

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into Equal Access) DOCKET NO. 880812-TP
 Exchange Areas, Toll Monopoly Areas, 1+)
 Restrictions to the local exchange) ORDER NO. 22101
 companies and elimination of the access)
 discount) ISSUED: 10/30/89
)

Pursuant to Notice, a Prehearing Conference was held on October 4, 1989, in Tallahassee, Florida, before Chairman MICHAEL McK. WILSON, as Prehearing Officer.

APPEARANCES:

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PREHEARING ORDER

I. BACKGROUND

By Order No. 11551, issued January 26, 1983, this Commission initiated its generic access charge proceeding to explore and implement an intrastate access charge structure that would compensate the local exchange companies (LECs) for the use of their local facilities to originate and terminate long distance (toll) traffic within Florida. By Order No. 12765, issued December 9, 1983, as amended by Order No. 12765-A, issued December 22, 1983, we established intrastate access charges, to be effective January 1, 1984.

From the outset, our primary goal has been to set access charges that would adequately compensate the LECs for the use of their local facilities for originating and terminating interexchange carrier (IXC) traffic and to provide incentives for competition while maintaining universal service. Our access charge structure seeks to minimize disruption for customers while providing an opportunity for LECs to maintain reasonable earnings levels without increasing local rates.

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Equal access under the Modified Final Judgment (MFJ) requires that "the [Bell] operating companies must provide access services to interexchange carriers (IXCs) and information service providers which are equal in type, quality and price to the access services provided to ATT-C and its affiliates." This Commission's view of equal access embodies the principle of technical equal access (MFJ equal access) but views it primarily from the customer's perspective rather than from the IXC's perspective. From the customer's viewpoint, equal access means having the ability to choose among the IXCs doing business anywhere in a given geographic area, thus fostering competition and lowering prices and improving services. In Order No. 12765, we stated our view that a primary function of the LECs is to provide access for its customers to as many long distance carriers as is economically efficient. To that end we sought a means by which to accomplish this goal.

The vehicle chosen by the Commission to implement equal access in Florida was the Equal Access Exchange Area (EAEA). The MFJ equal access was viewed as defining only technical equal access for IXCs to reach customers on an end-office-by-end-office basis. The Commission nevertheless felt that this structure contained inherent incentives that would result in competitive services in high volume and urban markets, but not in the low volume and rural markets. This result would be contrary to the goal of statewide competitive service. The Commission favored establishing EAEAs within which the LECs would be responsible for providing access for all customers to reach IXCs serving anywhere in the area. It appeared that geographic areas served by each existing toll center and its subtending end offices would be reasonable. This configuration became known as the "toll center concept." It would provide access points at or near toll centers, which are places of concentration for all toll traffic in a given area. The keystone of the toll center concept is the LEC's obligation to deliver all intraEAEA toll traffic to the toll center at an average transport rate. This allows an IXC to serve an entire EAEA with one point of presence (POP) and allows all customers equal access to each IXC serving an EAEA.

By Order No. 13750, issued October 5, 1984, the Commission established twenty-two EAEAs. In conjunction with the creation of EAEAs, the Commission also limited the geographic scope of transmission competition by also implementing toll transmission

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monopoly areas (TMAs) within which the LECs would be the sole provider of transmission facilities. TMAs were created coincident with EAEA boundaries. Consequently, IXC's were prohibited from transporting intraEAEA toll traffic over their own transmission facilities. Competition within an EAEA was limited to the resale of LEC services. However, TMAs were initially established only on a transitional basis until September 1, 1986. The Commission stated in Order No. 13750 that the issue of toll transmission monopoly areas would be revisited prior to September 1, 1986, and that parties advocating retention of toll monopoly areas would have the burden of demonstrating that toll TMAs should continue in the public interest.

In accordance with the decision in Order No. 13750, this Commission revisited the question whether TMAs should be retained. By Order No. 16343, issued July 14, 1986, the Commission determined that the retention of TMAs was in the public interest. The Commission also stated that "Nothing in this decision precludes any interested party from coming forward with a showing of significantly changed circumstances which would warrant the abolition of TMAs."

On May 26, 1988, the Florida Interexchange Carriers Association (FIXCA) sent a letter to this Commission urging it to undertake a fundamental reexamination of our policies dealing with 1+ Dialing, EAEAs and TMAs. Docket No. 880812-TP was initiated by the Commission in June, 1988, to consider FIXCA's request.

