan has not seen it and doesn't know it arrived here.

From: Carol Purvis  
To: Bill Berg, Billy Stiles, Braulio Baez, Brenda Ferris, Curtis Williams  
Subject: fwd: Ex Parte

CONFIRMED

====NOTE=====10/08/97==3:53pm=====

Commissioner Kiesling has reported receiving a letter from Ms. Beverly Y. Menard on behalf of GTE Telephone dated September 15, 1997, concerning an aspect of the FCC's Universal Service Order in its CC Docket Number 96-45. We are preparing to distribute this letter to the parties to this docket. Would you please let me know if your Commissioner also received this letter from Ms. Menard.

Fwd-by: =Bill=Berg=====10/09/97==9:18am=====

Fwd to: Carol Purvis

.....

This office did receive a copy of the letter. Commissioner Deason has not seen a copy of the letter because I intercepted the letter. The Records and Reporting will receive a memorandum explaining that the letter has been intercepted in a couple of days. Thanks.

-----

From: Carol Purvis Confirm receipt  
To: Curtis Williams, Billy Stiles, Braulio Baez, Bill Berg, Brenda Ferris  
Subject: Ex Parte

-----NOTE-----  
BCC: Robby Cunningham

.....  
Commissioner Kiesling has reported receiving a letter from Ms. Beverly Y. Menard on behalf of GTE Telephone dated September 15, 1997, concerning an aspect of the FCC's Universal Service Order in its CC Docket Number 96-45. We are preparing to distribute this letter to the parties to this docket. Would you please let me know if your Commissioner also received this letter from Ms. Menard.