BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of: DOCKET NO. 010963-TP

Investigation into telecommunications rate center consolidation in the State of Florida.
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PROCEEDINGS: WORKSHOP

BEFORE: CHAIRMAN LILA A. JABER
COMMISSIONER J. TERRY DEASON
COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER MICHAEL A. PALECKI
COMMISSIONER RUDOLPH "RUDY" BRADLEY

DATE: March 15, 2002

TIME: Commenced at 9:30 a.m.

PLACE: Betty Easley Conference Center
4075 Esplanade Way, Room 148
Tallahassee, Florida

REPORTED BY: MARY ALLEN NEEL, RPR
LINDA BOLES, RPR

ATTENDANCE:

CHERYL BULEZCA-BANKS, BOB CASEY, FPSC Division of Competitive Services.

PATRICIA CHRISTENSEN, FPSC Division of Legal Services.

STAN GREER and JAMES MEZA, BellSouth Telecommunications, Inc.

SUSAN MASTERTON and HOKE KNOX, Sprint Florida Incorporated.

KIM CASWELL and JERRY HAYNES, Verizon Florida Inc.

KAREN CAMECHIS and BARBAR GALBREATH, Time Warner, Telecom of Florida, LP.

P R O C E E D I N G S

CHAIRMAN JABER: Good morning. Let's go ahead and get started.

Ms. Christensen, is there a notice to be read?

MS. CHRISTENSEN: Yes, Commissioner. By notice issued February 18, 2002, this time and place have been set for a Commission workshop in Docket No. 010963-TP, Investigation into telecommunications rate center consolidation in the State of Florida. And staff had prepared an agenda which was attached to the notice.

Staff would recommend beginning with the presentations. Staff notes that BellSouth is currently prepared to make a presentation. Mr. Greer and Mr. Meza are prepared. My understanding was originally that Sprint had wanted to make the presentation first, but it appears that by consensus of Sprint and BellSouth, BellSouth will be going first.

CHAIRMAN JABER: All right. Ms. Christensen, who all is participating today? Is there a need to take appearances now, or just, you know, coincide with the presentations take appearances? How do you want to handle that?

MS. CHRISTENSEN: My understanding is that BellSouth and Sprint were the only ones that indicated that they were prepared to make presentations today.

CHAIRMAN JABER: All right. Well, let's get started.

Mr. Greer?

MR. GREER: Good morning, Commissioners. Before we get started, I want to put a disclaimer on this slide preparation.

CHAIRMAN JABER: Okay. Let's make an appearance for --

MR. GREER: Oh, I'm sorry.

CHAIRMAN JABER: -- you and Mr. Meza.

MR. GREER: Okay.

MR. MEZA: This is Jim Meza and Stan Greer on behalf of BellSouth.

MR. GREER: Commissioners, as I was saying, I sent the presentation to staff, and so if it's got any odd sounds or any special effects, other than just going through the slides, I'm going to have to blame the staff for that.

Commissioners, rate center consolidation -- our presentation is going to cover a few areas. The general understanding is what I'm going to cover before we get into the legal stuff. And rate center consolidation is a very simple concept. As in most things, the devil's in the details of implementing.

The Commission -- the other part that we're going to cover is whether or not the Commission has the authority to require rate center consolidation, and then some details on rate center consolidation issues. And then at the end I'll kind of give an overview of the Rate Center Consolidation Working Group Report.

As I said, rate center consolidation is a very simple concept. It's essentially -- and I tried to make a more user-friendly definition of rate center consolidation versus what you probably saw in the RCC Report. Essentially, rate center consolidation is the aggregation of multiple rate centers into a larger rate center. As I said, a simple concept, a lot of issues surrounding it.

Right now I would like to hand it over to Mr. Meza to discuss the legal portion of it.

MR. MEZA: Good morning.

CHAIRMAN JABER: Good morning.

MR. MEZA: The fundamental question facing this Commission is whether you have the authority to order rate center consolidation, and BellSouth respectfully submits that you don't. And to better understand the issue in question, we have to look back at the origination of authority, and the general rule is that the FCC has general authority and exclusive authority over numbering issues pursuant to federal law. However, the FCC can delegate all or portions of its authority over numbering issues to State Commissions.

Currently the FCC has in fact delegated certain powers over numbering issues to this Commission. One such power is the ability to create new area codes through the use of geographic splits, area code boundary realignment, or an overlay. The other power that the FCC has delegated to this Commission is the authority to implement certain numbering conservation measures.

What are the conservation powers that this Commission has? In FCC Order No. 99-249, the FCC gave this Commission the authority to implement the following number conservation measures: You have the authority to institute 1,000 block pooling, you have the authority to reclaim all unused and reserved NXX codes, you have the authority to maintain rationing procedures for six months after area code relief, you have the authority to set numbering allocation standards, you have the authority to request number utilization data from all carriers, and you have the authority to implement NXX code sharing.

Rate center consolidation is a state issue. In FCC Order 99-249, this Commission asked the FCC for the authority to implement rate center consolidation. The FCC, however, expressly determined that because rate center consolidation involves matters relating to local calling scopes and local call rating, it falls under your ratemaking authority.

Thus, the FCC effectively held that rate center consolidation was within the authority of the Commission, but granted this Commission whatever additional authority it may need to consolidate rate centers. And the FCC came to that conclusion because they found that rate center consolidation has some effect on its jurisdiction over numbering issues. So to the extent that rate center consolidation also is a method of number conservation, it gave you whatever additional authority you may need.

CHAIRMAN JABER: Mr. Meza, I --

MR. MEZA: Yes, ma'am.

CHAIRMAN JABER: I think I'm already confused. You acknowledge the FCC thought we had the authority to implement rate center consolidation. What you're saying is that our state law doesn't give us authority to do it, that the federal law has sort of given us the okay, but we need state law to take that authority?

MR. MEZA: The way I interpret the FCC's decision is that to the extent you don't have authority as a State Commission to implement local calling scopes, the FCC will give you such authority. The problem that I will address here is that when you're dealing with a price-regulated LEC, it sort of -- to implement rate center consolidation violates the price cap statute. So to the extent that rate center consolidation will have an effect on price-regulated LECs, it is our position that you don't have such authority.

And let me explain that to you a little further. The key statutory provision in question is Section 364.10(1) of Florida Statutes, and that statute provides that a telecommunications company may not make or give any undue or unreasonable preference or advantage to any person or locality or subject a particular person or locality to any undue or unreasonable prejudice or disadvantage in any respect whatsoever.

Section 364.10(1) would prohibit RCC, because it potentially discriminates and places an undue or unreasonable prejudice or disadvantage on the customers of the newly consolidated rate center, because some customers will be required to make a toll call for the same call that another customer could make toll-free.

And I've done a simple lawyer version of what that effectively means. Presume you have two exchanges that you are thinking about consolidating into a new exchange. In Exchange A you have Local Calling Areas 1, 2, 3, and in Exchange B you have Local Calling Areas 2, 3, and 4. If you consolidated Exchange A and Exchange B into a new Exchange C, customers in former Exchange A could not dial customers in Local Calling Area 4 toll-free. Likewise, customers in former Exchange B could not dial customers in Local Calling Area 1 toll-free. So in effect, you have customers that are now in the same local calling area, and some of those customers can't call the other customers toll-free, while others can.

So what are your remedies?

COMMISSIONER DEASON: Excuse me just a second.

MR. MEZA: Okay.

COMMISSIONER DEASON: You need to help me, because it was my understanding that rate center consolidation would be such that when you combined the exchanges, that whatever local calling existed would be expanded to all customers. And that was part of the reason of the analysis that we were shown earlier concerning the financial impacts of rate center consolidation, because you would be implementing more local routes which before were toll routes.

MR. MEZA: Commissioner Deason, it's my understanding that under the price cap statute, you don't have the authority to change the local calling scope and the local calling areas, because --

COMMISSIONER DEASON: Just a second. You're saying that we don't have the authority because you cited to a section in Chapter 364 that says that it would be discriminatory.

MR. MEZA: Correct.

COMMISSIONER DEASON: And you put up an example showing that it would be discriminatory because customers within a consolidated exchange would have different calling patterns.

MR. MEZA: That's correct.

COMMISSIONER DEASON: And my question is, I thought that they would all have the same calling pattern. So which is it? Either it's discriminatory, or else it's not discriminatory.

MR. MEZA: You are correct in that they would have the same calling patterns, but without the ability to implement EAS or ECS --

COMMISSIONER DEASON: But we're not implementing EAS or ECS. We're implementing authority delegated to us to order rate center consolidation to conserve telephone numbers. Isn't that one interpretation of what we're doing?

MR. MEZA: If you're going under the federal -- or the FCC's delegation of authority, that is one interpretation. But my response to that would be, by doing that, you have effectively eviscerated the price cap statute, because you are being asked to choose, well, do I violate the price cap statute in order to conserve numbers, or do I abide by the price cap statute and not conserve numbers. It's a question that this Commission has to answer.

COMMISSIONER DEASON: Are you going to discuss later on the price cap statute?

MR. MEZA: Yes, sir.

COMMISSIONER DEASON: Okay. And let me ask you another question while I have --

MR. MEZA: Sure.

COMMISSIONER DEASON: -- you interrupted. Is there language within 364 which gives the Commission the authority to implement the '96 Federal Act, or is there no such language in

364?

MR. MEZA: I believe that the answer to that question is that there is no such language. There is a provision in the APA, Chapter 120, that allows this Commission to adopt any procedure that's consistent with the Act.

COMMISSIONER DEASON: That's in 120.

MR. MEZA: That's in 120. But as far as Chapter 364 goes, as this Commission is fully aware, you have your own authority to implement similar provisions to the Act to promote competition. But as far as actually implementing the '96 Federal Act, I don't think that there's a specific provision. Now, you do have the general power to promote competition.

COMMISSIONER DEASON: Well, let me ask you this basic question. It seems like the majority of the time that this Commission utilizes in regulating, if you want to call it regulating, telephone companies comes from the federal law. We're implementing federal law, if you look at all of the arbitrations and things of that nature that we're involved with.

So if we don't have authority from the state law, how are we doing what we're doing if we don't have authority to implement the '96 Act?

MR. MEZA: The Act itself gives State Commissions the ability to effectively act as the FCC in rendering arbitration decisions, plus the state law is essentially the same. The avenue how you get there just differs. When you are acting as the arbitrator of a federal arbitration, you are effectively following federal law. You're acting as the FCC, and you can implement under the Act any state provisions in addition that you may want as long as it's consistent with the Act.

COMMISSIONER DEASON: Okay. Where within Chapter 364 do we have authority to implement area code decisions?

MR. MEZA: That's an interesting question. You don't have any authority other than what the FCC explicitly gives you to address numbering issues.

COMMISSIONER DEASON: So then are we being -- we are acting beyond our jurisdiction? When we, for example, had the hearing yesterday and made the decision that we made yesterday, were we acting outside of state jurisdiction?

MR. MEZA: No, sir. The FCC has expressly given you the ability to implement new area codes, which is what we did yesterday.

COMMISSIONER DEASON: Well, then didn't the FCC also give us the ability to implement rate center consolidation to conserve telephone numbers so you do not have to have as many area code hearings?

MR. MEZA: What the FCC said was that because rate center consolidation is essentially a calling scope issue, that is within your authority as a State Commission and your ratemaking authority. So what the FCC said is that we don't believe that it's necessary for me to delegate you authority that you already have; to the extent that you need additional authority because a specific State Commission may not have such authority, we give it to you, because it also addresses a numbering issue.

And the point BellSouth is making is that -- and it's not a very easy argument, but it's sort of like a domino argument. You have effectively -- by ordering rate center consolidation, you're going to have customers in the new exchange that may not have the same calling scope. And I must confess to you, I'm not clearly following your distinction of whether they're all going to be having the same calling scope or not, but I will talk to --

COMMISSIONER DEASON: Well, that's something we need to explore as to exactly how that would operate, but I was working under the assumption, and maybe incorrectly, that when you consolidated the exchanges, that there would be no taking away of any local calling, and you would only be adding to that, and that whatever local calling area the new combined exchange had, everybody that resided within that exchange shared that calling area.

MR. MEZA: That's the crux of the issue. And BellSouth's position is that you cannot force us to expand the local calling area.

COMMISSIONER DEASON: Okay.

MR. MEZA: And I think this slide will explain that.

One remedy that you have to give all of those customers in the new consolidated exchange the same local calling area would be to order price-regulated LECs to implement extended area service or extended calling serving. Thus, everyone in that new exchange or rate center would be able to call each other toll-free.

However, it's BellSouth's --

COMMISSIONER DEASON: That does away with the discrimination argument that you made earlier.

MR. MEZA: That's correct.

COMMISSIONER DEASON: But to remedy that, you're saying we would have to do something we don't have the authority to do either.

MR. MEZA: That's correct.

COMMISSIONER DEASON: So you're saying we don't have the authority to do either.

MR. MEZA: That's correct. It is BellSouth's position that you cannot

order a price-regulated carrier to implement EAS or ECS. And I cite you to Order No. PSC-97-0971. In that case, the Hamilton County Board of Commissioners requested EAS from Hamilton County to all exchanges within Columbia County, Suwannee County, and Madison County. This Commission denied the request and held that it cannot order a price-regulated LEC to implement post-July 1995 requests for EAS or ECS. And I quote, "We cannot order a price-regulated LEC to implement a non-basic service. Thus, we are without jurisdiction to require the price-regulated LECs to implement post-July 1, 1995 requests for EAS or ECS."

COMMISSIONER DEASON: Now, let me ask you a question in --

MR. MEZA: Okay.