On July 15, 1988, GTE Florida, Inc. filed a motion to close this docket. Most of the LECs filed responses supporting GTEFL's motion. FIXCA and the largest IXCs responded in opposition to GTEFL's motion. By Order No. 20843, issued March 2, 1989, GTEFL's motion was denied.

II. TESTIMONY AND EXHIBITS

Upon insertion of a witness's testimony, exhibits appended thereto may be marked for identification. After opportunity for opposing parties to object and cross-examine, the document may be moved into the record. All other exhibits will be similarly identified and entered at the appropriate time during hearing. Exhibits shall be moved into the record by exhibit number at the conclusion of a witness's testimony.

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

III. ORDER OF WITNESSES

<u>Witness</u>	<u>Appearing For</u>	<u>Date</u>	<u>Issues</u>
<u>Direct & Rebuttal</u>			
Varner	So. Bell	11/1/89	Issue 5, specifically the financial impact of eliminating TMAs and any 1+ and 0+ dialing restrictions.
Gillan	FIXCA	11/1/89	1 - 9, 12 - 14
Leisner	FIXCA	11/1/89	1 - 5
Nall	FIXCA	11/1/89	4 (intraEAEA private line restriction), 10
Sievers	SPRINT	11/1/89	1 - 5, 10, 13 - 14
Key	SPRINT	11/1/89	1 - 5, 8 - 10, 13 - 14
Proctor	ATT-C	11/1/89	1 - 8, 10
Mayo	ATT-C	11/1/89	1 - 5
Guedel	ATT-C	11/1/89	8, 9, 11, 12
Wood	MCI	11/2/89	1 - 10, 12 - 14
Cornell	MCI	11/2/89	1 - 2, 5 - 6, 10
Klugman	Telus	11/2/89	All issues
Whitaker	ITI	11/2/89	1 - 7
Menard	GTEFL	11/2/89	All issues.

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<u>Witness</u>	<u>Appearing For</u>	<u>Date</u>	<u>Issues</u>
Poag	United	11/2/89	All Issues
Kurtz	Centel	11/2/89	1 - 5
Denton	So. Bell	11/3/89	All issues, except calculation of the financial impact of abolishing the TMAs or removing any 1+ or 0+ dialing restrictions, is addressed in A. J. Varner's testimony.
Shaffer	ALLTEL	11/3/89	All issues
Boykin	Floralta, Gulf St, Joe	11/3/89	All issues
McGinn	Indiantown	11/3/89	All issues
Carroll	Northeast	11/3/89	All issues
Schmidt	Quincy	11/3/89	All issues
Wolfe	Southland	11/3/89	All issues
Saunders	NTS	11/6/89	1 - 7, 11
<u>Rebuttal Only</u>			
Emmerson	So. Bell	11/6/89	

IIV. BASIC POSITIONS

CENTEL: Centel supports the elimination of toll monopoly areas ("TMAs") in Florida's equal access exchange areas under terms and conditions which will enable Centel to effectively compete in the market.

Centel has been an advocate of the elimination of TMAs since this issue arose in 1984. It is Centel's contention that competition in TMAs should foster operating efficiencies at all

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levels and result in direct savings to both residential and business customers. If the Commission decides to eliminate TMAs, technical modifications are required to achieve separate presubscription for intraEAEA/intraLATA and interLATA traffic.

Centel believes that its high quality of service and least cost engineering concepts will allow it to compete effectively with the interexchange carriers ("IXCs") in the intraEAEA and intraLATA markets if the Commission gives the Company the flexibility to do so. The most significant action required before TMAs are eliminated is the lifting of the regulatory restrictions of rates. Centel should have the same forbearance from regulation and the same flexibility as any other competitor to change its rates in the face of competition. Flexibility in ratemaking is essential for successful competition.

GTEFL: It is GTEFL's basic position in this proceeding that the toll transmission monopoly area (TMA) and equal access exchange area (EAEA) concepts should be retained for the foreseeable future. The Commission's basic belief which led to the initiation of the foregoing concepts was the desire to structure the introduction of competition in such a manner as to benefit the end user and not the interexchange carrier. This position led to an examination of the detrimental effects of transmission competition on the LEC industry including an associated revenue loss and inefficient utilization of resources.

