

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition to reduce intrastate switched access rates in revenue-neutral manner pursuant to Section 364.164, Florida Statutes, by ALLTEL Florida, Inc.

DOCKET NO. 050693-TL
ORDER NO.PSC-05-1167-PHO-TL
ISSUED: November 22, 2005

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on November 21, 2005, in Tallahassee, Florida, before Commissioner J. Terry Deason, as Prehearing Officer.

APPEARANCES:

J. JEFFRY WAHLEN, Esquire, Ausley & McMullen, Post Office Box 391, Tallahassee, Florida 32302

On behalf of Alltel Florida, Inc. (ALLTEL).

CHARLES J. BECK, Deputy Public Counsel, Office of the Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400

On behalf of Citizens of the State of Florida (OPC).

JEREMY L. SUSAC, Esquire, and ADAM J. TEITZMAN, Esquire, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850

On behalf of the Commission (STAFF).

PREHEARING ORDER

I. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, Florida Administrative Code, this Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

II. CASE BACKGROUND

On September 29, 2005, Alltel Florida, Inc. (ALLTEL), filed a petition pursuant to Section 364.164, Florida Statutes, and this docket has been opened to address this petition in the time frame provided by Section 364.164, Florida Statutes

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

III. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 364.183, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 364.183, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

1. Any party intending to utilize confidential documents at hearing for which no ruling has been made, must be prepared to present their justifications at hearing, so that a ruling can be made at hearing.

2. In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- a) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 364.183, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.
- b) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- c) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.

- d) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.
- e) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of the Commission Clerk and Administrative Services' confidential files.

IV. POST-HEARING PROCEDURES

Each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, Florida Administrative Code, a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 15 pages, and shall be filed at the same time. The Parties' briefs shall be filed by the close of business on December 6, 2005.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

VI. ORDER OF WITNESSES

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
<u>Direct</u>		
Bettye J. Willis	Alltel	3, 4, 5, 6
David C. Blessing	Alltel	1, 1a, 1b, 1c, 2, 3, 5, 6, 7

VII. BASIC POSITIONS

ALLTEL: Alltel's rate rebalancing proposal satisfies the requirements of Section 364.164(1), Florida Statutes, and should be approved by the Commission because Alltel's proposal will: (1) remove current support for basic local telecommunications services that prevents the creation of a more attractive competitive local exchange market for the benefit of residential consumers; (2) induce enhanced market entry; (3) require intrastate switched network access rate reductions to parity over a period of not less than 2 years or more than 4 years; and (4) be revenue neutral as defined in subsection (7) within the revenue category defined in subsection (2).

Alltel proposes to increase rates for basic local telephone service and to offset the increase by reducing rates for intrastate switched access that currently provide support for basic local telecommunications service. The elimination of implicit support will enhance competitive market entry into Alltel's residential local exchange market which will result in the creation of a more competitive residential local exchange market that will ultimately benefit consumers. Alltel will reduce rates for intrastate switched network access rate by \$6 million over a period of two years and offset those reductions by increasing rates for R1 and B1 service in a revenue neutral manner. Alltel's proposed basic local rate increases will give competitors a stronger incentive to enter and serve the basic local exchange market which will benefit residential customers by giving them more choices for their local telecommunications service. Alltel's rate rebalancing proposal should be approved because it removes implicit support that prevents increased competition that would benefit residential customers and meets the other criteria in Section 364.164, Florida Statutes.

The fact that Alltel serves a predominately rural area (approximately 50.2 people per square mile) should not preclude the Commission from approving Alltel's proposed rebalancing plan. Alltel estimates that Sprint serves approximately

523,616 access lines in its 62 least dense exchanges with a combined average population density of 50.6 people per square mile which represents nearly one half of all of Sprint's exchanges in Florida. Verizon currently serves a total of 2,221,297 access lines in Florida, of which Alltel estimates Verizon provides approximately 20,955 access lines in its 6 least dense exchanges with a combined average population density of 46.5 people per square mile. BellSouth currently serves a total of 6,277,815 access lines in Florida, of which Alltel estimates BellSouth provides approximately 232,482 access lines in its 34 least dense exchanges with a combined average population density of 49.1 people per square mile. Inasmuch as the Commission has determined that rebalancing rates for the rural customers in Sprint, Verizon, and BellSouth territory will promote competition in those territories, it stands to reason that rebalancing Alltel's rates will also promote competition in Alltel's territory. The evidence Alltel has presented in this case regarding the rebalancing experience in Wyoming further supports this position.

