DOCKET NO.: 030867-TL - [Petition by Verizon Florida Inc. to reform intrastate network access and basic local telecommunications rates in accordance with Section 364.164, Florida Statutes]

DOCKET NO.: 030868-TL - [Petition by Sprint-Florida, Incorporated to reduce intrastate switched network access rates to interstate parity in revenue-neutral manner pursuant to Section 364.164(1), Florida Statutes]

DOCKET NO.: 030869-TL - [Petition for implementation of Section 364.164, Florida Statutes, by rebalancing rates in a revenue-neutralmanner through decreases in intrastate switched access charges with offsetting rate adjustments for basic services, by BellSouth Telecommunications, Inc.]

WITNESS: **Direct Testimony of Suzanne M. Ollila,** Appearing on Behalf of Staff

DATE FILED: October 31, 2003

DIRECT TESTIMONY OF SUZANNE M. OLLILA

Q. Please state your name and business address.

A. My name is Suzanne M. Ollila and my business address is 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399.

Q. By whom are you presently employed and in what capacity?

A. I am employed by the Florida Public Service Commission (Commission) as an Economic Analyst in the Office of Market Monitoring and Strategic Analysis.

Q. How long have you been employed by the Florida Public Service Commission?

A. I have been employed by the Commission since January 1997.

Q. Please briefly review your educational and professional background.

A. I received a Bachelor of Arts degree from Columbia University (Barnard College) in 1975. I received a Master of Arts degree in Applied Economics from the University of Michigan in 1978.

I have almost 18 years professional experience in telecommunications, including approximately 7 with the Commission and 11 in the industry.

My telecommunications industry experience began in 1985 when I was employed by Bell of Pennsylvania (a part of Bell Atlantic, now Verizon, which included the states of Pennsylvania and Delaware) in Product Line Management as an Assistant Manager in the Analytic Support Group. In that capacity, I developed econometric models and forecasts for the Centrex and Operator Services product lines for use in the product plan. In 1987, I moved to the Carrier Access group and was responsible for switched access demand and revenue analysis for Pennsylvania and Delaware. When Bell Atlantic regionalized its Carrier Access groups in 1988-1989, my responsibilities were

expanded to include, in addition to Pennsylvania and Delaware, the states of New Jersey, Maryland, Virginia, and West Virginia, and the District of Columbia. In that position, I was responsible for the measurement and analysis of switched access billed revenue ($1.3 billion annually) and demand.

From 1992 to 1996, I was employed by Cincinnati Bell Telephone as a Specialist in Capital Recovery and Asset Management. I managed depreciation and performed asset management for approximately $615 million of outside plant facilities, primarily fiber and copper cable.

In January 1997, I began employment with the Commission in the Division of Communications, now the Division of Competitive Markets and Enforcement.

While employed in the Division of Communications, I worked on arbitration dockets between incumbent local exchange companies (ILECs) and competitive local exchange companies (CLECs), and an arbitration and unbundled network element (UNE) pricing proceeding between BellSouth and CLECs. I also worked on other dockets, including the determination of the cost of basic local telecommunications service (universal service cost proxy model) and switched access rate reductions and interexchange company flow-throughs. I was the docket coordinator for BellSouth's UNE pricing proceeding through the end of 2000. Additionally, I was a part of the team that wrote the 1997 Local Competition Report.

In December 2000 I moved to the former Division of Policy Analysis and Intergovernmental Liaison. In January 2002, I began work in the Office of Market Monitoring and Strategic Analysis.

Q. Please describe your current responsibilities.

A. I am an Economic Analyst with responsibilities including the research,

analysis and evaluation of regulatory issues affecting competition in the telecommunications market. I am also involved in monitoring, analyzing and evaluating the impact of Commission decisions on market development in the area of telecommunications.

Q. What is the purpose of your testimony today?

A. The purpose of my testimony is to sponsor the Annual Report on Competition as of June 30, 2002 (Competition Report) issued in December 2002. The Competition Report is filed with my testimony and is identified as SMO-1.

Q. Did you prepare the Competition Report?

A. The Competition Report was a collaborative effort by staff in the Office of Market Monitoring and Strategic Analysis; I coordinated the project as well as contributed to the content. Staff from the Divisions of External Affairs and Competitive Markets and Enforcement also contributed to the report.

As coordinator, I supervised production of the data requests and accompanying letters to over 400 companies, responded to questions from companies, tracked and received the responses, performed the initial review of the responses and distributed the responses to the appropriate staff members. I was responsible for the compilation of the report, reviewing and editing it both for format and content, incorporating review comments and preparing it for publication. As a contributor to the report, I developed the initial outline and worked with other team members developing the data requests and writing the report.

Q. Why was the Competition Report prepared?

A. This report is prepared annually to satisfy the statutory requirements set forth in Section 364.386 and Section 364.161(4), Florida Statutes.

Q. How was information included in the Competition Report obtained?

A. The information contained in the Competition Report was obtained from several sources. These sources include responses to data requests from ILECs and CLECs, the FCC, surveys and market research conducted by staff. These sources are more fully described on pages 15 - 16 of the report.

Q. What conclusions were identified in the Competition Report?

A. The conclusions identified in the Competition Report are included in Chapter III. Responses from ILECs and CLECs indicated the following:

- Competitors obtained a 13% market share in 2002, up from 8% in 2001.
- CLECs made impressive gains in the business market in 2002, increasing their share to 26% of business access lines, up from 2001's share of 16%.
- The CLEC residential market share increased to 7% in 2002 from 4% in 2001.
- Two percent (260,000) fewer access lines were reported in service in 2002 compared to 2001. Much of this decline is believed to be from customers discontinuing traditional lines in favor of wireless or broadband service.

Q. Please describe other information contained in the report.

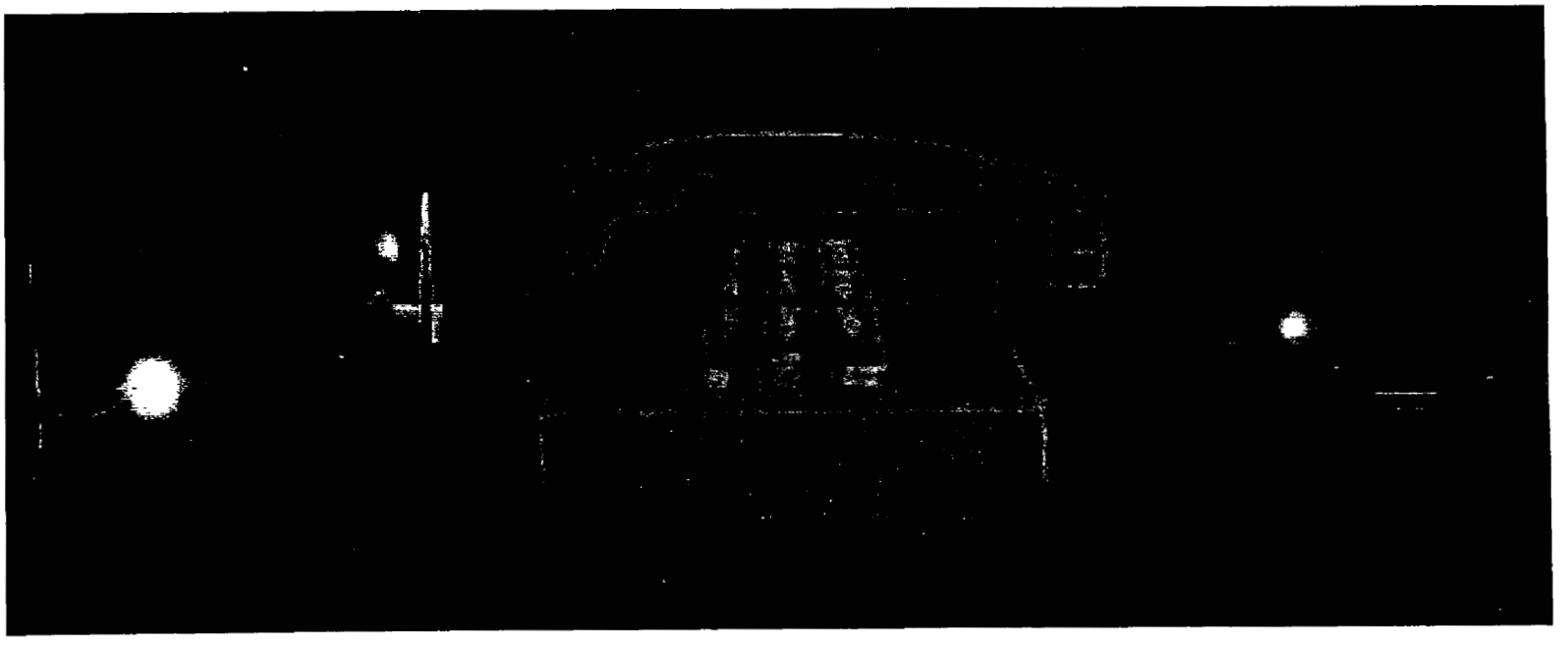
A. Chapter II of the report contains a brief overview of the local telecommunications exchange market-opening provisions of the Telecommunications Act of 1996 and the ongoing changes occurring in the marketplace. Chapter IV of the reports highlights current issues in local telecommunications competition such as what factors influence CLEC market entry decisions and the

economic impacts resulting from the surge of bankruptcies. Chapter V of the Competition Report covers the six issues required to be addressed by Chapter 364, Florida Statues. The attached appendices provide tables listing the CLECs providing service in Florida, the exchanges with providers, the percentage of CLEC access lines by exchange, state activities, federal activities, the summary of CLEC complaints, and a list of certificated CLECs as of June 30, 2002.

Q. Does this conclude your testimony?

A. Yes, it does.

TELECOMMUNICATIONS
MARKETS IN FLORIDA



ANNUAL REPORT ON
COMPETITION

AS OF JUNE 30, 2002

A PUBLICATION OF THE
FLORIDA PUBLIC SERVICE COMMISSION'S
OFFICE OF MARKET MONITORING AND STRATEGIC ANALYSIS

DECEMBER 2002

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LIST OF FIGURES AND TABLES

LIST OF ACRONYMS

ALEC	Alternative Local Exchange Company
BEBR	Bureau of Economic and Business Research
BOC	Bell Operating Company
Commission	Florida Public Service Commission
CTIA	Cellular Telecommunications & Internet Association
DSL	Digital Subscriber Line
DSLAM	Digital Subscriber Line Access Multiplexer
FCC	Federal Communications Commission
IP	Internet Protocol
ISP	Internet Service Provider
ILEC	Incumbent Local Exchange Carrier
Joint-Board	Federal-State Joint Board
LATA	Local Access and Transport Area
NANPA	North American Numbering Plan Administrator
NCTA	National Cable and Telecommunications Association
NXX	End Office Code
NPA	Area Code
OPC	Office of Public Counsel
OSS	Operational Support Systems
PSTN	Public Switched Telecommunications Network
RBOC	Regional Bell Operating Company
SLC	Subscriber Line Charge
SMSA	Standard Metropolitan Statistical Area
TELRIC	Total Element Long-Run Incremental Cost
UNE	Unbundled Network Element
USOA	Uniform System of Accounts
VoIP	Voice over Internet Protocol

EXECUTIVE SUMMARY

Prepared in order to satisfy the statutory requirements set forth in Section 364.386 and Section 364.161(4), Florida Statutes, this report provides an overview and analysis of local telecommunications competition in Florida. Additionally, it includes discussions on factors influencing ALEC market entry, ongoing changes in the economy and the subsequent effects on the telecommunications industry, and information on telecommunications activities at both the state and federal level.

This year, ALEC and ILEC responses to Florida Public Service Commission (Commission) data requests indicate that as of June 30, 2002:

- Competitors have obtained a 13% market share, up from 8% in 2001.
- ALECs have made impressive gains in the business market, increasing their share to 26% of business access lines, up from last year's share of 16%.
- ALEC residential market share increased to 7% from 4% in the previous year.
- Two percent (260,000) fewer access lines were reported in service this year compared to last year. Much of this decline is believed to be from customers discontinuing traditional lines in favor of wireless or broadband service.

The Commission has participated in numerous activities locally as well as nationally to stimulate telecommunications competition. In Florida, the Commission continues its efforts to encourage local competition at fair prices while preserving service quality. Proceedings over the past year include the endorsement of BellSouth's application to provide in-region, interLATA services, the establishment of permanent performance metrics and enforcement mechanisms for BellSouth, and setting rates for unbundled network elements (UNEs). The Commission continues to be vigilant in ensuring fair market practices through arbitration proceedings and by establishing a collaborative forum in which ALECs and ILECs are able to address many operational and logistical issues. At the national level, the Commission voices its opinion in key federal actions that affect telecommunications services in Florida.

From July 1, 2001 through June 30, 2002, the Commission received 81 ALEC complaints against ILECs. All have been resolved, including four which were dismissed. During this reporting period, the Commission received seven petitions for the arbitration of rates, terms and conditions for interconnection, unbundling, and resale. Also, the Commission received 340 negotiated agreements between ALECs and ILECs for review. Since June 1996, the Commission has reviewed and approved 2,336 negotiated interconnection agreements.

CHAPTER I: INTRODUCTION

Chapter 364, Florida Statutes, provides the guiding principles by which the Florida Public Service Commission (Commission) regulates the telecommunications industry. This statute requires the Commission to prepare and deliver a report on "the status of competition in the telecommunications industry" to the Governor and Legislature by December 1 of each year. Specifically, Section 364.386, Florida Statutes, requires that the report address the following issues:

- The overall impact of local exchange telecommunications competition on the continued availability of universal service.
- The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.
- The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.
- The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunications services.
- What additional services, if any, should be included in the definition of basic local telecommunications services, taking into account advances in technology and market demand.
- Any other information and recommendations which may be in the public interest.

A 1997 amendment to Section 364.161(4), Florida Statutes, requires the inclusion of a summary of all complaints filed by alternative local exchange companies (ALECs) against incumbent local exchange companies (ILECs).

Prior to discussing the required topics, this report begins with a brief overview in Chapter II of the local telecommunications exchange market-opening provisions of the Telecommunications Act of 1996 (the Act) and the ongoing changes occurring in the marketplace. Also discussed are the various sources that provided information for this report, with the primary source being the traditional data request submitted to all certificated ILECs and ALECs in Florida. The additional sources examined include the Utilization Report issued by the North American Numbering Plan Administrator (NANPA), 911 databases, Commission records, industry sources, and reports from federal entities such as the Federal Communications Commission (FCC). Market share calculation methods and estimates are also analyzed.

Chapter III focuses specifically on Florida's competitive market. Chapter IV highlights current issues in local telecommunications competition such as what factors influence ALEC market entry decisions and the economic impacts resulting from the surge in bankruptcies. The six issues required to be addressed by Chapter 364, Florida Statutes, are covered in Chapter V.

The appendices provide tables listing the ALECs providing service in Florida, the exchanges with providers, the percentage of ALEC access lines by exchange, state activities, federal activities, the summary of ALEC complaints, and a list of certificated ALECs as of June 30, 2002.

CHAPTER II: ASSESSING THE COMPETITIVE MARKET

A. Provisions of the Telecommunications Act of 1996

The federal Telecommunications Act of 1996 (the Act) established the framework for Alternative Local Exchange Carriers (ALECs) to be able to enter the market for provisioning local telephone service. Florida was already a step ahead with the 1995 passage of amendments to Chapter 364, Florida Statutes, that provided for such competition. The FCC's Local Competition Order specified that opening the local exchange and exchange access markets to competition was intended to "pave the way for enhanced competition in all telecommunications markets."[1] Additionally, the opening of all telecommunications markets to all providers was expected to blur traditional industry distinctions. As such, ALECs and other less traditional providers have entered the local market using various technologies including wireless, cable, Digital Subscriber Line (DSL), and Voice over Internet Protocol (VoIP). These providers are challenging the traditional wireline providers for market share.

As of June 30, 2002, ALEC certificates filed with the Commission numbered 417. Unlike the incumbents, ALECs are not required to file tariffs for Commission acknowledgment. Instead, each company is only required to file a price list if it offers "basic local telecommunications service," defined in Section 364.02, Florida Statutes, as follows :

> "Basic local telecommunications service" means voice-grade, flat-rate residential, and flat-rate single-line business local exchange services which provide dial tone, local usage necessary to place unlimited calls within a local exchange area, dual tone multifrequency dialing, and access to the following: emergency services such as "911," all locally available interexchange companies, directory assistance, operator services, relay services, and an alphabetical directory listing. For a local exchange telecommunications company, such term shall include any extended area service routes, and extended calling service in existence or ordered by the commission on or before July 1, 1995.

In addition, Section 364.337(2), Florida Statutes, states in part that "[T]he basic local telecommunications service provided by an alternative local exchange telecommunications company must include access to operator services, '911' services, and relay services for the hearing impaired."

The Act established three methods by which ALECs can enter the local exchange market: resale, leasing of unbundled network elements (UNEs), and investing in their own facilities.[2]

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[1] FCC 96-325, CC Docket No. 96-98, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, First Report and Order, Paragraph 4.

[2] Policies such as number portability and interconnection also facilitate ALECs' entry into this market.

Because ILECs dominate the last mile of the local network, ALECs must either use the ILEC's local loops or build their own facilities.

Resale

Resale is a method of market entry used often as a starting point for ALECs to gain exposure in the marketplace. Under this method, ALECs are able to purchase at a discount and resell any telecommunications services that ILECs offer to retail customers. Those ALECs that focus on serving customers who have been disconnected by the ILEC or who prefer prepaid service may view resale as a long-term strategy.

Unbundled Network Elements (UNEs)

UNEs are the building blocks of ILEC networks used to provide telecommunications services. This method of entry requires ILECs to unbundle their networks and lease the piece parts or elements to ALECs at rates based on a total element long-run incremental cost (TELRIC) methodology.

Facilities

Facilities-based ALECs are those that have built out their own networks. Frequently, ALECs enter the market using resale or UNE-based services while investing the financial resources necessary to build a telecommunications network and eventually provide facilities-based services independent of the ILECs. True facilities-based competition is not yet widespread and currently exists in the market primarily through cable companies, wireless providers and a handful of other wireline providers that mainly target the high-demand business market. Presently, only cable and wireless providers appear to be posing any significant facilities-based challenge to ILEC dominance of the residential market.

B. The Evolving Marketplace and Substitution of Technologies and Services

Evaluating market competition first requires appropriately defining the relevant market scope to include reasonably close substitute products in a geographic area. For example, in the local telephone market, the geographic area could be the entire state of Florida, a region within the state, a Standard Metropolitan Statistical Area (SMSA – a typical urban area), a local exchange area,[3] or an even smaller area covered by a wire center. ALECs typically enter the market at the exchange level through one or more of the entry methods described previously. Therefore, this report evaluates the competitive telecommunications market both statewide and at the exchange level. Regarding the substitution of technology and services, as they are being found to be close substitutes to traditional wireline services, both wireless and emerging broadband IP-telephony providers must be included in the analysis. However, this information is limited due to the fact that the Commission lacks the authority to obtain specific data on these alternative providers. Whenever it can be

[3] An exchange is a geographic area established by a common communications carrier for the administration and pricing of telecommunications services in a specific area that usually includes a city, town or village. An exchange consists of one or more central offices and their associated facilities. An exchange is not the same as a LATA. A LATA consists of several adjacent exchanges. (Newton, 17th ed.)

obtained, the Commission uses aggregate data on a statewide and national level in order to make reasoned judgements about the impact alternative technology platforms are having on the competitive market in Florida.

Wireless Providers

Wireless service providers have emerged as competitors to incumbents in providing customers their entire telephone service needs. This phenomenon was perhaps foretold in a residential telephone affordability survey conducted by the Commission in 1998. In that survey, 52% of the respondents indicated that they would switch to wireless phone service when the price of wireline rose to a certain level.[4] This statistic shows that four years ago more than half of Florida residents already considered wireless to be a close substitute to wireline service. An ongoing survey presently being conducted on behalf of the Commission by the University of Florida's Bureau of Economic and Business Research (BEBR) produced the following interesting results:

- 25% of respondents have considered disconnecting their home telephones and using only wireless service.
- 70% of respondents stated "saving money" as the reason for considering going solely to wireless.
- 47% of respondents also ranked convenience high as a reason for considering going solely to wireless.
- By contrast, only 16% of respondents have considered switching local telephone service from the incumbent to an ALEC.

According to the Cellular Telecommunications & Internet Association (CTIA), more than 6.8 million, or 5%, of U.S. wireless subscribers have eliminated their wireline phones and have switched completely to wireless services. Other research indicates that from three to five percent of America's 120 million wireless subscribers have disconnected their local phone lines.[5] Regardless of the figures, substituting wireless for wireline services appears to be a national trend fueled by wireless packages that include long distance and a younger generation's mobility.[6] CTIA reports that teenagers are the fastest growing customer base for the wireless industry, and estimates that 65% of teens will own a cell phone by 2005.

Bundled service offerings provide additional incentives for customers to drop wireline service in favor of wireless. Many wireless plans bundle local service with large amounts of long-

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[4] *Report on the Affordability of Residential Local Telephone Service in Florida – based on the Residential Local Telephone Service Affordability Survey of the Florida Public Service Commission*, Division of Research and Regulatory Review, Florida Public Service Commission, Tallahassee, Florida, February, 1999, Tables 1-14, p. 89.

[5] "Phone Users Beginning to Go Totally Wireless," The Dallas Morning News, August 30, 2001.

[6] "More Wireless Customers Decide to Drop Land Telephone Lines," Marti Trgovich, The Times (Munster, IN), June 30, 2002.

distance calling and the most popular vertical services, such as voice mail, caller ID, and call waiting, often at a much lower price than the ILEC charges for the same services. Wireless carriers also package services such as e-mail and Internet together to meet different consumer preferences. With attractive features such as mobility, convenience and reduced price, wireless has become a strong competitor of wireline services.

The wireless industry in Florida has been very active in recent years, with the number of wireless subscribers reaching 8.5 million, over 50 % of Florida's population, in 2002. This compares to the wireless subscription rate of 41% nationwide.

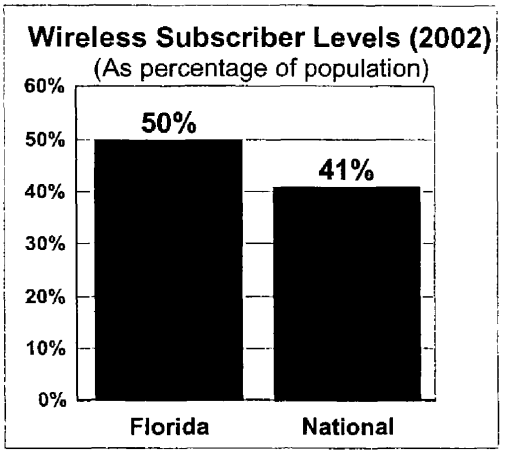

Figure 1

As shown in Table 1, when compared to the four states with the highest number of subscribers, Florida ranks third.

Table 1 Wireless Subscribers in the 4 Largest States (2001)

State	Wireless Phone Subscribers
California	14,997,358
Texas	9,062,064
Florida	**8,521,734**
New York	7,247,181

Source: FCC, *Local Telephone Competition: Status as of December 31, 2001*

These statistics present strong evidence that wireless is a partial, if not yet perfect, substitute for wireline telephone service. With such wireless subscribership, Florida ILECs are perhaps more vulnerable to wireless competition than most other states. If three to five percent of wireless subscribers discontinued their wireline service, this could mean that Florida telephone companies

may have lost as many as 425,000 subscribers to wireless. Florida also has one of the largest retiree populations, with many migrating north to cooler environs during the warmer months. There are indications of a trend among these seasonal residents, whether retirees or those maintaining vacation homes in the state, of discontinuing their landline connections in favor of wireless. For those customers, it makes little sense to continue paying for telephone service that sits idle much of the year when wireless enables them to stay connected wherever they are.

The increasing substitution of wireless for wireline services cannot be ignored by those attempting to assess telecommunications market competition. Whether this is a fundamental change in the telecommunications landscape remains to be seen. According to Jeff Kagan, an independent telecommunications analyst, "It's a behavioral shift from the last hundred years in which we called a geographical place and got a person. We're now moving to a model of calling a person - regardless of geography. The consequences of such a change could be profound."[7] This Commission currently has authority over services provisioned by telecommunications companies. Wireless providers are not defined as telecommunications companies according to Section 364.02, Florida Statutes. The Commission is thus hindered from obtaining pertinent information that would enable a more complete assessment of competition in Florida. Nevertheless, the Commission staff continues to explore alternative means of gathering data on the wireless industry's impact on the local exchange market.

2. Cable Providers

Available to American homes for decades, the cable industry is now expanding its competitive offerings to include business and residential telephone services delivered over its fiber optic infrastructure. According to the National Cable and Telecommunications Association (NCTA), "[C]able-delivered telephone service is a natural extension of a network already capable of delivering services and products thought unthinkable just five short years ago." "Cable companies . . . are certified local exchange carriers offering competitive residential voice services in over thirty cities and fifteen states across the country."[8] In December 2001, cable served approximately 1.5 million local voice customers. As illustrated in Figure 2, from 2000 through 2001, the number of cable telephony subscribers nationwide grew almost tenfold[9].

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[7]"When the Cellphone Is the Home Phone," Simon Romero, New York Times, August 29, 2002.

[8]http://www.ncta.com/broadband/broadband.cfm?broadID=3.

[9]Ibid.

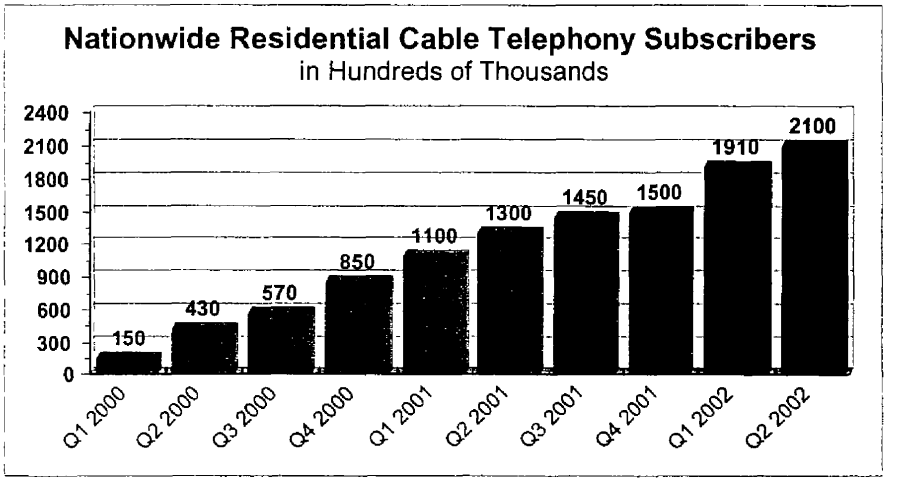

Figure 2

The cable industry's foray into telephony has been made possible by massive infrastructure upgrades to digital systems using hybrid fiber coaxial cable. Cable companies have nearly completed this upgrade. This has not only allowed cable companies to provide facilities-based telephone service to both residential and business customers, it has powered and sustained cable's substantial lead over DSL providers in broadband deployment and subscriber penetration. Cable broadband service is now available to approximately 80% of US households, while DSL service availability has not yet reached 60%.