The LEC industry and GTEFL in particular, have taken unilateral action in an attempt to gain the competitive tools necessary to compete in a competitive environment. In GTEFL's case, GTEFL tried to implement an experimental toll discount plan called "Suncoast Preferred" which was designed to gain experience in competitive toll pricing while providing options to certain customers. The filing was hotly contested by a certain interexchange carrier resulting in the effective stoppage of the implementation of the Suncoast Preferred plan. In fact, the small experimental portion was delayed for a significant period of time by this IXC. As a result, neither GTEFL nor any other LEC in the State of Florida has the required pricing flexibility to respond to long-distance competition. IXCs are free to avail themselves of procedural avenues to block responses to competition. This pricing flexibility problem is exacerbated by claims that LECs must

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cover access charges in all mileage band and time of day categories while IXC's do not. Until pricing flexibility is resolved, the Commission's lifting of the TMA will result in severe revenue losses to the LECs because the local exchange carriers will not have the necessary tools to respond to competition.

The Commission should retain the TMAs and EAEAs for the reasonable period of time in order to accomplish the necessary acts to allow for effective competition. The interexchange carriers bear the burden of proof in demonstrating that the dictates of Commission Order No. 16343 are no longer appropriate and GTEFL submits that this showing cannot be made. This is in large part due to the opposition which the Company has met from its competitors. Those competitors can now not be heard to complain that the LECs have had a sufficient amount of time to adjust to the new environment when they are in large part responsible for the delay in GTEFL obtaining the tools to meet competitors.

SO BELL: This Commission concluded in 1986 that the toll monopoly areas (TMAs) should not be abolished. There have not been sufficient changes since that decision to compel a different result in this docket. For instance, the Local Exchange Companies (LECs) still pool private line revenue and costs and, while progress has been made, LECs do not have the same regulatory flexibility as the interexchange carriers (IXCs).

Moreover, Southern Bell is still prohibited by the Modification of Final Judgment (MFJ) from providing interLATA service. As long as this prohibition remains in effect, Southern Bell simply cannot compete on an even basis with the IXC's. Finally, if the TMAs are eliminated, Southern Bell will lose nearly \$45 million in contribution in 1990. The loss of 1+ and 0+ exclusively would exacerbate this situation even further, resulting in losses of approximately \$71 million in contribution in 1990. These losses would eliminate monies used to keep residually priced services at their current low levels. Consequently, it is clear that the public interest would not be served by opening the TMAs to facilities-based competition at this time or by modifying the current 1+ and 0+ dialing restrictions.

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UNITED: United's basic position in this proceeding is that the toll monopoly area concept should eventually be abandoned, as a competitive market cannot be effectively regulated. However, prior to introducing intraEAEA facilities based competition, local exchange companies must be allowed the time to reduce the level of non-traffic sensitive costs recovered from toll and access service. If this evolution does not precede the elimination of TMAs, an uneconomical allocation of resources will occur. Such a misallocation would deprive customers of the full benefits of competition and, therefore, not be in the public interest.

ALLTEL: No position provided.

FLORALA: Current facts and circumstances do not warrant the abolition of Toll Transmission Monopoly Areas (TMAs).

As established in Order No. 16343, several events must occur before eliminating TMAs. These events include deloading non-traffic sensitive costs from access charges, billing and keeping of LEC toll and the restructure and repricing of private line and special access services. To date only bill and keep of LEC toll has been accomplished, and in order to accomplish that it was necessary to establish a subsidy system to prevent significant financial harm to several LECs.

GULF: Current facts and circumstances do not warrant the abolition of Toll Transmission Monopoly Areas (TMAs).

As established in Order No. 16343, several events must occur before eliminating TMAs. These events include deloading non-traffic sensitive costs from access charges, billing and keeping of LEC toll and the restructure and repricing of private line and special access services. To date only bill and keep of LEC toll has been accomplished, and in order to accomplish that it was necessary to establish a subsidy system to prevent significant financial harm to several LECs.

INDIANTOWN: TMA's should not be eliminated this time, and the current 1+ and 0+ dialing should remain as it is.

NORTHEAST: No position provided.

QUINCY: Quincy Telephone Company feels intraEAEA calls should be carried only by LECs. IXCs should remain as carriers of

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interLATA and interstate. TMAs should remain as they are presently. It is not the public interest to abolish TMAs.