OPC:

Alltel's residential customers will pay among the highest basic local exchange rates in Florida, while at the same time Alltel's customers will receive virtually no offsetting benefit in long distance rate reductions, if the Commission approves Alltel's rate rebalancing proposal. Alltel has not made a convincing case that customers will have any additional competitive alternatives, or that the price of competitive alternatives will be any more attractive, as a result of Alltel's local rate increase and rate rebalancing. Competitors generally set their rates on a nationwide basis and are unlikely to change their rates in response to rate rebalancing by Alltel Florida. Residential customers will simply pay more for the same services from Alltel if the Commission grants Alltel's petition.

Alltel's rate rebalancing proposal should be denied. If the Commission nevertheless decides to approve Alltel's rate rebalancing proposal, the approval should be made contingent upon Alltel offering stand-alone DSL to all of its customers at a price no higher the lowest price at which it is offered in any of its packages of services.

STAFF:

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VIII. ISSUES AND POSITIONS

ISSUE 1: Will Alltel's rebalancing proposal remove the current support for basic local telecommunications services that prevents the creation of a more attractive competitive market for the benefit of residential consumers?

(A) What is a reasonable estimate of the level of support provided for basic local telecommunications services?

(B) Does the current level of support prevent the creation of a more attractive competitive local exchange market for the benefit of residential consumers?

(C) Will Alltel's rebalancing proposal benefit residential consumers as contemplated by Section 364.164, Florida Statutes? If so, how?

POSITIONS

ALLTEL: Alltel's rebalancing proposal will remove some, but not all, of the support for basic local telecommunications services. The fact that all of the support will not be eliminated should not preclude the Commission from approving the proposal, because Alltel is moving to parity for small LECs as defined in the statute. Alltel's basic local services, 1R and 1B, receive support from Alltel's intrastate switched access and other services. Alltel's rebalancing plan proposes to reduce Alltel's intrastate switched access rates to parity (as defined by section 364.164(5) of the Florida Statute) and offset that revenue reduction by increasing the price of basic local residential service closer to average cost which will remove some of the support for basic local residential telecommunications service. Moving the price of Alltel's basic local residential services closer to average cost will make Alltel's territory a more attractive market and will increase the incentive for new competitors (cable telephony, VoIP, wireless, and others) to enter Alltel's territory to provide competing local residential telephone service as well as increase the incentive for existing wireless, VoIP, and cable telephony competitors to compete more aggressively. As new competitors enter Alltel's territory and existing competitors compete more aggressively, Alltel's residential customers will have the benefit of additional competitively-priced choices of providers for local phone service.

(A) The reasonable estimate of support is in excess of \$6.0 million; however, Alltel's rate rebalancing plan does not propose to remove all support for basic local telecommunications services. Rather, it seeks to remove \$6.0 million of support from basic local telecommunications services by reducing Alltel's intrastate switched network access rate to parity as defined by the Florida Statute for ILECs that serve fewer than one million access lines

(B) Yes. Alltel's current level of support is holding residential basic monthly rates well below average cost, and therefore, preventing the creation of a more attractive competitive local exchange market. The availability of Alltel's basic local residential telephone service at supported prices limits the prices that competitive local providers can charge despite the fact that they may have lower costs of providing local service. However, if the level of support is reduced and Alltel's price of basic residential local service is increased, competitor's will be incented to enter Alltel's local market (or compete more aggressively if they have already entered) if Alltel's new price for basic local service is greater than the competitor's cost of providing local service (including a reasonable profit). Alltel agrees with the Commission's finding in Order No. PSC-03-1469-FOF-TL that rate rebalancing "will make the residential market more economically attractive for CLECs, which should lead to an increase in choice of providers." (See Order at p.23.)