With these upgrades, cable companies can now deliver integrated voice, data and video services over existing connections. The ability to offer bundled packages of these integrated services gives cable what has been referred to as a triple threat advantage over telephone companies. In this regard, cable companies have the leg-up over local exchange companies because they offer video services.

In markets where these packages have been offered, subscriber penetration has exceeded providers' expectations and customer churn levels have been significantly reduced. AT&T Broadband is realizing great margins on the voice business, and is seeing a 40 to 50% reduction in churn among customers who take voice, video and data, in comparison to traditional core video subscriber churn rates.[10] Other companies as well are experiencing high penetration levels and substantially lower churn by offering bundled packages that include voice services.[11] "With penetration rates in the mid-teens and above, [cable companies] are proving that consumers will buy telephone services from their local cable companies."[12] NCTA also states that almost one-third of digital cable households are forecasted to take a cable local telephony service by 2005. This would

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[10]"Cable's Vision, Voice Clear Money Maker in Cablecos' Field of View" *XCHANGE*, July 2002.

[11]"NEWS: Bundle O'Subs" CableWorld, September 9, 2002.

[12]*Cable Telephony: Offering Consumers Competitive Choice*, NCTA, July 2001.

represent about 5 million subscribers based on the number of digital cable subscribers at year-end 2001.

Figure 3 shows the projected growth in cable telephony subscribers to over 15 million nationwide by 2005, as predicted by Paul Kagan Associates, Inc.

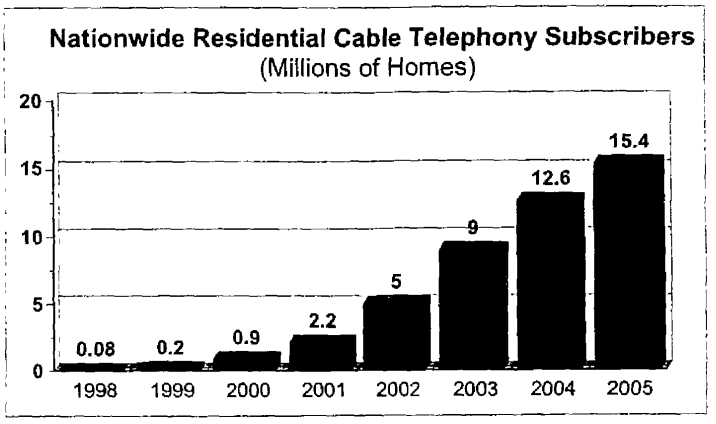

Figure 3

The potential impact to the Florida competitive market is significant as more homes take digital cable service. According to its website, Time Warner Cable's second and third largest cluster of cable TV subscribers (New York City is first with 1,194,000) is in Tampa Bay with 945,000, and in Central Florida (including Viera) with 701,000 subscribers.[13]

Though still a new business, cable telephony is a key component of the cable industry's business strategy in coming years. Cable companies are looking for voice services to fuel revenue growth that is needed to stem losses and reverse declines in share values. One analyst predicts that 7% of the cable industry's cash flow will come from voice within the next three years or so.[14] This optimism may be justified. It has been estimated that two-thirds of the small businesses in any given market are passed by cable plant. This provides a huge opportunity for cable in commercial data and commercial telephony, and for bringing better prices and services to the small business market. Cable already offers savings of 10% - 20% over ILEC telephone service, although savings can reach 50% or more.[15] The financial results reported by companies that are already in the voice business also support the rosy forecasts for cable. Gregory Braden, executive vice president for strategy and corporate business development at AT&T Broadband, states that the approximately 1.15 million voice subscribers on AT&T's cable networks enabled it to become cash flow positive in its voice infrastructure during the first quarter 2002.

[13]http://www.aoltimewarner.com/companies/clusters.adp

[14]Niraj Gupta of Salomon Smith Barney as reported in "Cable's Vision Voice Clear Money Maker in Cableco's Field of View", XCHANGE, July 2002.

[15]Cable & Telecommunications Industry Overview, 2002, NCTA.

As will be discussed, with the rollout of Internet Protocol (IP) telephony, cable-delivered telephone service could evolve into a simple telecommunications after-thought of consumers, rather than a separate, independent service.[16]

3. Convergence

The telecommunications industry is undergoing dramatic structural and technological changes. "The global phone system is on the verge of its biggest technology shift since Alexander Graham Bell's invention eclipsed the telegraph."[17] Data traffic volumes have now surpassed voice traffic and continue to grow. Present technology allows all information to be converted into digital format at one end of the transmission and reconverted at the other. Thus, it is now possible to deliver integrated voice, data and video services over existing connections. This opens up tremendous possibilities for new applications, revenue sources and network efficiencies for companies that successfully converge the distinct voice and data technologies and networks so that integrated services can be brought into homes and businesses over a single broadband connection. Broadband deployment heralds the beginning of this convergence.

Converging these technologies and services, however, presents numerous challenges. For example, while some companies offer Internet Protocol-based voice service today, the quality of service has generally been poor. Voice services based on Internet Protocol are referred to by several names, such as IP-telephony, Voice over Internet Protocol (VoIP), and packetized voice. The traditional telephone network ensures quality by creating dedicated circuits for each call. Data packets, on the other hand, take varied routes and can be delayed or lost, even with a high-speed connection. Although some will subscribe to packetized voice service to avoid toll charges, or as low-cost second phone lines, the service will not become widely accepted until the quality issues are resolved. Recent technology improvements appear to be overcoming many of these quality issues. Traditional telecommunications companies are currently using packet switching technology for voice traffic between central offices and for some large business customers.

The cable industry is looking to quickly move into IP telephony instead of circuit-switched for future cable voice offerings.

> Cable companies currently offering circuit-switched telephony generally are 'deepening' their rollouts in the markets in which they've already deployed and are not expected to deploy circuit-switched technology in very many new markets. Although these circuit-switched efforts have been successful, most cable companies that have not already begun to provide circuit-switched services are expected to focus exclusively on VoIP. This is because of the

[16] http://www.ncta.com/broadband/broadband.cfm?broadID=3

[17] Florida Times Union, June 24, 2001.

> huge capital expenditures and investments needed to purchase and install switches – even after system upgrades have been completed."[18]

Most of the major cable companies have begun trials of VoIP service.

Some cable companies have chosen not to deploy circuit-switch telephony, opting instead to pursue a full IP voice architecture. Comcast, for example, has delayed offering voice services until it can roll out the latest digital packet-switching technology. Comcast's rationale for waiting was explained in 2001 by Stephen B. Burke, president of Comcast's cable division. "The future, really, of all telephone - cable-provided or anybody-provided - is going to be [IP-based]....To make an investment in what is going to be yesterday's technology in a very short period of time is not a wise business move."[19] Charter Communications has also delayed their voice offerings, explaining their approach this way, "We're in the middle of deploying our high-speed data services using the DOCSIS[20] platform across the majority of the company. We have little proprietary high-speed data product installed today. What we're trying to do is leverage the DOCSIS platform for other services, and IP telephony fits in that space very well."[21]

By deploying VoIP technology in their networks, competitive cable and DSL providers will be in a better position to compete with the ILEC for a customer's entire telecommunications needs. This will allow them to mount a significant challenge to ILEC dominance of the voice market. Cable companies will be especially well positioned to compete with their bundled offerings of voice, video and data services. As previously mentioned, cable is already making inroads packaging their circuit-switched voice product with other services. IP telephony promises to provide far more economies than circuit-switched technology, thus providing impetus for achieving a key goal of the Act - lower prices for consumers.

Until IP telephony services are widely deployed, broadband services will continue to erode ILEC share of local access lines. Broadband allows customers to discontinue secondary lines purchased solely for Internet access. Cable leads DSL providers more than two-to-one in broadband subscribers, and most new subscribers are those switching from dial-up. This appears to be making a substantial impact on the incumbents' share of local access lines.

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[18] *Cable Telephony: Offering Consumers Competitive Choice,* NCTA, July 2001.

[19] Miami Herald, August 27, 2001.

[20] The Data Over Cable System Interface Specifications (DOCSIS) are the underlying specs for a CableLabs project known as PacketCable, a set of software-based mechanisms written to do exactly what today's analog, circit-switched phone network does, from dial tone to ring tone.

[21] *Cable Telephony: Offering Consumers Competitive Choice,* NCTA, July 2001.

Summary

As stated earlier, by opening the local exchange markets to competition, the Act established a framework that was intended to blur traditional industry distinctions and pave the way for enhanced competition in all telecommunications markets. This goal appears to be achievable given the variety of providers and platforms now contending for customers.

Florida's competitive local market encompasses both traditional telephone technology (e.g., use of resold lines and UNEs by ALECs) as well as less traditional telephone technology (e.g., wireless, cable telephony or VoIP). These alternative technologies are expected to displace an increasing number of ILEC lines. As stated earlier, from three to five percent of the nation's wireless customers are estimated to use wireless service in place of traditional telephone service. Given the number of wireless subscribers in Florida, the impact of this substitution on this state's local exchange market is believed to be significant. Additionally, the number of voice calls using VoIP technology is expected to shift a large percentage of voice traffic from the Public Switched Telecommunications Network (PSTN). At this time it is unclear if the Commission has jurisdiction over those calls. This represents information from another competitive segment that the Commission may be unable to capture.

The resale and UNE methods of market entry allow for an eventual transition to facilities-based provisioning of services. Many believe that facilities-based providers will be more viable in the long-run and have the best chance of mounting a successful challenge to ILEC market dominance. The value of facilities-based services is being proven by wireless and cable providers.

Cable companies, in particular, appear to have realized early on that long-term viability could not be sustained employing

> a business model that relies heavily on purchasing essential inputs from one's fiercest competitor. A far more reliable approach is to make capital investments in one's own infrastructure and to decrease reliance on the ILECs as much as possible. Moreover, as the FCC and many others have recognized, facilities-based competition creates more consumer benefits than any other form of competition. Facilities-based providers can compete more effectively with incumbents, provide more reliable service and, because they control the entire transmission path, offer more innovative and advanced services than non-facilities-based providers.[22]

A complete and accurate assessment of the competitive market in Florida is difficult, because the Commission has no authority to require needed data from certain competitors. However, the Commission has been able to obtain aggregate data on a national and sometimes statewide level in order to make reasoned judgments on the impact alternative technology platforms are having on Florida's competitive market. For example, as shown later in this report, there were 260,000 fewer access lines reported this year in Florida compared to last year. This decline can be explained, in

[22]Ibid.

part, by customers dropping either primary or secondary lines in favor of wireless or broadband service. Assessing the impact of these alternative technologies will become more critical over time. By 2006, 20 million circuit lines will be displaced by wireless, broadband and IP-based voice lines, according to Forrester Research.[23] If Forrester is correct, these technologies could account for 15% of the local exchange market by 2006.

C. Sources of Information

Market Share Can Be Calculated in Various Ways

Traditionally, the Commission and the FCC have used access lines to calculate ALEC market share, but other calculations can be made, e.g., using telephone numbers obtained from the Utilization Report and 911 databases, and even revenues. With the exception of revenues, a discussion of these data sources follows. Each definition of market share provides valuable but often times differing information. This does not mean that one definition is necessarily better than another although reporting of different market shares can be confusing. Using responses to the Commission's data request for access line counts may result in an imprecise number, as discussed later, due to a carrier's failure to respond, differing interpretations of the questions, and a company's ability to extract the necessary data.

ALECs have raised concerns that there is a mismatch between the reported ALEC and ILEC lines because of the different types of access lines, thus yielding an inaccurate and overstated estimate of ALEC market share. They also contend that Internet Service Providers' (ISP) lines should be removed from the ALEC line count because of the type of service ISPs provide. As discussed later, data issues will be addressed in an upcoming industry workshop.

1. Data Requests

For the past several years, the Commission has prepared this report using data requested from active certificated ILECs and ALECs in Florida. The data request asks both quantitative questions (e.g., how many access lines is an ALEC providing) and qualitative questions (e.g., barriers to ALEC entry, if any, a description of ALEC future business plans, etc.). This year, as in past years, the ALEC response rate was less than 70%, while the ILEC response rate was 100%. Regardless of the response rate, there are two important caveats with regard to the data. First, as in past years, the Commission's data is only as valid as the quality and completeness of the responses received. Second, ALEC responses were not uniform to all questions posed because of differing interpretations and their ability to separate data. In an effort to reduce potential error and to ensure that we have the best data possible, Commission staff has begun to explore the use of other data sources either as a substitute for or a complement to the Commission's data request. Additionally, Commission staff plans to workshop data issues with the ILECs and ALECs early in 2003.

[23] "Sizing US Consumer Telecom," Forrester Research, 2002.

2. FCC

The FCC publishes reports on local competition twice a year, using data as of June 30 and December 31. These reports are useful because they calculate a national average and provide information by state. However, one drawback is that the residential and small business ALEC share is not broken out separately. Although the FCC's ALEC market share calculation is similar to this Commission's, another drawback is that the FCC requires only those ALECs with more than 10,000 access lines to report whereas the Commission requires each ALEC to report the number of lines, regardless of how many (or few) the ALEC has. This difference may lead to different market share percentages. For example, suppose that in State A there are 15 ALECs serving 175,000 lines. Ten ALECs serve 15,000 lines each while 5 serve 5,000 lines each. State B also has 15 ALECs and 175,000 lines but only 6 of its ALECs serve 15,000 lines. The remaining 9 ALECs each serve under 10,000 lines. Under the FCC's requirements 150,000 of 175,000 lines would be reported for State A, but only 90,000 of 175,000 lines would be reported for State B. Under the FPSC's calculation all 175,000 ALEC lines are counted.

In the Commission's access line count provided in this report, approximately 150,000 lines are included that theoretically would be excluded in the FCC's report. Without the inclusion of these lines, Florida's ALEC market share calculation would drop to about 11.5% from 13%.

3. Surveys

Industry surveys can also be a useful source of information, although many times the data are not Florida-specific, or are not the precise data needed. Surveys are also useful for an industry, such as wireless, over which the Commission has no jurisdiction. For example, as stated earlier, the CTIA reports that 5% of U.S. wireless subscribers have disconnected their home phones and moved entirely to wireless; however, we are unable to determine a Florida-specific share.

While the FCC reports and industry surveys can be very useful they generally do not provide greatly disaggregated information. This Commission is presently conducting consumer surveys in order to supplement the aggregated data obtained from these other sources. Some of the results of our surveys are mentioned throughout this report. There are two other options for obtaining data that may provide disaggregated and useful Florida-specific data for all carriers, the Utilization Report and the 911 database.

4. Utilization Report

The first option is the Utilization Report. This report, issued by the North American Numbering Plan Administrator (NANPA), is designed to assist in telephone number management and conservation. A by-product of the report is that it provides information on which telephone numbers are assigned to particular carriers; however, it does not include resold telephone numbers for each carrier, resulting in an under reporting of ALEC market share.

The initial difficulty in using the Utilization Report as a supplement to the Commission's report is that it reports the number of telephone numbers rather than the number of access lines

reported by the Commission and the FCC. Generally speaking, the number of active telephone numbers is larger than the number of active access lines. This occurs because it is possible to have more than one telephone number per access line. Examples include PBXs and a retail feature that permits two telephone numbers to ring through to one line (sometimes known as a teen line). Another difficulty is the inability to separate resold telephone numbers from the ILECs' numbers.

5. 911 Database

The second option is the 911 database. Generically, the term "911 database" refers to the databases used when someone calls 911 to request assistance. Similar to the Utilization Report, the 911 databases are databases of telephone numbers, not access lines. The term itself is a bit of a misnomer because it implies there is a single database; there are actually several 911 databases in Florida. The number of databases, and who manages them, varies by ILEC and by county. Each of Florida's 67 counties is permitted to collect a fee per telephone number per month to pay for the costs of the county's 911 database service; the money is collected by the ILECs and ALECs from their customers and remitted to the county. A county may contract with its serving ILEC or a third party to maintain the database, or maintain the database itself. Because Florida counties can charge a monthly fee on telephone bills for this service, the databases include the name of the serving telephone company, with resale the only exception. This permits the ALEC market share to be calculated; however, the resale exception means that, as with the Utilization Report, ALEC resold telephone numbers must be obtained from the ILECs.

BellSouth, in Docket No. 960786-TL (Consideration of BellSouth's entry into interLATA services pursuant to Section 271), utilized its 911 database as well as various internal sources to provide competitive information filed in June 2002.

Discussions have occurred about creating an optional statewide 911 database or regional databases, but any consolidation is just beginning. Before the Commission can use any 911 database as a source of ALEC market share, there are numerous issues, including logistical and legal (e.g., confidentiality) ones, that must be overcome.

6. Need for a Workshop

While working to strike the best balance between gathering the necessary data yet not overly burdening the ALECs or the ILECs, the Commission is exploring alternative market share definitions, data collection methods and data sources, e.g., the Utilization Report and the 911 Database, as well as planning a workshop with the ILECs and ALECs to discuss data source issues. If the Commission is able to use other existing databases to develop market share data, the information will be more timely, accurate and reliable, and it will lessen the reporting burden on the companies. In the meantime, we believe that using supplemental information (e.g., the FCC reports, industry reports, our own surveys, etc.) enables us to effectively evaluate the local exchange market in Florida.

Summary

While we believe the Commission's calculation of market share, counting every ALEC access line, is more accurate than the FCC's calculation, the accuracy is hindered by the factors discussed above. The FCC's calculation is useful because it is done on a national basis, making a state-to-state comparison possible. Other data sources and calculations are being evaluated. These and other issues will be the subject of an industry workshop in early 2003.

CHAPTER III: ALEC PENETRATION OF FLORIDA'S LOCAL EXCHANGE MARKET

Staff is confident that the data presented and the analyses that follow are reasonably accurate based on the information provided by the ILECs and reporting ALECs. However, as discussed previously, precise market share calculations are hindered by the substantial number of ALECs that failed to respond, and by the presence of factors such as differences in reporting methods by the various companies, along with varying degrees of completion of the data request responses themselves. These factors present impediments that may have an impact on the conclusions cited in this report.

A. Calculation Methods

1. Commission Calculation

On a state-wide basis, the FPSC's ALEC market share is calculated as the sum of ALEC access lines divided by the sum of ALEC and ILEC access lines, reported on a total basis as well as by residential and business. Included in our market share calculation is every competitive access line reported by ALECs, whether the ALEC services 20,000 lines or 1 line. Responses to the Commission's data request indicate the following Florida market share information as of June 30, 2002:

- Overall, competitors have obtained a 13% market share, up from 8% in 2001.
- ALECs have made impressive gains in the business market, increasing their share to 26% of business access lines, up from last year's share of 16%.
- ALEC residential market share increased to 7% from 4% in the previous year.

Figure 4 illustrates the increases in ALEC market shares overall.

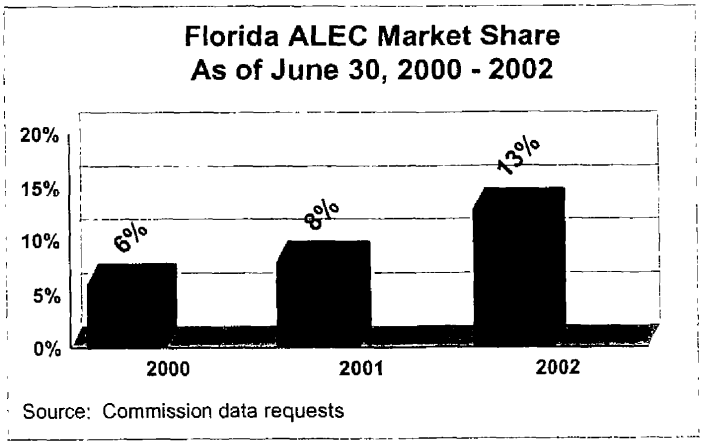

Figure 4

Figure 5 provides a breakdown of the ALEC residential and business market shares.

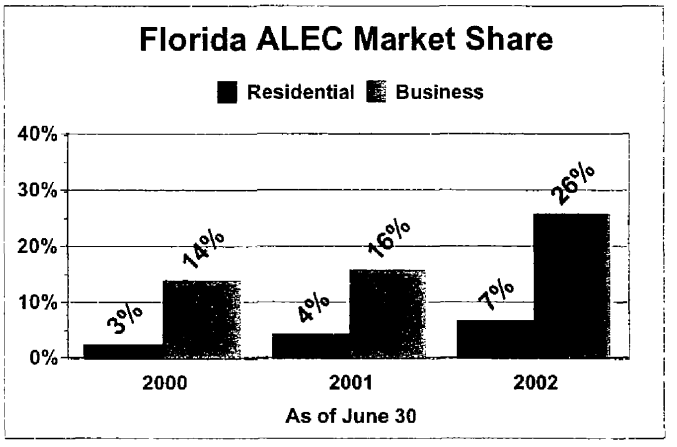

Figure 5

2. FCC Market Share Calculation

The FCC's most recent report on local competition (released on July 23, 2002 with data as of December 31, 2001) estimated the national ALEC market share to be 10% with competitors in Florida holding a share of 7%. As previously mentioned, the FCC also uses access lines to calculate market share. The lower FCC figure is most likely due to different reporting requirements and time periods.

3. Utilization Report Calculation

The Utilization Report with first quarter 2002 data was used as a check on our data request results and in order to evaluate its future use. With the exception of BellSouth, the Utilization Report excludes a separate identifier for ILEC-resold telephone numbers. However, BellSouth's category for resold numbers includes numbers that have been reserved by ALECs but may not necessarily be in use, tending to inflate the number of resold telephone numbers. The ALEC market share in the first quarter 2002, excluding resold telephone numbers, according to the Utilization Report, was 7.5%. Using an estimate of resold telephone numbers, including reserved numbers, results in an ALEC market share of approximately 24%. This is considerably higher than the Commission-calculated number; however, the 24% is an estimate of the ALEC market share for telephone numbers (generally, there tend to be more telephone numbers than access lines) and this estimate includes telephone numbers that have been reserved but may not be in use.

The Utilization Report provides a useful sanity check against access line calculations; however, at this time the Report is best used as a supplement to access line counts, rather than a substitute.

B. Access Line Comparisons

Based on the responses to the ALEC and ILEC data requests, local exchange companies are serving 11,766,826 lines in Florida as of June 30, 2002. Table 2 summarizes the changes in access lines for both ILECs and ALECs from 2000 through the 2002 reporting period. It illustrates the steady increases in ALEC access lines and decrease in the total number of access lines served from 12,030,592 in 2001 to 11,766,826 in 2002, a decrease of about 2.2%. According to a 2002 survey conducted by BEBR on behalf of the Commission, 8% of respondents had disconnected a secondary telephone line within the last 12 months. Of those that disconnected a secondary telephone line,

- 5% replaced the line with wireless service
- 5% replaced the line with cable modem service
- 8% replaced the line with DSL service
- 1% replaced the line with another type of service
- 33% said a second line was no longer wanted or needed
- 12% said it was too expensive
- 36% disconnected for other reasons

Table 2 Florida Access Line Comparison

	2000			2001			2002		
	Residential	Business	Total	Residential	Business	Total	Residential	Business	Total
ILECs	7,994,987	2,997,077	10,992,064	7,931,047	3,139,959	11,071,006	7,513,073	2,748,419	10,261,492
ALECs	218,048	492,569	710,617	366,653	594,223	959,586	546,040	959,294	1,505,334
Total	8,213,035	3,489,646	11,702,681	8,297,700	3,734,182	12,030,592	8,059,113	3,707,713	11,766,826

C. ALEC Market Penetration by ILEC

Table 3 provides a breakdown of ILEC access lines by the three major ILECs, (BellSouth, Sprint and Verizon), and a total line count for the rural ILECs, (ALLTEL, Frontier, GT Com, ITS, Northeast Florida, Smart City and TDS/Quincy) as of June 30, 2002. The rural ILECs are combined to preserve confidentiality. ALECs show the heaviest presence in BellSouth's territory, followed by the areas of Verizon and Sprint, then the rural ILECs.

Table 3 Florida ALEC Market Penetration by ILEC as of June 30, 2002												
	ILEC			ALEC			Total			ALEC Share		
ILEC	Res.	Bus.	Total	Res.	Bus.	Total	Res.	Bus.	Total	Res.	Bus.	Total
Rural ILECs	142,697	54,197	196,894	1,808	2,091	3,899	144,505	56,288	200,793	1.3%	3.7%	1.9%
BellSouth	4,201,493	1,456,427	5,657,920	504,136	721,837	1,225,973	4,705,629	2,178,264	6,883,893	10.7%	33.1%	17.8%
Sprint	1,511,186	615,220	2,126,406	21,856	67,976	89,832	1,533,042	683,196	2,216,238	1.4%	9.9%	4.1%
Verizon	1,657,697	622,575	2,280,272	18,240	167,390	185,630	1,675,937	789,965	2,465,902	1.1%	21.2%	7.5%

D. ALEC Responses and Providers by Exchange

Of the 417 data requests distributed, 282 of ALECs (68%) responded. Figure 6 illustrates the increase in response rate from 2000 to 2002.

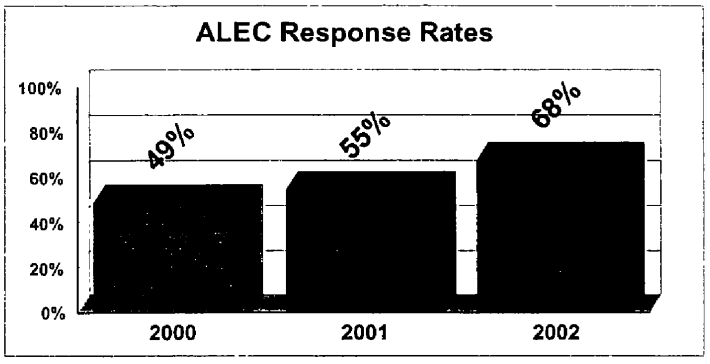

Figure 6

Figure 7 shows that the number of ALECs providing service has increased each year since 2000, even though there was an approximate 10% decline in the number of certificated ALECs from 2001 to 2002. In 2002, 43%, or 122, of the ALECs reported providing service.