COMMISSIONER DEASON: -- this regard. I know this is what the order says, and to some extent, it speaks for itself. But what do you mean when you -- how do you interpret the phrase that we, being the Commission, cannot order a price-regulated LEC to implement a non-basic service? Are you saying that EAS is a non-basic service?

MR. MEZA: Yes.

COMMISSIONER DEASON: I thought EAS, once it was designated, that is local service, and local service is a basic service.

MR. GREER: Commissioners, the way I recall the statute was that any EAS or ECS implemented prior to the '90 -- I'll say June of '95, I think, was considered basic. Anything after that is non-basic.

COMMISSIONER DEASON: So the statute itself drew a time line and designated what was basic and what was non-basic?

MR. GREER: I believe that's correct.

MR. MEZA: Now, again, if the price-regulated LEC voluntarily agreed to do this, then that would alleviate the discrimination concerns. But to order a price-regulated LEC to implement EAS or ECS is a different story.

A second potential remedy would be to change customer calling areas and rates. Again, it goes back to the same question. In order to do that, you're effectively ordering price-regulated LECs to implement ECS or EAS, which BellSouth submits you don't have the authority to do.

That's the end of the legal presentation. I'll be glad to answer any questions.

CHAIRMAN JABER: Mr. Meza, we may have questions later on.

MR. MEZA: Sure. Thank you.

MR. GREER: Now we get to the easy things. Commissioner Deason, you are right. Rate

center consolidation essentially aggregates the customers into one larger exchange. And the assumptions made -- I mean, the assumptions can be varied, but typically the rate center consolidation assumption is that they don't lose local calling area, they don't -- you know, whatever the package would be would be what the rate center would be. For instance, if they add -- typically it's always adding EAS or ECS or something like that to their local calling area, so that no customer loses any of their local calling area. What that does, and you'll see an example later, it expands the area and expands the local calling for a lot of customers.

Commissioners, there's numerous impacts of rate center consolidation. I've pointed out four or five specifics. And as I said, the customers' local extended area and toll calling areas may change. And in most cases in BellSouth, probably in all cases in BellSouth, they will change if we stick with the assumption that nobody loses local calling area. Carriers will experience a revenue impact.

And typically in rate center consolidation, you know, dialing will change because, depending on the area, ECS may be dialed 1 plus 10, toll 1 plus 10, and when you aggregate them, you may take out all of those and kick it down to whatever the local dialing is. If it's in an overlay, it will be 10. If it's in a split area, it will be only seven digits, similar to the Keys, where we're implementing essentially seven-digit dialing throughout the entire Keys.

There are major concerns that have to be checked and rechecked, and the E911 is a critical issue. I know it was in Atlanta, because they consolidated such a large area down to three rate centers in Atlanta. And since 911 is typically on a county basis, anytime you aggregate something over multiple counties, that's an issue that has to take a very close look to ensure that all the default routing is going the right place, that everybody understands what the routing is going to be when somebody calls one area versus another that, prior to rate center consolidation, maybe they didn't talk together and didn't have the systems in between them to route it to where it needed to be routed to. So when you get to that, that's probably -- if rate center consolidation is implemented, it's probably an area that needs to have a lot of focus.

We got lucky in the Keys in that it was all in one county. So typically, as long as you stay the consolidation within a given county, the system is set up that you don't really have a major impact.

And one issue that has come up over the past year and a half is the adverse impact to numbering resources, being able to get numbers in areas. When you consolidate multiple areas, you get multiple switch rate centers, and that creates a very big problem for companies, and as a matter of fact, is probably one of the bigger concerns for BellSouth in doing rate center consolidation today. You know, originally we supported rate center consolidation as long as it was revenue neutral. And now, this issue alone has got us to the point that we're not sure if we do or not, because of the fact of the problems that we have with getting numbers.

CHAIRMAN JABER: So --

COMMISSIONER DEASON: Mr. Greer -- I'm sorry.

CHAIRMAN JABER: So the ability to get numbers, or the inability, that is, is actually anticompetition in some areas; right?

MR. GREER: Yes, yes.

CHAIRMAN JABER: So to the degree rate center consolidation can help remove that barrier to competition, that's something that the Florida law allows us to address, doesn't it?

MR. GREER: The Florida law, the way I take it, has a general provision on promoting competition. Whether or not that fits under that, that's for the legal minds to argue, I guess.

CHAIRMAN JABER: Mr. Meza, you didn't look at it from that aspect, did you?

MR. MEZA: No, ma'am.

CHAIRMAN JABER: You would agree with me that it could be looked at from that aspect?

MR. MEZA: I would agree with you that you definitely have a duty and the power to promote competition. And to the extent that this Commission feels that ordering rate center consolidation can do that, then that is within your authority. I think that there are some bigger issues that need to be addressed as far as the inconsistent application of rate center consolidation. But, yes, I do agree with you.

CHAIRMAN JABER: And not only to promote competition, but in fact, but we have a duty and an obligation to remove barriers to competition.

MR. MEZA: That is correct. I would also point out that the FCC has held that in no situation should a customer be placed in a position where they cannot get numbering resources by the carrier they choose. So there is a balance that needs to be struck.

CHAIRMAN JABER: Thank you.

COMMISSIONER DEASON: Mr. Greer, let me ask you a question. On the last bullet point which you were just discussing under potential impacts, correct me if I'm wrong, but I think this Commission has endeavored to assist BellSouth and other companies, if necessary, in obtaining the necessary numbering resources, regardless of whether there are multiple switches within the same rate center. Am I correct in that?

MR. GREER: You are correct. This state has implemented an expedited process that as far as I am aware is the only one in BellSouth's nine states. The issue, as I think we spoke about a little bit yesterday, is that although there's an expedited process, there's also a window of how many days that you've got before you need to get numbers.

With the expedited process, it builds in time. You've got to get the application to the numbering administrator, which is the same as even if you were getting a code. But then you get the denial, you draft the petition and send it over here, and you've still got the 20- or 30-day window. By the time you get an order, get it to NANPA, get them to implement it and get a code assigned and effective -- if it's a pooling area, it's not a problem as non-pooling areas, because in pooling areas, you've already got a pool. The codes have already been activated. All you have to do is get codes assigned to you, and that's usually about a four- or five-day process.

If it's a non-pooling area, the code has to get assigned to you, has to be implemented in the system, and that is a 30- to 60-day time period, depending on whether you ask for an expedite. So 20 days for you all's -- to get through the appeals process, and then another 30 or 60 days to get the code implemented and able to assign numbers in it. And that window is generally -- most of my requests or appeals, I probably see about 30 or 40 a month trying to find numbers. And it gets all the way down to the 50 DID numbers all the way up to the 1,000 blocks, or even a complete NXX.

And unfortunately, as bad as I harp at my marketeers, telling them that, you know, you've got -- if you can't find numbers, you've got to start this process quick in order to get them there before a customer decides, "You know, this is just not worth the problem. We'll go to some other carrier."

And most ALECs -- a general rule of thumb from what I've seen is that most ALECs serve multiple exchanges with a given switch until they reach -- to a certain point that they need to get multiple switches. So the issue of being able to get numbers for an ALEC is maybe, although somewhat of a problem, but I wouldn't expect it to be as big of a problem for companies that have multiple switches within a rate center.

COMMISSIONER DEASON: Has BellSouth made any attempt to have the FCC reconsider their policy in regards to this matter?

MR. GREER: On numerous occasions. And unfortunately, our last attempt made it worse. My reading of the FCC -- the FCC implemented a safety valve, and essentially, when we were able to come to the Commission and get codes, you know, when we reached the six-month level, anytime we went below the six-month level, we were able to come to the Commission and get codes.

Now the FCC says, the way I read it, unless you have a specific customer request, you have to reach a three-month level before you can even appeal that to the State Commission. So they made it worse for us. And I guess -- you know, I'm not sure of their logic. So the safety valve they created, which was reconsideration of some of our requests, made it worse.

CHAIRMAN JABER: Mr. Greer, have they acted on that yet? I recall this conversation a few months ago, and the State Commission -- we actually filed comments, Mr. Casey, to the numbering order. Have we heard back from them?

MR. CASEY: The results were in this order that was issued in the latter part of December. And just as Mr. Greer had said, they went from a six-month to a three-month inventory. But it has not been finalized yet.

MR. GREER: Yes. I mean, it's still at the -- I think it's been in the registry. I don't know if it has run its course as far as when it will be effective.

CHAIRMAN JABER: Would there be a benefit to the State Commission and the companies filing together at the FCC requesting some sort of workshop or collaborative to work through these issues?

MR. GREER: I believe so. As a matter of fact, when we were working on comments, as I came to talk to the Commission about filing supportive comments of some kind of mechanism, you know, we tried to get other states to do that, and that's where I saw the FCC getting the push, if you will, to do what they needed to do.

I mean, I don't personally think that BellSouth is going to be able to do it, because apparently, you know, they just went the other way when we asked it. So, I mean, I think the states are clearly the drivers as far as the FCC's policies on numbering. Now, you know, they don't win all the fights, but they win a heck of a lot more than the companies do.

CHAIRMAN JABER: Do you think if we approached the Southeastern states, the SEARUC states, or perhaps NARUC, that there would be consensus among the states that this is an issue that needs to be resolved?

MR. GREER: We make appeals to pretty much -- the main states that we've filed appeals in, what I recall is Georgia, Florida, North Carolina. I think Alabama was in there, and maybe even Louisiana. So based on the things that have gone to other states, there probably would be a good likelihood that there would be some kind of consensus on the Southeast states.

CHAIRMAN JABER: Commissioner Deason, I interrupted you. I had one question on the statute.

Go ahead.

COMMISSIONER BRADLEY: Did I understand you to say that Georgia successfully consolidated rate centers?

MR. GREER: Yes. We consolidated the Georgia rate center. There was -- how many were there? I would say somewhere around 50 or 60 rate centers into three.

The issue that we had in Georgia that doesn't crop up in most rate center consolidations is that Atlanta already had a huge local calling scope, so you didn't impact revenue. You didn't have to implement ECS -- you know, do away with ECS type revenue, because it was already local for Atlanta.

COMMISSIONER BRADLEY: Another follow-up.

CHAIRMAN JABER: Yes.

COMMISSIONER BRADLEY: Under whose authority did that occur?

MR. GREER: It's my understanding that the Georgia

Commission ordered it, that it was in direct response to a Georgia Commission order, probably pursuant to their state statute, because I don't think -- I don't think the FCC granted Georgia any number conservation measures. I know they requested it, but I don't think they ever got an order saying, "Here, you've got this conservation authority."

COMMISSIONER BRADLEY: One other question. I agree with what you said about the Southeastern area, but I see this problem as being one that's peculiar to states that are experiencing rapid growth, California, Florida, Texas. What's happening in California and Texas? Now, I don't see this as being so much of an issue in Montana and Idaho and Alabama, because they're not experiencing rapid growth.

But we here in the State of Florida are going to run out of numbers, or we have run out of numbers. And I listened with amusement the other day to some of the projected figures as it relates to growth here in the State of Florida of, say, 20 or 30 years from now, the projections that we're going to have 24 million people here in the State of Florida.

What is BellSouth anticipating? I mean, you know, it's apparent that this is going to become a problem for BellSouth also, because when we go from 16 to 24 million, we are -- I don't see this as an issue that we maybe are going to deal with. I see it as one that we must deal with.

MR. GREER: Well, in California, I understand that they stay in a flux of jeopardy, that very seldom do they ever get an area code that comes out of jeopardy, and they have more than we do in Florida. I don't know the exact count, because I got tired of seeing how many they were going to get.

But you're right. It is an issue for areas that are very populous, because that's where typically competitors want to go. That's where typically the bulk of the folks are and the use of the numbers. The numbers -- you know, that's where the exhaust creates. So if you can aggregate those, that gets you to the ability to better utilize the number.

Now, it's always better to implement rate center consolidation at the start of an area code relief. You've got more numbers. You've got more NXXs that haven't been assigned. And when you consolidate the rate centers prior to an area code relief, you get the ability to maximize your impact of rate center consolidation. Combine that with pooling, and that adds to it.

COMMISSIONER BRADLEY: One other, one follow-up. Well, if numbers impact income or revenue -- not income, but revenue, I guess I'm not following -- I don't understand how not consolidating is going to help as it relates to revenue with ILECs. I mean, as your customer base expands, it would seem to me that it would most certainly create an opportunity for competition. But also as your customer base expands, not only does that create an opportunity for competition, but that also, in my opinion, creates an opportunity to increase your revenue.

MR. GREER: I think there's --

COMMISSIONER BRADLEY: I'm not following why --

MR. GREER: I think you may be mixing two things, one being revenue generated from customers coming into a given area. That's true. There is revenues associated with that. When a customer moves into an area, they have whatever the local calling scope would be for that exchange, and there's revenues of them coming in and getting new service from BellSouth or whatever other carrier is providing service to them.

But there's also the second piece of revenue that's generated from them making calls to the exchange next to them, which would be an ECS call, or the exchange further up in the LATA, which would an intraLATA toll call.

So there's kind of two pieces of revenue. And when you consolidate all of that stuff down into a big, large rate center, then essentially you still get the revenue for them coming in to get service --

COMMISSIONER BRADLEY: Right, right. But in Florida we have metropolitan areas. Georgia has, I think, a different situation. I mean, in Georgia, you have Atlanta, and then you have corn fields and cotton fields and --

MR. GREER: Right.

COMMISSIONER BRADLEY: -- other things. In Florida, you have multiple metropolitan areas, which means that you have an area that consists of several different counties and multiple communities, but those still are communities of interest. So, you know, I'm just trying to figure out how we --

MR. GREER: But outside of the Miami exchange -- well, for instance, Dade County has four exchanges. It has North Dade, Miami, Perrine, and Homestead. They all have different local calling scopes. Each customer within one of those given exchanges generate a different revenue, ECS type revenue or toll revenue.