(C) Yes. As stated above, by moving Alltel's basic local residential rates toward average cost, Alltel's rate rebalancing plan will promote competition for the benefit of residential customers. The new prices for residential local service will increase the ability of competitors to enter Alltel's service territory and serve those customers which will increase consumer's choice of local service providers, services and bundles of services. Alltel has presented evidence that will allow the Commission to make the finding in this case that it made in the Large LEC case, that: "we find that Florida consumers as a whole will reap the benefits of increased competition ... Increased competition will lead not only to a wider choice of providers, but also to technological innovation, new service offerings, and increase quality of service to the customer." (See Order at p. 24.)

OPC: No, for the reasons set forth in part C.

(A) No Position.

(B) Alltel has not met its burden of proof on this issue.

(C) No. Alltel's residential customers will pay among the highest basic local exchange rates in Florida, while at the same time Alltel's customers will receive virtually no offsetting benefit in long distance rate reductions, if the Commission approves Alltel's rate rebalancing proposal. Alltel has not made a convincing case that customers will have any additional competitive alternatives, or that the price of competitive alternatives will be any more attractive, as a result of Alltel's local rate increase and rate rebalancing. Competitors generally set their rates on a nationwide basis and are unlikely to change their rates in response to rate rebalancing by Alltel Florida. Residential customers will simply pay more for the same services from Alltel if the Commission grants Alltel's petition.

STAFF: 1(A) While staff does not endorse any of the three specific cost estimates offered by Alltel, we believe it is reasonable to conclude that the \$6 million figure by which Alltel proposes to reduce intrastate access charges is likely a conservative estimate of the amount of support provided to basic local telecommunications services.

1(B) Yes, in part. With the exception of wireless carriers and VoIP providers, the current level of support does deter other providers from competing in Alltel's Florida territory.

1(C) No. Alltel's petition is predicated on increasing competition from CLEC resellers, wireless carriers, VoIP providers, and cable telephone providers. For those types of providers, Alltel's rebalancing proposal will not materially change the economics of providing service in Alltel's Florida territory. Any improvement in the average gross margin per customer will be slight; thus, competitors are unlikely to offer reduced prices or improved service. Any increase in a competitor's customer base will merely be a function of customers migrating from a previously lower priced Alltel service to the next cheapest alternative.

ISSUE 2: Will the effects of Alltel's rebalancing proposal induce enhanced market entry? If so, how?

POSITIONS

ALLTEL: Yes. Alltel's rate rebalancing plan will move the prices of Alltel's basic local services closer to average cost. As Alltel's prices for residential basic local service move closer to average cost, more competitors will have an ability to offer competing local service at a price equal to or lower than that offered by Alltel, and still remain profitable which will increase their incentive to enter Alltel's local market. As a result, the prices proposed in Alltel's rate rebalancing plan will make the residential local exchange market more attractive to competitors and induce enhanced market entry. Enhanced market entry will in turn introduce more providers, more services and bundles of services.

While the Act does not require Alltel to guarantee that its rate rebalancing proposal will increase competition, Alltel has submitted evidence to allow the Commission to make the finding in this case that it made in Order No. PSC-03-1469-FOF-TL that rate rebalancing "will make the residential market more economically attractive for CLECs, which should lead to an increase in choice of providers." (See Order at p.23.) Wireless carriers, VoIP-based CLECs, and cable telephony providers are already competing (or have announced that they will soon be competing) in Alltel's territory proving that competition can and does occur in rural exchanges. This competition will be enhanced by rate rebalancing.

