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David M. Christian
Vice President - Regulatory Affairs



106 East College Avenue, Suite 810
Tallahassee, FL 32301

Phone 850 224-3963
Fax 850 222-2912
david.christian@verizon.com

July 14, 2004

Mr. Greg Fogleman
Economic Analyst
Office of Federal & Legislative Liaison
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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Re: Verizon Florida Inc.'s Responses to FPSC Universal Service Data Request

Dear Mr. Fogleman:

Attached are Verizon Florida Inc.'s responses to the Commission's universal service data requests. In addition to the attached responses, Verizon's position on a few of the issues implicated by the data requests is set forth below.

Limit High-Cost Fund Growth

The universal service fund (USF) has been increasing in size for many years. The fund's increasing size threatens its sustainability and the affordability of telecommunications services for all Americans. Moreover, this burgeoning fund distorts competition and harms ratepayers. As several FCC Commissioners have recognized, it makes no sense to use ratepayer funds to subsidize multiple competitors to serve areas in which the costs are prohibitively expensive for even one carrier.¹ Moreover, it is inefficient to fund multiple competitors in high cost areas, because this makes it difficult for any one carrier to achieve the economies of scale necessary to serve all of the customers in that area.² And it is poor public policy to increase the size of the fund in areas where competition is already flourishing *without* universal service support.

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¹ Multi-Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Separate Statement of Commissioner Kevin J. Martin, 16 FCC Rcd 19613, 19746 (2001) ("MAG Plan Order"); see also Jonathan S. Adelstein, Commissioner, FCC, Remarks before the National Association of Regulatory Utility Commissioners (Feb. 25, 2003), available at http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-231648A1.pdf.

² MAG Plan Order, Separate Statement of Commissioner Kevin J. Martin.

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FPSC-BUREAU OF RECORDS

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To promote competition and benefit ratepayers, the FCC should curb the size of the fund. In CC Docket No. 96-45, Verizon explained how to achieve this goal. First, the FCC should freeze high cost loop support in a study area upon entry of a competitive eligible telecommunications carrier (CETC). Second, the FCC should limit support for UNE-based providers to their actual loop costs. Third, the FCC should limit high cost support to one ETC per customer.

I encourage you to give careful consideration to the attached comments that we filed with the FCC on this issue. Consumers and the industry will benefit if the FCC adopts our recommendations.

ETC Impact on CALLS

Interstate access support (IAS or CALLS) should be preserved for its intended purpose – i.e., to eliminate access charges, such as PICC and CCL charges. If CETCs continue to draw increasing amounts from CALLS, ILECs will be forced to reinstate access charges that were once eliminated by adoption of the CALLS. The re-imposition of previously eliminated access charges will impede competition and injure ratepayers. Thus, we encourage you consider our attached comments urging the FCC to quell the dilution of the CALLS fund.

ETC Designation

The FCC should not approve ETC applications before revising the existing portability rules. Moreover, the FCC should not approve these applications unless granting them: (1) will be consistent with the public interest standard for non-rural areas; (2) will not have a significant impact on the size of the USF; and (3) will not pose “cream skimming” issues in rural areas.

When considering whether granting ETC status is in the public interest, the FCC should require ETCs to provide specific evidence regarding the particular study areas where they are seeking ETC status. This should include, among other things, a demonstration of the state of competition in the study area, and the estimated impact of granting a petition on the universal service fund. Boilerplate assertions about the “competitive benefit” of granting the ETC designation – without more – should carry no weight.

Of course, the FCC should look not just at the impact of the particular ETC petition at issue, but the cumulative impact that designating multiple ETCs will have on (1) increasing the size of the high cost fund, and (2) dilution of CALLS support from its intended purposes.

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Verizon has included confidential information as part of its responses to questions 1 and 2. As such, Verizon requests that the confidential information be treated as proprietary pursuant to Section 364.183(3)(e), Florida Statutes.

Sincerely,

A handwritten signature in black ink, appearing to read "D. M. Christian". The signature is fluid and cursive, with a large initial "D" and "M".

David M. Christian
Vice President – Regulatory Affairs