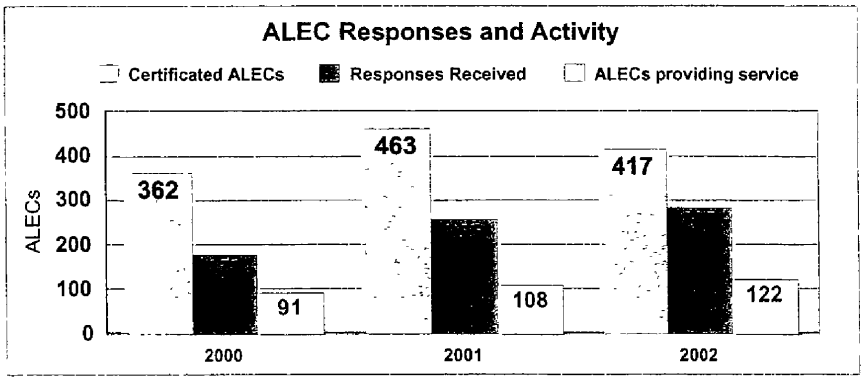

Figure 7

Table 4 shows that the number of exchanges with multiple competitors is increasing. Although the number of exchanges without ALEC providers did not change, the number of exchanges with three or more ALECs increased from 188 to 229. Three or more ALECs now compete in 83% of Florida exchanges compared to 66% last year. Overall, approximately 95% of Florida exchanges still have at least one competitor.

Table 4 Summary of Florida Exchanges With and Without ALEC Providers

	2001	2002
Exchanges with one ALEC provider	61	20
Exchanges with two ALEC providers	20	14
Exchanges with three or more ALEC providers	188	229
Exchanges without an ALEC provider	14	14
Exchanges without a business ALEC provider	86	61
Exchanges without a residential ALEC provider	18	19
Total exchanges in Florida[24]	283	277

ALECs continue to focus on larger metropolitan areas as noted in the table below. Each exchange listed had an increase in the number of competitors providing service in their areas.

Table 5 Florida Exchanges With the Most Alec Providers

Exchange	Residential (2001)	Residential (2002)	Business (2001)	Business (2002)	Total ALEC Providers (2001)	Total ALEC Providers (2002)
Miami	26	47	26	38	41	69
Orlando	25	47	28	35	41	69
Jacksonville	22	43	20	32	32	61
Ft. Lauderdale	22	43	18	31	29	60
Pompano Beach	19	37	13	25	23	50
West Palm Beach	20	35	15	24	27	49

[24]The total number of exchanges changed due to the consolidation of the Keys (i.e., Big Pine Key, Islamorada, Key Largo, Key West, Marathon, North Key Largo, Sugar Loaf Key) and the addition of the Weirsdale exchange, which was combined with the Lady Lake exchange until August 31, 2000.

Table 5 Florida Exchanges With the Most Alec Providers						
Exchange	Residential (2001)	(2002)	Business (2001)	(2002)	Total ALEC Providers (2001)	(2002)
Boca Raton	17	32	17	25	27	47
Hollywood	19	34	15	24	24	47
Tampa	14	29	19	21	28	46
Gainesville	18	35	16	17	28	43

A complete listing of ALEC providers by exchange is shown in Appendix B. That listing indicates that in the majority of Florida's exchanges, the number of ALEC providers has increased in both the residential and business marketplace.

Summary

The number of certificated ALECs declined from 463 in 2001 to 417 as of June 30, 2002. ALECs have made substantial gains in business access lines, increasing market share to 26% from 16% in the previous year. On the residential side, competitors' market share increased to 7% from 4% in 2001. As will be discussed in Chapter IV, economic challenges are being faced by ALECs (as well as ILECs) requiring companies to develop or revamp their strategic plans in order to survive. Overall, competition in Florida's telecommunications exchanges continues to grow. The number of exchanges with three or more ALECs grew 22% over last year, and the number of competitive providers has increased in both the residential and business marketplace.

CHAPTER IV: CURRENT ISSUES IN LOCAL COMPETITION

A. Factors Impacting the Level of Local Competition

The Commission is presently conducting research into what factors influence an ALEC's decision to enter local markets and the market share it is able to obtain. We have surveyed several state commissions where ALEC market shares, as calculated by the FCC, are either higher or lower than Florida's and gathered data from a number of other sources. As part of the survey, we asked the state commissions to comment on what factors they believed were responsible for the level of ALEC market penetration in their state. The national average market share reported by the FCC was 10% as of December 31, 2001. ALECs in Florida had a 7% market share at that time, according to the FCC. The following summarizes comments provided by the two states with the highest ALEC market shares, New York and Texas.

- New York has the highest ALEC market share, 25%. The New York Commission stated that its ALEC market share may have been the result of the introduction of the UNE Platform (UNE-P, a combination of UNEs including the loop, switching, and transport) in late 1999 or early 2000, and the FCC's decision to allow Verizon to operate as a long distance carrier in New York (271 approval) in December 1999. The New York Commission believes that Verizon's 271 approval may have spurred long distance carriers (e.g., AT&T, WorldCom, etc.) to offer bundled (local and long distance) service since 271 approval allowed Verizon to bundle local and long distance service. Verizon's local residential rates are also high relative to most other states. Verizon's weighted average single line residential rate (excluding surcharges and taxes) is $18.15. Verizon does not provide flat rate business line service in New York.

- Texas has the second highest ALEC market share, 16%. The Texas Commission provided several reasons for its relatively high ALEC market share: prevalence of UNE-P, 271 approval in June 2000, existence of a standard, 4-year interconnection agreement approved by the Texas Commission, performance measures, uniform state-wide municipal right-of-way compensation, and building access regulation. The Texas Commission reported that SBC's (Texas' serving regional Bell operating company) local residential rates (including touch-tone, but excluding surcharges and taxes) were $8.33, $9.28 and $11.23 for small, medium and large exchanges, respectively. Business rates for these exchanges were $20.45, $22.60 and $29.55, respectively.

Our research seems to confirm the New York and Texas conclusions concerning 271 approval and availability of UNE-P. Based on our research, we believe the following can be surmised:

- ALEC market share is generally higher in states where the Regional Bell Operating Company (RBOC) has received FCC approval to enter the long distance market (271 approval).

- A surge in market penetration by ALECs took place in the months immediately prior to and following 271 approval.

- ALEC market share is strongly correlated to the margin between UNE-P rates and end user rates for local service.

- ALEC market share is generally higher in states where the differences in UNE-P rates between the zones is smaller.

For purposes of this analysis, four states will be compared with Florida: New York, Texas, Illinois and California. New York and Texas were selected because they have the highest ALEC market share penetrations and were the earliest states where the RBOC received 271 approval. The RBOC in Illinois has not obtained 271 approval, but has an ALEC market share that is substantially higher than the national average. California was selected because it has the largest population, its ALEC market share was about the same as Florida's and lower than the national average, and as of this writing, its RBOC, SBC, had not received 271 approval.

271 Approval

Section 271 of the Telecommunications Act of 1996 establishes special provisions for RBOCs to meet before they can obtain FCC permission to provide interLATA (long distance) service within their in-region service areas. This is often referred to as obtaining 271 approval. Obtaining this approval is important to RBOCs because it allows them to compete fully in the long distance market and to bundle local and long distance service.

By granting 271 approval, the FCC determines that the RBOC has complied with a 14-point checklist showing that the local market is sufficiently open to competition. In theory, when the RBOC meets the 271 requirements, it is easier for ALECs to enter the market and provide competitive services. This is a dual-edged sword for ALECs. On the one hand, meeting the Section 271 requirements presumably attests that barriers to entry have been minimized, if not eliminated. Lower barriers to entry seem to be confirmed by the substantial increases seen in ALEC market share both prior to and following 271 approval. On the other hand, 271 approval unleashes a formidable competitor to ALECs and long distance carriers into markets to which the RBOC has previously been denied access. The RBOC then has the same ability as ALECs to bundle local and long distance services at lower prices. Past experience appears to show that ALECs become very serious about competing in those states where 271 approval is imminent or has been granted.

Figure 8 shows ALEC market shares in six-month intervals from December 1999 through December 2001, as calculated by the FCC, for the five states being considered. The date of 271 approval, if applicable, is also provided.

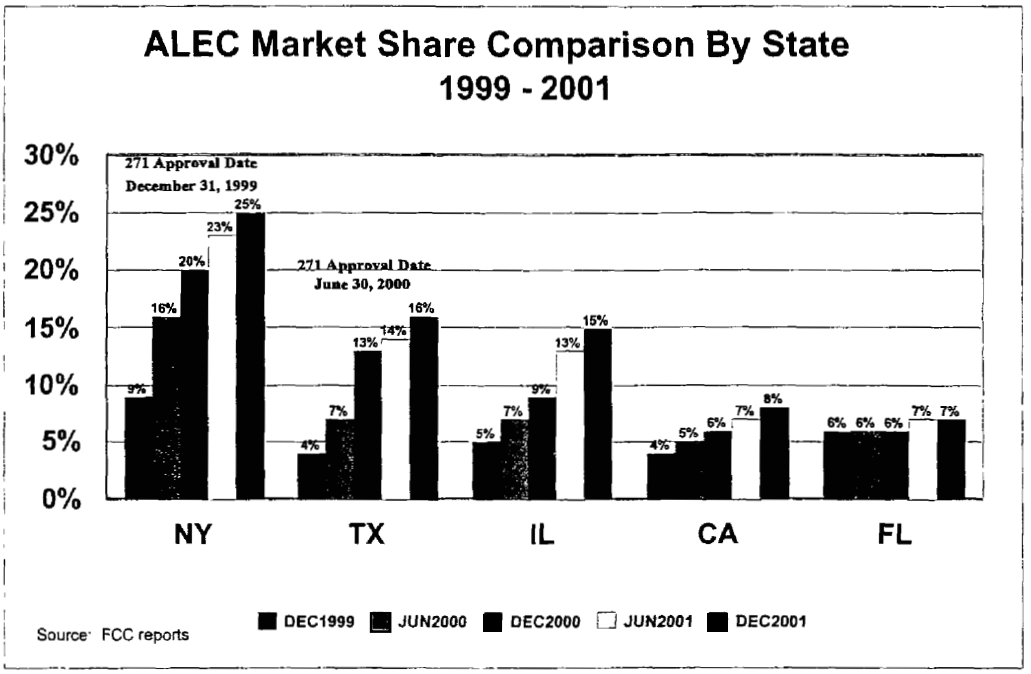

Figure 8

The following can be surmised from the data in Figure 8:

- As of December 1999, the date 271 approval was granted, New York already had the highest ALEC market penetration, more than double the national average of 4%.

- In the six-month and twelve-month periods following 271 approval, ALEC market shares in New York increased 78% and 122%, respectively. During that same six- and twelve-month period, the nationwide market share (calculated excluding New York and Texas access line counts) increased 50% and 75%, respectively.

- In the six-month period preceding 271 approval, ALEC market share in Texas increased 75% compared to the nationwide market share (calculated excluding New York and Texas access line counts) increase of 50%.

- In the six-month and twelve-month periods following 271 approval, ALEC market shares in Texas increased 86% and 100%, respectively, compared to the nationwide increases (calculated excluding New York and Texas access line counts) of 17% in both those periods.

Florida may be following the same pattern. This Commission recently determined that BellSouth has met the requirements necessary to receive 271 approval. The FCC is expected to rule on BellSouth's request in December of this year. According to this Commission's calculations, ALEC market share in Florida saw its largest one year increase, growing roughly 62% (from 8% to 13%), from June 30, 2001 to June 30, 2002. As discussed later, this increase may also be attributable to this Commission's decision in May 2001 to reduce BellSouth's rates for the UNE-P components.

The pre- and post-271 approval surge in ALEC market share observed in selected states is likely the result of more open markets and of increased marketing efforts. ALECs in particular that are also long distance carriers may especially try to obtain a substantial foothold before the BOC can fully roll out combined local and long distance services. Even in states where other factors are not particularly favorable, ALECs may renew efforts to gain market share because any delay could significantly erode their revenue base and limit their chances for future market penetration.

UNE-P

Many ALECs report that the level of UNE-P rates is a primary factor in their decision to enter a market. UNE-P is a combination of elements that allows an ALEC to compete with an ILEC without having facilities at a central office, or in other words, without any network investment. UNE-P generally is defined to include the loop, port, and switching UNEs; transport UNEs can also be included in UNE-P. Loop rates are based on cost and vary by zone, which are supposed to reflect geographic cost differences; generally, the most dense zone has the lowest loop rate and the least dense zone has the highest loop rate. The FCC requires at least three zones, typically described as urban, suburban, and rural.

The availability of UNE-P has varied by state and the different circumstances states have encountered. For example, Verizon committed to make UNE-P available in New York as a condition of 271 approval. The Texas Commission also made availability of UNE combinations, such as UNE-P, a requirement for its recommendation to the FCC that SBC be granted 271 approval. In Florida, the Commission first set rates for various UNEs in arbitration proceedings conducted in late 1996, including those UNEs that comprise the UNE-P. Since the Commission has adhered to the prevailing court decisions of the Eighth Circuit and the Supreme Court, there have been periods when ILECs in Florida were not required, either by the courts or the Commission, to provide UNE combinations. For example, the Eighth Circuit stayed the FCC's pricing rules on September 27, 1996, and subsequently, on July 18, 1997, vacated the pricing rules – including those that required ILECs to provision UNE combinations for ALECs. When the Supreme Court reinstated one of the UNE combination rules, Rule 51.315(b), this Commission required Florida ILECs to provide to ALECs those UNE combinations that were currently combined, consistent with the Court's ruling. Now that the Supreme Court's more recent ruling in Verizon Communications Inc., et al. Federal Communications Commission, et al., 152 L. Ed. 2d 701, 122 S.Ct. 1646 (May 13, 2002) generally requires ILECs to provision UNE combinations to ALECs in virtually all instances, the Commission will enforce this requirement.

Comparing UNE-P rates among states is problematic for several reasons. First, there is no standard as to what elements go into UNE-P. What makes up UNE-P includes assumptions about usage, available features (e.g., call waiting), and others, whose accuracy and definitions may vary from state to state. Second, until the last couple of years, there has been little or no tracking on a national basis of UNE and UNE-P rates by state, so it is difficult to capture UNE and UNE-P rates in effect as of a date certain. Third, the FCC requires UNE rates to be set for at least three zones; however, there is no uniform methodology for determining what central offices are included in what density zone, let alone how many density zones there should be. These determinations are made state by state. The FCC also requires UNE rates to be based on forward-looking costs. The rates for each density zone are to be based on company-specific costs for those zones, which may differ

widely among companies and geographic areas. Finally, state commissions have the latitude to construct zones they believe are most appropriate based on company and state-specific data and policy considerations. This may explain the wide differences in rates among states. Keeping these caveats in mind, some analysis is possible.

Table 6 shows ALEC market share in the five states as of December 31, 2001, as reported by the FCC. Table 6 also shows average monthly, retail, single line residential and business rates[25] for the RBOC in these states and the UNE-P rates by zone based on a survey conducted in the spring of 2001.[26] UNE Rates as of this date were used to better coincide with our market share analysis as of December 31, 2001. In the analysis contained in Table 6, the UNE-P rate equals the sum of the prices for (1) a stand-alone loop, (2) a port, and (3) 1000 minutes of local switching. Although this resulted in comparable figures across states, it overstated the cost of a UNE-P in Florida in the spring of 2001. This is because in Florida the price for a loop/port combination is less than the sum of the prices for a stand-alone loop and a port. Adjusting for this phenomenon would reduce the UNE-P prices for Florida shown on Table 6 to approximately $15.07 in Zone 1, $21.06 in Zone 2, and to $44.14 in Zone 3. It should also be noted that this Commission reduced UNE rates in May 2001. The May rate changes would have taken effect upon amendment of existing or approval of new interconnection agreements. The May rate change and subsequent UNE rate changes ordered by this Commission in October 2001 and September 2002 will be discussed later in this section.

Table 6 also shows the level of UNE-P margins (the difference between the end user rates and UNE-P rates) by zone. The level of the UNE-P margin is an important consideration for ALEC market entry, because it gauges the potential profitability of services offered in a particular market. It should be noted that the margins shown are based on the end user rates charged by the RBOC. ALEC margins are expected to be lower, because they typically charge lower rates than the incumbent. This analysis also does not include any additional margins that competitors could obtain by selling long distance and ancillary services such as voice mail, caller ID, call waiting, etc.

As would be expected, Table 6 shows that market share is higher in states where margins based on UNE-P rates are higher.

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[25]As reported by the West Virginia Public Service Commission, rates were taken from the FCC's Reference Book of Rates, Price Indices and Expenditures for Telephone Service, June 1999. Rates include touch-tone, surcharges and taxes adjusted for changes in the federal subscriber line charge to $5.00 per month and imposition of federal universal service surcharges on end users.

[26]Rates based on survey conducted by the West Virginia Public Service Commission in the spring of 2001.

Table 6 271 Approval, UNE-P Rates, and Margins by State						
State		NY	TX	IL	CA	FL
Market Share as of Dec. 2001		25%	16%	15%	8%	7%
271 Approval Date		Dec99	Jun00	N/A	N/A	N/A
AVG Residential Rate		$26.91	$20.32	$15.66	$19.22	$18.90
AVG Bus Rate		$28.36	$44.86	$20.12	$20.85	$42.72
UNE-P Rates (Res. & Bus.)	Zone 1	$17.08	$16.20	$7.60	$15.38	$16.26
	Zone 2	$17.74	$17.92	$12.08	$18.86	$22.63
	Zone 3	$24.49	$24.35	$16.41	$30.88	$46.90
UNE-P Residential Margin	Zone 1	37%	20%	51%	20%	14%
	Zone 2	34%	12%	23%	2%	-20%
	Zone 3	9%	-20%	-5%	-61%	-148%
UNE-P Business Margin	Zone 1	40%	64%	62%	26%	62%
	Zone 2	37%	60%	40%	10%	47%
	Zone 3	14%	46%	18%	-48%	-10%

Table 6 also shows that while there was not much difference among the states in the UNE-P rates for Zone 1 (except for Illinois), both the absolute and percentage increase from Zone 1 to Zone 2 is greatest for California and Florida, the states with the lowest ALEC market shares of this group.[27] This suggests that when Zone 2 rates are close to Zone 1 rates, the level of competition is likely to be higher than when Zone 2 rates are significantly higher than Zone 1. Intuitively, this makes sense because Zones 1 and 2 typically represent the urban and suburban areas, generally the bulk of a state's population. Thus, ALECs are more likely to target the population in Zones 1 and 2. However, it should be kept in mind that the rates between the zones can differ greatly based on cost distributions.

Figure 9 depicts the UNE-P margins for residential markets in the selected states.

[27]Illinois actually has the highest absolute and percentage increase between these zones; however, its UNE-P rates are the lowest among all the states in all three zones.

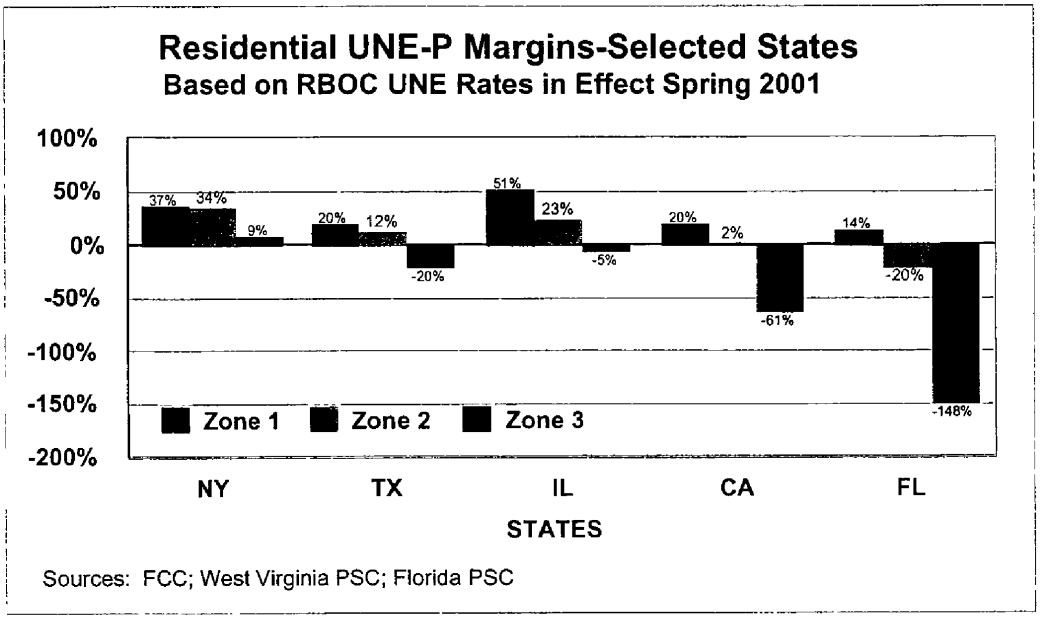

Figure 9

Figure 9 shows that residential UNE-P margins were low or non-existent in California, Florida and Texas during much of 2001, which may explain why the residential market penetration was low in these states (see Figure 10 below). By comparison, the residential market penetration should have been relatively high in New York and Illinois, where the residential margins were higher. Figure 10 shows this to be the case. New York and Illinois had the highest residential market penetration at 22% and 13%, respectively, compared to California and Florida, which had

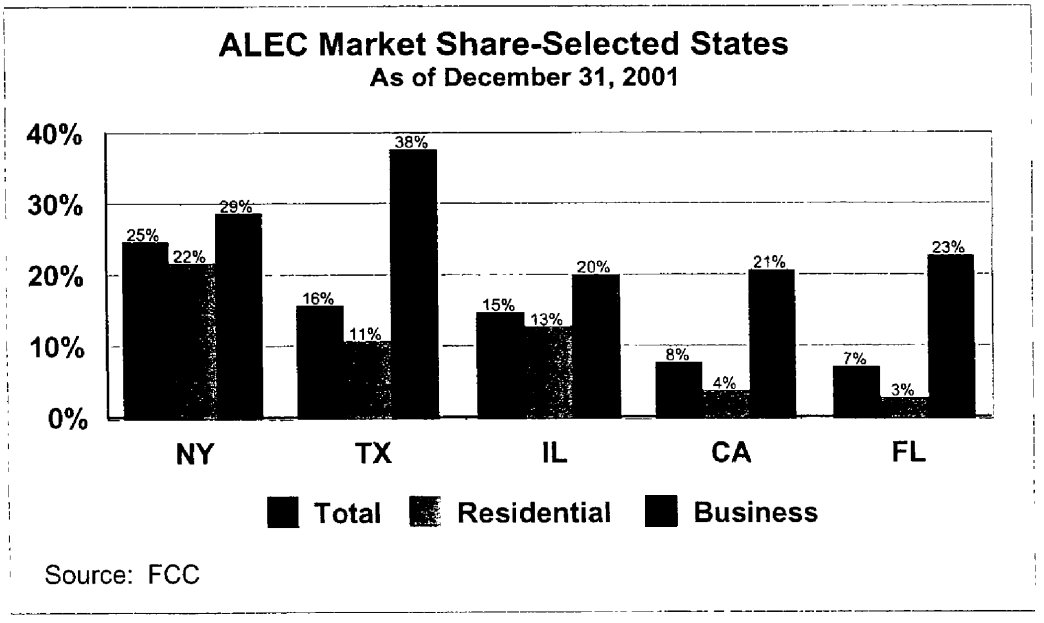

Figure 10

the lowest penetration at 4% and 3%, respectively. It is somewhat surprising that ALECs gained 11% residential market share in Texas considering that the margins there are more comparable to those in California and Florida. As discussed previously, this could be due to Texas receiving early 271 approval.

Other observations are worth noting about the above data. As of December 31, 2001, ALECs had garnered 13% of the residential market in Illinois. By contrast, in Texas, ALEC share of the residential market was only 11%, even though 271 approval had been granted to the RBOC in Texas eighteen months earlier. The probable reason residential market share was higher in Illinois is that the margins are substantially higher than those in Texas. It is also interesting that in New York, the UNE-P margins for residential service are about equal to the margins for business. This may explain why the ALECs' 22% residential market share is relatively close to their 29% share of the business market in New York.

Analysis of the business market further illustrates the influence of UNE-P margins on market penetration levels.

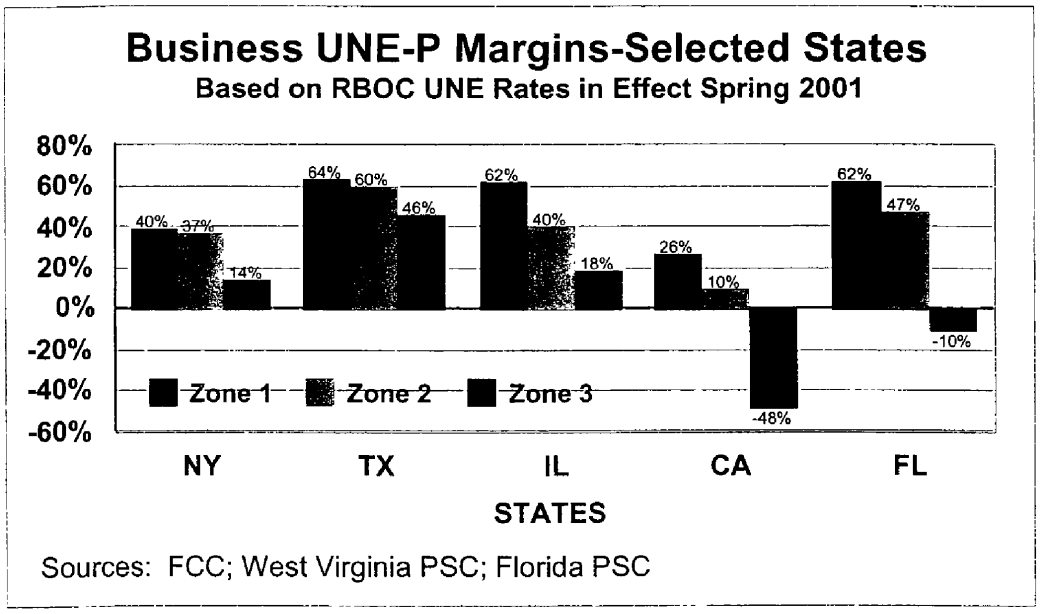

Figure 11

Figure 11 shows that in all states except California the UNE-P margins are high for business customers in Zones 1 and 2. With Texas having the highest business margins in all three zones, it should follow that Texas would have the highest business market penetration among the states. This is precisely what the data show. ALECs have captured an impressive 38% of the business market in Texas (See Figure 10 above). In all the states shown these high margins have allowed ALECs to capture better than 20% of the business market. This analysis cannot explain the reason for California's business market penetration being above 20%, considering that its business UNE-P margins are substantially below the other states.