Wyoming's actions to rebalance R1 rates has shown that rebalancing rates will increase competition in rural exchanges. As the Wyoming PSC noted in its 2005 Annual Telecom Report,

“The Wyoming Act and the federal Act have had a profound effect on the development of the telecommunications industry in Wyoming. They have encouraged the development of competitive alternatives for business and residential. Competition and communications infrastructure development are increasing.... **As companies came into compliance with the TSLRIC provisions of the Act (i.e., rebalancing), more competition developed...**” (See Wyoming Public Service Commission, *Wyoming PSC 2005 Annual Telecom Report*, prepared by the Wyoming Public Service Commission, January 10, 2005. p. 54)

The Florida Commission found that the rate rebalancing proposals of Sprint, BellSouth and Verizon would induce enhanced competition in their exchanges (both urban and rural). Sprint serves 2,063,198 access lines in Florida and is classified as a rural company by the Universal Service Administrative Company. Sprint serves 523,616 access lines (five times as many access lines as Alltel) in 62 exchanges that have the same population density of 50.6 people per square mile as does Alltel's average exchange. By approving Sprint's rebalancing plan, the Commission found that rate rebalancing will enhance competitive entry in Sprint's rural exchanges. That being the case, the Commission should find that Alltel's rate rebalancing proposal will enhance competitive entry in Alltel's exchanges.

OPC: Alltel has not met its burden of proof on this issue.

STAFF: No. For the types of competitors cited by Alltel (CLEC resellers, wireless carriers, VoIP providers, and cable telephone providers), the economics of providing service in Alltel's Florida territory will not materially change; thus, there is no basis for concluding that Alltel's rebalancing proposal will induce enhanced market entry

ISSUE 3: **Will Alltel's rebalancing proposal reduce intrastate switched network access rates to interstate parity over a period of not less than two years or more than four years?**

POSITIONS

ALLTEL: Yes. Alltel's rebalancing plan will reduce the Company's intrastate switched network access rates to parity as defined in Section 364.164 (5) for a company that has 1 million or fewer access lines in service, in three increments over a

period of two years. Alltel's plan will reduce intrastate switched network access revenue by \$6 million and offset that reduction with a corresponding increase in rates for basic local residential service, single-line business service, and associated non-recurring residential and business service connection charges. Alltel's plan will be accomplished in three increments over a two-year period and is revenue neutral each year and in total. The first installment will reduce the intrastate carrier common line charge to approximately \$0.028819 and eliminate the interconnection surcharge. In the second installment, Alltel will reduce the intrastate carrier common line charge to approximately \$0.019437. In the final installment, Alltel will reduce the intrastate carrier common line charge to approximately \$0.010056. The exact resulting rate will depend on the revenue expected to be generated by the local rate increases. This proposal brings Alltel's intrastate switched network access rates below the required 8 cents per minute parity rate specified in Section 364.164 to an estimated 6 cents per minute at the end of the two-year period.

OPC: No position.

STAFF: Alltel's rebalancing petition will reduce intrastate switched network access rates to a level below "parity" as defined in Section 364.164(5), F.S., over a period of not less than two years or more than four years; however, ALLTEL has not specified implementation dates.

ISSUE 4: Is Alltel's rebalancing proposal revenue neutral, as defined in Section 364.164(2), Florida Statutes?

POSITIONS

ALLTEL: Yes. Alltel's rate rebalancing plan is revenue neutral, as defined in the statute. The plan will reduce Alltel's intrastate switched network access rates by \$6.0 million and offset that increase with a corresponding increase in rates for basic local residential service, single-line business service, and associated non-recurring residential and business service connection charges. Alltel's rate rebalancing plan will be accomplished in three relatively equal increments over a two-year period and is revenue neutral each year and in total.

OPC: No position.

STAFF: Based on the company's filing it appears that its rebalancing proposal is revenue neutral to the company, reducing intrastate switched network access charges by approximately \$6 million dollars and increasing basic local service revenues by approximately \$6 million dollars.

ISSUE 5: Should Alltel's rebalancing proposal be granted or denied?

POSITIONS

ALLTEL: The proposal should be granted. For all of the reasons discussed in this Prehearing Statement, Alltel's rate rebalancing plan should be granted. Alltel's rate rebalancing plan satisfies all of the criteria set forth in Section 364.164, and will, in a revenue-neutral manner, result in prices for residential basic local service that are closer to average cost. This, in turn, will induce enhanced market entry in Alltel's territory for residential local telephone service which will benefit consumers.

OPC: Alltel's rate rebalancing proposal should be denied. If the Commission nevertheless decides to approve Alltel's rate rebalancing proposal, the approval should be made contingent upon Alltel offering stand-alone DSL to all of its customers at a price no higher the lowest price at which it is offered in any of its packages of services.