So when you consolidate all those things together into, say, a Dade County rate center or exchange, then essentially you have the loss of the revenue. And it's a big chunk of change. You'll see in a later slide, I kind of give an idea of what the amount ballparkwise is for the proposal we did in the Rate Center Consolidation Report. But, I mean, you lose that revenue that you have today.

And as I said, you know, if it was 100,000, that would be a different story. You know, when you get into 20 or 30 million dollars a year, big problems.

COMMISSIONER BRADLEY: Well, is this an issue then that we need to consider as a part of our ratemaking process?

MR. GREER: Well, essentially, that's the way the FCC has looked at it, is that this is a rate issue. Unfortunately, the Florida Statutes has the price caps, and so it's not -- you don't have what I would call the past rate case type ability. Yes, in a non-price cap LEC, that may be an issue that you could deal with in a ratemaking process.

CHAIRMAN JABER: Mr. Greer, I want to ask you about the price cap restriction you think we have. Doesn't the statute allow a price cap company to show a change of circumstance and petition for an increase in basic service rates?

MR. GREER: The statute does give what we call a changed circumstance type possibility. The problem with that is that we expect that if we ever file a changed circumstance proceeding, then we're looking at probably a full-blown rate case. And if there was a way to narrow a changed circumstance proceeding to the fact of, "Okay. The changed circumstance is rate center consolidation. We've got 10 million that we're losing in revenue. What do we need to adjust the rates to," that may be a different issue than, "We've got a changed circumstance of 10 million. Well, let's go look at all the rates and see what we ought to do to essentially eat this 10 million." You know, we probably would never file a petition on that because of the fact that it grows into a full-blown rate case. And that's just -- you know, that's not price cap.

COMMISSIONER DEASON: Let me just real quick like.

Is it because you just want to avoid a full-blown rate case, or are you concerned what a full-blown rate case would show in terms of your earnings?

MR. GREER: Well, I assume it's a little of both, but I would expect that the -- my bigger concern would be that I'm going to lose that fight. $10 million is -- you know, I'm sure the Office of Public Counsel would be in here fighting that fight.

CHAIRMAN JABER: Okay. But isn't the changed circumstances -- and I know Mr. Meza just really wants to address this question, because now we're getting into law, and a technical person just addressed the law. Isn't the changed circumstance, though, also tied or can be tied to the level of competition? That's what my reading of the statute is, Mr. Meza. And if that's correct, then, Mr. Greer, that answers your concern, because then the focus is limited.

MR. MEZA: I guess, Chairman Jaber, BellSouth's concern is that we do not interpret the change of circumstance provision to be limited. And if there were some assurance that it would be limited to just the revenue in question, then maybe we would reconsider our position.

And to address Commissioner Deason's question, BellSouth's position as to why it's hesitant to proceed or implement the change of circumstance provision lies in the fact that we are not in a rate-of-return regulation environment. We have elected price cap, and we should be governed by price cap, and it would be inconsistent to do something that would jeopardize that status.

CHAIRMAN JABER: Yes, but, Mr. Meza, the statute is talking about price caps too. In the event that it is determined that the level of competition justifies the elimination of price caps in an exchange, et cetera, et cetera, the ILEC, any LEC, actually, may petition for a change in basic rates. That's one part of the statute. And then later on it says any LEC that believes circumstances have changed substantially to justify any increase may petition the Commission for a rate increase.

Have you ever presented to the FCC that this is an issue of competition and not just revenues?

MR. MEZA: No, ma'am.

CHAIRMAN JABER: Okay.

COMMISSIONER DEASON: Let me pursue something for just a moment. And this is something I wanted to get into, and I think the Chairman kind of laid some foundation for something I want to pursue.

For a moment -- I'll direct this question to either one of you two, but just let me say that I want for a moment to put aside the legal question as to whether we have the jurisdiction and the authority. I just want to talk for a moment broad policy.

MR. MEZA: Okay.

COMMISSIONER DEASON: As I recall, and my memory may be incorrect -- it seems like the older I get, the more that happens. But as I recall, some of the discussion when Florida adopted the '95 Act was that -- and one of the reasons why it took away authority from the Commission to order EAS was that competition will address these concerns. If there truly are areas within the state where customers demand broader calling scopes, a competitor would come in, identify that demand and provide it, and then the incumbent LEC would have to respond accordingly. Or to reverse the order, the incumbent LEC could just have a pulse on their customers and realize when those customers are demanding a service and put together a calling plan for them to address those concerns, and it was best to address that on a competitive level as opposed to under a regulatory umbrella approach.

Now, am I basically correct that that was part of the assumption in taking that authority away from the Commission?

MR. MEZA: Yes.

COMMISSIONER DEASON: Okay. So we agree on that.

MR. MEZA: We agree.

COMMISSIONER DEASON: Okay. I guess that was in '95. This is 2002. How many extended calling plans or extended area service patterns have been implemented by your competition, or that you have implemented on your own volition since 1995? And you would agree the state has grown tremendously since 1995, and one would argue that there have been changes in community of interest and additional people such that there probably would be some demand for additional local calling?

MR. MEZA: Yes, sir, I would agree with you that the state has increased its population since 1995.

MR. GREER: Commissioners, there's probably --

COMMISSIONER DEASON: First of all, has there been any -- have you implemented any EAS since 1995 on your own?

MR. GREER: There's been a handful. I would not say that it was due to competition. I think it was due to a very high calling pattern between some areas.

However, I -- and I would have to go look at the tariff and see when we put these services in. We have implemented calling services such as Area Plus, which gives customers, you know, for a certain amount, calling throughout the entire LATA, or something like that. So versus EAS or ECS plans, there have been services that have been offered to give customers the ability to make larger calling areas.

COMMISSIONER DEASON: So there have been some constructive calling plans which identify customer needs at a price.

MR. GREER: Right, right.

COMMISSIONER DEASON: Well, let me ask this question. Competition, it seems to me that you all are facing a lot of competition from wireless.

MR. GREER: Yes.

COMMISSIONER DEASON: And, you know, I'm a wireless customer myself. But, of course, I read in the newspaper different calling plans, you know, no toll, you know, toll-free calling nationwide or statewide or southeastwide or whatever. It seems to me at some point that you all are probably going to have to respond to competition from the wireless and start expanding what you provide to your customers, or else folks that really utilize what you call toll calls and spend a lot of money with you on it, those are going to be the first ones who say, "I'm going to quit making those calls with BellSouth. I'm just going to make those calls with my cell phone."

MR. GREER: And we see --

COMMISSIONER DEASON: Are you seeing that competition?

MR. GREER: And we see some migration of customers to their cell phones for a given type of calls, and even the migration totally to just using their cell phone. I've seen that. I've heard people make those kind of comments. And I expect that once it gets to the level that everybody is using their cell phone, you're probably going to see something happen as far as the wireline side. I mean, you're right. It's logical that it would.

COMMISSIONER DEASON: I guess what I'm saying is, at some point you're going to have to make an assessment as to what's in your own best interest. And if you make a -- it seems to me -- and I may be looking at it too narrowly, but it seems to me that if you do not ever respond to that competition, what you're going to be left with is your same existing local calling areas and toll calling, but the only customers you're going to have left are the ones that don't make the toll calls anyway, and all the ones that make the toll calls are going to be using their cell phones to do it, and you're just going to lose revenue regardless.

MR. GREER: And I think we do respond to those types of situations. As I said -- I mentioned the Area Plus and some of the other services. But it's not an issue of consolidating rate centers.

So I think we do respond to those types of situations. Where we see a shift in customers, we make some effort to -- you know, to keep those customers. You know, we do -- you know, it could be a promotion that's implemented, or it could be the service, some new service that gets implemented. But there's criteria around all those things. You've got to cover costs, got to meet imputation, those kind of things. So, you know, they do make those kinds of offerings, I think.

CHAIRMAN JABER: I think Commissioner Deason's point is, not only would you respond, you would be competing. You would be creating an environment for your own company that allows you to compete. If you have to respond, you're too late.

MR. GREER: You're right. You're exactly right.

CHAIRMAN JABER: So then --

MR. GREER: There's always a pulse on the customers to see what they need, what they want, that kind of thing. But that, to be quite honest, is not -- is maybe a second tier above rate center consolidation. I mean, you're getting down to the migration of customers that haven't expressed any interest to have a larger local calling scope, you know, or don't want to pay the $20 to have the larger local calling scope, because in those instances where somebody has chosen a service or chosen a competitor that has a larger calling scope, they've said, Okay, great. That's what I want. That's what I need."

But in rate center consolidation, you're essentially consolidating all of them. And if we're able to charge a price, a market price that would be consistent with that value of rate center consolidation, I don't know that we would have a problem. But that's not what we have today. We have the price caps that arguably can say, "You've got a problem. You can't charge this customer no more than what they have for basic local service." That's a problem.

If I can go out and compete and have the ability to charge whatever the market -- the appropriate market rate is, then, yes, you're right. BellSouth will make those kind of commitments and make those kind of changes and maybe consolidate some of these things. But consolidation and competing to me seem like two different things, because consolidation is for optimization of numbers more so right now than competing.

COMMISSIONER DEASON: And I want to get back to that in just a moment, but I wanted to pursue just the policy and the economics of it. It seems like that there should be some at least consideration and initiative on your own part to basically -- to respond to competition, to implement expanded calling, which would mean then you could do rate center consolidation that could go hand in hand and get the added benefits of the numbering resources. But I guess that's another debate.

But back to the Chairman's comment about the law being structured to where you can respond, gives you the ability to respond to competition outside of the confines of the price cap. I take it that the competition you're seeing from wireless has not reached the point where you feel like you need to go in and activate that part of the statute to allow you to respond outside of the --

MR. GREER: Personally, I would have a hard time coming to the Commission and saying I'm responding to competition in an implementation of rate center consolidation type filing. And I guess maybe that's where I'm having the difficulty. I'm not for sure I'm at the point that I would say consolidating rate centers is a response to competition. Maybe that's where I'm have the difficult time of coming in and making that kind of filing before this Commission without truly believing it. Now --

COMMISSIONER DEASON: Well, I think you misunderstood the question. Not that you would file rate center consolidation as a response to competition, that you would just -- if you need to respond to competition, you would do it, and if that meant expanding local calling areas, then it would just eliminate one of the burdens that you've identified in implementing rate center consolidation, because you've made that decision not because of conserving numbers, but based upon economics and competition.

MR. GREER: True. I'm sorry. You're right.

CHAIRMAN JABER: Commissioner Bradley?

COMMISSIONER BRADLEY: Yes. I just want to remind him of something. You know, our mission statement changed, and, you know, one of the things that we are working hard to implement as a Commission is incentive-based regulation. And I would hope that the discussion that we're having here today is not based upon some of the processes or some of the things that have happened here in this Commission when we were functioning under the old regulatory scheme and philosophy.

You know, we have moved to incentive-based regulation, which means that -- that statement in itself means that, you know, we are here to work with companies such as BellSouth to come up with creative solutions to these many problems that we're dealing with that are very different here in the State of Florida. We're here to facilitate the process, because now -- you know, as you talked, I thought about something else. You mentioned your LATA. I come from Pinellas County, and one of the things that has happened in Pinellas County is that Pinellas County pretty much has built out. So in order to add -- I mean, we can't accommodate many more people.

So my question is this: How many numbers are available per rate center? And then I'll tell you where I'm going with this.

MR. GREER: You mean per area code?

COMMISSIONER BRADLEY: Yes.

MR. GREER: Eight million.

COMMISSIONER BRADLEY: Eight million?

MR. GREER: That's right, yes.

CHAIRMAN JABER: Are available?

MR. GREER: Are available for assignment. There's usually 800 NXXs, so assuming my math is right, 8 million. There's 10,000 per NXX.

COMMISSIONER BRADLEY: 10,000 per?

MR. GREER: Per NXX, per three-digit code that's on the front of your seven-digit telephone number.

COMMISSIONER BRADLEY: Okay. Well, my question is --

MR. GREER: And that's 800 per NPA.

COMMISSIONER BRADLEY: Well, what is your plan -- I mean, what is BellSouth going to do when you run -- when the population exceeds the number of available numbers for your LATA?

MR. GREER: Well, unfortunately, that's why we end up since '90 -- I'm trying to remember the number. Since '95, we've moved from four area codes and implemented -- I don't know how many we're at now, 15, 16.

MR. CASEY: Seventeen.

MR. GREER: Oh, okay, 17. I knew it was getting up t here. So essentially what happens is that every time run we into a shortage of numbers, a new area code relief is implemented to provide numbering resources.

COMMISSIONER BRADLEY: But do you anticipate at some point that we're going to run out of area codes?

MR. GREER: There is a projection that we will at some point have to expand the North American Numbering Plan to encompass more digits than 10, and I expect that -- I don't know what the latest projection is. It kind of -- depending on one given year versus another, it goes 10 years one way or the other. Staff may have an idea or a date that's the latest projection.

COMMISSIONER BRADLEY: Okay. Well, getting back to my original statement, under incentive-based regulations -- under incentive-based regulation, what is there -- and I'm not asking you to answer this question now. I would like for you all to take this back to the drawing board and to maybe come up with some ideas that can be put forth to suggest what maybe can be done under that mission, under that portion of our mission statement, incentive-based regulation, increased incentives and other things to help us resolve this issue.

MR. MEZA: We will gladly do that. And one point of clarification is that the lack of numbers is not necessarily limited to the landline phone companies that are subject to your regulation.

COMMISSIONER BRADLEY: Right.

MR. MEZA: There are a tremendous amount of wireless carriers out there competing that you don't have authority over that are also exacerbating the shortage of numbers. But to the extent BellSouth can -- and BellSouth is committed to conserving numbers. I mean, we have implemented pooling voluntarily. We have done work with the Commission and the staff repeatedly to try to resolve the number crisis that the state is facing.