It should be emphasized that low margins may be more the result of low local rates than high UNE-P rates. The residential rates in Florida are lower than most other states. Thus, even though UNE rates in Florida may be comparable to other states, ALECs may find the residential market less attractive because of the low local rates. Table 7 below illustrates this by showing composite residential rates for densely populated areas in the BellSouth, Verizon and Sprint territories. These rates are compared to UNE-P rates that have either been approved in the case of BellSouth and Verizon (still subject to reconsideration), or, in the case of Sprint, are pending this Commission's decision. BellSouth's current UNE-P rates are lower than the rates previously shown on Table 6 for New York and Texas. While BellSouth's UNE-P rates allow for reasonable margins for ALECs in Zone 1 central offices (35%),[28] the Zone 2 margins are very slim due to BellSouth's low monthly residential rates. The Zone 1 UNE-P rates for Verizon and Sprint are lower than New York and Texas; however, the margins are very slim due to the low monthly residential rates.

Table 7 Florida Rate Comparison - Monthly Residential to UNE-P

Company	BellSouth[29]	Verizon[30]	Sprint[31]
Avg. Monthly Res. Rate[32]	$18.07	$19.08	$17.68
UNE-P Rates Zone 1	$11.71	$15.27	$15.45
Margin	35%	20%	13%
UNE-P Rates Zone 2	$15.82	$19.45	$22.69
Margin	12%	-2%	-28%

[28]This margin assumes ALECs would charge the same residential rates as BellSouth; however, ALECs typically offer monthly service at a discount to ILEC rates.

[29]BellSouth UNE-P rates following Commission decision in September 2002. Rates still subject to reconsideration.

[30]Verizon UNE-P rates following Commission decision in October 2002. Rates still subject to reconsideration.

[31]Sprint UNE-P Rates are those in staff recommendation filed September 30, 2002. Recommendation not yet scheduled for Commission decision.

[32]Average monthly rates include single line residential rate plus following surcharges: subscriber line charge, universal service charge, number portability surcharge and E911 surcharge.

Effect of UNE Rate Changes in Florida

As mentioned previously, the Florida Commission revised UNE rates for BellSouth in May and October 2001, and in September 2002. Table 8 compares these changes to the UNE-P rates in effect as of December 2000. The UNE-P rates shown consist of loop/port combinations (rather than the sum of the stand-alone rates shown in Table 6) plus 1000 minutes of local switching.

Table 8 Florida UNE-P Rate Comparison-BellSouth Territory*

Rates as of>	DEC2000	MAY2001**	OCT2001**	SEP2002**
Zone 1	$15.07	$12.62	$13.71	$11.71
Zone 2	$21.06	$16.76	$17.83	$15.82
Zone 3	$44.14	$30.06	$32.64	$26.57

*Rates shown are UNE combo rates.

**Date of UNE rate change.

Source: Commission Orders

Figure 12 shows the improvement in residential UNE-P margins in Florida in BellSouth's territory following the UNE rate changes. The residential margin for Zone 1 in Florida is now slightly higher than New York's, and the margins for Zones 1 and 2 are higher than those in Texas (compare to previous Figure 9).

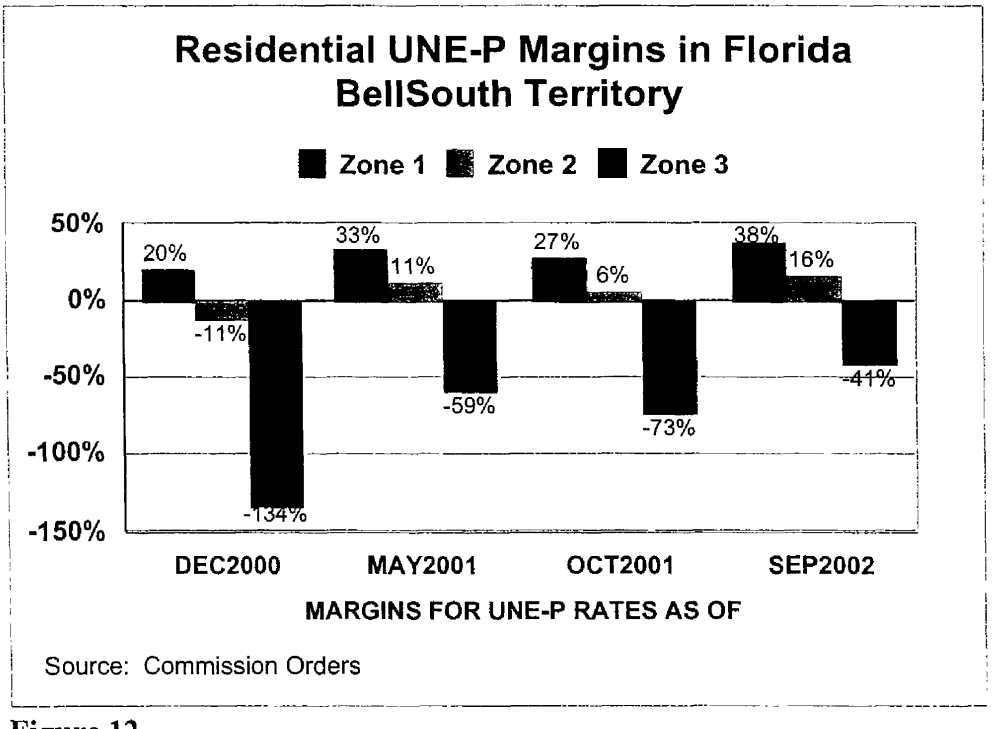

Figure 12

Figure 13 below shows the improvement in the business margins since December 2000. Margins for Zones 1 and 2 are now higher than the four other states analyzed (compare to previous Figure 11). These improved margins can be expected to further encourage ALEC market entry and erode BellSouth's market share.

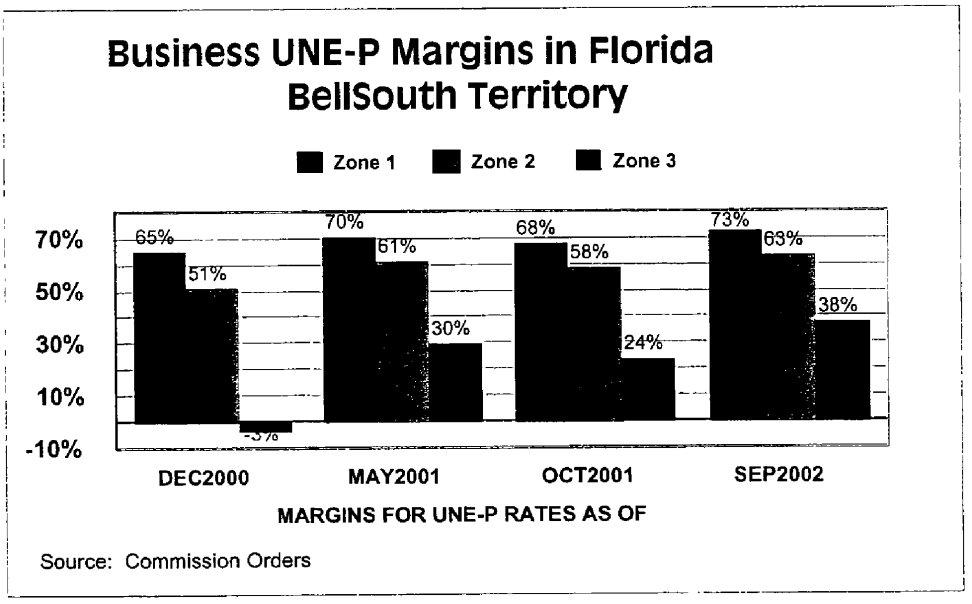

Figure 13

As shown in Figure 14 below, the May and October 2001 rate changes have had a dramatic effect on the Florida market. The number of UNE-P lines in service in BellSouth's territory grew more than 259%, from 117,091 in 2001, to 420,390 in 2002. During this same period, ALECs appear to have converted a substantial number of resold lines to UNE-P, probably due to the better UNE-P margins. The number of ALEC resold lines in BellSouth's territory decreased 42%, from 219,207 in 2001, to 128,571 in 2002.

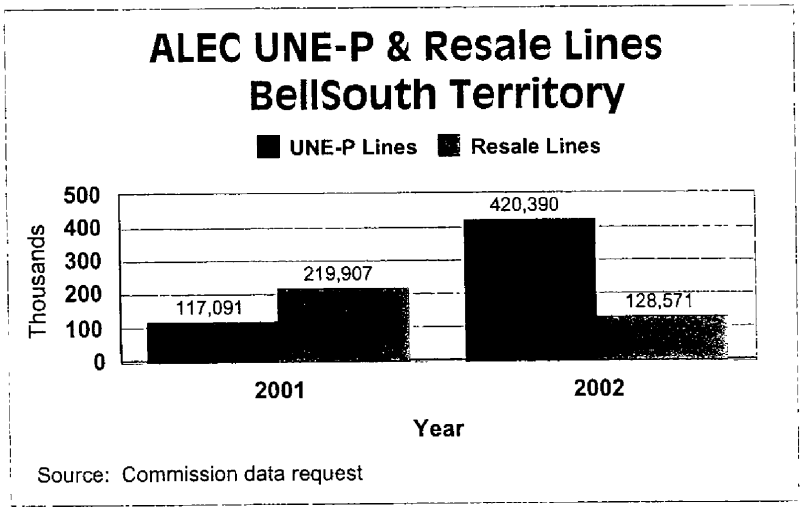

Figure 14

Figures 15 and 16 further demonstrate the impact of the UNE rate reductions. As of June 30, 2002, UNE-P lines comprised 28% of total ALEC lines in Florida, compared to 12% a year earlier.[33]

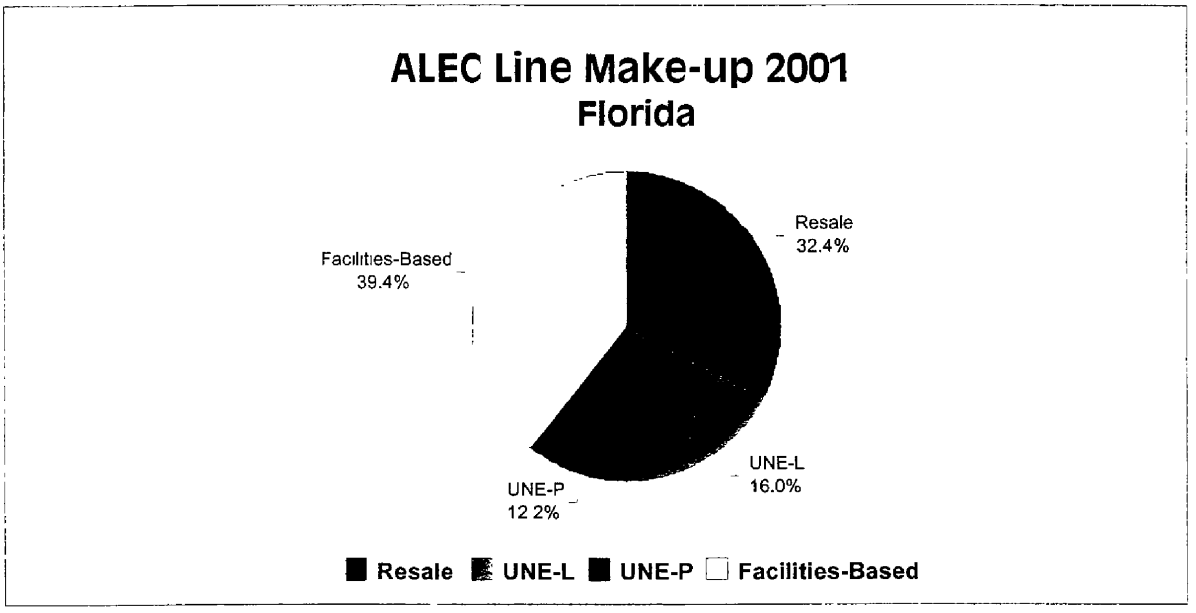

Figure 15

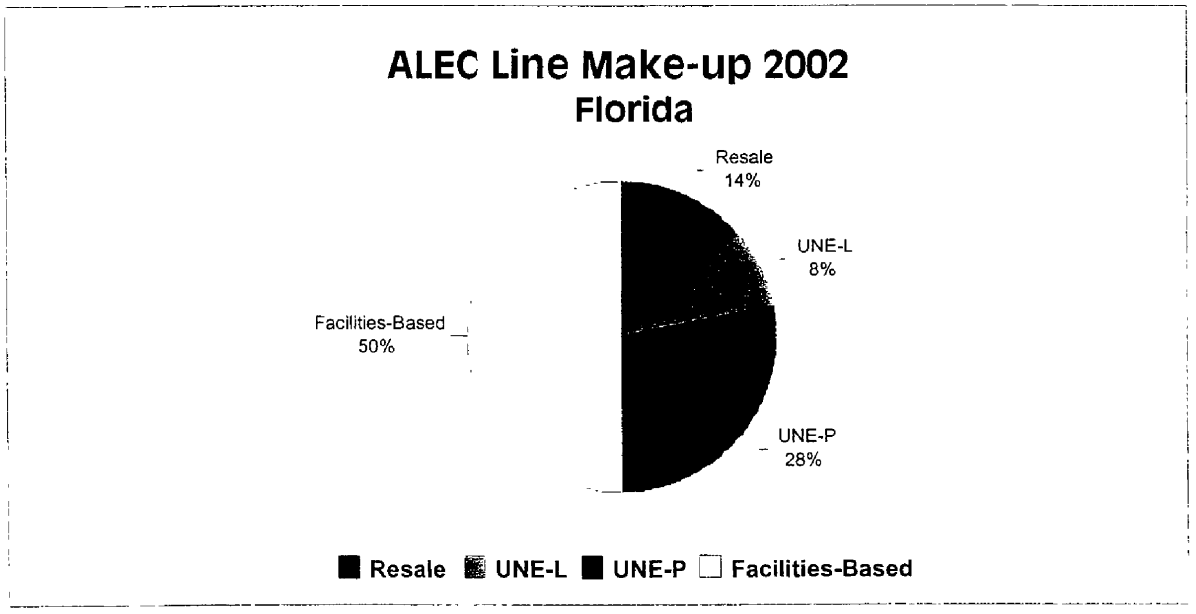

Figure 16

[33]UNE-P comprised 34% of ALEC access lines in BellSouth's territory. Data was unavailable to calculate a comparable access line figure for 2001.

Summary

When a state's BOC receives 271 approval, it can compete with carriers for long distance, thus offering it the opportunity to bundle local and long distance service. If long distance carriers do not want to lose market share (and revenues), then, for the first time, they must compete directly with the BOC for local and long distance service. Common sense indicates that 271 approval would tend to increase the level of local competition; the increases in ALEC market share in New York and Texas before and after 271 approval certainly seem to bear that out. While the timing of UNE-P availability and 271 approval in New York and Texas makes it difficult to separate out their effects, the level of UNE-P margins appears to be as important as whether the BOC has obtained 271 approval in an ALEC's decision to enter a local market. The data appear to show that market share levels are closely correlated to margin levels; ALECs have higher market penetration in those segments of the market with higher margins. However, if an ALEC who is also a long distance carrier believes that the UNE-P rate is too high to produce good margins, then with 271 approval the ALEC must balance its objective of retaining long distance revenue against paying the "too high" UNE-P rates.

On September 6, 2002, this Commission reduced BellSouth UNE rates. Additionally, in October, 2002, the Commission endorsed BellSouth's Section 271 application to the FCC. The role of state public service commissions in the 271 process is a consultative one, whereby the state commissions provide the FCC with an opinion as to whether or not the BOC has met the 14-point checklist outlined in Section 271 of the Act. The FCC must now consider whether or not to grant 271 approval to BellSouth, with a decision due in December, 2002.

The substantial increase in ALEC market share in Florida over the past year is likely the result of (1) anticipation by ALECs that BellSouth will obtain FCC 271 approval, i.e., the pre-271 surge in market share as seen in other states and (2) the reduction in UNE rates in May 2001. With the further reduction in UNE rates in September 2002, and assuming BellSouth receives 271 approval from the FCC, we would expect to see a further increase in local competition in Florida, at the very least in BellSouth's service territory.

B. The Economy

Economic Change in the Telecommunications Industry

The most important indicator measuring the financial status of the telecom industry is captured in the NASDAQ Telecommunications Index (NTI). This index measures stock price behavior of competitive telecommunication carriers and equipment manufacturers and signals the degree of investor confidence for this industry.[34] In December 1995, nearly a year before passage of the Telecom Act of 1996, the NTI stood at 208.35. By December 1998, the NTI accelerated in value to 500.9. Fourteen months later, the NTI peaked in February 2000 reporting a value of 1,141.1.

[34]The NTI includes all types of telecommunications including point-to-point communications services and radio and television broadcast.

According to data as of May 2002, the NTI had plummeted to a value of 132.8.[35] This steep downturn in the NTI was due to a rapid disappearance of venture capital and culminated with a mass exodus of firms from this industry. A contributing cause for the steep decline in the NTI might be the role of accelerated corporate malfeasance by key telecommunications officials. Companies which deliberately engage in deceptive accounting practices and fraudulent capital acquisition strategies abdicate their fiduciary responsibilities to both their shareholders and customers. Such unchecked unscrupulous conduct further erodes investor confidence and exacerbates the problem of capital flight out of this market. Faced with the economic reality of a dearth of capital, rising debt loads and a very difficult market to penetrate, telecom companies find themselves once again adjusting to market change.

Change is an endemic feature for any competitive industry. Uncertainty created by either shifts in consumer preference, changes in regulatory policy or discovery of new or improved technologies, compels suppliers to make necessary adjustments in capital infrastructures in order to accommodate market needs and expectations. Telecommunications is no exception. The advent of technologies such as DSL services, cable modem service, VoIP, and 3-G wireless has radically redefined how end users can receive voice, video and data products. While change can provide material benefits for market participants, it is important to recognize that all consumers and producers will not benefit equally. The tumultuous changes in the telecommunications industry will require companies to re-engineer their market focus and re-evaluate their core competencies in order to survive in the new telecommunications industry.

According to Probe Research, nearly 80% of the 300 new telecommunications companies founded in the second half of the 1990s have disappeared.[36] During the same period, the industry has seen stock prices plummet culminating in losses of over two trillion dollars in market equity. Telecommunications analysts have attempted to explain this implosion by focusing on market maladjustments (excess capacity/sluggish demand), market malfeasance (growth in merger activity) and regulatory inertia (failure by FCC and state commissions to fully implement market-based competition).

Currently, no reliable Florida data exist which measure selected financial status e.g., telecommunications bankruptcies. Recent announcements, however, regarding Chapter 11 filings by major ALEC carriers are important because some of these companies have a large and visible presence in Florida's local phone market. As the number of certificated ALECs declines from 463 certificated as of June 30, 2001 to 417 one year later in Florida alone, it raises the prospect of a re-emergence of monopoly control of a crucial service. Such trends would warrant close scrutiny and monitoring.

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[35]Data obtained for selected years from Performance of the Leading World Indexes, National Association of Securities Dealers. See http://www.marketdata.nasdaq.com.

[36]*End of the Telecom Turmoil?*, Business Week Online, July 29, 2002.

The economic challenges confronting the telecom industry are no longer exclusively an "ALEC problem." Signs are emerging that the Regional Bell Operating Companies (RBOC) are no longer immune from the changes created by telecom market restructuring. A recent article in Forbes magazine reports that the total number of telephone lines in service declined by over 9 million in 2001.[37] According to Forbes:

> The [access] line decline in 2001 was a direct result of the ferocious assault on the Bells from all sides. As many as 3 million customers decided to forgo a home phone last year, going wireless instead. Cable operators are beginning to offer local phone calls on their rebuilt lines, and poached 600,000 Bell customers last year. Another 2 million households canceled the second phone lines they were using for poky dial-up access to the Internet; high-speed cable access and DSL don't interfere with regular phone service, making second lines superfluous.
>
> The erosion began to show up last month in BellSouth's second-quarter report, as sales fell 3.5% and earnings plunged 67% on one-time charges, sending the stock down 18% in a day. Verizon and SBC were also expected to report further phone line losses.

Downward price adjustments for both UNEs and UNE-P also continue to cut into RBOC profit margins. Recently, UBS Warburg, a prominent market investment firm, downgraded the status of three major RBOCs (BellSouth, SBC & Verizon) from buy to hold. The company predicts that robust competition in the local phone market will continue unabated in the second half of 2002. Moody's Investors Service is also reviewing its "Aa3" senior unsecured long-term credit rating on BellSouth for a possible downgrade. Moody's is concerned about "ongoing weakness in revenue and access line trends in its local wireline operations primarily resulting from rapidly expanding competition," as well as increased business risk due to competition from long distance, wireless, and cable TV service providers. Such competition will only exacerbate the problem of diminishing margins for the RBOC community.

The conventional wisdom suggests that the short-term outlook for telecom remains grim. However, caution should be exercised against any inference that the industry is somehow "unique" during this time of market adjustment. Capital-intensive industries tend to experience bankruptcies, employment reductions or financial market losses. The U.S. experiences in the automobile, airline, trucking, steel, and shipping sectors are economic reminders that few, if any, industries are insulated from economic change. In fact economic theory argues that a prerequisite for a dynamic economy is defined by the opportunity for firms to fail in order for new technologies, efficiencies and more viable business plans to emerge. Seen in this context, business failure can be a type of economic catharsis, because the end users stand to benefit from the improvements. While the telecom industry has an equal opportunity to make significant contributions in raising consumer welfare, the primary beneficiaries, at least in the short run, may be medium-to-large businesses where most competition is currently taking place. It is uncertain whether alternative last mile technology has evolved

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[37] *Bad Connection*, Forbes.com, August 12, 2002.

sufficiently to permit true facilities-based competition in the residential market, although both cable and wireless companies provide promise for increasing competition in this area.

Telecommunications Change & Adjustment in Florida

How will these changes in the telecom industry impact Florida? The answer will depend on how quickly Florida's telecom infrastructure can anticipate and adapt to change. Enterprise Florida, the lead agency for promoting state-wide economic development, concludes in a recent report that Florida ranks very high in advanced telecommunications networks in the US. The state is home to some of the world's leading telecom providers vying to provide businesses and consumers with the latest technological solutions and choices in a liberalized, highly competitive market.[38] The Sunshine State also has a high concentration of web portals and other Internet companies. The creation of two Network Access Points in Florida implies that there is no shortage of traffic growth. Internet traffic is said to be accelerating in growth and voice traffic is rising as well. But, as the telecom industry has discovered, traffic growth is not a reliable indicator of revenue growth. The telecommunications bubble imploded not because of a dearth of traffic but concurrently with an increase in traffic. As markets become increasingly saturated, companies will have to explore creative options in order to maintain solvency and a competitive edge over rivals. As The Economist magazine notes, these options should take into consideration that new revenue growth will likely not come from new subscribers.[39] New services targeted to informed users with a premium on value and not price will be the key for revenue maximization and industry renewal.

Florida telephone companies will remain competitive, provided carriers are able to adapt to customer preference and economic and technological change. Surviving Florida telecommunications companies appear to be adapting to the changing market conditions[40] and have proven the value of implementing financially sound business plans. For example, Network Telephone, a Pensacola-based ALEC, has managed to effectively compete while incurring less than $1 million in debt. The company is expecting to increase its staff to 800, increase lines served to 120,000 and increase customers from 14,000 to 15,000, all by end of year 2002. Revenues are projected to rise from $20 million in 2001 to $50 million by 2002. Other Florida ALECs have demonstrated that facilities-based entry strategies are proving to be beneficial for both the company and consumers. Both Time Warner and Allegiance have adopted targeted approaches for business customer recruitment and retention. The companies have opted to build networks contingent on firm contracts from large customers that agree to buy their telephone service. The practice of linking network buildout with firm contracts will allow steady, incremental growth, and better position these companies to challenge ILEC dominance of the business and, perhaps in the longer term, the residential market.

Successfully penetrating the residential market will continue to be an uphill battle for ALECs, and this is not due solely to the high costs/low margins to serve this market. Residential

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[38]Enterprise Florida, *Industry Highlight : Telecommunications,* http://www.eflorida.com.

[39]*The Telecom Crisis: Too Many Debts;Too Few Calls,* The Economist, June 18, 2002.

[40]The Florida Trend April 2002, p 54.

subscribers responding to a monthly survey sponsored by the FPSC have indicated a strong and stable reluctance towards shifting service from their ILEC to an ALEC. In an attempt to measure the degree of brand/service loyalty, respondents were asked whether they have considered switching their local telephone service to a competing company. Seventy-one percent (71%) of nearly 3,000 households responded to this question by indicating they were NOT considering a switch at the time of the survey. Based on this 2002 data, it would appear that Florida residential phone users exhibit a high degree of service loyalty even with knowledge about alternative providers. As indicated earlier, cable companies and wireless providers offer the most hope for bringing options to residential consumers; however, significant market share gains from these facilities-based providers will not take place overnight.

CHAPTER V: DISCUSSION OF ISSUES REQUIRED BY CHAPTER 364, F.S.

Section 364.386(1), Florida Statutes, requires the Commission to address six points in its evaluation of the competitive market. With those issues in mind, staff designed data requests and sent them to all certificated ALECs and ILECs. The ALEC data request consisted of questions designed to obtain information regarding the types of local telecommunications services being offered, the range of rates for services offered and the geographic areas where customers are able to obtain such services. Along with questions regarding marketing efforts and future business plans for Florida, ALECs were also asked to describe any barriers experienced in entering Florida's local exchange market and any difficulties encountered specifically related to ILEC agreements. Comments as to any major obstacles believed to be impeding the growth of local competition and suggestions as to how to remove such obstacles were also solicited. This chapter addresses the statutory questions and summarizes some of the feedback provided by ALECs in response to the additional questions.

A 1997 amendment to Section 364.161(4), Florida Statutes, mandates that the Commission maintain a file of all ALEC complaints against ILECs regarding timeliness and adequacy of service in the provisioning of unbundled network elements, services for resale, requested repairs, and necessary support services. This information, including how and when each complaint was resolved, is included in Appendix F.

The Commission is required to address the following points in analyzing the status of competition in Florida:

(1) The overall impact of local exchange telecommunications competition on the continued availability of universal service.
(2) The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.
(3) The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.
(4) The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunications services.
(5) What additional services, if any, should be included in the definition of basic local telecommunications services, taking into account advances in technology and market demand.
(6) Any other information and recommendations which may be in the public interest.

Each issue is discussed below.

(1) The overall impact of local exchange telecommunications competition on the continued availability of universal service.

Universal Service is the longstanding concept that a specified set of telecommunications services be available to all customers at affordable rates. Chapter 364.025, Florida Statutes, provides a number of guidelines designed to maintain Universal Service objectives with the introduction of competition in the local exchange market. First, Section 364.025(1), F.S., requires incumbent local exchange companies to furnish basic local exchange telecommunications service within a reasonable time period to any person requesting such service within a company's service territory until January 1, 2004. Additionally, Section 364.025(4), F.S., mandates that prior to January 1, 2004, "the Legislature shall establish a permanent universal service mechanism upon the effective date of which any interim recovery mechanism for universal service objectives or carrier-of-last-resort obligations imposed on alternative local exchange telecommunications companies shall terminate." In compliance with this section, the Commission submitted its report, Universal Service in Florida, to the Governor and Legislature in December 1996. At the direction of the Legislature, universal service issues were revisited in the Universal Service and Lifeline Funding Issues report submitted in February 1999. In its report, the Commission stated that "although the potential for an ILEC to experience competitive erosion of its high-margin customers while retaining its high-cost (and perhaps below-cost) customer base is a real concern, the Commission has not discerned any such major impact to date."