STAFF: Based on staff's preliminary positions on other issues, Alltel's petition should be denied.

ISSUE 6: Should the IXC flow through procedures addressed in Docket No. 030961-TI and ordered in PSC-03-1469-FOF-TL, be applied to Alltel's rebalancing proposal?

POSITIONS

ALLTEL: Yes. As discussed and ordered in PSC-03-1469-FOF-TL, the IXCs should flow through Alltel's \$6 million annual intrastate switched access rate reduction in the manner determined by the Commission in that order.

OPC: Yes.

STAFF: IXCs should be required to flow-through access charge reductions implemented by Alltel consistent with the following flow-through requirements established in Order No. PSC-03-1469-FOF-TL:

- (1) IXCs should file tariffs within 44 days of ALLTEL's filed tariffs.
- (2) Alltel's and the IXCs' tariffs should become effective simultaneously.
- (3) IXC rate reductions shall remain in effect for no less than one year subsequent to the last access charge reduction implemented in this docket.

- (4) IXC rate reductions should be flowed-through to residential and business customers on a pro-rata basis according to access minutes of use.

All IXCs that paid \$1 million or more state-wide in intrastate switched access charges within the most recent 12 month period should include in their tariff filings:

- (1) a calculation of the dollar benefit associated with ALLTEL's intrastate access rate reductions.
- (2) separate demonstrations that residential and business long distance rates have been reduced and the estimated annualized revenue effect, residential and business, including how those estimates were made.
- (3) a demonstration that all rate reductions have been flowed through.

For IXCs that paid less than \$1 million in intrastate switched access charges within the most recent 12 month period, their tariff filings should include a letter certifying as such, and that they have complied with each of the flow-through requirements as specified in Section 364.163(2), Florida Statutes. Additionally, any IXC whose intrastate switched access expense reduction is \$100 or less per month would not be obligated to flow through its reduction, but must attest to such through a letter filed with this Commission.

ISSUE 7: Would the Commission's approval of Alltel's rebalancing proposal be consistent with the section 364.01(4)(a), Fla. Stat.?

POSITIONS

ALLTEL: Yes. Alltel's proposed R1 rates are consistent with section 364.01(4)(a) of the Florida Statutes that requires the Commission to "ensure basic local telecommunications services are available to all consumers in the state at reasonable and affordable prices." Alltel's proposed R1 rates are comparable to the R1 rates that the Commission found were affordable in the rate rebalancing proceeding for Verizon, BellSouth, and Sprint in Docket No. 030961-TI. These rates are compared in the following table.

COMPARISON OF REBALANCED LOCAL RATES

	Verizon	BellSouth	Sprint	ALLTEL
Former Rates				
Lowest	\$ 9.72	\$ 7.57	\$ 7.63	\$9.64
Highest	\$ 12.06	\$ 11.04	\$ 11.48	\$12.67
Average	\$ 10.89	\$ 9.31	\$ 9.56	\$10.49
Rate Increase	\$ 4.73	\$ 3.86	\$ 6.86	\$6.00

	Verizon	BellSouth	Sprint	ALLTEL
New Rates				
Lowest	\$ 14.45	\$ 11.43	\$ 14.49	\$15.64
Highest	\$ 16.79	\$ 14.90	\$ 18.34	\$18.67
Average	\$ 15.62	\$ 13.17	\$ 16.42	\$16.49

The Commission stated in its findings in Order No. PSC-03-1469-FOF-TL, that, "Experience from other states that have rebalanced local and toll rates shows that approval of the ILECs' proposals will have little, if any, negative impact on the availability of universal service." (See Order at p. 15.) Thus, if universal service is not negatively impacted, then rates are affordable.

Alltel's proposed basic local service rates should also be deemed affordable because the price increase is a very small percentage of the average household's budget – less than the cost of a movie ticket for one adult. Additionally, the majority of Florida consumers are currently paying more than twice as much for cellular phone service, cable TV, and internet service; plus, other states have determined that \$20.00 is an affordable rate for basic residential local service. As the Commission determined in the large LEC rate rebalancing proceeding, support for basic local service rates should be targeted only to low-income families needing financial assistance and Lifeline will ensure that basic local service will remain affordable for low-income families.