SOUTHLAND: Toll Transmission Areas and the "bypass restrictions" should be eliminated. Interexchange carriers should be allowed to handle all of their customers' traffic including intraLATA 0+ and 1+ calls. The consuming public will benefit from the elimination of the current artificial barriers inherent in the current TMA/EAEA policies.

ST. JOE: Current facts and circumstances do not warrant the abolition of Toll Transmission Monopoly Areas (TMAs).

As established in Order No. 16343, several events must occur before eliminating TMAs. These events include deloading non-traffic sensitive costs from access charges, billing and keeping of LEC toll and the restructure and repricing of private line and special access services. To date only bill and keep of LEC toll has been accomplished, and in order to accomplish that it was necessary to establish a subsidy system to prevent significant financial harm to several LECs.

VISTA-UNITED: The 1+ and 0+ dialing arrangement should continue to be reserved to the LEC's for intraLATA calls placed by the LEC's customers.

ATT-C: AT&T's basic position is that the existing TMAs should be eliminated. AT&T has steadfastly taken the position that the current TMAs are not in the public interest, and are an unnecessary regulatory constraint in an otherwise competitive marketplace. AT&T believes that the demands of the customers would best be met by allowing competition to flourish without such regulatory constraints. Given the changes that have occurred since 1986, when the Commission decided to retain TMAs, AT&T is convinced that the time is now ripe to eliminate the TMAs.

In order to continue the transition to a more competitive intraLATA marketplace, AT&T believes that it is necessary to modify the existing 1+ intraLATA dialing arrangements coincident with the elimination of the TMAs. AT&T recommends that the LECs be permitted to retain the 1+ and 0+ monopoly on intraLATA MTS calls. However, the 1+ monopoly on WATS and 800 should be removed, allowing all competitors unrestricted use of this dialing arrangement. The lifting of

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this restriction would open up a new marketplace to IXCs giving customers options currently not available. This is a natural extension of the services most IXCs currently offer in meeting customers' interstate and intrastate interLATA telecommunications needs.

The current bypass restriction on IXCs should be eliminated. While AT&T has never agreed that the bypass restriction was necessary, it certainly is no longer serving any useful purpose. In fact, the restriction gives the LECs no incentive to act as competitive businesses in meeting customers' access needs. The time has come to eliminate this piece of outdated regulatory policy which was instituted in December, 1983. No further policy is served by its retention.

With respect to the access charge issues in this docket, AT&T submits that the discount for less than equal access has outlived any usefulness it may have had, and therefore should be eliminated. Additionally, the current LS1 and LS2 price differential, which is not based on an appreciable difference in cost, should be abolished. Moreover, resellers are indeed IXCs and should pay access charges to the same extent and at the same rates, terms and conditions as other IXCs. Additionally, the implementation of time of day terminating access charges would not be appropriate at this time for a variety of reasons explained in Mr. Guedel's testimony.

ITI: ITI's basic position is that the Commission should eliminate TMAs and remove the reservation of 0+ and 1+ traffic to the Local Exchange Companies ("LECs"). Such a decision would advance the Commission's public service objectives giving the consumer the benefits of competition without financially harming the LECs. Such decision also would be consistent with the Federal government's policies of deregulating competitive services and reducing the potential of cross subsidies by monopoly services to competitive services.

MCI: The Commission should eliminate toll transmission monopoly areas (TTMAs) and the bypass restrictions in order to continue the process of bringing Florida consumers the benefits of competition. Coupled with the elimination of toll transmission monopoly areas, the Commission should institute pricing rules for all LEC services (described in Dr. Cornell's testimony as the "building block" approach) in order to prevent

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price squeezes and cross subsidization. These pricing rules will ensure that competition will not be artificially restrained by anticompetitive practices by the LEC provider of bottleneck monopoly services. The building block approach will also provide a mechanism to ensure that if any contribution toward local service is necessary in order to preserve universal service, that the contribution is recovered consistently and fairly from all services and that the amount of contribution recovered does not depend on the identity of the carrier that handles intraLATA toll traffic. The Commission should also establish a definite timetable by which LECs must offer customers the right to presubscribe to a carrier of their choice for 1+ and 0+ intraLATA calls. Collectively, these steps will help Florida consumers realize the full benefits of competition without jeopardizing universal service.