As of May 2002, 93.2% of Florida households subscribed to local telephone service, compared to the national average of 94.9%.[41] This represents an increase in households subscribed from the 92.9% reported in 2001.

Although ILECs have reported a modest loss in access lines, ALECs have increased both their residential and business market share. The ILEC losses may be at least partially attributable to the emerging competition from wireless, cable, and broadband providers. In spite of this small decrease in access lines, ILECs still retain the dominant market share and there appears to be no evidence of significant adverse impacts on the ability of ILECs to provision universal service.

(2) The ability of competitive providers to make functionally equivalent local exchange service available to both residential and business customers at competitive rates, terms, and conditions.

The Commission surveyed the 417 ALECs certificated as of June 30, 2002. Of the 282 respondents, 122 indicated that they were currently providing service in Florida. ALECs were asked to discuss any perceived barriers to competition in Florida and to describe any significant problems experienced with agreements with ILECs. It is interesting to note that in spite of the perceived obstacles discussed by the respondents, approximately 40% of the ALECs providing service indicated either that they had experienced no barriers to competition in Florida, or did not respond

[41] Telephone Subscribership in the United States, Federal Communications Commission, May 2002.

to the question. For the ALECs that did provide feedback, the primary issues raised are grouped by subject and are shown in Figure 17.

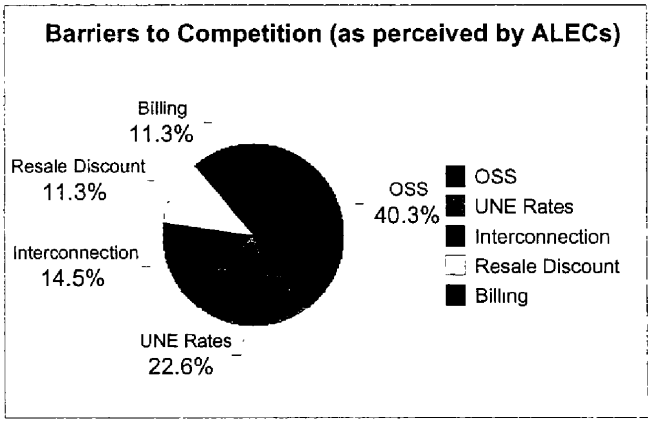

Figure 17

Operations Support Systems (OSS)

OSS issues were the most common barrier named. Specifically, ALECs frequently alleged a lack of non-discriminatory access to OSS comparable to the ILEC's systems, excessively high rates of manual order processing, high levels of ILEC errors in ordering and provisioning, a lack of responsiveness by ILEC personnel and a decrease in overall efficiency. As discussed later in this report, the Commission has recently issued decisions on OSS and ILEC performance metrics and has instituted a collaborative proceeding designed to address such topics.

UNE Rates

UNE rates, particularly UNE-P rates, were the second most frequently named barriers to competition in Florida. Responses to the data requests, however, indicate a significant increase in the number of ALECs purchasing a wide variety of UNEs. Additionally, as discussed elsewhere, the Commission recently reduced certain BellSouth UNE rates and added the directive that Commission staff closely monitor progress in market competition in the coming year. In October, 2002, the Commission reduced Verizon's UNE rates. For example, the Commission set a loop rate of $12 per month in Verizon's most densely populated areas, versus the $22.17 per month sought by Verizon. A hearing to set rates for Sprint is being scheduled.

Interconnection Problems

ALECs provided a variety of comments related to problems encountered when attempting to interconnect with ILECs. ILEC agreement and relation problems were commonly cited, including allegations of the misinterpretation of contracts, breach of contract, "one-sided" negotiations, unilateral decision making by ILECs, "winbacks" and predatory practices. Several ALECs alleged stalling techniques by the incumbents when attempting to convert a customer who subscribed to the ILEC's DSL service. Collocation delays and intercarrier compensation disputes were also noted by a number of ALECs.

Low profit margins

Low profit margins due to a "too low" resale discount was the next most frequently named barrier. The Telecommunications Act of 1996 requires ILECs to resell any telecommunications service provided to subscribers who are not telecommunications carriers. Resale continues to be a popular method of market entry for ALECs. The Act also gives state commissions the responsibility to set resale discounts based on the ILEC's retail rates, excluding any costs avoided by selling at wholesale. This methodology results in wholesale rates having the same margin (in absolute terms) as retail rates. The discount rates for BellSouth, Sprint and Verizon were established as a result of Commission proceedings conducted in 1996 and 1997, and are summarized in Table 9.

Table 9 Florida Resale Discount Rates

Resale Discount	BellSouth	Verizon	Sprint
Residential	21.83%	13.04%	19.40%
Business	16.81%	13.04%	19.40%
Operator/Directory Assistance[42]			12.10%

Source: Tariffs on file at Commission

Billing

ALECs claim to have encountered billing problems with ILECs on numerous occasions. They point out the detrimental effects that a lengthy dispute resolution process has on their business operations.

Other Issues

ALECs raised several other issues that did not necessarily fit in one of the major categories discussed above. For example, resellers concentrating on the "prepaid" market complained that ILECs frequently fail to impose toll blocking. Most "prepaid" customers have credit problems or have had their telephone service disconnected; resellers in this market generally impose toll restrictions on these customers.

Commission-specific issues deemed as barriers were also cited by ALECs, such as the need for a speedy dispute resolution process and modification of the Commission's demarcation rules. Also, ALECs indicate that there is a need for the Commission to obtain and exercise more enforcement power over ILECs.

[42]Operator/Directory Assistance discount rates for BellSouth and Verizon vary.

(3) The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.

As of June 30, 2002, 122 ALECs reported that they were currently providing some form of local telecommunications service in Florida. Appendix A lists the responding ALECs, their customers, and methods by which they are providing service. Methods of offering service are through the *resale* of an ILEC's products, *facilities-based* provisioning entirely through the competitor's own facilities, *unbundled network elements (UNEs)* leased from the ILEC, or a *mixed* combination of two or more methods.

Appendix B of this report illustrates that both residential and business customers in a wide range of geographic areas have access to local service from competitors. However, as in previous years, competitors continue to focus primarily on business customers in densely populated areas. Some companies, such as Access Point, Inc., indicated that any residential customers obtained "are ancillary to business customers." Table 10 illustrates that, as in previous years, ALECs concentrate on markets with large concentrations of customers. The table lists the state's 10 Local Access and Transport Areas (LATAs), the local exchange areas served by a local phone company, along with the exchanges within the LATA with and without a competitive entrant. Appendix C provides the percentage of ALEC access lines by exchange.

Table 10 ALEC Providers by Florida LATA

LATA	Exchanges in LATA (2001)	(2002)	Exchanges without competitive entrant (2001)	(2002)	Area codes serving LATA (2001)	(2002)
Daytona	10	10	0	0	386	386
Ft. Myers	31	31	0	0	863, 941	863, 941, 941 to 239[43]
Gainesville	49[44]	49	0	1	352, 850, 904	352, 850, 904
Jacksonville	43	43	2	2	386, 904	386, 904
Mobile AL	2	2	1	1	850	850
Orlando	23[45]	23	1	0	321, 386, 407	321, 386, 407, 689[46]

[43]Permissive dialing (941 or 239) started March 11, 2002. Mandatory 239 dialing starts March 10, 2003.

[44]Includes Weirsdale exchange (effective August 31, 2000).

[45]Includes Montverde.

[46]Implementation date of the third overlay area code, 689, has been suspended. All unused 321 telephone numbers in this area will be frozen and transferred to Brevard County.

Table 10 ALEC Providers by Florida LATA						
LATA	Exchanges in LATA (2001)	(2002)	Exchanges without competitive entrant (2001)	(2002)	Area codes serving LATA (2001)	(2002)
Panama City	35	35	9	7	850	850
Pensacola	23	23	1	2	850	850
Southeast	31	25[47]	0	1	305, 561, 754, 786, 954	305, 561, 561 to 772[48], 754, 786[49], 954
Tallahassee Area	12	12	1	1	850	850
Tampa Area	24	24	0	0	727, 813, 863, 941	727, 813, 863, 941

In addition to having ALECs that will compete in parts of the state for different customers, customers must also be able to obtain services at rates comparable to that of the ILEC in order for meaningful competition to take place. As shown in Table 11, customers appear to have access to a wide variety of rates as competitors have developed a variety of pricing strategies to gain customers including overall discounts or matching the incumbent's price.

Table 11 Local Rates for Selected Florida ALECs and ILECs As of June 30, 2002					
ALEC Rate			ILEC Rate		
ALEC	Residential	Business	ILEC	Residential	Business
American Fiber Network	$7.38 - 12.06	$28.85 - 40.92	BellSouth	$7.45 - 11.00	$20.46 - 30.07
			Verizon	$9.72 - 12.06	$24.47 - 30.06
ATS	10% discount off BellSouth rate	12% discount off BellSouth rate	BellSouth	$7.45 - 11.00	$20.46 - 30.07

[47]Reflects the consolidation of the Keys (i.e., North Key Largo, Key Largo, Islamorada, Marathon, Big Pine Key, Sugar Loaf Key and Key West - all combined in the Keys exchange).

[48]Permissive dialing (772 or 561) began February 11, 2002. Mandatory 772 dialing begins November 11, 2002.

[49]Permissive 7 or 10-digit dialing using 305 began on September 1, 2001. Mandatory 10-digit dialing and use of 786 will be decided later.

Table 11 Local Rates for Selected Florida ALECs and ILECs As of June 30, 2002					
ALEC Rate			ILEC Rate		
ALEC	**Residential**	**Business**	**ILEC**	**Residential**	**Business**
High Tech Communications	$26.00 prepaid	$39.00	Sprint-Centel	$7.53 - $9.82	$16.94 - 22.14
Orlando Telephone Company	$11.50	$20.00/25.00	BellSouth Sprint - United	$7.45 - 11.00 $6.58 - 10.41	$20.46 - 30.07 $15.47 - 24.46
Southeastern Services	$9.00	$24.40	Northeast Florida	$9.00	$24.40

ALECs frequently meet the prices of ILECs or provide a specified percentage discount from the incumbent's tariffed rates. A number of ALECs responded that their strategy consisted of meeting the ILEC's rates. ALECs utilizing this practice may find it more feasible to compete in other areas such as promising more favorable terms or improved service.

Another pricing strategy offered by ALECs is prepaid telephone service, an option for consumers with poor credit histories or those disconnected due to repeated late payments or nonpayment. Customers of prepaid phone companies typically agree to pay a monthly fee in advance for local calls and 911 access, but must agree to the blocking of toll, 900-numbers, and directory assistance calls. Prices for such services range from approximately $29.99 to $59.99 for residential service and $39.99 to $79.99 for business service. Prepaid phone customer access lines appear to account for a substantial percentage of the residential access lines currently served by ALECs and were identified by several respondents as their primary market.

(4) The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunications services.

Section 364.051, Florida Statutes, imposed rate caps for basic local telephone service until January 1, 2000 for price-regulated ILECs with fewer than 3 million access lines and until January 1, 2001 for BellSouth. After these dates, Section 364.051, Florida Statutes, provides that an ILEC may adjust its basic service prices once in an 12-month period by an amount not to exceed the change in inflation less one percent. The following ILECs proposed increases for basic and non-basic services in 2002, pursuant to the provisions of Section 364.051, Florida Statutes:

- ALLTEL filed for an increase in basic and non-basic services by 5.4%.
- BellSouth filed for an increase of 1.778% in basic services and for a 0.15% increase in non-basic residential optional services.
- GT Com filed for a 1.50% increase in basic services.
- Quincy Telephone Company filed a .05412% increase in both basic and non-basic services.
- Verizon filed to increase basic services by .054%.

(5) What additional services, if any, should be included in the definition of basic local telecommunications services, taking into account advances in technology and market demand.

At this time, there is no evidence indicating a need to recommend additions or deletions to the definition of basic local service. Definitions vary for ILECs and ALECs. For ILECs, Section 364.02(2), Florida Statutes, defines basic local service as follows:

> "Basic local telecommunications service" means voice-grade, flat-rate residential and flat-rate single line business local exchange services which provide dial tone, local usage necessary to place unlimited calls within a local exchange area, dual tone multi-frequency dialing, and access to the following: emergency services such as "911," all locally available interexchange companies, directory assistance, operator services, relay services, and an alphabetical directory listing. For a local exchange company, such terms shall include any extended area service routes, and extended calling service in existence or ordered by the commission on or before July 1, 1995.

According to Section 364.337(2), Florida Statutes, the basic local telecommunications service provided by an ALEC must include access to operator services, "911" services at a level equivalent to that of the ILEC serving that area and relay services for the hearing impaired. ALECs must also provide a flat-rate pricing option for basic local telecommunications services; the statute states that "mandatory measured service for basic local telecommunications services shall not be imposed."

(6) Any other information and recommendations which may be in the public interest. There are no recommendations at this time.

Summary of Select Responses to Other Questions

Competitors continue to increase their market penetration in Florida and make plans to expand their operations. Although a few resellers indicated their intention to remain strictly in that business, most nonfacilities-based ALECs stated that their plans involved moving from providing services through resale to utilizing UNE-P. In fact, a few companies, such as Florida Comm South, are in a transitional period of converting to some degree of provisioning services using UNE-P. Comments were made regarding the need to reduce UNE prices; as stated in the discussion on Commission proceedings, the agency continues to address this matter.

Regarding whether an ALEC intended to become a facilities-based provider, most responded that such a decision will be made pending UNE pricing, overall economic conditions, and company business plans. ALEC responses varied greatly as to the amount invested in their own network thus far; unfortunately, some ALECs responded with the amount invested in Florida, while others provided a national figure. Regardless, ALECs reported investing over $1 billion in their own facilities and projected that they will locate over 30 switches in Florida over the next five years.

According to Telecommunications Reports Daily[50], a new report released by CompTel estimates that between 1996 and 2001, competitors spent over $103 billion on network infrastructure.

The majority of the certificated ALECs responding to the data request listed local telephone service as their primary line of business; these services provided over $260 million in revenue for those ALECs able and willing to disclose such figures. However, many competitors provide other telecommunications options including long distance and data services. Several companies provide bundled service offerings, such as Knology of Florida, Inc. As a broadband telecommunications company, Knology offers bundled packages including local and long distance service, cable television and high speed Internet services. Orlando Telephone Company, NuVox and Network Telephone, to name a few, also provide various packaged plans.

[50]http://www.tr.com/online/trd/2002/td100302/index.htm

APPENDIX A: ALECs PROVIDING SERVICE			
ALEC	**Service Provided To:**	**Methods**	**Geographic Areas Served**
1-800-RECONEX, Inc.	residential	resale	Statewide
Access Integrated Networks, Inc.	residential, business	resale	Statewide
Access Point, Inc.	residential, business	resale	Statewide
Advantage Group of Florida Communications, LLC	business	mixed	Central Florida
ALEC, Inc. .	business	facilities	Statewide
Allegiance Telecom of Florida, Inc.	business	mixed	Confidential
ALLTEL Communications, Inc.	residential, business	mixed	North Florida
Alternative Access Telephone Communications Corp.	residential	resale	Statewide
Alternative Phone, Inc.	residential	resale	Statewide
Alternative Telecommunication Services, Inc.	residential	resale	Statewide
American Fiber Network, Inc.	residential, business	resale	Statewide
AmeriMex Communications Corp.	residential	resale	Statewide
ANEW Broadband, Inc.	residential, business	mixed	South Florida
Atlantic Telecommunication Systems, Inc.	residential, business	resale	South Florida
Atlantic.Net Broadband, Inc.	residential, business	mixed	Statewide
AT&T/TCG/AT&T Broadband	residential, business	mixed	Confidential
Basic Phone	residential/business	resale	Central and South Florida
Beauty Town, Inc. d/b/a/ Anns Communication	residential	resale	North Florida
BellSouth Telecommunications, Inc.	residential, business	facilities	Central Florida
Budget Phone, Inc.	residential	resale	Not reported
BudgeTel Systems, Inc.	residential	resale	South Florida
Burno, Inc.	residential	resale	Statewide
Business Telecom, Inc.	residential, business	mixed	Statewide
Buytel Communications, Inc.	residential	resale	Statewide

APPENDIX A: ALECs PROVIDING SERVICE			
ALEC	**Service Provided To:**	**Methods**	**Geographic Areas Served**
CAT Communications International, Inc.	residential	resale	Statewide
CB Telecomm	residential	resale	Statewide
Choctaw Communications, Inc. d/b/a Smoke Signal Communications	residential	resale	Statewide
CI2, Inc.	business	resale	Jacksonville, Central and South Florida
Comm South Companies, Inc. d/b/a Florida Comm South	residential	resale	Statewide
Credit Loans, Inc. d/b/a Lone Star State Telephone Co.	residential	resale	North and South Florida
Deland Actel, Inc.	residential, business	resale	Statewide
Dialtone Telecom, LLC	residential	resale	Statewide
DPI-Teleconnect, LLC	residential	resale	Statewide
Eagle Communications, Inc.	business	resale	Statewide
Easy Telephone Services Company	residential	resale	Statewide
EPICUS, Inc.	residential, business	mixed	Statewide
Ernest Communications, Inc.	residential	resale	Statewide
EXCELINK Communications, Inc.	residential	resale	Statewide
Express Phone Service, Inc.	residential, business	resale	Confidential
EZ Talk Communications, LLC	residential	resale	Statewide
Fair Financial LLC Telecommunications	residential	resale	North Florida
Florida City-Link Communications, Inc.	residential	Not reported	Not reported
Florida Multi-Media Services, Inc.	residential	facilities	Central Florida
Florida Digital Network, Inc.	business	mixed	Statewide
Florida Phone Service, Inc.	residential	resale	Central and South Florida
Florida Telephone Services, LLC	residential, business	mixed	Statewide
Focal Communications Corporation of Florida	business	mixed	Confidential
Ganoco, Inc.	residential, business	resale	Statewide

APPENDIX A: ALECs PROVIDING SERVICE			
ALEC	**Service Provided To:**	**Methods**	**Geographic Areas Served**
Georgia Telephone Services, Inc.	residential	resale	North Florida
Global Crossing Local Services, Inc.	business	mixed	Statewide
Global Crossing Telemanagement, Inc.	business	mixed	Statewide
GLOBAL NAPS	business	facilities	Confidential
Heritage Technologies, Ltd.	residential	mixed	North Florida
High Tech Communications of Central Florida, Inc.	residential, business	resale	Southwest Florida
Hosting-Network, Inc.	residential, business	mixed	Southwest
IDS Telcom LLC	residential, business	mixed	Statewide
Intermedia Communications, Inc.	business	mixed	Confidential
ITC^DeltaCom	residential, business	mixed	Confidential
Kenarl, Inc.	business	mixed	South Florida
KMC Telecom III LLC	business	mixed	Statewide
Knology of Florida, Inc.	residential, business	facilities	North Florida
LecStar Telecom, Inc.	residential, business	resale	Statewide
Lightyear Communications, Inc.	business	UNE	Statewide
Local Line America, Inc.	residential	resale	Statewide
MCI WorldCom Communications, Inc.	residential, business	mixed	Confidential
MET Communications, Inc.	residential	resale	Statewide
Miracle Communications	residential	resale	North and Central Florida
Mobile Phone Company	residential	resale	South Florida
Momentum Business Solutions, Inc.	business	UNE	Confidential
Movie, Television & Graphics Corp.	residential, business	resale	Central and South Florida
Mpower Communications	residential, business	mixed	Central and South Florida
MY-TEL, Inc.	residential, business	resale	Central Florida
National Telecom & Broadband Services, LLC	residential, business	UNE	Not reported

APPENDIX A: ALECs PROVIDING SERVICE			
ALEC	**Service Provided To:**	**Methods**	**Geographic Areas Served**
Navigator Telecommunications, LLC	residential, business	mixed	Confidential
Network Telephone	residential, business	mixed	Statewide
New South Communications	confidential	confidential	Confidential
Norcom, Inc.	business	resale	South Florida
North American Telecommunications Corp.	residential, business	mixed	South Florida
NOS Communications	residential, business	resale	South Florida
NOW Communications	residential	mixed	Statewide
NuVox Communications, Inc.	residential, business	mixed	Jacksonville, Miami
OnePoint Communications-Georgia	residential	resale	Statewide
OneStar Communications, LLC	residential, business	mixed	Statewide
Orlando Telephone Company	residential, business	mixed	Central Florida
PaeTec Communications	residential, business	mixed	Statewide
Phone-Link, Inc.	residential	resale	Central Florida
Preferred Carrier Services, Inc.	residential	resale	Statewide
QuantumShift Communications, Inc.	business	resale	Not reported
Rebound Enterprises	residential, business	resale	Central Florida
Re-Connection Connection	residential	resale	South Florida
ReTel Communications, Inc.	residential,business	resale	North Florida
Ring Connection	residential	resale	Statewide
Sandhills Telecommunications Group, Inc.	residential, business	resale	Statewide
SBC Telecom, Inc.	residential, business	mixed	Central and South Florida
Southeastern Service, Inc.	residential, business	resale	North Florida
Source One Communications, Inc.	residential	resale	Statewide
Sprint Communications Company Limited	business	mixed	Statewide
State Discount Telephone, LLC	residential	resale	Statewide

APPENDIX A: ALECs PROVIDING SERVICE			
ALEC	**Service Provided To:**	**Methods**	**Geographic Areas Served**
Supra Telecommunications and Information Systems, Inc.	residential, business	mixed	Statewide
Talk America Inc.	residential, business	UNE	Statewide
Teleconex, Inc.	residential	mixed	Statewide
Tel West Communications, LLC	residential	resale	Statewide
The Other Phone Company, Inc.	residential, business	mixed	Not reported
The Ultimate Connection, Inc. Communications	business	mixed	Southwest Florida
Time Warner Telecom of Florida, L.P.	business	facilities	Confidential
Universal Telecom, Inc.	residential	Not reported	Statewide
University Club Communications, LLC	residential	resale	North Florida
USA Telecom, Inc.	residential	resale	Statewide
US Lec of Florida, Inc.	business	mixed	Statewide
VarTec Telecom, Inc.	residential	UNE	Statewide
XO	residential, business	mixed	Confidential
Z-Tel Communications, Inc.	residential	UNE	Statewide

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Alachua	1	3	0	0
Alford	2	6	0	0
Alligator Point	0	0	0	0
Altha	0	1	1	1
Apalachicola	0	0	0	0
Apopka	11	18	4	9
Arcadia	7	17	2	4
Archer	5	9	1	3
Astor	1	1	1	0
Avon Park	5	13	0	2
Baker	5	8	3	3
Baldwin	2	8	3	9
Bartow	8	12	2	7
Belleglade	10	21	3	9
Belleview	8	15	2	6
Beverly Hills	7	9	1	3
Blountstown	1	2	0	1
Boca Grande	1	1	1	1
Boca Raton	16	33	15	26
Bonifay	4	12	1	1
Bonita Springs	5	14	3	7
Bowling Green	1	6	0	0
Boynton Beach	13	32	8	18
Bradenton	10	18	4	8
Branford	1	4	0	0
Bristol	1	1	0	0
Bronson	4	17	1	7

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	**Total ALEC Residential Providers (2001)**	**(2002)**	**Total ALEC Business Providers (2001)**	**(2002)**
Brooker	1	3	0	0
Brooksville	11	22	7	13
Bunnell	8	19	3	7
Bushnell	6	17	2	3
Callahan	1	2	0	0
Cantonment	7	13	4	9
Cape Coral	10	2	1	2
Cape Haze	3	15	0	5
Carrabelle	1	0	0	0
Cedar Key	0	3	2	5
Celebration	0	0	1	3
Century	3	5	1	1
Chattahoochee	0	1	0	0
Cherry Lake	1	3	0	1
Chiefland	6	15	5	11
Chipley	8	15	5	11
Citra	1	3	0	0
Clearwater	10	20	7	13
Clermont	7	19	2	5
Clewiston	8	15	2	3
Cocoa	14	18	7	12
Cocoa Beach	7	34	5	13
Coral Springs	14	30	9	18
Cottondale	3	8	1	3
Crawfordville	6	14	2	2
Crescent City	1	3	1	0
Crestview	7	14	3	9

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Cross City	5	14	1	5
Crystal River	5	13	1	5
Dade City	6	18	2	5
Daytona Beach	16	38	7	19
DeBary	8	26	2	9
Deerfield Beach	12	29	7	30
DeFuniak Springs	4	10	3	5
Deland	11	27	3	11
DeLeon Springs	3	14	0	6
Delray Beach	16	29	11	19
Destin	4	10	3	6
Dowling Park	1	0	0	0
Dunnellon	8	17	4	9
East Orange	4	12	2	8
East Point	0	0	0	0
Eau Gallie	9	18	6	11
Englewood	8	11	2	5
Eustis	7	16	1	5
Everglades	1	0	0	1
Fernadina Beach	9	22	5	14
Flagler Beach	5	10	2	8
Florahome	1	2	0	1
Florida Sheriffs' Boys Ranch	1	0	0	0
Forest	1	4	0	3
Freeport	3	10	1	2
Frostproof	4	6	1	2
Ft. Lauderdale	22	45	18	31

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Ft. Meade	4	11	1	1
Ft. Myers	12	26	5	13
Ft. Myers Beach	2	5	1	4
Ft. Pierce	12	27	7	15
Ft. Walton Beach	9	17	3	7
Ft. White	1	5	0	1
Gainesville	15	36	14	18
Geneva	5	9	0	5
Glendale	1	2	0	0
Graceville	6	11	1	5
Grand Ridge	2	7	0	1
Green Cove Springs	9	21	4	15
Greensboro	1	1	0	0
Greenville	5	10	0	1
Greenwood	3	6	0	0
Gretna	1	3	0	0
Groveland	5	10	1	3
Gulf Breeze	7	23	8	15
Haines City	9	19	1	6
Hastings	1	3	1	0
Havana	7	19	2	6
Hawthorne	7	16	2	4
High Springs	1	4	0	0
Hilliard	1	5	0	0
Hobe Sound	4	12	2	6
Holley-Navarre	4	17	1	8
Hollywood	19	36	15	24