CHAIRMAN JABER: Mr. Meza, on that note, you are to be commended for all of your efforts, and certainly the coordination you have led and participated in, but I think Commissioner Bradley brings out a very good point. There has to be an out-of-the-box, creative solution that can accommodate everyone's concerns, recognizing we're all trying to get to the same place. And it's no long acceptable to say, you know, you're bound by the price cap statute, so don't improve on the conservation measures. That's just -- it's not realistic. It's a very short-term view of addressing the problem.

There's not really anything for you to address. Let's take a 10-minute break. We're going to come back and allow you to finish your presentation.

(Short recess.)

CHAIRMAN JABER: Let's go ahead and get back on the record. Mr. Greer?

MR. GREER: I'm not sure exactly where I'm supposed to be at, but --

CHAIRMAN JABER: You were just finishing up.

MR. GREER: Oh, just finishing up. Okay. I want to mention -- you know, out of the

discussion, maybe I have, I guess, envisioned when we were doing the Monroe County, the Keys rate center consolidation, you know, we'll file a tariff, and we'll consolidate BellSouth's rate centers, and not think much past that until we start trying to implement the thing.

And when you consolidate that, you've got to remember, everybody uses BellSouth's rate centers in most cases for rating purposes. So when you consolidate those and you make those kind of changes, you not only have impacts on other ALECs, you have impacts on interexchange carriers, because the V&H coordinates usually change. You have impacts on everybody that has some kind of tie to how you have your areas broken out and how you rate them.

I just wanted to -- because there was a lot of discussion, and that's something that I didn't really focus on too much until we started getting into the details of rate center consolidation, because unlike Florida, in Atlanta, when they did Atlanta, they had -- it was essentially an industry group that worked to implement rate center consolidation in Atlanta. In Florida, it was more BellSouth's move to comply with what it had agreed to comply with and make sure that everybody was noticed of it. Fortunately, it was on a much smaller scale than Atlanta, because that would have drove me nuts, I think.

CHAIRMAN JABER: Commissioner Bradley has a question.

COMMISSIONER BRADLEY: Mr. Greer, what I would like to do is try to set the tone for at least where I'm coming from. I'm real serious about working to find, you know, incentives for change, and I think that I probably could speak for the rest of Commissioners. You know, we're serious about our mission statement, and, you know, that issue of incentive-based regulation is near and dear to us, and we're dead serious about it.

I know that under the old scheme of -- under the old regulatory process, maybe incentives may not have been very much a part of the process, or maybe they weren't perceived as being an integral part of the process. But within today's environment, that is very much a part of our belief and how we're functioning. So I would just encourage you to be very mindful of that.

MR. GREER: And I'm sure we will be working in the process, as you had requested us, to keep that in mind when we're trying to figure out out-of-the-box type ways of moving forward.

MR. MEZA: I just want to make a commitment to you that we hear your message loud and clear, and we will take it back. Thank you.

MR. GREER: Now, on with the presentation. I see there's about four major hurdles that

the Commission has somehow got to get over, I guess, and unfortunately, the first one is the revenue loss.

And the other major hurdle that we ran into is how do we deal with rate groups. Under -- I hate to keep going back to the Florida Statutes, but under the -- you know, there's price caps with the rate groups. How do we get -- because it's more than likely you're going to have different rate groups in a rate center consolidation proposal similar to what we had down in the Keys. We had Rate Groups 3, 4, and 5. Do you just consolidate them and make them into a higher rate group or what? So that's an issue that's going to have to be dealt with.

And then again, you know, is there some mechanism that we can work together to get the FCC to see the light and come up with a better solution than what they have as far as getting additional numbering resources.

And then, of course, I always want to keep harping on the 911 stuff. We've got to check and double-check it to make sure we don't have problems, because unlike -- maybe five or six years ago, you know, I really needed to check with the BellSouth folks. Now I've got a whole bunch more folks dealing with 911 issues and having calls, local carriers that need to coordinate that kind of effort to make sure that we don't have any dropped calls.

There's a handful of implementation, broad implementation things that need to happen. Of course, customers and carriers have got to be notified, and actually probably in addition to notified, probably ought to even be consulted at least on the carrier side to make sure that, you know, all the bases are covered and we don't overlook something that needs to be taken care of.

We need to find an appropriate implementation schedule and time frame. Rate center consolidation is not an easy thing. Depending on the given area, it's easier than other places. The Keys was considerably easier to some extent than Atlanta. There's the issues that you have to deal with depending on each given proposal. And let me emphasize, each proposal is different. Each proposal has given impacts on other areas, so you have to look at those kind of things.

We need to make sure that we have time to ensure completion of the administration changes, complete dialing plans and trunk translations, make sure we have time to test it and make sure that we can bill appropriately. Unfortunately, the one thing that we learned in the Keys which we didn't have to deal with in Atlanta was, it's kind of hard to pretend like you've already got rate center consolidation, to check your billing. So maybe on the back end, we can look and think, and it appears that everything is in line, but when we actually make the cut, we may see some kind of strange billing, but we think we've got it taken care of. But that's one thing that you've got to, as best you can, try to test it and make sure it works right.

And then, of course, the evaluation of the 911, as I mentioned, and then revise the tariffs, make sure everybody is aware of what's actually going to happen, and to develop some kind of revenue neutral cost method to ensure, you know, that we're able to recover the lost revenue.

COMMISSIONER BAEZ: Mr. Greer, I have a question I would like you to clarify for me. Going back to the rate group hurdle that you had mentioned, can you explain what the process is when you're migrating from -- you mentioned you may migrate customers from one rate group to a higher rate group or vice versa once you're a consolidated center.

MR. GREER: There's an argument that -- which I don't necessarily agree with, but there's the argument out there that price caps -- you know, it's a Rate Group 3, and you can't charge them any more than a Rate Group 3. It's a Rate Group 4, and you can't charge them any more than Rate Group 4. To me, what rate center consolidation does is creates a new exchange with a given calling rate, calling area, and that's what the rate will be for the given folks that are put in it. So the migration would be essentially, if they're in a Rate Group 3 and they get into a rate center consolidation that normally would have been a Rate Group 5, then they ought to be paying -- they ought to be placed in the Rate Group 5 just like everybody else throughout the exchange.

COMMISSIONER BAEZ: Do you know if the Commission has dealt with -- that issue sounds familiar. Have we ever --

MR. GREER: We in the Keys somewhat touched on it and used -- there was a -- used a weighted average, which I think folks were comfortable with, that that really over the whole was not a rate increase pursuant to the price cap.

COMMISSIONER BAEZ: So what you had was a rate center that had different people paying different rates, essentially? They might have been different, but --

MR. GREER: Yes, different rates, and we had different calling scopes, and we essentially developed a weighted average, which pretty much kept the -- if you looked all the exchanges put together, kept it at one -- you know, it wasn't a revenue increase for any -- overall for the exchange.

COMMISSIONER BAEZ: So in a practical sense, you kept rate groups, different rate groups within the same rate center?

MR. GREER: No. Essentially, you have to go to a single rate within the rate center, or you create all kinds of problems, or it defeats the purpose of doing a rate center consolidation, because in order to mirror the rates, if you kept the individual rate groups, carriers would still need to have numbers within each individual rate group in order to mirror the rates that you would be charging.

So you've got to come up with some way to come up with a single rate, and the only way we could figure it for everybody associated with the Keys was concerned was to come up with some kind of weighted average that over the entire exchange appeared -- you know, was essentially a -- the rate didn't change, essentially, for -- well, I say the rate, but I would say probably the dollar amount didn't change as to how much was being affected.

COMMISSIONER BAEZ: I see. Do you know if the Commission -- and based on what I'm hearing and Mr. Meza said earlier -- and I'm not trying to make this a legal question, but in your experience, has the Commission ever ordered -- ever issued an order that indirectly caused the company to provide new services and so on, even if it didn't order the new services?

MR. GREER: You mean after the price cap statute went into place?

COMMISSIONER BAEZ: Yes.

MR. GREER: Not that I'm aware of, no. I'm trying to think of one off the top of my head, and I don't recall any.

COMMISSIONER BAEZ: You see what I'm asking?

MR. GREER: Yes.

COMMISSIONER BAEZ: Because what I'm hearing is you can't do it, because you don't have the authority to do it, because you're running up against the price cap statutes.

MR. GREER: I think pretty much our position has been since the price cap statute, it's kind of our call to take down and bring up services, and if we think it's appropriate, excluding maybe some of the basic type offerings, if we wanted to offer a service, then we could, and if we wanted to take a non-basic service down, we could.

So I'm not aware of any that the Commission has ordered us to do, outside of maybe implementation of like 711 for the Telecommunications Relay Service.

COMMISSIONER BAEZ: And I guess that's not exactly my question. I'm trying to draw a distinction between an order of the Commission having the effect of causing you to create a new service, come to the conclusion that the best way to address the Commission's directive is to order new services, and distinguishing that between having this Commission actually say you've got to offer --

MR. GREER: I don't think the Commission has issued such an order since the price cap statute went in. And I would take it -- and I'll let -- Mr. Meza can hit me if he thinks so.

COMMISSIONER BAEZ: Yes, we'll let Mr. Meza take --

MR. GREER: I'm not sure -- our position would be that we don't think you could order that, order us to provide a service.

MR. MEZA: I would agree with Mr. Greer. I'm not familiar with any order. And I would equate it to pulling a fast one over us, I guess, maybe.

CHAIRMAN JABER: We wouldn't do that.

COMMISSIONER BAEZ: I would rather refer to it as end run.

And just so that I can be clear, Mr. Meza, who is it exactly that would be in violation pursuant to a rate order consolidation? Is it the Commission that would be in violation of the statute, or we would be placing you in violation -- potentially in violation of the statute?

MR. MEZA: Well, essentially, we would be in violation of the statute, because we would be treating customers differently in the same geographic area.

COMMISSIONER BAEZ: That just drops me back into this box. Are there any -- and Mr. Greer mentioned an example in the Keys where a solution was found where you wouldn't be in violation of that.

MR. MEZA: Yes, sir. That was pursuant to a settlement agreement relating to the 305/786 area code overlay, I believe it was. That's correct.

MR. GREER: And the '97 overearnings.

MR. MEZA: And the '97 overearnings; that's correct. And so what we did was -- it's BellSouth's position that we can voluntarily implement rate center consolidation as long as it doesn't effect our ability -- or as long as it doesn't have the effect of increasing the prices and thus be prohibited under the price cap statute.

In the Keys, what we were able to do was essentially develop a blended rate for the -- what is it? Five exchanges?

MR. GREER: Seven.

MR. MEZA: Seven exchanges in the Keys, so that for the 305 Keys portion of the 305 area code, overall it's the same price. Some customers may experience a price increase, and some different.

COMMISSIONER BAEZ: You called it a blended rate. Is a blended rate an alternative, a possible alternative that may be available in other areas?

MR. MEZA: Yes, assuming that the company voluntarily --

COMMISSIONER BAEZ: Assuming the company voluntarily.

MR. MEZA: Yes.

COMMISSIONER BAEZ: I'm not trying to get you off the block that that's something that you have to come up with, but technically speaking, that's something that's available as an alternative.

MR. MEZA: And in the Keys situation, we reached -- the staff, OPC, and BellSouth came to the agreement on that rate.

COMMISSIONER BAEZ: Thanks.

COMMISSIONER DEASON: But it's your position that the Commission has the authority to allow rate regrouping, and that would not be a violation of rate caps; is that correct?

MR. MEZA: Our position is that if you're not dealing with a price-regulated LEC, then you have the clear authority to do it.

COMMISSIONER DEASON: No, I'm talking about in your situation. A price-capped LEC that -- I think it was your position earlier that it would not be a violation of the '95

Act, i.e., the price caps, if we were to allow you to implement rate regrouping, i.e., when an exchange grew to the next rate group, to allow the higher rate to be charged; is that correct?

MR. GREER: Commissioners, unfortunately, my understanding of one of the cases that went to the Supreme Court was that we can't do rate regrouping because it violates the price cap statute.

COMMISSIONER DEASON: Did that Supreme Court decision sustain the Commission's decision, or did it say that if we were to allow for policy reasons rate regrouping, that that violated the rate cap?

MR. GREER: It agreed with the Commission's decision in one -- I think it was the West Palm Beach EAS or ECS, the West Palm Beach exchange, if I remember right.

COMMISSIONER DEASON: I know it agreed with the Commission's decision, but I guess my question was, was that decision -- did it say that the Commission was within its authority to do what it did, or did it go so far as to say that if the Commission had allowed rate regrouping, it would have been in violation of the rate caps?

MR. GREER: No. It essentially -- we were asking for rate regrouping, and the Commission said, "No, you can't do rate regrouping, because it violates the statute." The Supreme Court said, "Yes, we agree with the Commission that you can't do it because it violates the statute."

COMMISSIONER PALECKI: What about what you did in the Keys? Was that considered rate regrouping where you implemented a blended rate?

MR. GREER: No. To me, rate regrouping and rate center consolidation are two different things. Rate regrouping is essentially, as Commissioner Deason mentioned, as more customers move into a given exchange and they get to the point, you know, that they've reached the number of calling scope in the tariff that would kick them normally into a higher rate group, that's rate regrouping.

Rate center consolidation is the creation of -- to me, the creation of a new exchange which covers the same area and gives larger calling scopes, has a different rate, but the new exchange is X.

And so to me, there's a distinction between regrouping and rate center consolidation.