NTS: NTS believes that the Florida Public Service Commission (the Commission) should open the intraLATA 0+ and 1+ markets to competition and eliminate the Equal Access Exchange Areas (EAEAs) and Toll Monopoly Areas (TMAs). EAEAs and TMAs were established to allow other LECs to prepare for the onset of competition after the divestiture of the Bell Operating Companies (BOCs) by AT&T. Divestiture took place five years ago and NTS feels that the LECs have had ample time to prepare themselves to become competitive in the intraLATA toll market.

NTS also believes that the Commission should implement time of day discounts on both LEC terminating and originating access charges. The imposition of dominant carrier rate caps on operator service providers (OSPs) in Florida mandates time of day discounts for OSP's rates. This forces OSPs to discount peak period rates and causes access expenses to be a larger proportion of OSP's revenues relative to dominant carrier revenues.

TELUS: Telus seeks the regulatory authority to compete on every toll call within Florida, and the single most important result of this docket are policies that will bring Florida consumers the full benefits of such interexchange competition. We are now more than five years beyond the antitrust divestiture of the Bell System and seven years since the first introduction of intrastate toll competition in Florida. Standing alone, these time frames may not seem significant. But in light of the rapid evolution of telecommunications

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technologies and competitive providers of these goods and services (LEC and IXC alike), the Florida intrastate toll marketplace has evolved and matured significantly. The marketplace today remains far from perfect, but the changes and advances that have already occurred make this an appropriate time to eliminate or modify some of the Commission's current operating restrictions here under study. Such action will lead to a more robust telecommunications environment with proven service and pricing benefits for Florida telephone consumers.

SPRINT: The TMAs have served their original purpose of providing a transition period for the LECs to adjust to competition in long distance markets. Since divestiture, the LECs have had five years to prepare for long distance competition in Florida. Significant progress towards transitioning to a competitive environment has been made. To move towards a more competitive market, the Commission should immediately eliminate at least two of the elements of its TMAs. First, compensation requirements should be eliminated. The evidence indicates that local ratepayers would not be injured by the introduction of facilities-based intraEAEA competition, so it is unnecessary to require compensation above access charges. Maintenance of compensation requirements will only serve to retard long distance competition in Florida and delay the ultimate phase-out of TMAs.

In addition, the bypass restriction should be eliminated as non-effective. The current restriction applies only to certificated IXCs and not to end users. As such, the use of private network and facilities to engage in facility bypass is not precluded under the bypass restriction.

Since TMAs were established as an interim mechanism to allow the LECs to adjust to a more competitive environment, the Commission should now establish a well-defined schedule for phasing out the TMAs.

Regarding the appropriate compensation for LECs for intraEAEA calls made on US Sprint's special access-based products, access charges provide adequate compensation to the LECs for intraEAEA calling. Moreover, there is no conclusive evidence that LECs would incur any revenue loss due to completion of intraEAEA calls over dedicated access services. Stimulated toll traffic over these services increase the LECs' revenues, both from increased switched access charges for

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terminating traffic and from increased switched access charges for terminating traffic and from increased dedicated facilities to handle increased traffic volumes. Even if it could be shown that an intraEAEA call placed over dedicated facilities would have otherwise been made on the switched network, it is not immediately apparent that this results in a loss to the LEC. Any reduction in LEC toll revenue must be weighted against the increase in special access revenue for dedicated facilities increases in switched access revenue and cost savings to the LEC experienced by not handling the call as a LEC-billed toll call.

Finally, the current intraEAEA compensation plan should not be expanded to include special access minutes to use. The surrogate approved in PSC Order No. 20484 in Docket No. 870894-TP would be inappropriate for use of factor special access minutes into an intraEAEA component.

FIXCA: Since the beginning stages of competition, the Commission has based its policy on the consumers' point of view. Its objective has been to bring to the users of telephone services the full benefits of competition. Toll monopoly areas were created as a temporary, transitional device to enable local exchange companies to prepare for competition and to respond to the changes dictated by divestiture. The structural modifications needed to enable the LECs to respond to competition are now in place, and the constraints imposed by the TMAs are no longer necessary.

The Commission's EAEA policy was adopted to provide each customer with equal access. While it is questionable whether this policy actually caused the deployment of equal access facilities, interLATA equal access has now substantially occurred, making the EAEA policy unnecessary.