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Homestead	15	27	7	15
Homosassa	7	12	1	3
Hosford	0	0	0	0
Howey-in-the-Hills	2	1	0	0
Hudson	8	13	4	9
Immokalee	6	12	1	3
Indian Lake	1	1	0	0
Indiantown	1	0	1	0
Interlachen	1	4	0	0
Inverness	7	15	3	7
Jacksonville	22	45	20	32
Jacksonville Beach	11	27	8	17
Jasper	1	4	0	0
Jay	3	7	1	3
Jennings	1	3	0	0
Jensen Beach	5	15	4	13
Julington	1	9	2	9
Jupiter	9	19	7	14
Keaton Beach	0	0	0	0
Kenansville	1	3	0	1
Keys	21	26	13	14
Keystone Heights	7	24	1	5
Kingsley Lake	1	1	0	2
Kissimmee	12	28	7	12
La Belle	6	13	3	4
Lady Lake	5	15	1	4
Lake Buena Vista	0	0	0	4

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	**Total ALEC Residential Providers (2001)**	**(2002)**	**Total ALEC Business Providers (2001)**	**(2002)**
Lake Butler	1	5	0	0
Lake City	10	22	8	12
Lake Placid	4	14	0	2
Lake Wales	8	11	1	7
Lakeland	8	19	4	8
Laurel Hill	1	2	0	0
Lawtey	2	9	0	1
Lee	2	4	0	1
Leesburg	9	21	3	9
Lehigh Acres	7	19	1	5
Live Oak	1	7	0	0
Luraville	1	1	0	0
Lynn Haven	5	16	5	9
Macclenny	1	1	1	2
Madison	3	6	2	4
Malone	1	4	0	0
Marco Island	1	4	1	5
Marianna	4	12	3	7
Maxville	1	8	0	3
Mayo	1	4	0	0
McIntosh	1	2	0	0
Melbourne	16	34	9	18
Melrose	1	1	0	0
Miami	26	48	26	38
Micanopy	4	8	1	3
Middleburg	10	24	6	11
Milton	9	17	6	11

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Molino	1	0	0	0
Monticello	4	11	1	3
Montverde	1	4	0	0
Moore Haven	2	7	1	1
Mount Dora	7	17	1	3
Mulberry	7	13	0	3
Munson	1	1	0	1
Myakka	1	3	0	2
Naples	8	18	1	6
New Port Richey	8	19	4	9
New Smyrna Beach	6	25	4	13
Newberry	9	15	2	6
North Cape Coral	2	7	1	4
North Dade	11	31	7	21
North Ft Myers	4	15	1	5
North Naples	2	6	1	6
North Port	7	13	2	2
Oak Hill	4	10	1	5
Ocala	11	23	3	7
Ocklawaha	5	11	1	0
Okeechobee	6	14	2	3
Old Town	4	15	2	5
Orange City	5	15	2	5
Orange Park	16	23	10	22
Orange Springs	1	1	0	0
Orlando	25	49	28	36
Oviedo	12	21	7	17

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Pace	9	19	6	12
Pahokee	8	17	1	4
Palatka	12	24	3	12
Palm Coast	11	24	5	15
Palmetto	10	14	4	8
Panacea	2	2	0	1
Panama City	15	31	8	18
Panama City Beach	9	20	5	11
Paxton	0	0	0	0
Pensacola	17	33	12	19
Perrine	7	20	7	18
Perry	1	1	0	0
Pierson	4	14	0	5
Pine Island	2	6	0	1
Plant City	9	13	3	8
Polk City	7	10	0	3
Pomona Park	1	6	1	2
Pompano Beach	19	40	13	25
Ponce de Leon	3	5	1	2
Ponte Verde Beach	9	16	7	14
Port Charlotte	9	20	1	7
Port St Joe	0	0	0	0
Port St. Lucie	14	24	7	10
Punta Gorda	7	17	2	6
Quincy	1	2	0	0
Raiford	0	1	0	0
Reedy Creek	2	5	2	8

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	**Total ALEC Residential Providers (2001)**	**(2002)**	**Total ALEC Business Providers (2001)**	**(2002)**
Reynolds Hill	2	1	0	0
Salt Springs	0	1	1	0
San Antonio	3	4	0	3
Sanderson	1	1	0	1
Sanford	16	36	7	20
Sanibel-Captiva Island	1	2	1	3
Santa Rosa Beach	4	2	2	5
Sarasota	10	17	5	9
Seagrove Beach	2	3	1	2
Sebastian	7	16	4	10
Sebring	5	13	1	6
Shalimar	5	14	3	2
Silver Springs Shores	4	9	1	3
Sneads	2	8	0	1
Sopchoppy	2	2	0	0
Spring Lake Hills	0	2	1	3
St. Augustine	13	32	8	17
St. Cloud	9	15	1	3
St. Johns	1	2	0	7
St. Marks	1	0	0	1
St. Petersburg	10	26	6	13
Starke	6	12	2	6
Stuart	12	20	6	14
Sunny Hills	1	6	1	3
Tallahassee	10	29	5	10
Tampa	13	32	15	21
Tarpon Springs	8	14	4	9

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	Total ALEC Residential Providers (2001)	(2002)	Total ALEC Business Providers (2001)	(2002)
Tavares	5	13	1	4
The Beaches	0	0	0	0
Titusville	13	29	7	13
Trenton	7	15	1	7
Trilacoochee	3	8	0	2
Tyndall AFB	0	0	0	2
Umatilla	8	13	2	2
Valparaiso	3	9	3	5
Venice	9	12	3	8
Vernon	3	10	2	6
Vero Beach	14	31	7	16
Waldo	1	4	0	0
Walnut Hill	0	0	0	0
Wauchula	1	10	1	0
Weekiwachee Springs	7	19	4	10
Weirsdale	-	4	-	0
Welaka	0	10	3	8
Wellborn	1	2	0	1
West Kissimmee	1	9	2	9
West Palm Beach	20	37	15	24
Westville	2	5	0	0
Wewahitchka	0	1	0	0
White Springs	1	4	0	0
Wildwood	5	16	3	4
Williston	5	15	1	3
Windermere	0	4	2	3
Winter Garden	9	21	6	11

APPENDIX B: EXCHANGES WITH AN ALEC PROVIDER				
Exchange	**Total ALEC Residential Providers (2001)**	**(2002)**	**Total ALEC Business Providers (2001)**	**(2002)**
Winter Haven	8	17	3	8
Winter Park	14	26	11	13
Yankeetown	3	8	1	4
Youngstown-Fountain	5	12	4	5
Yulee	9	12	3	8
Zephyr Hills	8	12	3	7
Zolfo Springs	2	6	0	0

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Alachua	> 0 to 1%	> 0 to 1%	0	0
Alford	1% to 5%	1% to 5%	0	0
Alligator Point	0	0	0	0
Altha	0	> 0 to 1%	5% to 10%	5% to 10%
Apalachicola	0	0	0	0
Apopka	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Arcadia	1% to 5%	1% to 5%	1% to 5%	> 0 to 1%
Archer	1% to 5%	1% to 5%	1% to 5%	15% to 20%
Astor	> 0 to 1%	> 0 to 1%	1% to 5%	> 0 to 1%
Avon Park	1% to 5%	1% to 5%	0	> 0 to 1%
Baker	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Baldwin	1% to 5%	5% to 10%	5% to 10%	5% to 10%
Bartow	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Belleglade	5% to 10%	5% to 10%	1% to 5%	5% to 10%
Belleview	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Beverly Hills	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Blountstown	1% to 5%	1% to 5%	0	> 0 to 1%
Boca Grande	-	> 0 to 1%	1% to 5%	> 0 to 1%
Boca Raton	1% to 5%	5% to 10%	5% to 10%	30 % - 35%
Bonifay	1% to 5%	1% to 5%	> 0 to 1%	> 0 to 1%
Bonita Springs	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Bowling Green	1% to 5%	1% to 5%	0	0
Boynton Beach	1% to 5%	5% to 10%	5% to 10%	25% - 30%
Bradenton	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Branford	> 0 to 1%	> 0 to 1%	0	0
Bristol	1% to 5%	> 0 to 1%	0	0
Bronson	1% to 5%	1% to 5%	> 0 to 1%	1% to 5%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Brooker	> 0 to 1%	> 0 to 1%	0	0
Brooksville	1% to 5%	1% to 5%	1% to 5%	10% to 15%
Bunnell	> 0 to 1%	1% to 5%	> 0 to 1%	5% to 10%
Bushnell	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Callahan	> 0 to 1%	> 0 to 1%	0	0
Cantonment	1% to 5%	1% to 5%	25% to 30%	15% to 20%
Cape Coral	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Cape Haze	> 0 to 1%	> 0 to 1%	0	1% to 5%
Carrabelle	> 0 to 1%	0	0	0
Cedar Key	> 0 to 1%	> 0 to 1%	1% to 5%	5% to 10%
Celebration	0	0	1% to 5%	25% to 30%
Century	1% to 5%	> 0 to 1%	> 0 to 1%	1% to 5%
Chattahoochee	0	> 0 to 1%	0	0
Cherry Lake	1% to 5%	1% to 5%	0	30% to 35%
Chiefland	1% to 5%	1% to 5%	1% to 5%	25% to 30%
Chipley	1% to 5%	1% to 5%	1% to 5%	10% to 15%
Citra	> 0 to 1%	> 0 to 1%	0	0
Clearwater	> 0 to 1%	> 0 to 1%	1% to 5%	15% to 20%
Clermont	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Clewiston	5% to 10%	1% to 5%	5% to 10%	1% to 5%
Cocoa	> 0 to 1%	1% to 5%	1% to 5%	10% to 15%
Cocoa Beach	> 0 to 1%	1% to 5%	> 0 to 1%	20% to 25%
Coral Springs	5% to 10%	10% to 15%	10% to 15%	25% to 30%
Cottondale	5% to 10%	5% to 10%	1% to 5%	1% to 5%
Crawfordville	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Crescent City	1% to 5%	> 0 to 1%	-	0
Crestview	1% to 5%	1% to 5%	15% to 20%	1% to 5%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Cross City	1% to 5%	1% to 5%	> 0 to 1%	10% to 15%
Crystal River	> 0 to 1%	1% to 5%	5% to 10%	5% to 10%
Dade City	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Daytona Beach	> 0 to 1%	1% to 5%	15% to 20%	25% to 30%
DeBary	> 0 to 1%	1% to 5%	> 0 to 1%	5% to 10%
Deerfield Beach	1% to 5%	10% to 15%	1% to 5%	25% to 30%
DeFuniak Springs	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Deland	> 0 to 1%	1% to 5%	> 0 to 1%	10% to 15%
DeLeon Springs	> 0 to 1%	1% to 5%	0	15% to 20%
Delray Beach	1% to 5%	5% to 10%	5% to 10%	25% to 30%
Destin	5% to 10%	5% to 10%	15% to 20%	5% to 10%
Dowling Park	> 0 to 1%	0	0	0
Dunnellon	> 0 to 1%	1% to 5%	1% to 5%	10% to 15%
East Orange	1% to 5%	1% to 5%	1% to 5%	5% to 10%
East Point	0	0	0	0
Eau Gallie	> 0 to 1%	> 0 to 1%	1% to 5%	10% to 15%
Englewood	> 0 to 1%	> 0 to 1%	1% to 5%	5% to 10%
Eustis	1% to 5%	> 0 to 1%	5% to 10%	1% to 5%
Everglades	> 0 to 1%	0	0	> 0 to 1%
Fernadina Beach	> 0 to 1%	1% to 5%	1% to 5%	15% to 20%
Flagler Beach	> 0 to 1%	1% to 5%	25% to 30%	45% to 50%
Florahome	> 0 to 1%	> 0 to 1%	0	1% to 5%
Florida Sheriffs' Boys Ranch	1% to 5%	0	0	0
Forest	1% to 5%	1% to 5%	0	1% to 5%
Freeport	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Frostproof	1% to 5%	> 0 to 1%	1% to 5%	> 0 to 1%
Ft. Lauderdale	1% to 5%	15% to 20%	15% to 20%	35% to 40%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Ft Meade	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Ft Myers	> 0 to 1%	> 0 to 1%	1% to 5%	20% to 25%
Ft. Myers Beach	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Ft Pierce	1% to 5%	1% to 5%	1% to 5%	10% to 15%
Ft. Walton Beach	1% to 5%	1% to 5%	5% to 10%	1% to 5%
Ft. White	> 0 to 1%	> 0 to 1%	0	> 0 to 1%
Gainesville	1% to 5%	5% to 10%	1% to 5%	10% to 15%
Geneva	1% to 5%	1% to 5%	0	10% to 15%
Glendale	> 0 to 1%	> 0 to 1%	0	0
Graceville	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Grand Ridge	1% to 5%	1% to 5%	0	> 0 to 1%
Green Cove Springs	1% to 5%	5% to 10%	1% to 5%	15% to 20%
Greensboro	> 0 to 1%	1% to 5%	0	0
Greenville	1% to 5%	1% to 5%	0	1% to 5%
Greenwood	5% to 10%	5% to 10%	0	0
Gretna	> 0 to 1%	1% to 5%	0	0
Groveland	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Gulf Breeze	1% to 5%	1% to 5%	10% to 15%	15% to 20%
Haines City	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Hastings	> 0 to 1%	> 0 to 1%	-	0
Havana	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Hawthorne	1% to 5%	1% to 5%	1% to 5%	5% to 10%
High Springs	> 0 to 1%	> 0 to 1%	0	0
Hilliard	1% to 5%	> 0 to 1%	0	0
Hobe Sound	> 0 to 1%	1% to 5%	1% to 5%	10% to 15%
Holley-Navarre	> 0 to 1%	1% to 5%	10% to 15%	10% to 15%
Hollywood	5% to 10%	20% to 25%	1% to 5%	25% to 30%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Homestead	5% to 10%	10% to 15%	10% to 15%	10% to 15%
Homosassa	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Hosford	0	0	0	0
Howey-in-the-Hills	> 0 to 1%	> 0 to 1%	0	0
Hudson	> 0 to 1%	> 0 to 1%	1% to 5%	15% to 20%
Immokalee	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Indian Lake	> 0 to 1%	> 0 to 1%	0	0
Indiantown	-	0	1% to 5%	0
Interlachen	> 0 to 1%	> 0 to 1%	0	0
Inverness	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Jacksonville	1% to 5%	15% to 20%	20% to 25%	35% to 40%
Jacksonville Beach	1% to 5%	5% to 10%	1% to 5%	25% to 30%
Jasper	1% to 5%	1% to 5%	0	0
Jay	1% to 5%	> 0 to 1%	> 0 to 1%	5% to 10%
Jennings	1% to 5%	1% to 5%	0	0
Jensen Beach	> 0 to 1%	1% to 5%	1% to 5%	20% to 25%
Julington	-	1% to 5%	1% to 5%	10% to 15%
Jupiter	> 0 to 1%	1% to 5%	5% to 10%	20% to 25%
Keaton Beach	0	0	0	0
Kenansville	> 0 to 1%	> 0 to 1%	0	5% to 10%
Keys	1% to 5%	1% to 5%	1% to 5%	10% to 15%
Keystone Heights	> 0 to 1%	1% to 5%	1% to 5%	15% to 20%
Kingsley Lake	15% to 20%	> 0 to 1%	0	15% to 20%
Kissimmee	1% to 5%	1% to 5%	10% to 15%	10% to 15%
La Belle	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Lady Lake	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Lake Buena Vista	0	0	0	5% to 10%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Lake Butler	1% to 5%	> 0 to 1%	-	0
Lake City	> 0 to 1%	1% to 5%	1% to 5%	15% to 20%
Lake Placid	> 0 to 1%	1% to 5%	0	> 0 to 1%
Lake Wales	1% to 5%	> 0 to 1%	1% to 5%	1% to 5%
Lakeland	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Laurel Hill	> 0 to 1%	> 0 to 1%	0	0
Lawtey	1% to 5%	1% to 5%	0	1% to 5%
Lee	1% to 5%	1% to 5%	0	> 0 to 1%
Leesburg	1% to 5%	1% to 5%	10% to 15%	1% to 5%
Lehigh Acres	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Live Oak	1% to 5%	1% to 5%	0	0
Luraville	> 0 to 1%	> 0 to 1%	0	0
Lynn Haven	5% to 10%	15% to 20%	-	25% to 30%
Macclenny	5% to 10%	10% to 15%	10% to 15%	5% to 10%
Madison	5% to 10%	5% to 10%	1% to 5%	1% to 5%
Malone	1% to 5%	1% to 5%	0	0
Marco Island	-	> 0 to 1%	1% to 5%	1% to 5%
Marianna	5% to 10%	5% to 10%	1% to 5%	1% to 5%
Maxville	> 0 to 1%	5% to 10%	0	10% to 15%
Mayo	1% to 5%	1% to 5%	0	0
McIntosh	> 0 to 1%	> 0 to 1%	0	0
Melbourne	1% to 5%	1% to 5%	10% to 15%	25% to 30%
Melrose	> 0 to 1%	> 0 to 1%	0	0
Miami	1% to 5%	15% to 20%	15% to 20%	40% to 45%
Micanopy	1% to 5%	> 0 to 1%	1% to 5%	1% to 5%
Middleburg	1% to 5%	5% to 10%	10% to 15%	35% to 40%
Milton	1% to 5%	1% to 5%	5% to 10%	10% to 15%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Molino	> 0 to 1%	0	0	0
Monticello	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Montverde	> 0 to 1%	> 0 to 1%	0	0
Moore Haven	1% to 5%	1% to 5%	> 0 to 1%	> 0 to 1%
Mount Dora	1% to 5%	1% to 5%	5% to 10%	1% to 5%
Mulberry	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Munson	1% to 5%	> 0 to 1%	0	1% to 5%
Myakka	> 0 to 1%	> 0 to 1%	> 0 to 1%	1% to 5%
Naples	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
New Port Richey	> 0 to 1%	> 0 to 1%	1% to 5%	10% to 15%
New Smyrna Beach	> 0 to 1%	5% to 10%	> 0 to 1%	15% to 20%
Newberry	1% to 5%	1% to 5%	1% to 5%	10% to 15%
North Cape Coral	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
North Dade	5% to 10%	15% to 20%	1% to 5%	30% to 35%
North Ft Myers	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
North Naples	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
North Port	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Oak Hill	> 0 to 1%	1% to 5%	> 0 to 1%	10% to 15%
Ocala	1% to 5%	1% to 5%	5% to 10%	10% to 15%
Ocklawaha	1% to 5%	1% to 5%	1% to 5%	0
Okeechobee	5% to 10%	1% to 5%	5% to 10%	1% to 5%
Old Town	> 0 to 1%	1% to 5%	10% to 15%	10% to 15%
Orange City	> 0 to 1%	> 0 to 1%	5% to 10%	1% to 5%
Orange Park	> 0 to 1%	10% to 15%	5% to 10%	25% to 30%
Orange Springs	> 0 to 1%	> 0 to 1%	0	0
Orlando	1% to 5%	5% to 10%	25% to 30%	45% to 50%
Oviedo	1% to 5%	1% to 5%	1% to 5%	20% to 25%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Pace	1% to 5%	1% to 5%	5% to 10%	20% to 25%
Pahokee	5% to 10%	10% to 15%	1% to 5%	1% to 5%
Palatka	> 0 to 1%	1% to 5%	> 0 to 1%	10% to 15%
Palm Coast	> 0 to 1%	1% to 5%	1% to 5%	15% to 20%
Palmetto	> 0 to 1%	> 0 to 1%	10% to 15%	25% to 30%
Panacea	1% to 5%	1% to 5%	0	> 0 to 1%
Panama City	10% to 15%	15% to 20%	5% to 10%	20% to 25%
Panama City Beach	10% to 15%	20% to 25%	10% to 15%	25% to 30%
Paxton	0	0	0	0
Pensacola	1% to 5%	1% to 5%	25% to 30%	35% to 40%
Perrine	1% to 5%	10% to 15%	5% to 10%	20% to 25%
Perry	> 0 to 1%	> 0 to 1%	0	0
Pierson	> 0 to 1%	1% to 5%	0	10% to 15%
Pine Island	> 0 to 1%	> 0 to 1%	0	> 0 to 1%
Plant City	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Polk City	1% to 5%	1% to 5%	0	1% to 5%
Pomona Park	> 0 to 1%	1% to 5%	1% to 5%	1% to 5%
Pompano Beach	5% to 10%	15% to 20%	5% to 10%	35% to 40%
Ponce de Leon	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Ponte Vedra Beach	> 0 to 1%	5% to 10%	5% to 10%	20% to 25%
Port Charlotte	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Port St Joe	0	0	0	0
Port St. Lucie	> 0 to 1%	1% to 5%	1% to 5%	10% to 15%
Punta Gorda	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Quincy	> 0 to 1%	1% to 5%	-	0
Raiford	0	> 0 to 1%	0	0
Reedy Creek	-	> 0 to 1%	5% to 10%	40% to 45%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Reynolds Hill	> 0 to 1%	> 0 to 1%	0	0
Salt Springs	0	> 0 to 1%	1% to 5%	0
San Antonio	> 0 to 1%	> 0 to 1%	0	> 0 to 1%
Sanderson	5% to 10%	10% to 15%	0	1% to 5%
Sanford	1% to 5%	1% to 5%	5% to 10%	30% to 35%
Sanibel-Captiva Island	> 0 to 1%	> 0 to 1%	1% to 5%	> 0 to 1%
Santa Rosa Beach	1% to 5%	1% to 5%	10% to 15%	5% to 10%
Sarasota	> 0 to 1%	> 0 to 1%	10% to 15%	15% to 20%
Seagrove Beach	1% to 5%	5% to 10%	10% to 15%	10% to 15%
Sebastian	> 0 to 1%	1% to 5%	1% to 5%	10% to 15%
Sebring	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Shalimar	1% to 5%	1% to 5%	1% to 5%	> 0 to 1%
Silver Springs Shores	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Sneads	1% to 5%	1% to 5%	0	> 0 to 1%
Sopchoppy	1% to 5%	1% to 5%	0	0
Spring Lake	0	> 0 to 1%	> 0 to 1%	1% to 5%
St. Augustine	1% to 5%	1% to 5%	5% to 10%	20% to 25%
St. Cloud	> 0 to 1%	1% to 5%	5% to 10%	1% to 5%
St. Johns	> 0 to 1%	1% to 5%	0	40% to 45%
St. Marks	1% to 5%	0	0	1% to 5%
St. Petersburg	1% to 5%	> 0 to 1%	1% to 5%	10% to 15%
Starke	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Stuart	> 0 to 1%	1% to 5%	10% to 15%	15% to 20%
Sunny Hills	> 0 to 1%	> 0 to 1%	> 0 to 1%	1% to 5%
Tallahassee	1% to 5%	1% to 5%	5% to 10%	10% to 15%
Tampa	1% to 5%	1% to 5%	20% to 25%	25% to 30%
Tarpon Springs	> 0 to 1%	> 0 to 1%	1% to 5%	10% to 15%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Tavares	> 0 to 1%	> 0 to 1%	5% to 10%	1% to 5%
The Beaches	0	0	0	0
Titusville	1% to 5%	1% to 5%	5% to 10%	10% to 15%
Trenton	1% to 5%	1% to 5%	> 0 to 1%	10% to 15%
Trilacoochee	1% to 5%	1% to 5%	0	1% to 5%
Tyndall AFB	0	0	0	> 0 to 1%
Umatilla	1% to 5%	1% to 5%	5% to 10%	1% to 5%
Valparaiso	1% to 5%	> 0 to 1%	5% to 10%	1% to 5%
Venice	> 0 to 1%	> 0 to 1%	1% to 5%	5% to 10%
Vernon	1% to 5%	1% to 5%	> 0 to 1%	15% to 20%
Vero Beach	> 0 to 1%	1% to 5%	1% to 5%	15% to 20%
Waldo	> 0 to 1%	> 0 to 1%	0	0
Walnut Hill	0	0	0	0
Wauchula	1% to 5%	1% to 5%	5% to 10%	0
Weekiwachee Springs	> 0 to 1%	> 0 to 1%	1% to 5%	20% to 25%
Weirsdale	-	1% to 5%	-	0
Welaka	0	1% to 5%	5% to 10%	5% to 10%
Wellborn	> 0 to 1%	> 0 to 1%	0	5% to 10%
West Kissimmee	1% to 5%	1% to 5%	1% to 5%	15% to 20%
West Palm Beach	1% to 5%	5% to 10%	5% to 10%	25% to 30%
Westville	1% to 5%	1% to 5%	0	0
Wewahitchka	0	> 0 to 1%	0	0
White Springs	1% to 5%	1% to 5%	0	0
Wildwood	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Williston	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Windermere	0	1% to 5%	> 0 to 1%	1% to 5%
Winter Garden	1% to 5%	1% to 5%	5% to 10%	5% to 10%

APPENDIX C: PERCENTAGE OF ALEC ACCESS LINES BY EXCHANGE				
Exchange	% of Residential Access Lines ALEC Providers (2001)	(2002)	% of Business Access Lines ALEC Providers (2001)	(2002)
Winter Haven	1% to 5%	1% to 5%	1% to 5%	15% to 20%
Winter Park	1% to 5%	1% to 5%	15% to 20%	15% to 20%
Yankeetown	> 0 to 1%	1% to 5%	> 0 to 1%	5% to 10%
Youngstown-Fountain	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Yulee	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Zephyr Hills	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Zolfo Springs	1% to 5%	1% to 5%	0	0

APPENDIX D: STATE ACTIVITIES

1. BellSouth Petition for InterLATA Authority

Part III of the Telecommunications Act of 1996 establishes special provisions for Bell Operating Companies (BOCs) that wish to apply to the Federal Communications Commission (FCC) for authority to provide interLATA service within their in-region service areas. The role of state public service commissions is a consultative one, whereby the state commissions provide the FCC with an opinion as to whether or not the BOC has met the 14-point checklist outlined in Section 271(c)(1)(A) of the Act. The United States Department of Justice also reports to the FCC its opinion as to whether a BOC has met the Section 271 requirements of the Act.

On November 19, 1997, the Commission found that BellSouth did not meet all the Section 271 requirements. However, on May 31, 2001, BellSouth filed a second petition with the Commission to provide interLATA services in Florida, triggering a further review of whether the company is in compliance with the 14-point checklist outlined in the Act. On September 9, 2002, following extensive testing and six years of ongoing review, the Commission determined that BellSouth met all of the Section 271 requirements. In October, 2002, the Commission endorsed BellSouth's Section 271 application to the FCC; the FCC's decision is due in December, 2002.

2. Permanent Performance Metrics

Through Docket No. 000121A-TP, the Commission has developed an enforcement mechanism and performance measures to ensure the ongoing adequacy of BellSouth's operational support system (OSS) access and service quality to ALECs. A set of performance metrics was adopted by the Commission on August 14, 2001. On May 30, 2002, BellSouth's Self-Effectuating Enforcement Plan (SEEM) was implemented as approved by the Commission. In July 2002, the first payments were made under the SEEM plan by BellSouth to ALECs that had received below-standard service. The SEEM plan is being reviewed by staff at six-month intervals from its implementation.

Similarly, subdockets 000121B-TP and 000121C-TP are being conducted to develop Commission-approved performance standards applicable to Sprint and Verizon, respectively. Workshop dates have not yet been set.