COMMISSIONER BAEZ: But doesn't that necessarily -- maybe not necessarily, but doesn't that in many instances -- and I think that's something that becomes the crux of -- you know, one of the problems, is that it does require regrouping, as you say. And by regrouping, I'm meaning that somehow the calling scope is changed or that the number of customers in a particular exchange or calling area has changed its character to such an extent that they have to get kicked up or moved to a different rate group. Is that --

MR. GREER: Essentially what it does, it requires customers to be placed in a new exchange and to have a higher rate in most cases, and a larger calling scope, which is not regrouping. Regrouping -- remember, regrouping is just having the number of people that are in a given exchange increase to the level that it meets the definition of the rate group in the tariff to go to a higher rate. That's not giving them extended calling. That's not giving them local calling within a larger geographic area, which is what rate center consolidation is.

COMMISSIONER BAEZ: So the only way that rate regrouping can occur is as long as the boundaries of the exchange remain static, or the characteristics of the exchange remain static?

MR. GREER: That's typically what rate regrouping was.

COMMISSIONER BAEZ: Okay.

COMMISSIONER DEASON: That's what it was, but you would agree that the concept of rate groups was, in the old days of value-of-service telephone pricing, it was believed that the more telephone numbers you could reach on a toll-free local calling basis, the more value your service had, and therefore it was priced incrementally higher than other smaller rate groups.

MR. GREER: Yes.

COMMISSIONER DEASON: So to the extent that you increase the number of telephone lines that could be called in the local calling area, even if it's by combining exchanges into one larger exchange, that still would meet the traditional definition of a rate group, and it would be a higher number and would fall into a higher rate group, wouldn't it?

MR. GREER: I would agree that that is consistent with the rate groups. That's why we in the Keys proposed initially that, you know, the new exchange had the rate group that it should have been in, and we acquiesced to that once we -- to a lower rate once we got into some discussions about, you know, do we really want to go to war on the price cap statute on whatever the small difference would have been for the Keys. And we just said, "No, it's not worth it."

COMMISSIONER PALECKI: In the Keys, did the blended rate keep your company revenue neutral? Did you have an increase or a decrease after the blended rate was put in effect?

MR. GREER: Oh, sheesh. I'm trying to remember. If I recall right, it was pretty close. It may have been up or down one way or another, but it was pretty close.

COMMISSIONER PALECKI: I know the Keys is a much smaller area than the entire State of Florida, but do you think that the same type of creativity could be used in the State of Florida for rate center consolidation so that we could keep your company achieving the same revenues under the rate caps, but we could also achieve our objective of consolidating the rate centers?

MR. GREER: You know, in the Keys we took a -- if I recall right, somewhere around -- we agreed to eat 700,000 of ECS revenues based on our agreement with the Office of Public Counsel for the '97 overearnings. You know, 700,000 in the Keys is what ECS would have been. For Broward County, depending on what you do with Dade and West Palm Beach, it could reach into 10 or 15 million.

So you have a -- before we had a -- I hate to say it, a bucket of money that we agreed as eliminating this money to implement rate center consolidation. So there was even in the Keys a large chunk of change that was lost, but it was an agreement in the settlement of the '97 overearnings, which, if I recall right, was somewhere around 40-some million, if I remember the numbers right.

COMMISSIONER DEASON: Is it --

CHAIRMAN JABER: That was our November decision?

MR. GREER: Excuse me?

CHAIRMAN JABER: Staff, that was our November decision? This says that BellSouth will still realize an increase in monthly basic recurring revenue. "In this unique situation, we find that this rate center consolidation should be revenue neutral to BellSouth except for the forgone ECS revenue. We emphasize that this revenue neutral approach, with the noted exclusion, would not necessarily be applicable to another rate center consolidation."

MR. GREER: Right. Yes, I remember the Commission making that, but -- you know, what they did in the Keys didn't necessarily mean that it was going to apply going forward. But I think it got to the point, though -- you know, if BellSouth would have continued to push the Rate Group 5 rate, I would expect that we would have had some opposition to that and may have had to go into a hearing and all that kind of stuff.

COMMISSIONER DEASON: But it's fair to say that a blended rate would keep you revenue neutral on local revenues, but it ignores the lost revenue on ECS or toll?

MR. GREER: Yes, I think that's fair to say, being the weak economist type person that I am.

COMMISSIONER BAEZ: Mr. Greer, I just want to -- I want to try and understand an answer that you gave Commissioner Deason a few moments ago. And I want to understand, going back to this rate regrouping, rate regrouping is something that is perhaps within the Commission's authority to grant? Is that --

MR. GREER: The way I took the Supreme Court's order was that regrouping in the traditional sense of, you know, customers moving in and going to a higher rate group was a violation of the price cap statute. That was my take of what that said. That's why I keep putting, I guess, the spin on trying to get to the point of getting over some of the hurdles.

This is a new exchange. It's not -- it has different calling scopes, it has different rates, it has -- this is the exchange. Yes, there is an impact to the customers, but they're also getting something for the additional calling scope, and that's why we make -- that's why, at least to me, I see it that way versus -- you know, it's not a regrouping in the traditional sense.

COMMISSIONER DEASON: Well, let me put you on the spot a little bit. And maybe Mr. Meza needs to answer this. If the Commission were to -- assume for the moment that we did have the authority. I know you disagree with that, and I'm not saying that we do, but just for the sake of this question, assume we have the authority and we require rate center consolidation. If we were to allow the new consolidated rate center to have every customer within that rate center be charged the applicable rate for that group, and assume it's the highest rate that you have, would that be a violation of the rate cap statute and the Supreme Court's interpretation of that?

MR. MEZA: That's an interesting question.

COMMISSIONER DEASON: And if you need to give it some thought, maybe you can file something later.

MR. MEZA: Yes, I would like to be able to provide maybe a written comment on that, maybe, for the Commission's sake, just a more detailed analysis of the impact of the price cap statute. Unfortunately, our discussions today have gotten pretty involved, and I would like to be able to provide you a more detailed analysis rather than my original thoughts.

CHAIRMAN JABER: Commissioners, one of the things we need to discuss at the end of the workshop is how to go forward. And absolutely, I think written comments addressing some of the questions we ask would be in order. Staff wants to be able to take the comments from this workshop, written comments, and come back to us in a recommendation setting.

MR. GREER: And, Commissioner Deason, I know when the Keys -- when we originally filed the Keys, there was some discussion, and I think the gist of whether or not doing a new exchange or that kind of stuff violated price caps was essentially an issue the Court hadn't decided.

COMMISSIONER DEASON: It seems like it is a fairly unique question.

MR. GREER: Yes, just the main traditional regrouping issue.

Let's see. And I mentioned earlier when should you do rate center consolidation. The thought is that you do it before pooling, and you do it just shortly after you do an area code relief, or actually even at the same time, although my network folks will probably shoot me for saying that.

Now, I wanted to kind of walk through an example to show you the impacts. And if you look on page --

COMMISSIONER DEASON: Let me interrupt for just a second before you go to the next slide.

Are there any area codes out there now that fit into this category that have recently been implemented and there is no pooling yet implemented that would be a good candidate?

MR. GREER: Unfortunately, the answer is probably no. I'm not that familiar with the west -- Verizon/Sprint's territories, but unfortunately, most area codes, at least in BellSouth's territory, other than, you know, the 850 and 352, have some sort of pooling in them. We've implemented pretty broad based pooling in Florida as far as the metropolitan areas, and that's where you're going to typically get your bang for your buck on consolidation.

COMMISSIONER DEASON: Well, that's, I guess, my next question. This is the preferred way to do it because you get -- as you indicate, you get more bang for your buck with rate center consolidation if you do not have pooling. But there's still a lot of benefits, even in a pooling situation, with rate center consolidation. I think some of your numbers later on indicate that, because you break it out and indicate impacts upon incumbent LECs and ALECs, and there's still benefits.

MR. GREER: There's no doubt that there's a benefit to it, because similar to in the Keys -- and I keep going back to that, because that seems to be -- that's the only one we have in Florida. But similar to the Keys, when -- we realized we weren't going to be able to get rate center consolidation implemented as quick as we wanted, so we in a settlement with the Commission agreed to do pooling in the Keys, because since we didn't have a lot of NXXs down there to consolidate, and if you don't get anything back from rate center consolidation, then really rate center consolidation is not that beneficial, but pooling is because it allows carriers to use blocks on a given basis.

Now, down in the Keys, we have -- I haven't seen the number lately, but it's probably, spread over the seven exchanges, roughly a couple hundred blocks of 1,000 blocks spread across the exchanges. When we do rate center consolidation in the Keys, all those are going -- and if a carrier wants one in Key West, they go to Key West and get one. If a carrier wants one in North Key Largo, they go to North Key Largo. When we consolidate that up, instead of having seven different pools down there, we're going to have one single pool with 200 blocks in it, and carriers can use it throughout. That's clearly the major benefit of consolidation and pooling.

COMMISSIONER DEASON: So an example, maybe an extreme one, is a small ALEC serving the Keys. Before they would have to have -- even with pooling, they would have to have 7,000 numbers, and they possibly could serve all of their customers with 1,000 numbers.

MR. GREER: Possibly. And that's -- you know, that's the -- I'm not for sure exactly how long the numbers we have in the Keys are going to extend it. That's an issue that we -- you know, that's for another day, to extend the seven-digit dialing within the Keys. I expect it will be -- hopefully, at least through this year, and maybe a portion of next year. And depending on the take rate, it could be longer than that.

Commissioners, if you go to -- on the document that staff gave you, they gave you a copy of a September 28th letter that I sent to Ms. Daonne Caldwell, and that's the Rate Center Consolidation Report. If you go to Appendix A, page 6, it lays out -- if you look down about midway through the page, it shows Jacksonville. And what I tried to do on the slide is lay out the six exchanges that are in BellSouth's Jacksonville area.

Now, the six exchanges -- and I've shown the EAS on the top and the ECS on the bottom. And as you can see, they have a varying range of calling scopes, depending on the given exchanges.

Now, when you consolidate all these into one exchange, the proposal that was discussed in the report essentially consolidated all six of those exchanges into one exchange, the Jacksonville exchange. Now, with the assumption that nobody loses calling scope, the calling scope turned out to be Callahan, Orange Park, St. Augustine, Fernandina Beach, Hilliard, Macclenny, Palatka, and Sanderson.

Realize that probably one of the things that was discussed in the report was the impact not only to BellSouth, but as you can see from Appendix A, companies such as ALLTEL and Northeast could be severely impacted, depending on the given proposal. For instance, if you look at the slide, Maxville has Macclenny. Once that consolidates all into one large Jacksonville rate center, then you get impacts on those areas that don't show Macclenny for ECS, and likewise for the local calling scope above. So there's a considerable impact to not only BellSouth, but anybody, any carrier that's surrounding the areas. It's amazing the overlap that you see on a given proposal.

The report did not quantify the impacts to the rural companies, ALLTEL and Macclenny and Northeast. But as you can see, one of the reasons for the slide was to kind of show you how the calling scope merged together, at least in this proposal, merged together to give you the calling scope for the new Jacksonville exchange.

COMMISSIONER PALECKI: What are the potential solutions to this problem?

MR. GREER: Well, they run into the same -- I believe they're all price-capped LECs that run into the same problems that BellSouth would have as far as recovering their revenue, being able to increase their rates, that kind of stuff, the same issues. It's just that I would expect that it's probably best to come up with a plan, if possible, that would minimize the impact to the rural carriers, because in most instances, as I said, you get the biggest bang for your buck in the large metropolitan areas.

COMMISSIONER PALECKI: Would some sort of blended rate as was done in the Keys work in Jacksonville?

MR. GREER: I would imagine no, because as you can see from the presentation, for instance, Callahan has Jacksonville. They're going to extend that, which to these other places are ECS. They're going to lose some ECS revenue, and they're going to lose toll revenue to all these other five exchanges, which probably would never get to the blended rate of their rate groups. I don't know their rate groups well enough to know whether if you blend it to the highest rate group that you can go that you would get enough revenue to cover their lost ECS or toll or whatever it may be. I don't know.

COMMISSIONER PALECKI: Well, the blended rate wouldn't need to be uniform for all carriers, would it?

MR. GREER: No, not necessarily. But I guess the thought is, in our tariff, you know, can I blend a rate higher than Rate Group 12, which is my highest rate group? You know, that would -- doing rate center consolidation in Miami or some of those places, you know, if I blend it and it all comes out to Rate Group 12 and it should be the Supra rate group, whatever it may be, there's no way to get to that point.

So I would think they would have problems. They probably have caps on what their local calling scope is, and I would assume they would get to their cap pretty quick and probably would not generate sufficient revenue to cover the lost toll and ECS that would be associated with this kind of a consolidation, because this is a very large area. It covers a lot of area.

And whether or not you would want, you know, Northeast or ALLTEL to be able to call all the way to St. Augustine on an ECS basis, you know, sometimes it gets so far out that it may not make sense, because they don't have any community of interest between the two. So those are the things you've got to look at for each individual proposal.

COMMISSIONER DEASON: But you would agree that to the extent there's not much calling between those extreme locales, then there's not much lost revenue either.

MR. GREER: You would think it would be minimal, yes. But I think the point was that those are the things you've got to look at when also you're doing the rate center consolidation, not only the impact on BellSouth, but anybody that's around them also. I picked Jacksonville because that was where we have more carriers, more other LECs around the Jacksonville area. Maybe -- well, Sprint is the only one in Orlando, so I assume Jacksonville was the better example.

Now, if we go to the report, if you look on page 7 of the report -- not the appendix, but the report itself. When the group developed the report and was working on the report, we had to come up with assumptions in order to even start the process. And there was -- you had to develop assumptions for the proposal itself, you had to develop assumptions for the NXX impact, and then you also had to develop the assumptions that you were going to use to evaluate the revenue and cost.