The EAEA/TMA policies should be replaced with a package of regulatory measures which FIXCA witness Joe Gillan calls Consumer Sovereignty. The proposal is designed to give effect to the policy of basing regulation on the consumer's point of view. Consumer Sovereignty should be accomplished by abolishing TMAs and EAEAs, using access charges to measure and achieve contribution by interexchange service to local costs, and reforming dialing patterns limitation so as to provide to consumers the greatest convenience and choice.

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The Commission can exercise flexibility in the implementation of these policies to assure that LECs have the ability to adjust. The range of available options includes prescribing a time frame for implementation; applying the measures to residential and business markets sequentially; and fine tuning the process for the selection of carriers.

OPC: Current circumstances and conditions warrant the abolition of toll transmission monopoly areas in the territories served by the four largest local exchange companies: Southern Bell Telephone and Telegraph Company of Florida, GTE Florida, Inc., United Telephone Company of Florida, and Centel. Likewise, the bypass restrictions should be eliminated in the territories served by these companies.

STAFF: Staff's basic position is that the current status quo should be maintained subject to specific positions set forth below.

V. ISSUES AND POSITIONS:

ISSUE 1: Do current circumstances and conditions warrant the abolition of the toll transmission monopoly area (TMAs)? (Issue includes but is not limited to the original objectives for the TMAs, how those objectives have been met, whether those objectives remain viable for the future, any preexisting criteria governing the elimination of the TMAs, and whether the preexisting criteria or other factors justifies continuation or elimination of the TMAs).

POSITION OF PARTIES:

CENTEL: Yes, so long as LECs are given the same forbearance from regulation and the same pricing flexibility as any other competitor. All competitors should be treated equally under regulation by this Commission.

GTEFL: The current circumstances and conditions do not warrant the abolition of the toll transmission monopoly area (TMA) concept. In the Commission's prior orders, a driving factor concerning how competition should be implemented was based on the Commission's opinion that competition should be viewed from the eyes of the consumer and not the interexchange carrier. This concern has led the Commission to examine the revenue

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impact to local exchange carriers if the toll transmission monopoly is eliminated along with the competitive response which would be made by the interexchange carriers. In Order No. 16343, the Commission found that it was natural and inevitable that the IXCs would choose to compete only on the high-density, low cost toll routes which offer the greatest potential for profitability. The Commission found that this would have a detrimental impact on existing local exchange carrier intraEAEA transmission facilities.

In order to accommodate such concerns, the Commission found that the local exchange carriers should have the opportunity to have the necessary competitive tools available to meet the competitive situation. These tools included nonpooling of revenues and flexible pricing to meet competition. The simple fact is that the local exchange carrier industry, through no fault of its own, does not yet possess these tools. Therefore, the current circumstances and conditions do not warrant the abolition of TMAs.

For example, GTEFL has filed a limited toll discount calling plan to gain experience in the establishment of competitive toll rates. The net result of this effort has been a full force opposition by a major IXC located within GTEFL service territory resulting in a successful delay in the implementation of this service territory-wide. In addition, this filing has brought to a head the appropriate pricing of toll rates in relationship to access charges. The position of this interexchange carrier is that GTEFL has to price all toll rates within each mileage and time of day category equal to or above access while the interexchange carrier industry does not.

The pricing of toll rates and the ability to respond to competition are threshold issues which must be addressed before the TMA and EAEA concepts are modified. To date, this action has not been successfully accomplished in part due to the dilatory efforts of certain interexchange carriers. Those carriers who bear the burden of proof in this proceeding cannot now be heard to complain of the fruits obtained by their own actions.

SO BELL: No. TMAs were created by the Commission in Order No. 13750, issued October 5, 1984. In explaining the need for TMAs, the Commission clearly stated that TMAs were appropriate in order to provide all LECs with the opportunity to adjust to

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competitive circumstances and to maintain support for local exchange company revenue stability.

At the time TMAs were created, the Commission promised a full and complete review of TMAs. Such a review was conducted by the Commission in 1986 and the results of that investigation were set forth in Order No. 16343, issued July 14, 1986. In that order the Commission correctly declared that the continued existence of TMAs must turn on the resolution of the question of whether their retention was in the "public interest." The Commission concluded that allowing interEAEA competition would force the price of toll services and access service toward cost and thus might, among other things, force the abandonment of unprofitable toll routes or require local rates to increase. The Commission concluded that eliminating the TMA, therefore, was not in the public interest.