3. Unbundled Network Elements (UNEs)

Section 251(c)(3) of the Telecommunication Act of 1996 obligates incumbent local exchange companies to "provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point, on rates, terms, and conditions that are just, reasonable, and nondiscriminatory . . . ." An unbundled network element (UNE) is a discrete subcomponent of the incumbent's facilities, such as a local loop or a minute of local switching; these elements can be combined in order for an ALEC to provide its retail services. For those ALECs that desire to offer

their services using UNEs, the level of UNE rates that an incumbent LEC can charge is of great importance.

Docket No. 990649-TP was opened in 1999 to address UNE deaveraging, UNE combinations, and recurring and nonrecurring charges for unbundled network elements. Deaveraging refers to establishing different rates for different areas (e.g., urban, suburban, and rural). Initially, UNE rates for BellSouth, Sprint, and Verizon (formerly GTE) were to be set at the same time. Due to court actions in 1999, parties refiled their cost studies in 2000. However, on July 18, 2000, the Eighth Circuit Court vacated the FCC's use of a hypothetical network standard as the basis for UNE pricing.[51] As a result, Sprint and Verizon withdrew their cost studies because they did not believe those cost studies were in compliance with the then-current state of the law.

The Commission decided upon BellSouth's UNE rates on April 18, 2001. While the majority of the issues were finalized, the Commission decided to evaluate certain issues further. BellSouth filed additional cost studies in September 2001, to address concerns with these issues. The Commission considered these issues at a June 13, 2002 special agenda conference and ordered the parties to discuss a negotiated resolution of UNE rates in Florida over the next 60 days. Since the parties were unable to reach a mutually agreeable resolution, the Commission voted to reduce certain UNE rates on September 6, 2002. For example, the Commission voted to reduce the rate for a 2-wire analog loop in the more urban areas (Zone 1) from $12.79 to $10.69.

Sprint and Verizon refiled their cost studies on May 18, 2001. Subsequently, several ALECs asked for a continuance of the hearings, citing a need for more time to evaluate the cost models. The continuance was granted in part, and the parties refiled cost studies on November 7, 2001. Hearings regarding the parties' filings were held on April 29 and 30, 2002. In October, 2002, the Commission reduced Verizon's UNE rates. For example, the Commission set a loop rate of $12 per month in Verizon's most densely populated areas, versus the $22.17 per month sought by Verizon. A hearing to set rates for Sprint is being scheduled.

4. Service Quality Dockets and Incumbent Local Exchange Companies

In September 1999, the Commission opened dockets to initiate show cause proceedings against Sprint, BellSouth and Verizon for violation of Commission service standards. ILECs are required by rule to consistently meet standards established to ensure their customers receive a high quality of service. Commission standards, for example, require a company to restore interrupted service within 24 hours in 95% of the instances reported. Commission standards also require ILECs to install service 90% of the time in three working days from receipt of an application. The Commission conducts field evaluations of ILECs to verify compliance with the Commission's service standards. Each ILEC is required by rule to submit quarterly reports to the Commission detailing its compliance with the established service standards.

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[51] On September 22, 2000, the Court stayed its order pending the filing and ultimate disposition of a petition for certiorari with the U.S. Supreme Court.

Sprint and the Office of Public Counsel (OPC) stipulated to an agreement in July 2000 that requires the company to credit its customers when it fails to meet the Commission's standards for out of service repair and primary service installations. The amount credited increases the longer it takes the company to repair or install the service. The agreement was approved by the Commission on November 7, 2000.

Through June 2002, Sprint paid its customers $1,066,350 for missing service installations and $716,659 for out of service repair. In addition, it posted $10,000 in the Community Service Fund for missing business office answer time and an additional $5,000 for missing the accessibility objective. The Community Fund is for promoting Sprint's Lifeline service.

BellSouth also signed an agreement with OPC that is similar to the Sprint settlement. It was approved by the Commission on February 22, 2002. The settlement established automatic fixed credits to customers for missed commitments for service installation and increased credits to customers for missed out of service repairs.

For the period from March 2002, through June 2002, BellSouth paid its customers $132,875 for missed installations and $316,839 for missed out of service repairs.

Verizon and OPC also agreed to a settlement of Docket No. 991376-TL, initiation of show cause proceedings against Verizon for apparent violation of the rules for out of service repair and primary service installations. Verizon agreed to pay a settlement of $2,000,000 into the General Revenue Fund.

It should be noted that these dockets were not opened based on complaints from consumers, but were predicated on data supplied by the ILECs in the Commission's "self-reporting" process.

5. BellSouth Promotional Tariffs

In separate consecutive tariff filings, BellSouth offered two promotional offerings targeted to small business customers located in select geographic areas. Each offering, entitled the "Key Customer Program," provided discounts, although each offering had unique terms and conditions. The "Key Customer Program" tariffs were acknowledged administratively. Subsequently, various ALECs requested that these tariffs be either suspended or cancelled pending a decision rendered after a full hearing. The ALECs contended that the BellSouth filings were anticompetitive, and therefore not in compliance with certain Florida Statutes. An administrative hearing is currently scheduled for January 2003.

6. FDN/BellSouth Arbitration

The provisioning of DSL services has emerged as a significant competitive issue in the telecommunications industry. In January of 2001, Florida Digital Network (FDN) initiated arbitration of an interconnection agreement with BellSouth. In its arbitration request, FDN asked the Commission to order BellSouth to (1) end the practice of discontinuing its FastAccess Internet Service when its customers switch to another voice telecommunications provider; (2) unbundle the

packet switching functionality of the Digital Subscriber Line Access Multiplexers (DSLAMs) that BellSouth has deployed in remote terminal facilities throughout its network and offer a broadband unbundled network element (UNE) consisting of the entire transmission facility from the customer's premises to the central office; and (3) require BellSouth to offer its DSL service at resale discounts to ALECs.

Subsequent to August 2001 hearings, on April 23, 2002, the Commission affirmed that BellSouth's FastAccess Internet Service was an enhanced, non-regulated, non-telecommunications Internet access service. However, the Commission exercised its jurisdiction to promote competition in the local voice market by requiring BellSouth to continue to provide its FastAccess Internet service to customers who choose to obtain voice service from other providers. The Commission declined, however, to require BellSouth to create a broadband UNE loop, or to offer its FastAccess Internet service and DSL service to ALECs on a resale basis. On October 2, 2002, the Commission reaffirmed its April decision, and clarified that BellSouth was not to increase the rate paid by a FastAccess Internet Service customer who migrated his or her voice service to FDN's voice service.

7. Reciprocal Compensation

A generic docket was established in 2000 to address the issue of reciprocal compensation. Reciprocal compensation is money that is paid to one carrier by another carrier for the transport and termination of telecommunications traffic. The Commission established a generic docket primarily to consider compensation issues for traffic bound for Internet Service Providers (ISPs) and to set commission policy in that regard. Intercarrier compensation for ISP-bound traffic has been a contentious issue in recent years, having been repeatedly brought before this Commission by Florida carriers through complaints and arbitrations.

In the context of arbitrations, the Commission was asked to determine if reciprocal compensation should apply to ISP-bound traffic in new interconnection agreements. In the earlier proceedings the Commission determined that parties should continue to operate under the terms of their previous agreements until the FCC issued final rules regarding this issue. However, due to possible delays in FCC action, and a desire to ensure that competition is not hindered by the lack of intercarrier compensation, in later arbitrations the Commission decided that reciprocal compensation was to be applied to ISP-bound traffic.

This has been a controversial subject, in which the Commission has tried to balance the requirements for intercarrier compensation contained in the Telecommunications Act of 1996, with the possibility that ALECs have entered the market for the sole purpose of serving ISPs. Many ILECs have contended that these ALECs have sought to "game" the system by pursuing customers such as ISPs that would have high incoming traffic levels and low outgoing traffic levels. By focusing on serving these high incoming traffic customers, ALECs would be able to collect reciprocal compensation, without the "reciprocal" paying of compensation that would exist with customers who produced both incoming and outgoing traffic.

On December 7, 2000, the Commission incorporated additional issues into this docket and subsequently bifurcated the proceeding into two phases. However, shortly after the Phase I hearing

the FCC issued its decision in CC Dockets Nos. 96-98 and 99-68 on matters regarding intercarrier compensation for traffic to ISPs. This order stated that ISP-bound traffic was "information access," not subject to the reciprocal compensation obligations in Section 251(b)(5) of the Act and was under the exclusive jurisdiction of the FCC. The FCC then established an interim compensation mechanism for ISP-bound traffic. In addition, the FCC determined that states would no longer have authority to address compensation for ISP-bound traffic on a going-forward basis.

On March 27, 2002, the parties filed a Joint Stipulation, suggesting the Commission defer action on the issues raised in Phase I of this docket; the Commission approved the Joint Stipulation on May 7, 2002.

The Phase II administrative hearing was held on July 5-6, 2001. The Commission rendered its decision on a number of the issues on December 5, 2001. A follow-up hearing was held on May 8, 2002 addressing the definition of "local calling" area and whether the Commission should establish a default compensation mechanism for traffic subject to Section 251 of the Act. On August 20, 2002, the Commission ruled that in the event the parties could not reach a negotiated agreement regarding the definition of "local calling" area, the default local calling area would be the originating carrier's retail local calling area for purposes of reciprocal compensation.

8. Florida Telecommunications Competitive Interests Forum

In an effort to facilitate the development of a competitive local telephone market in Florida, the Commission initiated a collaborative forum for the purpose of addressing many of the operational and logistical issues that were arising between ALECs and ILECs. The Florida Telecommunications Competitive Interests Forum (Forum) is an opportunity for any Florida local telecommunications provider to raise issues or topics of interest related to facilitating a better competitive environment in Florida. The Forum allows parties to raise and discuss issues and have dialogue toward resolving issues in an informal setting rather than a more formal and litigious arena. Since its formation in August of 2001, the Forum has convened at least monthly and has considered a host of issues related to billing and ordering functions. For example, the July 2002, meeting and discussion considered "set-off" policies and practices between BellSouth and the ALEC participants. Discussion also addressed the timing of implementing new rates into interconnection agreements via amendments. Finally, Verizon provided two models of processes, one for mass migration of customers and another for ALEC to ALEC end user migration. Future meetings will consider whether these process models can be modified to apply to Florida and further consideration of the implementation of contract rates.

APPENDIX E: FEDERAL ACTIVITIES

1. Advanced Services

The Commission has been actively commenting on and monitoring the development of broadband services in order to encourage deployment on a reasonable and timely basis in compliance with section 706 of the Telecommunications Act of 1996. During the fiscal year, the Commission filed comments regarding the regulatory framework for broadband wireline access to the Internet. In addition, the Commission was active in the Federal-State Joint Conference addressing these issues.

2. Regulatory Framework for Broadband Wireline Access to the Internet

The Commission filed comments in April 2002, addressing the proposed regulatory framework put forth by the FCC. The broadband market is characterized by several different technology platforms that are not alike and provide consumers with different performance characteristics. Competition between these different platforms, while becoming more widespread, is far from sufficient to stimulate strong demand. Consumers are less concerned about transmission media and more concerned about things such as price, convenience and reliability. Work remains to be done in identifying the reasons behind lagging broadband Internet access service demand before determining whether regulatory responses are necessary.

Most significant among the FCC's tentative conclusions was that wireline broadband Internet access be considered an Information Service and thus subject only to Title II regulation. Title II regulation is minimal and does not address rate regulation. This would remove DSL services from the unbundling requirement of the Act.

If the consequence of the FCC's tentative conclusions set forth in its Notice of Proposed Rule Making is to prevent or severely restrict the ability of competitive telecommunications companies to use ILEC-provided facilities to make wireline broadband Internet access service available, then the Commission would not support those conclusions at this time. The basis for that opposition would be that the regulatory framework currently in place is actively sifting through a myriad of complex issues in an effort to address both telecommunications competition and broadband deployment. The competitive telecommunications market is not yet mature enough to begin limiting or restricting access to underlying components for the provision of wireline broadband Internet access. Making modifications and adjustments to the existing framework that are market driven is a better course of action at this time. In this way, relaxation of or forbearance from unbundling requirements can proceed incrementally as markets evolve. Furthermore, the states are in the best position to assess local and regional markets. The FCC has not yet ruled in this proceeding.

3. Development of a Unified Intercarrier Compensation Regime

The Commission filed comments in August 2001 to oppose a federal bill-and-keep system to replace access and reciprocal compensation arrangements. The proposal has the potential to affect carrier-to-carrier intrastate rates, universal service, cost allocation issues, infrastructure development, network structures, and various state policies. The consequences of adopting a bill-and-keep system may directly impact and change the amounts of payments between carriers for completing each others calls and hence alter each carrier's ability to compete. The Commission opposes moving to such an approach and recommended these issues be referred to a Joint Board or comparable state/federal negotiation process. The Commission further believes that issues related to universal service and jurisdictional separations should also be referred to the Universal Service and Separations Joint Boards, as appropriate. The FCC established a new reply comments deadline of November 5, 2001, but has not issued an order relating to the issues of this docket.

4. Universal Service

Use of Updated Line Counts for High-Cost Universal Service Support

The Commission filed comments in October 2001 supporting the use of more current cost data for calculating high-cost universal service support for non-rural carriers for the 2002 support year. The Commission stated that if this information was not updated on a timely basis, the Universal Service Support mechanism could be excessively costly. With regard to class of service delineation of the line count data, the Commission indicated that it would be reasonable to use the information contained in previously filed data (which does allocate lines among the class of service), and to use the historical ratios. In December 2001, the FCC issued an order concluding that it would use updated line count data in the universal service cost model to estimate non-rural carriers' forward-looking economic costs of providing the services supported by the federal high-cost mechanism. In addition, non-rural support amounts will continue to be adjusted each quarter to account for line growth based on the wire center line count data reported quarterly by non-rural carriers. The FCC will also update the company-specific data used in the model to calculate investment in general support facilities and switching costs.

Lifeline and Link-up Service for Low-income Consumers

In December 2001, the Commission filed comments recommending that before proceeding with changes to the current Lifeline program, the FCC should endeavor to understand the reasons for low versus high participation rates in the various states. The Commission continues to support the original intent of the Lifeline program, which is to increase subscribership for low-income households that want, but cannot afford, telephone service. We further indicated that states should make every effort to ensure that eligible households with and without telephone service are aware of and can easily enroll in the Lifeline/Link-up programs. Keeping the program objective in mind, low program participation should not be cause to manipulate eligibility criteria to increase the number of households that could qualify.

The Commission recommended that the Joint Board and the FCC encourage states to explore various automatic enrollment strategies to effectively target funding to consumers and determine eligibility for Lifeline and Link-up support. We believe that it is necessary to certify consumers'

eligibility and perform periodic verifications in order to prevent waste, fraud, and abuse, and to ensure the integrity of the program. We recommend increased promotion of the program through more frequent bill inserts and requiring all Eligible Telecommunications Carriers to post application information about their Lifeline service on the Lifeline Support website. The FCC has not yet ruled in this matter.

5. Reporting Requirements for Incumbent Local Exchange Companies

Previously, the Commission filed comments in this proceeding. The Commission is concerned with eliminating some existing accounting rules and not providing accounting for new technologies that are essential for monitoring and implementing the competitive mandates and safeguards of the 1996 Telecommunications Act (1996 Act).

The FCC's accounting rules provide essential information to Florida in evaluating possible cross-subsidization and promoting competition. The Uniform System of Accounts (USOA) serves as the basis for accounting data that are used to protect ratepayers from improper cross-subsidies, to determine interstate/intrastate cost and revenue splits, to determine the cost of universal service supported services, and serve as the basis of many of the inputs to the cost proxy models used in determining universal service cost levels and appropriate UNE prices.

The FCC issued a Report and Order (FCC 01-305) on October 11, 2001, which further streamlined accounting and reporting requirements. Additionally, the FCC declined to adopt new state proposed accounts for optical switching; central office transmission; cable and wire facilities; interconnection revenue and expense; universal service revenue; and network software. Concurrently, a Notice of Proposed Rule Making was issued regarding the elimination of accounting and reporting requirements by a date certain. On September 5, 2002, the FCC voted to convene a Joint Conference in order to evaluate the accounting requirements that state and federal regulators need to carry out their responsibilities. Commissioner J. Terry Deason was appointed by the FCC to the Joint Conference.

6. Measurements and Standards for Unbundled Network Elements and Interconnection

In January 2002 the Commission filed comments asking the FCC to refrain from a highly prescriptive national approach for wholesale measurements and standards. We acknowledge that some degree of harmonization might be useful in order to have some basic level of consistency across the states. A set of broad minimum federal requirements, which states may augment and fine-tune to meet their particular needs, would be workable in our view. Such an approach would ensure that any national standards do not supplant the exacting efforts of the Commission and other state commissions. In addition, any national standards should merely serve as one factor in determining compliance with the Telecommunications Act of 1996, and enforcement of any national standards should be performed by the FCC. The Commission attended an FCC/states workshop on this subject in Chicago in May 2002. This matter is still pending before the FCC.

7. Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers

In April 2002, the Commission filed comments taking the position that state commissions should continue to have authority to impose more stringent unbundling obligations, when necessary, in accordance with Section 251(d)(3) of the Telecommunications Act. The FCC is not as well suited as state commissions to determine the appropriate level of unbundling within a state and should only promulgate relatively broad rules that would allow greater flexibility for state commissions to address these issues. Specifically, states are more familiar with conditions within their borders, including the level of competition and the system of retail price regulation that applies to the incumbent. In addition, states generally are able to evaluate factual disputes through procedures that include discovery, sworn testimony, and cross-examination. The Commission also filed reply comments in July 2002, reiterating its initial position and suggesting the FCC hold regional workshops with states and industry to identify an acceptable list from which state commissions would have the ability to add or subtract if market conditions in respective states dictated. The FCC has not yet ruled on this matter, although reports indicate that it expects to do so by the end of 2002.

8. Increases in the Subscriber Line Charge (SLC) Resulting From Access Charge Reform

Recognizing differences in costing methodology used by BellSouth to justify subscriber loop costs, the Commission filed comments in January 2002 to bring those differences to the attention of the FCC. The Commission stated that consumers have endured continual increases to what they perceive as their local rates through the addition of interstate universal service charges and the increases in the subscriber line charge, among other things. We urged the FCC to do two things to help ensure that residential and small business telephone customers do not suffer unnecessarily such further increases. First, the FCC should undertake a thorough review of the cost support for the SLC on a state-by-state basis that goes beyond the minimal level of examination possible with the cost submissions the FCC has before it. Second, the FCC should deaverage the SLC on a state basis for each company. We believe these two actions will help protect consumers from paying more than a fair amount for the SLC. In June 2002, the FCC ordered that the SLC rates would be increased and denied the Commission's request for state-by-state analyses.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Adelphia	BellSouth	02/21/01	363331T	Service Delay & BellSouth billing	07/06/01	Delay caused by Adelphia & BellSouth settled billing issue.
Allegiance	BellSouth	07/10/01	389996T	Service Delay-Porting FAX line back to BellSouth	08/09/01	Delayed was due to confusion over ownership of the line.
Arrow Comm	BellSouth	07/09/01	388754T	Service Delay-Porting to Arrow.	07/30/01	First order delay was caused by building not being ready. Also BellSouth caused delay in second order.
AT&T	BellSouth	08/06/01	348362T	AT&T LD billing problem	10/16/01	AT&T credited customer $268.29
AT&T	BellSouth	05/23/01	381161T	Service Delay-Porting back to BellSouth	07/17/01	Delay caused by AT&T not releasing the line due to money owed.
AT&T	BellSouth	05/24/01	381421T	Out of service of 8 lines. Possible unauthorized request to change local service to AT&T.	08/20/01	BellSouth disconnected lines in error. Local service freeze placed on account.
AT&T	BellSouth	06/27/01	387489T	Service Delay-Porting back to BellSouth	10/17/01	Both companies were slow to respond.
AT&T	BellSouth	06/28/01	387517T	Service Delay-Porting back to BellSouth	08/08/01	Delay was caused by BellSouth.
AT&T	BellSouth	07/09/01	389321T	Service Delay-Porting back to BellSouth. Also out of service.	07/30/01	Out of service caused by AT&T disconnecting wrong line in error.
AT&T	BellSouth	07/10/01	389978T	Service Delay-Porting back to BellSouth	10/12/01	Delay was caused by AT&T.
AT&T	BellSouth	07/11/01	390295T	Service Delay-Porting back to BellSouth	10/12/01	Delay was caused by BellSouth
AT&T	BellSouth	07/12/01	390506T	Service Delay-Porting back to BellSouth	10/18/01	Delay was caused by both companies.
AT&T	BellSouth	07/16/01	390861T	Service Delay-Porting to AT&T	08/14/01	Delay was caused by AT&T.
AT&T	BellSouth	07/24/01	393140T	Service Delay-Porting back to BellSouth	10/17/01	Delay was caused by BellSouth. BellSouth gave a credit for the delay.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
AT&T	BellSouth	07/24/01	393159T	Service Delay-Porting back to BellSouth. Also billing problem with AT&T.	10/01/01	Delay was caused by BellSouth. Credit was provided on billing problem.
AT&T	BellSouth	08/09/01	396990T	Out of service	08/17/01	AT&T problem with UNE-P partial port software.
AT&T	BellSouth	10/24/01	413899T	Service Delay-Porting back to BellSouth	11/27/01	BellSouth did not follow the proper porting procedures.
AT&T	BellSouth	10/26/01	414482T	Billing problems with AT&T	03/05/02	AT&T issued credits.
AT&T	BellSouth	01/04/02	427989T	Service Delay-Porting back to BellSouth	02/07/02	Delay was caused by BellSouth.
AT&T	BellSouth	01/07/02	428342T	Out of service switching to AT&T, Also billing problem	04/11/02	Has been ported. BellSouth provided credit for directory ads that were canceled.
AT&T	BellSouth	03/13/02	442497T	Service Delay-Porting back to BellSouth	05/02/02	Delay was caused by BellSouth
AT&T	BellSouth	04/17/02	449712T	Out of service with AT&T-Will port to BellSouth	05/08/02	Out of service repair delay caused by AT&T. Credit issued. Customer has switched to BellSouth
BTI	BellSouth	09/04/01	402134T	Customer wants to switch to BTI from Teligent. Has to switch to BellSouth, first.	10/11/01	Problems were caused by both BellSouth & BTI. Both companies gave a credit.
BTI & Teligent	BellSouth	07/10/01	389816T	Service Delay-Porting to BTI	08/09/01	Teligent Chapter 11. Delay was caused by BellSouth and BTI.
Essex Comm	BellSouth	10/04/01	409650T	Service Delay-Payphone line	12/14/01	Essex responsible due to errors on order.
Florida Digital	BellSouth	05/15/01	379878T	Service Delay-Porting back to BellSouth	07/02/01	Delay caused by BellSouth
Florida Digital	BellSouth	06/11/01	384156T	Service Delay-Porting back to BellSouth	07/30/01	Delay was caused by BellSouth.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Florida Digital	BellSouth	07/20/01	392701T	Service Delay-Porting back to BellSouth. Also billing problem.	09/18/01	Customer has been ported back to BellSouth. Fla. Digital has issued a credit.
Florida Digital	BellSouth	08/09/01	397001T	Service Delay-Porting back to BellSouth. Also out of service	08/24/01	Problem was caused by BellSouth. BellSouth placed a new order rather than a transfer.
Florida Digital	BellSouth	08/14/01	397839T	Out of service	09/07/01	Problem was resolved with change of channel pairs.
Florida Digital	BellSouth	10/11/01	411207T	Service Delay-Porting to Fla. Digital	11/27/01	Delay was caused by incorrect customer records.
Florida Digital	BellSouth	12/04/01	421890T	CLEC won't port to BellSouth. Non-payment of disputed bill.	01/30/02	Satisfactory resolution of bill.
Florida Digital	BellSouth	12/06/01	422818T	Service Delay-Porting to Fla. Digital	04/01/02	Problem with ADSL on BellSouth. Issue has been resolved.
Florida Digital	BellSouth	12/11/01	423670T	Service Delay-Porting to Fla. Digital	01/11/02	Delay was caused by ADSL on the line. ADSL was disconnected and switch was made.
Florida Digital	BellSouth	01/15/02	430062T	Service Delay-Porting to Fla. Digital	06/11/02	Facility problem was resolved.
Florida Digital	BellSouth	01/09/02	432580T	Service Delay-Porting to Fla. Digital	02/04/02	ADSL service was disconnected to enable customer to be switched to Fla. Digital.
Florida Digital	BellSouth	01/31/02	433650T	Service Delay-Porting to Fla. Digital	06/18/02	Delay was caused by BellSouth disconnecting DSL service in error.
Florida Digital	BellSouth	03/19/02	020252-TP	Requested Emergency Relief to Require BellSouth to Process Service Orders Pending Resolution of Disputes	05/24/02	Joint Voluntary Dismissal of Complaint Without Prejudice
Florida Digital	BellSouth	05/09/02	454491T	Service Delay	05/23/02	Lack of facilities-Delay was caused by BellSouth contractor.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Florida Telephone/ Biz Tel	BellSouth	08/29/01	401124T	Customer switched from Fla. Telephone to another CLEC (Biz Tel) without permission	01/24/02	Customer had authorized switch to BIZ Tel. Customer has been switched back to Fla. Telephone.
Hale & Father	BellSouth	01/29/02	433183T	Service Delay-Porting back to BellSouth	04/18/02	Delay was due to complicated number of date changes, new address. Has been ported.
Hale & Father	BellSouth	01/30/02	433376T	Service Delay-Porting back to BellSouth	02/27/02	Request was delayed by customer
Hale & Father	BellSouth	02/05/02	433514T	Service Delay-Porting back to BellSouth & out of service	05/30/02	CLEC has filed for bankruptcy. Service has been ported.
Hale & Father	BellSouth	02/11/02	435637T	Service Delay-Porting back to BellSouth& out of service	05/02/02	CLEC has filed for bankruptcy. Service has been ported.
Hale & Father	BellSouth	06/04/02	459114T	Fax Line not ported	06/25/02	Line has been ported, delay was caused by clerical error.
HJN Telecom	BellSouth	10/08/01	376652T	Bundled DSL offering problem.	11/02/01	Closed with letter affirming BellSouth's position.
IDS	BellSouth	07/25/01	393705T	Service Delay-Porting to IDS	08/24/01	Customer kept reversing instructions to port and cancel the order.
IDS	BellSouth	11/05/01	416322T	Delay in moving services. Anti-competitive allegations	11/29/01	Delay was caused by lack of BellSouth facilities.
IDS	BellSouth	05/11/01	010740-TP	IDS complaint against BellSouth for breach of interconnection agreement	11/08/01	IDS filed voluntary dismissal with prejudice
Intermedia	BellSouth	09/06/01	402824T	Service Delay-Porting back to BellSouth	10/10/01	Delay was caused by BellSouth.
ITC DeltaCom	BellSouth	10/25/01	414266T	Receiving harassing phone calls from BellSouth	12/20/01	No harassment uncovered.
MCI WorldCom	BellSouth	04/23/01	376011T	Delay in porting 860 lines to MCI WorldCom	07/19/01	Delays caused by both companies. Procedures needed to be modified.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
MCI WorldCom	BellSouth	09/05/01	402427T	Relocate customer lines. Also out of service.	10/02/01	Delay was caused by MCI. MCI issued a credit.
Mpower	BellSouth	02/15/01	358560T	Service Delay-Porting back to BellSouth. Also billing problem.	07/19/01	Delay caused by BellSouth. Billing problem was with Directory Company
Mpower	BellSouth	03/15/01	368087T	Service Delay-Porting back to BellSouth	08/02/01	Delay was caused by BellSouth.
Mpower	BellSouth	04/25/01	376427T	Service Delay-Porting to Mpower	07/11/01	BellSouth failed to release the line, problems with the records.
Mpower	BellSouth	05/24/01	381366T	Service Delay-Porting back to BellSouth	08/02/01	Delay was caused by BellSouth.
Mpower	BellSouth	06/04/01	382535T	Service Delay-Porting back to BellSouth. Also Out of service	08/08/01	Communications problem between the companies.
Mpower	BellSouth	06/04/01	382700T	Service Delay-Porting back to BellSouth	07/16/01	Customer caused the delay by requesting disconnect from Mpower. BellSouth also caused some of the delay.
Mpower	BellSouth	06/07/01	383565T	Out of Service-Improper disconnect of service.	07/16/01	BellSouth did not follow proper porting procedures.
Mpower	BellSouth	07/19/01	392296T	Service Delay-Switching 1 line to Mpower	09/19/01	Delay was caused by Mpower.
Mpower	BellSouth	08/07/01	396329T	Service Delay-Porting back to BellSouth. Also out of service.	10/01/01	Out of service was caused by customer premise equipment.
Mpower	BellSouth	08/24/01	400270T	Service Delay-Porting back to BellSouth	10/17/01	Customer cancelled the request to port back to BellSouth.
Mpower	BellSouth	11/01/01	415888T	Service Delay-Porting back to BellSouth	12/02/01	Delay was caused by BellSouth
Mpower	BellSouth	12/14/01	424418T	Service Delay-Porting back to BellSouth	02/08/02	Delay was caused by BellSouth.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Mpower	BellSouth	01/22/02	431306T	Service Delay-Porting back to BellSouth	05/15/02	Customer was disconnected due to non-pay. Now has BellSouth service.
Network Plus	BellSouth	09/07/01	402936T	Out of service	10/12/01	Outage was caused by BELLSOUTH not informing Network Plus of porting the customer back to BELLSOUTH.
Network Plus	BellSouth	09/13/01	404356T	Service Delay-Porting back to BellSouth	10/08/01	Delay was caused by BellSouth.
Network Plus	BellSouth	11/08/01	415332T	Out of service & Service Delay-porting back to BellSouth	11/26/01	Delay was caused by BellSouth. Service disconnected by Network Plus due to non-payment.
Network Plus	BellSouth	11/07/01	416839T	Delay in installing DID lines. Customer now wants to switch to BellSouth	02/07/02	Coordination problems among BellSouth, Network Plus, and customer.
Network Plus	BellSouth	11/13/01	418090T	Service Delay-Porting back to BellSouth	12/17/01	Delay was caused by BellSouth
Network Plus	BellSouth	11/26/01	420346T	Delay in moving service to new location	12/20/01	BellSouth disconnected service in error. Was restored.
Network Plus	BellSouth	12/13/01	424033T	Service Delay-Porting back to BellSouth	03/08/02	Local service transferred to BellSouth. "800" number remained with Fla. Digital
Network Plus	BellSouth	01/30/02	433517T	Service Delay-Porting back to BellSouth	04/01/02	Network Plus made mistake on the local service request. Credit of $115.72 given.
Network Plus	BellSouth	03/28/02	445974T	Service Delay-Porting to BellSouth	04/19/02	Delay was caused by line freeze which was removed.
Network Plus/Talk America	BellSouth	05/08/02	454667T	Delay in transferring service	05/21/02	Talk America unable to provide service. Switched back to BellSouth
Network Plus	BellSouth	06/06/02	459637T	Service Delay-Porting back to BellSouth	06/28/02	Delay caused by both companies