The assumptions for the proposal itself -- and on the slide you'll see I bolded a few of them. There's a lot of them there, but I've bolded a few of them that are the main assumptions, what I would call. One is that no customer decreases existing local calling and extended area service.

A proposal that consolidates only exchanges within the same local area would always be considered. For instance, if you had one -- if you had exchanges, although not in BellSouth, because we don't have any of that nature, if they all had the same local calling area, you might as well go ahead and consolidate it anyway, because you're not having a revenue impact with it, so those are the ones that you would want to do first.

COMMISSIONER DEASON: Are there any such exchanges in the state?

MR. GREER: I'm trying to recall, and Mr. Knox for Sprint may be able to tell you that. We don't have any in BellSouth, I don't think. I've looked through all of them and tried to find some so that it would be something I could offer up, but unfortunately, I don't think --

COMMISSIONER DEASON: It would be pretty rare.

MR. GREER: It would be pretty rare, yes. Rural carriers I say in this should not

considered. That was one of the assumptions that we used, although in the BellSouth proposal, we included them just for completeness as far as the local calling, because you couldn't really ignore -- in the Jacksonville example you couldn't really ignore ALLTEL and Northeast, that they had calling scope. So although we didn't -- BellSouth included them in their proposal, we didn't include their revenue impact in the analysis.

The proposal should avoid any 911 impacts. As the Jacksonville example shows, when you consolidate those exchanges, you essentially consolidate Jacksonville, Clay, and some of St. Johns Counties, if my map is right, which you have to pay close attention to those 911 impacts because of the default routing.

The issue that -- you know, as I said, in the Keys we didn't a big problem because we stayed within the county. If you stay within the county, you're not in too bad a shape. Generally you won't have too much problems. When you start doing multicounty rate center consolidation, then that's something that you probably -- an implementation team ought to be put together to make sure that everything has been taken care of.

And then the proposals considered may result in new local EAS and ECS. That was part of the assumptions that we used as far as developing a proposal.

The next assumptions are, you know, how you're going to evaluate the NXX impact. Essentially, the way we looked at it, ALECs would still require an NXX per rate center if they're going to provide service.

For LECs with one NXX currently assigned, a fill rate of 25% was assumed. That essentially means if an ALEC had two NXXs within that consolidated rate center, one of them would be considered utilized at 100%, and then the next one would be a 25% fill rate, realizing that 100% is not necessarily realistic, but we had to make some kind of assumptions in moving forward with the proposal.

LECs with more than one NXX, as I said, assigned in an exchange, it assumed all NXXs prior to that would be 100%.

Then the impact of RCC on future growth, an ALEC growth rate of 15% a year is assumed. Based on that day and age, that may be an inappropriate assumption.

The assumptions we used in the revenue assumptions was essentially the source for initial revenue data to determine magnitude of revenue impact should be local, toll, and access billing.

And once again, the customers within a consolidated area will have the same local calling area and will be affected by the same community calling plans.

Revenue impact for each consolidation proposal is impacted by the total consolidation. That means you've got to also look out -- besides within the rate center consolidation, also make sure you look out on the areas outside. Like if you were doing Broward, due to the assumption that if you're going to consolidate, nobody loses local calling scope, you would have to look at what you lose out of Dade and what you lose out of Palm Beach also.

Now, the table -- let's see. The table on page 13 of the report --

CHAIRMAN JABER: Mr. Greer, let me ask you a bigger picture question related to what the FCC or NANPA will do in terms of giving numbers, allocating numbers via rate centers. There's the geographic test that they currently use; right? They wait until the average of all of the rate centers reaches -- what is the threshold?

MR. GREER: Umm --

CHAIRMAN JABER: They look at your average.

MR. GREER: Oh, on months to exhaust?

CHAIRMAN JABER: Right.

MR. GREER: Six months to exhaust for number resources.

CHAIRMAN JABER: Six months what?

MR. GREER: In order to get new additional numbers, you've got to be less than six months to exhaust. And I'm not sure what the utilization rate is. It's maybe around 70 right now.

CHAIRMAN JABER: And that's average of all of your rate centers; right?

MR. GREER: That's average -- no, that's switches within a rate center, for all the switches that are within a rate center. Unfortunately, in Florida, rate center means exchange.

CHAIRMAN JABER: Well, assuming we can't get the FCC to change that threshold, is that something we have to keep in mind in structuring how rate centers should be consolidated?

MR. GREER: Yes.

CHAIRMAN JABER: All right. Now, if so, how would we address that?

MR. GREER: Well, unfortunately, you know, if you're going to consolidate large metropolitan areas -- for instance, in the Miami exchange, which is already an exchange by itself, we have almost -- somewhere around 30 switches within that exchange. So that's one of the reasons -- if you encompass North Dade, Perrine, and Homestead, you're looking at considerably more. It just makes a bigger problem worse.

You know, fortunately, for the Keys, we had two switches. And, yes, we may be impacted with the ability to get numbers in those two switches. You know, we decided to take that risk.

CHAIRMAN JABER: And I may be mixing apples and oranges here, so please feel free to correct me, but I'm just trying to get the big picture in terms of how the structure should be. And in that regard, what I need to keep in the back of my mind, where there is a greater demand for numbers, where there is a greater competitive market.

MR. GREER: Yes. I mean, that's part of -- that's where you get the bang, is consolidating so carriers don't necessarily have to go and get 10,000 per exchange. They can get 10,000 to serve Fort Lauderdale or wherever. You know, it doesn't make sense to do a lot of consolidation, for instance, in the --

CHAIRMAN JABER: Rural areas?

MR. GREER: The swamp or the -- it doesn't make sense to do it in the more rural areas, because probably -- unless there's a specific carrier that has a specific customer, typically, you know, the ILEC is probably going to be the person that has the NXXs in that area. And I assume once we get into the pooling situation in rural areas, you know, we'll probably have blocks that they can just go get and implement versus getting their own.

CHAIRMAN JABER: All right. But the threshold that currently exists is less than six months average per switch in a rate center?

MR. GREER: Yes. Well, it's not an average. It's essentially for the rate center. The way the months to exhaust is calculated, it's the number of telephone numbers assigned to that rate center, and take that and divide that into the number assigned, if I got it right. But it's essentially based on the rate center, however many telephone numbers you have that are possible in the rate center and divide that by the number assigned. And that's the utilization. In the months to exhaust, they use the forecast, what was your -- you know, we use what was the last six months of usage for numbers in that exchange, and then we forecast it out.

But typically if you send in a Part 1 that says I've got seven months to exhaust, I'm generally drafting a petition for appeal to the Commission fairly quickly, because it's a guaranteed deny. There's no -- there's really no exceptions.

Now, if you look at Table 3, which is on page 13 of the report, using all these assumptions, these are the numbers -- and realize, this is -- when was the report done? '99? I think it was late '99, if I remember right. Well, I guess it was 2000. Early 2000 is when we finished it.

It shows the NXXs assigned to the LEC prior to RCC, and then it will show the NXXs required for the LECs after RCC, using the assumptions that we had, and then multiplying out the available telephone numbers that theoretically could be used if you had consolidated the rate centers.

This is down to an individual telephone level. Being that we're on a 1,000 block level, it would depend on how many 1,000 blocks are available that could be moved around between rate centers -- I mean between carriers.

Now, Table 4, we tried to figure out the potential ALECs that would be in their consolidated rate center and what the growth would be. And as you can see, the ALECs assigned -- ALECs NXXs assigned by year after RCC was 12, when before it was -- for instance, 305, it was 66. So as you can see, it considerably reduces the number of NXXs that a competitive carrier would need in order to provide services to a given rate center consolidation proposal.

And then, of course, we get to Table 5, which is on page 14, I believe, that kind of breaks out the lost revenue. Typically this is ECS type revenue. And as you can see, for the given area codes, the total runs out to about $150 million a year for BellSouth, Sprint, and Verizon. And this is based on the proposal that's attached, the Appendix A that's attached to the report. Anything different than that, you know, will change these numbers, depending on how you want to try to consolidate stuff.

Unfortunately --

COMMISSIONER DEASON: Mr. Greer, referring to Table

5, if you look at it in conjunction with Table 3, it appears, just based upon these numbers and just rough comparisons, that for 727 NPA and 904 NPA that there can be quite a bit of numbers made available at a relatively smaller cost than some of the others. Would you agree with that, or have you looked at that?

MR. GREER: From -- being that 727 is not my area, I hate to comment on it. But, I mean, the number is smaller than other areas, and that may be due to the fact of not having implemented -- or maybe the calling scope, because 727, if I recall right, is St. Pete, and they probably already have local calling to the Tampa area, which is the big ticket.

COMMISSIONER DEASON: So there's not a lot of lost toll revenue.

MR. GREER: Right, or ECS. It's probably dependent on the calling scopes for that area.

And unlike -- if I remember their proposal right, unlike BellSouth, which maybe took -- like for Broward, just consolidated Broward into one local calling area, I think the Tampa rate centers, we still had Tampa -- we still had four of the five Tampa rate centers, if I remember right.

COMMISSIONER DEASON: Do you have the numbers now to do the 813 analysis that you have in Table 4?

MR. GREER: I'm trying to remember exactly how the 813 Tampa rate center thing fell out. I haven't pulled the numbers to see what it was. That's why 813 is blank, is because we had the discrepancy between how the numbers were being assigned. So I haven't really sat down and looked at it. I mean, we can look and see if we have those type numbers.

COMMISSIONER DEASON: Okay.

MR. GREER: And finally, the last slide, you know, assuming the Commission has authority, you know, I've got a couple of criteria as far as what I would do. And what I would like to see is, one, figure out a way to do this thing without a ballot.

As we probably didn't realize when we started doing Miami, it was like, "Okay, we'll just ballot Miami." Well, wait a minute. There's a whole bunch of folks in Miami. And not only was BellSouth trying to figure out how to deal with sending out a ballot to all the people in Miami, I think the staff was trying to figure out how they were going to count them.

COMMISSIONER BAEZ: All the living people in Miami.

MR. GREER: I figured they had them some job security for a long time.

And then the other is, you know, can we figure out a way to get around this revenue issue. You know, from my perspective, BellSouth is not averse to implementing rate center consolidation. We see the benefits to number exhaust. We see the benefits associated with those kind of efforts that we have been involved heavily in since the last three or four years.

And, you know, there's issues that we need to try to get around. And I know the attorney -- "Get around, don't say that." But it's more or less, you know, how can we do this without creating a large financial burden on individual companies, how can we do this without making additional numbering resources worse than it is today, and how can we do this to minimize as much as possible the cost of implementing.

You know, the balloting runs about $1 a ballot, is what we ran into in the Keys when we were looking at doing those kind of things. And doing a ballot in Miami was somewhere around a million dollars. Does it make sense to spend a million dollars doing a ballot?

COMMISSIONER PALECKI: Of course, with regard to the Public Service Commission's authority, if the parties come to agreement on these issues, we don't even need to get to that issue, do we?

MR. MEZA: That's correct, Commissioner.

COMMISSIONER PALECKI: And so if we listen to the appeal that Commissioner Bradley has made that, you know, we put in place incentives, carrots that would cause the parties to on their own resolve some of these issues, then we don't need to do it by order. We can get this accomplished through a settlement.

MR. MEZA: That's correct. I think I would like to echo Mr. Greer's comment that BellSouth fully understands the benefits of rate center consolidation and is willing to work with the Commission and the other parties to achieve that, but doesn't want to be put in a situation where it is unable to recoup the cost of administering rate center consolidation, as well as the lost revenue. We believe that it is a numbering issue, not a revenue issue, but they're tied. So that's the struggle that we're dealing with.

COMMISSIONER PALECKI: Thank you.

COMMISSIONER DEASON: Let me --

CHAIRMAN JABER: Commissioner, you have a question?

COMMISSIONER DEASON: -- make a comment. I appreciate the effort that has been put into this and for BellSouth's willingness to look at the problem and see what avenues are out there. I commend you for that.

I believe that everyone agrees that there are great benefits to be derived from rate center consolidation in terms of the conserving a finite resource, i.e., the telephone numbers which we have, and that given the past experience in this state with our rapid growth and rapid deployment of telecommunications facilities and the corresponding need for telephone numbers, that we've had our share of area code additions, and that they cause costs and inconvenience, I guess more of an inconvenience.

There's -- dialing patterns change, customers need to be educated. There are impacts upon cellular companies. There are impacts upon alarm companies. I mean, the cost of implementing new area codes is significant. And at some point we need to weigh those costs against the cost of rate center consolidation and try to make some informed judgment as to the costs and the benefits.

One thing that I would point out and I think that you need to give some consideration to, and I hope that you would, is that I understand that the impact of lost revenues are significant. But at some point, I think you need to ask yourself how much of those revenues are sustainable in the long term. Probably most of them, but I'm not so sure that -- I think that over time, some of those revenues may decrease with competition.

And if we can -- if that can enter into your calculation in some way, or at least into your own thought process as you try to do some of your own analysis as to costs versus benefits, that you take that into consideration. And I'm sure there are costs on your company when you implement new area codes that could be avoided or delayed, and that needs to enter into your considerations as well.

But I appreciate all of the efforts that you've put into this so far, and I think we need to try to work together on this to try to come to some mutual satisfaction as to how we can proceed.

And I know that the jurisdictional question is a large one. I don't think it's the -- at least it's not mine, and I think it's not the intent of this Commission to some how penalize the company and require you to do things that are not in your economic best interests. But at the same time, we need to consider the interests of all of the customers, and maintaining the availability of telephone numbers is high on that priority list.

CHAIRMAN JABER: BellSouth, stick around for the end of the workshop, because we will provide some direction and feedback on what we expect in the written comments.

MR. MEZA: Great.

CHAIRMAN JABER: Sprint has a presentation. Mr. Knox?