Although some progress has been made, current circumstances still do not warrant the abolishment of TMAs. The LECs still do not have the same regulatory flexibility as the IXC's. Additionally, no resolution has been made regarding the pooling of private line revenues and costs. Furthermore, no provision has been made to recover the lost revenues which would result from the elimination of the TMAs. These revenues are currently received from Southern Bell's intraEAEA toll traffic and are used to support local exchange service.

Finally, one matter which is beyond the control of this Commission and which has not yet been resolved prevents full and fair competition within the State of Florida. That is, Southern Bell is still prohibited by the MFJ from providing interLATA services. As long as that prohibition remains in place, Southern Bell will not be able to compete on an even basis with the IXC's. Under these circumstance, particularly given this Commission's earlier conclusions concerning the impact of opening the EAEAs on the LEC's toll and access revenues, opening the EAEAs to facilities-based competition is clearly not warranted. If the TMAs are continued, the Commission should clarify that IXC's are not permitted to resell access.

UNITED: No. It is critical that LECs be allowed to substantially reduce or eliminate the non-traffic sensitive costs recovered through interstate and intrastate access charges and intraLATA toll before implementing full facilities

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based intraLATA toll transmission competition. Private Line and Special Access services should be restructured and repriced. Further, LECs must be allowed pricing flexibility, including deaveraging of intraLATA toll rates. These steps are necessary and in the public interest to avoid uneconomical allocations of resources. IntraEAEA competition in the form of resale of WATS and access services is appropriate and should be continued.

ALLTEL: We believe it is too early to abolish the toll transmission monopoly areas (TMAs) of ALLTEL and many other small companies who like ALLTEL have not yet equipped their exchanges with equal access. If any of the local exchange TMAs are abolished, eliminated or modified in any way, it may be necessary to modify or eliminate the MABC Plan. The elimination of the TMAs/EAEAs should not be ordered without first making a revenue impact study.

FLORALA: No. As indicated in Order No. 16343, several events must occur prior to the LEC's gaining the ability to effectively compete. These events include deloading non-traffic sensitive cost from access charges, bill and keep of LEC toll and the restructure/reprice of special access and private line. To date, only bill and keep of LEC toll has been completed.

It was established that TMAs were appropriate on an interim basis, not only to allow the LEC's to adjust to competitive circumstances, but to also support the LEC's revenue stability. It was also evident to this Commission that the abolition of TMAs would increase the number of firms providing intraEAEA facilities-based long distance services and that these entrants would most likely choose to compete on high volume routes. Finally, there are indicators that local rates would arise.

Circumstances have not changed enough to justify elimination of TMAs; the original objectives are being met.

GULF: No. As indicated in Order No. 16343, several events must occur prior to the LEC's gaining the ability to effectively compete. These events include deloading non-traffic sensitive cost from access charges, bill and keep of LEC toll and the restructure/reprice of special access and private line. To date, only bill and keep of LEC toll has been completed.

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Circumstances have not changed enough to justify elimination of TMAs; the original objectives are being met.

INDIANTOWN: No.

NORTHEAST: No, for the following reasons:

- a. Toll transmission monopoly areas are appropriate to provide a transitional period during which local exchange companies could adjust to competitive circumstances.
- b. Toll monopoly areas foster the LEC's revenue stability.
- c. Toll monopoly areas are desirable to the extent that there are efficiencies in economies of scale in the provision of modern transmission and switching equipment. There is more efficiency in these economies of scale if these transmission and switching facilities of the LEC are fully utilized.
- d. There have been no significantly changed circumstances since Order Nos. 13750 and 16343 were issued.
- e. None of our offices have been equipped for equal access at this time.
- f. It is in the public interest to continue the EAEA toll transmission monopoly area because of the local and toll rate stability it has fostered.

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- g. The economies of scale achieved by the local exchange companies through the use of the existing transmission and switching facilities would be lost if the TMA's were eliminated.
- h. Northeast recently cut into service its fiber toll transmission facilities.
- i. Reduced revenues in the event that TMA's were abolished would have to be replaced through higher access and/or local rates.

QUINCY: No. We are not aware of any changes that would warrant such action. The original objectives for abolishing TMAs still have not occurred. The objectives certainly are as viable today as they were in the past. Therefore TMAs should be retained.