OPC: No, the price for basic local telecommunications service will be less reasonable and affordable if the Commission grants Alltel's petition, and Alltel hasn't done enough to promote Lifeline and Link-Up. Although Alltel's Lifeline subscribership jumped between January 1, 2003, and January 1, 2004, when Lifeline was heavily promoted in the media by BellSouth, Verizon, and Sprint, Alltel's Lifeline subscribership recently declined between January 1, 2004, and January 1, 2005.

STAFF: Staff has no position at this time.

ISSUE 8: Should the docket be closed?

POSITIONS

ALLTEL: Yes.

OPC: No position.

STAFF: Staff has no position at this time.

IX. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
David C. Blessing	Alltel	<hr/> (DCB-0)	Table 1 - Comparison of Alltel Rates v. Costs Table 2 - Distribution of Household Income in Florida Table 3 - Telephone Rates Adjusted for Inflation Table 4 - Comparison of Price of Communication Services in Florida Table 5 - Comparison of the Price of Communications Services in Florida as a Percentage of Household Income Table 6 - Local Residential Rates Adjusted to Real (2004) Dollars Table 7 - Comparison of Rebalanced Rates
		<hr/> (DCB-1)	FCC data regarding Telephone Subscribership in the United States Through March 2003.
		<hr/> (DCB-2)	FCC data regarding Telephone Subscribership in the United States Through March 2005.
		<hr/> (DCB-3)	Florida Statute § 364.164.

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
		<hr/> (DCB-4)	(Non-Confidential) Hatfield HAI 5.0a – Default and ALLTEL- specific model runs plus input changes.
		<hr/> (DCB-4)	(Confidential) Hatfield HAI 5.0a – Default and ALLTEL- specific model runs plus input changes.
		<hr/> (DCB-5)	ALLTEL Florida 2004 embedded cost study.
		<hr/> (DCB-6)	Florida Statute § 364.025 Universal Service.
		<hr/> (DCB-7)	FPSC Order regarding the cost of basic local telecommunications service (Docket No. 980696-TP).
		<hr/> (DCB-8)	Order regarding ALLTEL’s depreciation study. (Docket No. 950887- TL).
		<hr/> (DCB-9)	Academic paper: UNIVERSAL RESIDENTIAL TELEPHONE SERVICE.
		<hr/> (DCB-10)	Order regarding Verizon, BellSouth, and Sprint in the Large LEC Rebalancing docket. (Docket No. 030961- TI)

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
		<hr/> (DCB-11)	Academic paper: "Are Residential Local Exchange Prices Too Low? Drivers to Competition in the Local Exchange Market and the Impact of Inefficient Prices."
		<hr/> (DCB-12)	Amended Direct Testimony of Dr. Kenneth Gordon On behalf of Verizon, BellSouth, and Sprint in the Large LEC Rebalancing docket. (Docket No. 030961-TI),
		<hr/> (DCB-13)	Academic paper: " <i>Regulatory Behavior and Competitive Entry.</i> "
		<hr/> (DCB-14)	Article: "Telecommunications Privatization and Tariff Rebalancing: Evidence from Latin America,"
		<hr/> (DCB-15)	Florida PSC Annual Report To The Legislature On The Status Of Competition In The Telecommunications Industry In Florida as of May 31, 2004.
		<hr/> (DCB-16)	Unite Communications Systems website.
		<hr/> (DCB-17)	Utopia Net website

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
		(DCB-18)	Grant County (Washington State) Public Utility District Zip fiber network website
		(DCB-19)	Chelan County (Washington State) Public Utility District fiber network website
		(DCB-20)	Wyoming PSC 2005 Annual Telecom Report.
		(DCB-21)	Bresnan Communications home page
		(DCB-22)	Contact Communication's home page.
		(DCB-23)	<i>FCC Reference Book of Rates, Price Indices, and Household Expenditures for Telephone Service, Table 1.1 July 2005.</i>
		(DCB-24)	US Census Bureau, 2003 Household Income and Expenditures. CPI Data.
		(DCB-25)	
		(DCB-26)	Cellular Telephone Industry Association Annual Survey Results, Dec. 1985 – Dec. 2004.
		(DCB-27)	National Cable Television Association data about subscribership.