Sprint, give me an idea of how long your presentation is.

MR. KNOX: Not very long. He has covered most of our points.

CHAIRMAN JABER: Okay. And do we have any other presenters after Sprint?

MS. CASWELL: Verizon has no presentation, but I would just like a couple of minutes to talk about Verizon's position on some of the things that have been discussed.

CHAIRMAN JABER: You want to be able to respond to some of the things that were --

MS. CASWELL: And it won't be longer than three or four minutes tops.

CHAIRMAN JABER: Thank you, Ms. Caswell.

MS. MASTERTON: I'm Susan Masterton representing Sprint, and with me I have Hoke Knox, who is going to make -- what we had intended was for Mr. Knox to make his presentation, and then I'll make a few brief comments related to the jurisdiction issue.

CHAIRMAN JABER: Thank you.

MR. KNOX: Hello. My name is Hoke Knox. I'm Senior Manager of Regulatory Planning with Sprint, and I represent Sprint on the North American Numbering Council.

CHAIRMAN JABER: Ms. Masterton, is his microphone on? Is Mr. Knox's microphone on?

MS. MASTERTON: I think it's on. Maybe you just need to get a little closer.

MR. KNOX: Hello. Can you hear me now? Okay. My name is Hoke Knox. I am Senior

Manager of Regulatory Policy with Sprint, and I represent Sprint on the North American Numbering Council for various number -- dealing with various numbering issues. And I'll just go ahead and start through the rate center consolidation presentation here.

Number conservation, NPA exhaust has been driving the number conservation efforts across the country in order to maintain the life of the North American Numbering Plan.

And as has already been mentioned here, each LEC is required to have an NXX for their switches within a rate center. And the reason for that is for local number portability, which has to enter the picture in any rate center consolidation consideration.

There are also other reasons for demands on numbers, which has already mentioned. PCS, wireless, the Internet, second lines, all of those drive the use of numbers.

The definition that Sprint looks at related to rate center consolidation, or rate center in specific, is a geographic area used as a metric in rating wireline calls. The exchange coincides with the rate center boundaries of the ILEC. And rate centers are used by LECs in conjunction with rating local and intraLATA calls.

Sprint's position on acceptable consolidations is, it's a single ILEC consolidation of rate centers. The rate centers need to be contiguous. The rate centers should have the same local and EAS calling scopes, same ECS routes and rates, the same basic local rates in combining rate centers, or the Public Service Commission approves rate adjustments for that.

Unacceptable consolidations is the combining of multiple ILEC rate centers, inconsistent rate center consolidations, for example, a CLEC has a different rate center from an ILEC. There's a portability issue, parity issue here that deals with local number portability. If they have different rate centers, then you've got a problem with porting to the CLEC, but not being able to port back to the ILEC, because they moved into a different rate center in the consolidation process with an inconsistent rate center.

Also, the consolidation of non-contiguous rate centers. They could have different toll and local calling scopes. They may not have any cable facilities connecting those. They could be many miles apart. And there's a toll revenue -- toll access revenue impact, and Sprint does not consider any of these particular consolidations competitively neutral.

And to take it a little further in the example of combining multiple LEC rate centers, I give an example here, and you've got -- Sprint has four rate centers in this picture, with a fifth that's outside. Rate Centers 1 through 4 have local calling into the RBOC Rate Centers 1, 2, 3, and 4. Sprint Rate Center 5 has local calling into Rate Center 4. If you were to combine just the Sprint rate centers here and all the rate centers, then Sprint's Rate Center No. 5 would lose all its toll revenues into all of the rate centers except Sprint Rate Center No. 4. There would be a major financial impact on that particular rate center in relation to this calling scope, because as has already been mentioned here, you don't lose any calling scope, so Rate Center No. 5, instead of just being able to call that one Rate Center No. 4, now would be able to call everything within the box of all of these rate centers.

Now, this is the inconsistent rate center picture, in which you allow, say, a CLEC to have two separate rate centers that cover the rate center area or the metropolitan area. And you've got the same situation. This is a portability issue. If you were to port from Rate Center No. 4 into -- Sprint's Rate Center No. 4 into CLEC Rate Center No. 2, and the customer were to move down to Sprint's Rate Center No. 1 or move into, let's say, RBOC Rate Center No. 2 in this picture, then they could not port back in, because the RBOC would have to tell them they would have to change their telephone number, and so would Sprint if they moved into a separate rate center, because our operational support systems don't allow them to port back into a different rate center jurisdiction.

And in the example of consolidation of non-contiguous rate centers, LEC A in the upper left-hand corner has LEC A, Rate Center 1, Rate Center 2, in the bottom left-hand corner, Rate Center 4, and in the right-hand corner, Rate Center 3. If you were to tell them to consolidate their rate centers, they're not contiguous, they're many miles apart. They could be 50 or 100 miles apart, and they may not have any facilities.

They've got to go purchase facilities from another carrier, and it could be very expensive. And if it's a small incumbent LEC, then you could financially destroy that LEC in the process. So the consolidation of non-contiguous rate centers is what I consider not competitively neutral.

In the North American Numbering Council, there's a number optimization NANP Expansion Group, and that group has been looking at rate center -- well, at number optimization overall. And if you look at pooling, which is being rolled out across the country first, and do rate center consolidation second, in the overall scheme of things, based on the North American Numbering Plan Administrator's initial analysis, is that the rate center consolidation will only extend the life of the North American Numbering Plan by a few years, and that's anywhere from two to five, depending on the percent of consolidations that are taking place and how those consolidations are treated.

Also, as has already been presented here, in the September 28, 2000 report to this Commission, there is a high cost to all the carriers involved in the rate center consolidation in the study itself, and you just discussed those facts a few minutes ago.

Sprint also would like to point out and support the fact that a critical issue that we've run into in other states is the 911 issue. We have to analyze the 911 issue. We ran into in Texas a situation where some of the counties had enhanced systems and some had basics, basic E911 systems. And one of the counties didn't have the monies to go in and expand its PSAP to cover the consolidation process and support the numbers that you're going to throw into the mix in the countywide, or if you cross some county boundary lines in the consolidation process. So there are some PSAP, critical PSAP issues that Stan spoke of earlier that we need to take a real critical eye at and look at each of these consolidations if you plan to do that.

Another issue that Sprint faces is one-way EAS routes going into consolidation. And if you back up, for example, to slide number 8, Sprint in Rate Center 5 has a one-way EAS back into the metropolitan area and it doesn't go out. And in that situation, Sprint would have to call the entire calling scope of the entire consolidation if you were to consolidate all of those rate centers into one rate center, one massive rate center. Or even if it's calling into -- our Rate Center No. 5 is calling into Sprint Rate Centers 1 through 4, it still -- and that Rate Center 5 represented a separate ILEC, it has a major financial impact on that ILEC to call in to that in that two-way metropolitan area with a one-way route.

MR. KNOX: So as far as Sprint's position, we support the single ILEC consolidation rate centers. If they're contiguous rate centers, they have the same local EAS calling scopes, the same ECS routes and rates, or else we get rate adjustments, PSC rate adjustments to allow the consolidations to be revenue neutral for, for Sprint.

COMMISSIONER DEASON: I have a question. On your last slide, the acceptable consolidations, your, your third point there, same local and EAS calling scopes, how many rate centers do you have that you could combine that have identical local and EAS calling scopes?

MR. KNOX: I believe we have a combination of -- let's see. We'd have to look at those because the one-way EAS routes is somewhere between 7 and 11 that --

COMMISSIONER DEASON: Between 7 and 11?

MR. KNOX: Right. And we don't know if all of those will qualify because consolidations could, could have impacts on other companies.

COMMISSIONER DEASON: So the, the cost impact of those would -- well, there would be no lost total revenue associated with those consolidations; correct?

MR. KNOX: They would meet the first four bullet points if there are no impacts to other companies and no 911 issues and no one-way EAS. There is a cost to do consolidations no matter what because you have to go in and modify your billing systems and notify your customers they may not have the same name on their bill that they used to have. In other words, it may say Winter Park and not Winter Garden like it used to.

COMMISSIONER DEASON: The last bullet point that you have on this slide, you're indicating that it's acceptable if they have the same local rate, but if they were, for example, in two different -- well, I guess they had to be in the same rate group if they had the identical calling scope, wouldn't they?

MR. KNOX: Well, what we're really saying here is if you, if you do consolidate and they don't have the same calling scopes or same rates, then we would like to see one basic local rate for the new consolidated rate center.

COMMISSIONER DEASON: This may be an unfair question. If it is, let me know. But do you think we have the authority to do that?

MR. KNOX: Why don't you address that?

MS. MASTERTON: Could you, could you --

COMMISSIONER DEASON: Well, he's saying that we needed, the PSC needs to set a rate to combine, when we combine those, and I guess it depends how you do that. But we had some discussion earlier that it may be a violation of, of rate cap statute.

MS. MASTERTON: Yeah. I would say based on the interpretations that the Commission has made of the, of the limitations on, on basic rate prices in the past that it would be difficult to distinguish the analysis here in order to establish a higher rate. And there have been a couple of decisions, the rate group decision that has come up recently, and also Sprint's basic rate filing in which we had proposed to, to raise and lower some basic rates in which the customer, the Commission has been very specific that, that they did not believe that was allowed under the current price regulation statute.

COMMISSIONER DEASON: I think BellSouth is going to give us some written comments about that.

MS. MASTERTON: Yes, I had to intended to.

COMMISSIONER DEASON: If you wish, you may do the same.

MS. MASTERTON: Yeah. I was going to make a couple of remarks and then indicate that I would address this as well as some of the other issues that were raised today because we do agree with BellSouth that the price regulation statutes constrain the Commission's authority in this area, both in the EAS area -- and the Commission's decisions in the past have supported that analysis that, of EAS and ECS as a nonbasic service that the Commission doesn't have authority to order the companies to provide, and also the basic rates. And I do intend to file written comments explicating that further. And y'all had several questions during the day that we would like to comment on. But as opposed to doing that here, I thought I would include that in the written comments.

CHAIRMAN JABER: Commissioners, any other questions?

COMMISSIONER PALECKI: No.

CHAIRMAN JABER: All right. That concludes your presentation, Ms. Masterton?

MS. MASTERTON: Right.

CHAIRMAN JABER: All right. Thank you. Ms. Caswell?

Commissioners, while Ms. Caswell is getting ready, let me tell you, I've gone back and written some of the questions that you all have asked that we've asked collectively, and if you would also be doing the same thing and think about it so at the end of the workshop we could make sure that we get those all aired out and addressed in written comments.

Go ahead, Ms. Caswell.

MS. CASWELL: Thank you. I have with me today Mr. Terry Haynes, who's our technical expert on number conservation issues in case something comes up that I can't handle.

CHAIRMAN JABER: What's your last name, sir?

MR. HAYNES: Terry Haynes, H-A-Y-N-E-S.

MS. CASWELL: To the extent that rate center consolidation assumes expansion of local calling areas for price cap carriers, we would agree with BellSouth and with Sprint that the Commission can't order such expansion. And that's what the Commission itself has advised every petitioner for EAS and ECS since July of 1995. So is that the end of the rate center consolidation inquiry? No, of course not.

We agree with the Commission and the other companies that we need to think creatively if we're to come up with acceptable solutions to the number exhaustion problem. And in this regard we can agree to do a lot of things that the Commission can't necessarily force us to do. But one of the fundamental assumptions behind the thought process, I think, must be that the price cap companies can't be expected to bear the costs and the revenue losses associated with rate center consolidation or with any other number conservation measures. As BellSouth pointed out, this is, it's not a pricing issue, it's a number conservation issue.

Would we agree to do rate center consolidation? Yeah, we would agree to do rate center consolidation if we can get revenue, a revenue, if we can get to a revenue neutral approach to doing that. And as we've discussed today, achieving revenue neutrality will require some creative thinking within the statutory framework we have today for price cap carriers.

Now there have been a couple of suggestions raised in that regard that I think deserve further thought and analysis, and one of these was filing changed circumstances petition.

BellSouth was asked if it had ever done so. It had not. And we have not either, although we've thought about it on a number of occasions. But we've come to the same conclusion that Mr. Greer said that BellSouth did, and that was that we could potentially get forced into a full rate case and, even worse, get forced back into rate of return regulation and have to give it price cap carrier status. I've heard Public Counsel interpret the statute in that way before, so --

CHAIRMAN JABER: But you would agree, Ms. Caswell -- you know what I hear though when you all collectively say that? I hear companies speak out of both sides of their mouth because you want to make sure you've got revenue neutrality but you don't want to come back into the rate case process. Don't get me wrong, we don't want you to come back into the rate case process.

MS. CASWELL: Right.

CHAIRMAN JABER: But I just -- there's that -- there's an inherent inconsistency with what you all are saying because in a competitive market there's no assurance you'll ever have revenue neutrality. There will be price makers and price takers.

MS. CASWELL: Absolutely.

CHAIRMAN JABER: And that's the risk of the competitive market.

MS. CASWELL: Yeah.

CHAIRMAN JABER: But saying all of that, do you agree that we can limit the focus of a changed circumstance petition to address your concerns?

MS. CASWELL: Yes. And that's what I was getting to. I think the Commission could well issue an interpretation of the statute such that we could limit it to this context, the changed circumstance of rate center consolidation, and cabin off the proceeding to just those revenues. Then it would be manageable, it would be consistent with the price cap statute. And we agree completely that the competitive marketplace will mean some losses for our company and for the other incumbents. But this situation is different from a competitive loss when you're doing number conservation measures. We don't believe we should be forced to bear that burden that we, that we didn't cause ourselves.

So that's about all I have to say today. We welcome the opportunity to give further thought and analysis to some of the points that have been raised today and look forward to participating further in this proceeding, and we share the Commission's goals of number conservation.