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
NuVox Comm	BellSouth	10/24/01	413873T	Service Delay-Porting back to BellSouth	12/21/01	Delay was caused by BellSouth
Southeast Telephone	BellSouth	05/30/01	382041T	Service Delay-Porting back to BellSouth	08/08/01	Delay was caused by BellSouth
Southeast Telephone	BellSouth	06/11/01	384127T	Service Delay-Porting back to BellSouth	07/03/01	Problem caused by consumer
Supra	BellSouth	06/14/01	384780T	Service Delay	07/09/01	Delay was caused by customer having a local service freeze on the line.
Supra	BellSouth	06/28/01	386452T	Service Delay-Porting to Supra	07/31/01	Delay was caused by BellSouth.
Supra	BellSouth	11/15/01	399152T	Problems reaching 954-458-5981	12/21/01	Problems were caused by automated voice mail feature.
Supra	BellSouth	08/23/01	400142T	Service Delay-Porting back to BellSouth & out of service.	09/20/01	Delay was caused by BellSouth. Credit provided by Supra for out of service.
Supra	BellSouth	09/06/01	402878T	Service Delay-Porting to Supra	10/05/01	Delay was caused by Supra. Supra issued a $25 credit.
Supra	BellSouth	12/12/01	423962T	Service Delay-Porting to Supra & out of service	01/09/02	Out of service has been resolved. Lines have been switched. No infraction.
Supra	BellSouth	03/21/02	444452T	BellSouth is forcing Supra to raise its price on DSL service.	04/19/02	Customer remained with BellSouth for DSL service.
TCG and Teleport	BellSouth	12/20/00	001810-TP	TCG and Teleport complaint against BellSouth for breach of interconnection agreement	10/29/01	Voluntary withdrawal of complaint by TCG and Teleport
Telephone Co. of Central Fl.	BellSouth	05/31/01	382091T	Service Delay-Porting back to BellSouth	08/09/01	Delay was caused by BellSouth
US LEC	BellSouth	07/02/99	990874-TP	US LEC complaint against BellSouth for breach of interconnection agreement	02/01/02	Voluntary withdrawal of complaint by US LEC

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Instar	BellSouth	05/09/01	378954T	Service Delay-Porting back to BellSouth	08/09/01	Instar refused to port the customer due to customer not paying the bill.
Florida Digital	Sprint	04/26/01	376832T	Service Delay-Porting back to Sprint	07/17/01	Customer caused the delay.
Florida Digital	Sprint	07/24/01	393197T	Billing problem and crossed lines.	10/16/01	Sprint did not follow porting procedures.
Florida Telephone Service	Sprint	04/09/02	448016T	Service Delay-Porting to another CLEC (EXCELINK)	04/15/02	Delay was caused by Florida Telephone.
ITC DeltaCom	Sprint	08/13/01	397430T	Out of service	10/17/01	Sprint did not isolate the problem expeditiously.
KMC	Sprint	11/29/01	011615-TP	Complaint of KMC for enforcement of interconnection agreement with Sprint	06/24/02	Voluntary dismissal of complaint by KMC
MCImetro	Sprint	09/05/01	011177-TP	Complaint of MCImetro against Sprint for improper attempt to terminate interconnection agreement	01/03/02	Voluntary dismissal of complaint by MCImetro
MCI WorldCom	Sprint	04/09/02	448069T	Service Delay-Porting to MCI	05/21/02	Delay was caused by line freeze. Customer had to cancel the freeze.
New South	Sprint	08/28/01	400891T	Service Delay-Porting back to Sprint.	10/02/01	Delay was caused by equipment vendor.
Source One	Sprint	02/12/02	434495T	Service Delay-Porting to Source One	02/28/02	Number was disconnected for non-pay
Telephone Systems of Georgia	Sprint	10/24/01	413812T	Service problems with T-1 to US Forest Service	01/10/02	Service was restored. Sprint issued a $36.18 credit for the outage.
Choctaw Comm	Verizon	08/21/01	399240T	Service Delay-Porting back to Verizon. Disconnected by Choctaw.	10/19/01	Service switched. No problems found with either company.
Florida Comm South	Verizon	02/08/01	359942T	Service Delay-Porting to Verizon	07/10/01	Communication problems between companies.
Florida Comm South	Verizon	06/04/01	382762T	Service Delay-Porting back to Verizon	07/16/01	Delay was caused by Verizon.

APPENDIX F: SUMMARY OF ALEC COMPLAINTS						
ALEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Florida Digital	Verizon	05/15/01	379493T	Service Delay-Porting back to Verizon	09/07/01	Delay caused by Verizon. A $100 service guarantee was issued.
Florida Digital	Verizon	07/19/01	392204T	Service Delay-Porting to Fla. Digital	09/05/01	Delay was caused by Verizon.
KMC Telecom	Verizon	02/18/02	437454T	Service Delay-Porting to KMC	06/25/02	Errors on order contributed to the delay.
Mpower	Verizon	07/10/01	389679T	Service Delay	10/09/01	Problem with both companies.
New South Comm	Verizon	02/05/01	352964T	Are facilities required for Hi Cap service comparable	07/03/01	Facility standards same for ILEC & CLEC
ALLTEL, AT&T, Intermedia, Sprint, Time Warner, WorldCom	Verizon	01/25/01	010102-TP	Verizon updates to the RDBS and BRIDS systems affecting Tampa Telecommunications Carriers	03/25/02	Tampa rate centers defined
XO	Verizon	09/25/01	011252-TP	XO complaint against Verizon for breach of interconnection agreement	12/21/01	Complaint dismissed. Parties ordered to follow dispute resolution process set forth in the agreement

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

1-800-RECONEX, Inc.
2nd Century Communications, Inc.
360networks (USA) inc.
Access Integrated Networks, Inc.
Access Point, Inc.
AccuTel of Texas, Inc.
ACSI Local Switched Services, Inc. d/b/a e.spire Communications, Inc.
Actel Integrated Communications, Inc.
Adelphia Business Solutions Investment East, LLC
Adelphia Business Solutions Investment, LLC
Adelphia Business Solutions of Florida, Inc.
Adelphia Business Solutions of Jacksonville, Inc.
Adelphia Telecommunications of Florida, Inc.
Advanced TelCom of Delaware Inc.
Advanced Tel, Inc. d/b/a EATEL
Advantage Group of Florida Communications, L.L.C.
Advent Consulting and Technology, Inc.
Airface Communications Inc.
AirTIME Technologies, Inc.
ALEC, Inc. d/b/a Volaris Telecom, Inc.
Allegiance Telecom of Florida, Inc.
Allied Riser of Florida, Inc.
ALLTEL Communications, Inc.
Alternative Access Telephone Communications Corp. d/b/a AA Tele-Com
Alternative Phone, Inc.
Alternative Telecommunication Services, Inc. d/b/a Second Chance Phone
AMAFLA Telecom, Inc.
American Communication Services of Jacksonville, Inc. d/b/a e.spire Communications, Inc.
American Fiber Network, Inc.
American Fiber Systems, Inc.
AmeriMex Communications Corp.
ANEW Broadband, Inc.
Annox, Inc.
Arrow Communications, Inc. d/b/a ACI
Asset Channels-Telecom, Inc.
Atlantic Telecommunication Systems, Inc. d/b/a ATS
Atlantic.Net Broadband, Inc.
Atlas Communications, Ltd.
ATN, Inc. d/b/a AMTEL NETWORK, INC.
AT&T Broadband Phone of Florida, LLC d/b/a AT&T Digital Phone
AT&T Communications of the Southern States, LLC d/b/a AT&T
Auglink Communications, Inc.
Available Telecom Services, Inc.
Avix Technologies, Inc.
Axsys, Inc. d/b/a Axsys, Inc./Tel Ptns.
A.R.C. Networks, Inc.
Backbone Communications Inc.
Basic Phone, Inc.
Baytel Communications, Inc.
Beauty Town, Inc. d/b/a Anns Communication
BellSouth BSE, Inc.

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

BellSouth Telecommunications, Inc.
Birch Telecom of the South, Inc. d/b/a Birch Telecom and d/b/a Birch
Biz-Tel Corporation
BlueStar Networks, Inc.
Broadband2Wireless US, Inc.
Broadslate Networks of Florida, Inc.
Broadwing Local Services Inc.
Broward Business Service, Inc. dba Festival Telephone Services, Inc. and dba Communication Service Centers
Budget Comm
Budget Phone, Inc.
BudgeTel Systems, Inc.
Burno, Inc. d/b/a Citywide-Tel
Business Communications, Inc.
Business Telecom, Inc. d/b/a BTI
Buy-Tel Communications, Inc.
C2C Fiber of Florida, Inc.
Cable & Wireless USA, Inc.
Calpoint (Florida), LLC
Calvin Hardge d/b/a CAL-TEC Communications
Campus Communications Group, Inc.
CariLink International, Inc.
CAT Communications International, Inc.
Cbeyond Communications, LLC
CCCFL, Inc. d/b/a Connect!
Centennial Florida Switch Corp.
CeriStar, Inc.
Choctaw Communications, Inc. d/b/a Smoke Signal Communications
CI2, Inc.
Ciera Network Systems, Inc.
Cinergy Communications Company
City of Daytona Beach
City of Gainesville, a municipal corporation d/b/a GRUCom
City of Lakeland
City of Ocala
City of Tallahassee
CityNet Telecom, Inc.
Colmena Corp. of Delaware
Columbia Telecommunications, Inc. d/b/a axessa
Comcast Business Communications, Inc.
Comm South Companies, Inc. d/b/a Florida Comm South
COMUSA, Inc.
Concert Communications Sales LLC
ConnectSouth Communications of Florida, Inc.
Consolidated Networks, Inc.
Coral Telecom, Inc.
Cordia Communications Corp.
CoreComm Florida, Inc.
Covista, Inc.
Cox Florida Telcom, L.P. d/b/a Cox Communications
Credit Loans, Inc. d/b/a Lone Star State Telephone Co.
CTC Communications Corp.

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

C.B. Telecomm, Inc.
D-Tel, Inc.
David A. Chesson and Ted J. Moss d/b/a Phone-Out/Phone-On
David A. McGuire d/b/a Simply Communications
Deland Actel, Inc.
Delta Phones, Inc.
DialTek, LLC d/b/a DTK Telecommunications, LLC
Dialtone Telecom, LLC
DIECA Communications, Inc. d/b/a Covad Communications Company
Direct-Tel USA, LLC
Direct Telephone Company, Inc.
Direct2Internet Corp.
Dominion Telecom, Inc.
DPI-Teleconnect, L.L.C.
DSL Internet Corporation d/b/a DSLi
DSL Telecom, Inc.
DSLnet Communications, LLC
DV2, Inc.
Dynegy CLEC Communications, Inc.
Eagle Communications, Inc. d/b/a Eagle Telco, Inc.
Easy Telephone Services Company
El Paso Networks, LLC
ElectroNet Intermedia Consulting, Inc.
Electronic Technical Services (E.T.S.)
eMeritus Communications, Inc.
Enron Telecommunications, Inc.
EPICUS, Inc. d/b/a EPICUS
Ernest Communications, Inc.
essential.com, inc.
Essex Communications, Inc. d/b/a eLEC Communications
Eureka Telecom, L.L.C.
Everest Broadband Networks of Florida, Inc.
Everest Connections Corporation
Evolution Networks South, Inc.
Excel Telecommunications, Inc.
EXCELINK COMMUNICATIONS, INC.
Express Phone Service, Inc.
EZ Talk Communications, L.L.C.
E.Com Technologies, LLC d/b/a Firstmile Technologies, LLC
Fair Financial LLC d/b/a Midstate Telecommunications
FairPoint Communications Solutions Corp.
Fast Phones, Inc. of Alabama
Fiber Media, LLC
FLATEL, Inc. d/b/a Florida Telephone Company d/b/a Oscatel d/b/a Telephone USA
Florida City-Link Communications, Inc.
Florida Consolidated Multi-Media Services, Inc.
Florida Digital Network, Inc.
Florida Municipal Power Agency
Florida Phone Service, Inc.
Florida Phone Systems, Inc.
Florida Public Telecommunications Association, Inc.

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

Florida Telephone Services, LLC
Focal Communications Corporation of Florida
Foxtel, Inc.
FPL FiberNet, LLC
Frontier Communications of America, Inc.
Fuzion Wireless Communications Inc.
Ganoco, Inc. d/b/a American Dial Tone
Genesis Communications International, Inc.
Georgia Public Web, Inc.
Georgia Telephone Services, Inc.
Global Connection, Inc of America
Global Crossing Local Services, Inc.
Global Crossing Telemanagement, Inc.
Global Dialtone, Inc.
Global Metro Networks Florida, LLC
GLOBAL NAPS
Global Telecom Systems, Inc.
Global Telelink Services, Inc.
Globalcom Inc. d/b/a GCI Globalcom Inc.
Globaltron Communications Corporation
Globcom, Inc.
GoBeam Services, Inc.
Grande Communications Networks, Inc.
Group Long Distance, Inc.
GTC Telecom, Inc. d/b/a Curbside Communications
Gulf Coast Communications, Inc.
Harbor Communications, LLC
Hayes Telecommunications Services, Inc.
Heritage Technologies, Ltd.
High Tech Communications of Central Florida, Inc.
HJN Telecom, Inc.
Hosting-Network, Inc.
HTG Services, L.L.C.
I-Link Communications, Inc.
ICG Telecom Group, Inc.
IDS Telcom LLC
IG2, Inc.
Image Access Communications, Inc. d/b/a NewPhone
Intellicall Operator Services, Inc. d/b/a ILD
Intelligence Network Online, Inc.
Intelogistics Corp.
Interactive Services Network, Inc. d/b/a ISN Communications
InterCept Communications Technologies, Inc.
Intercontinental Communications Group, Inc. d/b/a Fusion Telecom
Interlink Telephony, Inc.
Intermedia Communications, Inc.
International Exchange Communications, Inc. d/b/a IE Com
International Telcom, Ltd.
Intertoll Communications Network Corporation
Intrado Communications Inc.
IPVoice Communications, Inc.

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom
ITS Telecommunications Systems, Inc.
Kenarl Inc. d/b/a Lake Wellington Professional Centre
Kernan Associates, Ltd. d/b/a St. Johns Estates
King Communications & Services, Inc.
KingTel, Inc.
Kissimmee Utility Authority
KMC Data LLC
KMC Telecom III LLC
KMC Telecom V, Inc.
Knology of Florida, Inc.
LecStar Telecom, Inc.
Level 3 Communications, LLC
LightWave Communications, LLC
Lightyear Communications, Inc.
Lionhart of Miami, Inc. d/b/a Astral Communications
Local Line America, Inc.
Looking Glass Networks, Inc.
LPGA International Communications, LLC
Lyxom, Inc.
Madison River Communications, LLC
Max-Tel Communications, Inc. d/b/a Florida's Max-Tel Communications, Inc.
Maxcess, Inc.
MCI WorldCom Communications, Inc.
MCI WorldCom Network Services, Inc.
MCImetro Access Transmission Services LLC
McLeodUSA Telecommunications Services, Inc.
Melbourne Venture Group, LLC d/b/a SwiftTel
Mercury Long Distance, Inc.
Meridian Telecom, Inc.
MET Communications, Inc.
Metro FiberLink, Inc.
Metromedia Fiber Network Services, Inc.
Metropolitan Fiber Systems of Florida, Inc.
Metropolitan Telecommunications of Florida, Inc. d/b/a MetTel
Microsun Telecommunications, Inc.
Miketronics, Inc.
Miracle Communications
Momentum Business Solutions, Inc.
Movie, Television & Graphics Corp. d/b/a M.T.G.
Mpower Communications Corp.
MY-TEL INC.
MYCOMP INS AGENCY CORP.
M/C Southern Communications, Inc.
National Telecom & Broadband Services, LLC
National Telecom, LLC
NationNet Communications Corporation
Navigator Telecommunications, LLC.
NET-tel Corporation
Net One International, Inc.
Netcon Telcom, Inc.

APPENDIX G: LIST OF CERTIFICATED ALECS AS OF 6/30/02

Network Information Solutions, Inc.
Network Multi-Family Security Corporation d/b/a Priority Link
Network Telephone Corporation
NetworkIP, L.L.C.
New Access Communications LLC
New Connects, Inc.
New Edge Network, Inc. d/b/a New Edge Networks
NewSouth Communications Corp.
nii Communications, Ltd.
Norcom, Inc.
North Amercian Telecommunications Corporation
North American Telecommunications Corporation d/b/a Southeast Telephone Company
North County Communications Corporation
NOS Communications, Inc. d/b/a International Plus d/b/a O11 Communications d/b/a The Internet Business Association d/b/a I Vantage Network Solutions
Novus Communications, Inc.
NOW Communications, Inc.
Ntegrity Telecontent Services Inc.
NTERA, Inc.
NUI Telecom, Inc.
NuStar Communications Corp.
NuVox Communications, Inc.
NxGen Networks, Inc.
O1 Communications of Florida, LLC
Ocius Communications, Inc.
Oltronics, Inc.
One Call Communications, Inc. d/b/a Opticom, a Division of One Call Communications, Inc.
OnePoint Communications-Georgia, LLC d/b/a Verizon Avenue
OnePoint Services, L.L.C. d/b/a RCP Services
OneStar Communications, LLC
OnFiber Carrier Services, Inc.
OpTel (Florida) Telecom, Inc. d/b/a OpTel
Orlando Telephone Company
Oronoco Networks, Inc.
Pacific Centrex Services, Inc.
PaeTec Communications, Inc.
Palm Beach Community College
Pan American Telecom, Incorporated
PARCOM Communications, Inc.
PatriotCom Inc.
Phantom Networks, Inc.
Phone-Link, Inc.
Pilgrim Telephone, Inc.
Pinnacle Telcom, Inc.
PNG Telecommunications, Inc. d/b/a PowerNet Global Communications
PointeCom, Incorporated d/b/a Telscape Communications
Positive Investments, Inc.
Preferred Carrier Services, Inc. d/b/a Telefonos Para Todos and d/b/a Phones For All
Premiere Network Services, Inc.
Primus Telecommunications, Inc.
Pro Telecom, Inc.

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ProfitLab, Inc.
Progress Telecom Corporation
Public Telephone Network, Inc.
Quality Telephone Inc.
Quantum Phone Communications, L.L.C.
QuantumShift Communications, Inc.
Qwest Communications Corporation
Qwest Interprise America, Inc.
Qwik.net ALEC, Inc.
R & D Network Services, Inc.
RCN Telecom Services, Inc.
Re-Connection Connection
Rebound Enterprises, Inc. d/b/a REI Communications
ReFlex Communications, Inc.
Resort Hospitality Services, Ltd.
ReTel Communications, Inc.
Rightlink USA, Inc.
Ring Connection, Inc.
Sandhills Telecommunications Group, Inc. d/b/a SanTel Communications
SATCOM Communication Corporation d/b/a SATCOM Communication
SBA Broadband Services, Inc.
SBC Telecom, Inc.
ServiSense.com, Inc.
Seven Bridges Communications, L.L.C.
Shands Teaching Hospital and Clinics, Inc.
Sigma Networks Telecommunications, Inc.
Smart City Networks
Smart City Solutions, LLC
Soapstone Telecom LLC
Source One Communications, Inc. d/b/a Quick Connects
Southeastern Services, Inc.
Southern Light, LLC
Southern ReConnect, Inc.
Southern Telcom Network, Inc.
Southern Telecom, Inc. d/b/a Southern Telecom of America, Inc.
Speedy Reconnect, Inc.
Sphera Optical Networks N.A., Inc. d/b/a Sphera Networks
Sprint Communications Company Limited Partnership
State Discount Telephone, L.L.C.
Strategic Technologies, Inc.
Structus TeleSystems, Inc.
Sun-Tel USA, Inc.
Suntel Metro, Inc.
Supra Telecommunications and Information Systems, Inc.
Susan R. Mulhall d/b/a Actel Wireless
S.F.M.&T. Inc.
T-Netix, Inc.
Talk America Inc.
TalkingNets Holdings, LLC
Tallahassee Community College
Tallahassee Memorial Telephone Company

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Tallahassee Telephone Exchange, Inc.
TCG South Florida
Tel West Communications, LLC
TeleCents Communications, Inc.
Telecom Connection Corp.
TeleConex, Inc. d/b/a TeleConex
Telefyne Incorporated
Telepak Networks, Inc.
Telephone One Inc.
Telephone Systems of Georgia, Inc.
Telergy Network Services, Inc.
Telicor Inc.
Teligent Services, Inc.
TelNet.com, Inc.
TelQuest Communications, Corp.
Telseon Carrier Services, Inc.
Telsys, Inc.
The Mobile Phone Company, Inc.
The Other Phone Company, Inc. d/b/a Access One Communications
The Ultimate Connection, L.C. d/b/a DayStar Communications
Time Warner Cable Information Services (Florida), LLC d/b/a Time Warner Cable Information Services d/b/a Time Warner Cable d/b/a Time Warner Communications
Time Warner Telecom of Florida, L.P.
TotalCom America Corporation
TOTALink of Florida, LLC
Touch 1 Communications, Inc.
Transparent Technology Services Corporation d/b/a North Palm Beach Telephone Company
Tristar Communications
Unicom Communications, LLC
United Communications HUB, Inc.
United States Telecommunications, Inc. d/b/a Tel Com Plus
Universal Access, Inc. d/b/a UAI of Florida, Inc.
Universal Beepers Express, Inc. d/b/a Universal Wireless
Universal Telecom, Inc.
University Club Communications, LLC
URJET Backbone Network, Inc.
US LEC of Florida Inc.
US South Communications, Inc.
US Telecom Services, Inc.
USA Telecom, Inc.
USA Telephone Inc.
USLD Communications, Inc.
Utility Board of the City of Key West - City Electric System
U.S. TelePacific Corp. d/b/a TelePacific Communications
VarTec Telecom, Inc. d/b/a VarTec Telecom, Inc. and Clear Choice Communications
VBNet, Incorporated
Verizon Florida Inc.
Verizon Select Services Inc.
VGM International, Inc.
Vision Prepaid Services, Inc.
Vitcom Corporation

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VIVO-FLA, LLC
Wholesale Carrier Services, Inc.
Williams Local Network, LLC
Winstar Communications, LLC
Wireless One Network Management, L.P.
WS Teleco, Inc. d/b/a eXpeTel Communications
W.G.I. Communications, Inc. d/b/a Boomerang Communications, Inc.
XO Florida, Inc.
Yipes Transmission, Inc.
Z-Tel Communications, Inc.
Zephion Networks Communications, Inc.