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
		(DCB-28)	National Cable Television Association data about the average cable bill.
		(DCB-29)	“Trends in Telephone Service” – June 30, 2003 data, Table 2.5; FCC.
		(DCB-30)	Illinois Universal Service Order determining affordable 1R rate; dated: March 13, 2002.
		(DCB-31)	Wyoming PSC 2000 Annual Telecommunications Report.
		(DCB-32)	Florida Statute § 364.10 Lifeline.
		(DCB-33)	Academic paper: “ <i>Who Pays for Universal Service?: When Telephone Subsidies Become Transparent.</i> ”
		(DCB-34)	Florida Senate Staff Analysis and Economic Impact Statement of CS/SB 654 - the Tele- Competition Innovation and Infrastructure Enhancement Act., April 8, 2003.
		(DCB-35)	Verizon Wireless America’s Choice Calling Plan for Live Oak, FL.

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
		(DCB-36)	Article about eBay acquiring Skype dated September 12, 2005.
		(DCB-37)	Cox Communications website discussing offering R1 service.
		(DCB-38)	Time Warner Inc, Form 10-Q Quarterly Report 3/2005 For Period Ending 6/30/2005.
		(DCB-39)	Curriculum Vitae of David C. Blessing.
		(DCB-40)	Local Telephone Competition: Status as of June 30, 2004; Table 13, FCC.
			2. Exhibits to Prepared Direct Testimony of Bettye J. Willis on behalf of Alltel Florida, Inc., filed September 29, 2005 (BJW-1 through BJW-8) as described below:
Bettye J. Willis	Alltel	(BJW-1)	Exhibit showing Alltel's current composite intrastate switched access rate of \$0.1132294.
		(BJW-2)	Exhibit showing Alltel's current composite intrastate switched access rate for the Modified Access Based Compensation rate of \$0.1524074.

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
		(BJW-3)	Exhibit showing the first annual reduction for Alltel's composite intrastate switched access rate.
		(BJW-4)	Exhibit showing the second annual reduction for Alltel's composite intrastate switched access rate.
		(BJW-5)	Exhibit showing the third annual reduction for Alltel's composite intrastate switched access rate.
		(BJW-6)	Exhibit showing the impact versus the estimated amounts of each access reduction in Alltel's new composite intrastate switched access rate.
		(BJW-7)	Exhibit showing the increase in basic local residential, single-line business and associated non-recurring rates in three increments over two years.
		(BJW-8)	Exhibit that summarizes the increase in basic local residential, single-line business and associated non-recurring rates in three increments over two years.

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

There are no proposed stipulations at this time.

XI. PENDING MOTIONS

ALLTEL has several outstanding Motions for Temporary Protective Order.

Office of Public Counsel had two outstanding Motions that had been rendered moot, and consequently, withdrawn at the Prehearing.

XII. PENDING CONFIDENTIALITY MATTERS

ALLTEL has several outstanding requests for confidential classification.

XIII. DECISIONS THAT MAY IMPACT COMMISSION'S RESOLUTION OF ISSUES

No such decisions have been identified.

XIV. RULINGS

Parties' briefs shall be filed no later than the close of business on December 6, 2005. Briefs shall be no longer than fifteen (15) pages.


Opening and closing statements, if any, shall not exceed ten minutes per party. Closing statements will take place at the close of the evidentiary hearing on December 1, 2005.

The Commission acknowledges the Office of Public Counsel's withdrawal of its Motion to Hold Service Hearings, and its Motion to Adopt Discovery Procedures from Prior Rebalancing Dockets.

It is therefore,

ORDERED by Commissioner J. Terry Deason, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission. It is further

By ORDER of Commissioner J. Terry Deason, as Prehearing Officer, this 22nd day of November, 2005.



J. TERRY DEASON

Commissioner and Prehearing Officer

(SEAL)

JLS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.