I do have to point out one thing though on the charts, BellSouth's charts. There were some revenue loss numbers given, I think in Table 5, for the 813 area code and probably for 727 as well. Yeah. This is in Table 5. I have to point out that, as Mr. Greer emphasized, rate center consolidation proposals are very specific to various wire centers. This 813 consolidation was not consolidation of the entire Tampa, all the Tampa rate centers, the 813 rate centers. If we did a consolidation of all of Tampa, I think the revenue loss would be somewhere approaching $20 million rather than the 6.5 reflected here.

727, I think that number is probably -- we'd have to go back and look at what specific proposal that was because I don't think it's consolidation of all the 727s. So I just want to point out that when we get revenue loss, if we want to get into the revenue loss numbers later, these won't necessarily be the figures.

CHAIRMAN JABER: Okay.

MS. CASWELL: Thank you.

CHAIRMAN JABER: Commissioner Baez, you had a question?

COMMISSIONER BAEZ: Yeah. Ms. Caswell, going back to, going back to your statement about limiting the, or the interpretation of the changed circumstances statute, you make a suggestion. How would you contemplate that interpretation coming out or in the context of what would it be in the context, in the context of ordering rate center consolidation? Would it be -- I mean, procedurally how did you --

MS. CASWELL: Procedurally I haven't really thought it through yet, but it would have to be up front before, probably even before we file the petition because you'd need to have the rate adjustments be contemporaneous with the revenue

losses. So this -- it would have to be all of a
piece (phonetic) so that if you're going to have a rate center
consolidation proceeding and this issue come up, then I would
think the Commission would have to rule on that interpretation
before we get to stage two. So there might be --

COMMISSIONER BAEZ: So have a, have some kind of
acknowledgment concurrent with ordering a consolidation? I
mean, is it, is it as easy as saying we realize that this is
changing circumstances? I mean --

MS. CASWELL: Yeah. I think you could issue some
kind of a declaratory ruling pretty much at any time. And if
you need some prompting or some kind of procedural vehicle to
do it, then, then I think we'd be willing to help you out
there.

COMMISSIONER BAEZ: Thank you.

CHAIRMAN JABER: Ms. Caswell, your response though to
Commissioner Baez makes it sounds like we have the burden to
show the changed circumstances.

MS. CASWELL: No.

CHAIRMAN JABER: And, in fact, the statute is the
other way around; right?

MS. CASWELL: Yeah.

CHAIRMAN JABER: It's that circumstances have
changed, past tense.

MS. CASWELL: Right.

CHAIRMAN JABER: So we can order the rate center consolidation and then have you file a petition.

MS. CASWELL: Well, again, getting back to whether you can order rate center consolidation, I don't think we would agree with that. We can agree to the rate center consolidation with the assumption that it's revenue neutral. And if we want to achieve revenue neutrality, we may require an interpretation from the Commission on the changed circumstances petition.

So, again, these are issues that I think we need to think through. But I don't see it as any more than maybe a procedural issue. It may be a little sticky, but I think we can resolve any procedural issues.

COMMISSIONER DEASON: Let me offer this. I think that the timing of everything would be essential. And I think also for the Commission's benefit I would be very reluctant to order a rate center consolidation and then wait to see what the financial impact is in terms of the scope of a limited proceeding.

MS. CASWELL: Right. Right.

COMMISSIONER DEASON: I want to know what the dollars or at least the general magnitude of dollars are before I order something. I may regret ordering it.

MS. CASWELL: I would agree, I would agree with that. I think we should have all the information up front.

COMMISSIONER BAEZ: Well, yeah.

CHAIRMAN JABER: Sure. And I don't disagree. I just don't want it, I don't want the PSC to bear the burden because it's not our burden to bear.

MS. CASWELL: I understand.

COMMISSIONER BAEZ: I agree with you, Commissioner or Madam Chairman. I don't think that we have the burden. However, it's probably within our discretion whether we can have an acknowledgment that sort of, you know, is tantamount to guidance really. I don't think we necessarily have to --

MS. CASWELL: Uh-huh. Right.

COMMISSIONER BAEZ: -- declare that we are changing circumstances but at least acknowledge that circumstances may have changed by virtue of our decision.

As to what Commissioner Deason said, I, I suspect that any rate center consolidation docket, for lack of a better word, however we entertain that, would have to have financial impacts at least in ball park figures so that we can, if we would contemplate acknowledging some changed circumstances or the possibility of such, you know, we'd have to have a basis for doing that as well.

CHAIRMAN JABER: Okay. Let me ask Staff questions and, industry, feel free to chime in. I've been curious as to why the ALECs are not real involved with this docket. Is there a technical reason that they believe these issues are not impacting them or --

MS. BANKS: I think from their point of view they can raise the rates to, to accommodate that already without any approval. So from that point of view, they wouldn't need permission from the Commission.

CHAIRMAN JABER: Okay. And then from a numbers availability point of view, they don't, do they not have a concern that there are some competitive issues related to not being able to obtain numbers in certain pockets of Florida?

MS. BANKS: I have a hard time answering that. Maybe so. I mean, maybe there is some concern. But right now as long as they're getting numbers, maybe survival is more important on a day-to-day basis than it is thinking long-term can I get numbers. I don't -- I'm sorry. I don't know.

MR. HAYNES: Just to offer a comment. I'm not aware of anywhere in the United States where an ALEC has been refused numbers; whereas, the ILECs certainly have been. So I think it's more a lack of experience you're just running into and having to deal with it.

CHAIRMAN JABER: Go ahead.

MS. CAMECHIS: Good afternoon, Commissioners. Karen Camechis and Barbara Galbreath appearing on behalf of Time Warner Telecom of Florida, LP.

MS. GALBREATH: One of the things that I'm hearing Verizon and BellSouth say, being an ALEC, we have, in fact, been refused numbering resources and it is primarily because of the FCC rule to meet utilization. And it is per, on a per rate center basis rather than a switch basis.

As BellSouth pointed out, we have multiple switches per rate center and, because of that, when we implemented new switches our existing NXXs in those rate centers did not meet that utilization rate; therefore, we were denied. So we couldn't even establish an LRN in some cases and had to go to the Commission to get them to change that decision so that we could establish an LRN in that switch.

They wanted us to promote other methods of doing it such as intraservice provider porting, intraservice provider number pooling. We tried to do that, but you can't do that without an LRN. So we were like in a Catch-22 situation. But the ruling by the FCC is on a per rate center basis, not on a per switch basis.

CHAIRMAN JABER: Well -- I'm sorry. I didn't catch your last name.

MS. GALBREATH: Galbreath, G-A-L --

CHAIRMAN JABER: Galbreath.

MS. GALBREATH: Yeah.

CHAIRMAN JABER: See, and that's why I keep coming back to the competitive issues. I've seen that from a national perspective and I've heard about it, but, candidly, you all in our state have been very quiet on that issue. And it's something I, I do want you to brief us on further because it seems to me that there are opportunities here for all industry to petition the FCC, whether it asks for a workshop, an NPRM, something that explores the utilization threshold level.

MS. GALBREATH: Yes. Exactly.

CHAIRMAN JABER: Okay. Commissioners, let's open this up for what we would expect in comments --

Ms. Camechis, I would hope that you address this in written comments --

MS. CAMECHIS: We will.

CHAIRMAN JABER: -- because it's something I'm very interested in. And I would ask that you also think about what the PSC can do not just from our own individual state level but also in partnership with our state and federal counterparts because I do believe there are strength in numbers. And if we could band together on this issue, we'll see some resolution at the end of the day. And just to start there, I would like a better discussion on how that utilization threshold affects the Florida competitive market.

MS. CAMECHIS: Okay. You'll have it.

CHAIRMAN JABER: And to the degree you want to get other ALECs involved, I would encourage you to do it. You know, maybe it's not on their radar screen today, but it should be. And that would be the -- so address that. And that would be the lead-in to a statement I'm going to tell the ILECs right now so that you can address it. I'm going to expect our Staff to address for me our broad authority to remove barriers to competition and how that can be reconciled with the price cap statute. I think to the degree this Commission finds that there are barriers to competition because of the numbering issues, that price cap statute doesn't come into play.

Now our Staff is going to address that. So if you want to take an opportunity to address that for me in written comments, I would welcome it.

Commissioner Bradley asked for all of you to identify a proposal using an incentive-based program to achieve rate center consolidation. Please address that. And I would add it would be great if that was a proposal that was in agreement, a consensus among the industry and the consumer advocates.

Commissioner Deason asked, assume we have the authority to do rate center consolidation and that we allow the highest applicable rate in the individual rate groups, would that violate the price cap statute; your opinion in that regard.

Commission Deason, do you --

COMMISSIONER DEASON: Let me clarify that. Not necessarily the highest but whatever, according to that company's rate group structure what would apply. And in some instances I would assume that if you combine large metropolitan areas, that means you're going to be at the highest rate group. And maybe there needs to be some consideration in restructuring the rate groups if that's within our authority to come up with, as, as Mr. Greer indicated, you know, a super rate group or something. I just want to know what our authority is to try to come up with some innovative ways to, to allow for some cost recovery.

CHAIRMAN JABER: And in that regard, Commissioner Deason, do we want an analysis or a briefing on the West Palm Beach case, the Supreme Court opinion?

COMMISSIONER DEASON: Yes. I think that would be inherent within that to have, to try to -- if this situation can be distinguished or how that case applies and really what our flexibility is, if any.

CHAIRMAN JABER: And then finally, Ms. Caswell, we touched on it, but that would be an invitation to all the companies in terms of structuring the changed circumstances proceeding, if we need to go that far, how would you suggest it be structured?

Commissioners, have I forgotten anything? Anything more you'd like to add?

In terms of time lines --

MS. BANKS: Excuse me, Commissioner, Chairman.

CHAIRMAN JABER: Yes.

MS. BANKS: I think that also Commissioner Deason had mentioned that he wanted some of the dollar amounts. And for us to evaluate that we'd have to have some kind of an update maybe to that September report that's giving us an idea of the cost that you would incur.

COMMISSIONER DEASON: I'm not opposed to that. I guess I was more concerned about if we actually got a, a proposal in front of us that we needed to act upon, that we needed, you know, some very concrete numbers then.

But if, if, if we need some updated numbers to give us some magnitudes, I'm not opposed to that. But sometimes developing these numbers can be a costly proposition in and of themselves. So I'm hesitant at this point to require it.

But to the extent that the companies feel it would be helpful, they want to update some numbers, I would welcome them. But -- and another point that I made, and I think this would be more in the context if we actually got a proposal in front of us, but, you know, I would just reiterate once again that I feel there are a lot of competitive pressures out there. And what companies consider to be revenues now, given the environment, may be suspect in the future depending upon competitive pressures. And I think there's going to be more and more competition when it comes to these, these short-haul toll routes, whatever you want to call them. And I think the companies need to give some consideration as to the sustainability of those revenues and if it would be in their best interest to convert some of that, maybe not all, but some of that into local recurring base rate revenues or local service revenues rather.

CHAIRMAN JABER: Commissioners, let me note that this is a docketed matter. And, Commissioner Palecki, I was just told that you are the prehearing officer on this docket. Obviously this is prehearing mode, so there may not be any procedural orders that go out at all. But I just, I want to sort of give direction for what I would, the speed in which I would like this proceeding to be handled.

I would really like resolution to the written comments and Staff's recommendation by the end of June. So in that regard, here are the dates I would throw out. And if you could just help me stay with the schedule and to the degree it has to be modified, Staff needs to let you know. But written comments, May 10th. Because we have asked a lot of questions, I recognize that.

MS. CHRISTENSEN: Okay.

CHAIRMAN JABER: And May 10th should be appropriate. And, Ms. Christensen, I would like the last agenda in June, what is that?

MS. CHRISTENSEN: Unfortunately there's only one agenda scheduled in June, and that's the 11th. The first available would be July 9th after that June 11th date.

CHAIRMAN JABER: Okay. Let's shoot, Commissioner Palecki, for the July 9th agenda. And, Staff, we recognize if you need additional time for the recommendation, you just need to let me know, but --

MS. CHRISTENSEN: Staff would also suggest, I know there was some discussion regarding case law, the West Palm Beach case, but there were also several issues that were raised by BellSouth, particularly to our authority under state law and the conflicts. And I know some of that would be addressed under the broad analysis of competition versus the price cap statute. But I would also ask that they, you know, particularly address the issues that were raised by BellSouth, and I think that would assist Staff in providing a thorough legal analysis for the Commission.

CHAIRMAN JABER: Yeah. I think it goes without saying to the degree there's any case law that you believe is applicable, you need to go ahead and include it.

Anything else we have to take up today, Ms. Christensen?

MS. CHRISTENSEN: No. I believe that concludes what Staff had anticipated.

CHAIRMAN JABER: Okay. Let me thank the parties for this very, very informative workshop. You've really prepared well, you've educated us well on these issues, and we look forward to your written comments and the ultimate resolution of this proceeding. Thank you very much.

(Concluded at 12:20 p.m.)

CERTIFICATE OF REPORTERS

STATE OF FLORIDA)
:
COUNTY OF LEON)

WE, MARY ALLEN NEEL, RPR, and LINDA BOLES, RPR, Official Commission Reporter,

DO HEREBY CERTIFY that the foregoing workshop in Docket No. 010963-TP was held at the time and place herein stated; it is further

CERTIFIED that we stenographically reported the said proceedings; that the same has been transcribed under our direct supervision; and that this transcript constitutes a true transcription of our notes of said proceedings.

DATED THIS 2nd day of April, 2002.

Mary Allen Neel
MARY ALLEN NEEL, RPR

Linda Boles
LINDA BOLES, RPR