SOUTHLAND: Current circumstances do warrant the abolition of othe toll transmission monopoly areas. The transitional objectives of the TMA/EAEA concept have been met.

ST. JOE: No. As indicated in Order No. 16343, several events must occur prior to the LEC's gaining the ability to effectively compete. These events include deloading non-traffic sensitive cost from access charges, bill and keep of LEC toll and the restructure/reprice of special access and private line. To date, only bill and keep of LEC toll has been completed.

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VISTA-UNITED: No. (For more detailed response to Issue 1, see Vista's response to Interrogatories #'s 1, 3, 4, 5, 6, 7, 8, 10, 12 and 13 to Staff's First Set of Interrogatories to Each Local Exchange Company.)

ATT-C: Yes. The Commission chose to establish Equal Access Exchange Areas as the vehicle to implement equal access in Florida. The Commission believed that this action would enhance competitive markets by providing customers with the ability to both presubscribe and select alternative IXC's on a call by call basis, hopefully lowering rates and improving service. Through Order No. 13750 issued October 5, 1984, toll transmission monopoly areas were established for the local exchange companies (LECs). The toll transmission monopoly areas coincide with the newly established Equal Access Exchange Areas. Such toll monopoly areas were established on an interim basis until September 1, 1986, in order to provide a competitive circumstance. Other factors were the continuation of support of LECs' revenue stability in the short term and economies of scale in the provision of transmission facilities. The Commission during 1986 revisited the issues of EAEAs and TMAs to determine if they should be retained. The Commission issued Order No. 16343 on July 14, 1986, which retained toll monopoly areas. In the conclusion portion of the Order, the Commission stated

"We believed that by this time NTS costs would have been de-loaded from access charges, the LECs would have been billing and keeping toll charges, and private line pricing would have been resolved. These events have not as yet taken place. As the industry exists today, it is not in the public interest to abolish TMAs."

Since Order No. 16343 was issued, there have been changes within the industry which warrant the elimination of the interim toll monopoly areas.

NTS Deloading

While NTS costs have not been fully deloaded from toll, movement towards the goal has occurred. The Commission, through Order No. 18598 has given the LECs the authority to file company specific access rates to recover, a portion of NTS costs from IXC's. If appropriate, complete deloading of NTS

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cost recovery by an individual LEC is now permissible. To date no LEC has proposed fully deloading NTS cost recovery from access charges.

LEC Toll Bill and Keep

Order No. 17743 issued on June 24, 1987 implemented LEC toll bill and keep on January 1, 1988.

Company Specific Toll Rates

The Commission when petitioned has waived the uniform toll rate rule requirement and in fact modified the rule to permit LEC specific toll rates, in order to compete.

IntraLATA Private Line/Special Access Restructure

Southern Bell filed its proposed restructure on March 31, 1989. All LECs concur with Bell's interexchange private line tariff. All LECs with the exception of United concur with Bell's Access Service Tariff for special access, however it is our understanding that United has indicated their intent to mirror the Southern Bell tariff for the special access.

Pricing Flexibility for LECs

Pricing flexibility has been granted to those LECs which have filed petitions.

Pricing flexibility in the form of banded rates has been approved for services such as Limited Service Offerings, Ringmaster, Custom Calling Services, Prestige Single Line Service, and ContraNet 1000.

Earnings Flexibility

The Commission has granted earnings flexibility to Southern Bell, providing an additional incentive for it to operate efficiently.

IntraLATA Toll Plans

IntraLATA toll discount plans to LECs have been approved by the Commission. Such plans include GTE's Suncoast

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Preferred and Bell's optional extended area plans filed in their Rate Stabilization Docket.

AT&T has steadfastly taken the position that the current toll monopoly areas are not in the public interest, and are an unnecessary regulatory constraint in an otherwise competitive marketplace. AT&T believes that the demands of the customer would best be met by allowing competition to flourish without such regulatory constraints. Given the changes that have occurred since 1986 when the Commission decided to retain the toll monopoly areas, AT&T submits that the time is now ripe to eliminate the toll monopoly areas. (Proctor, Mayo)

ITI: Yes, current circumstances and conditions warrant abolition of the toll transmission monopoly areas (TMAs). Pursuant to Florida Public Service Commission Order No. 13750 in Docket No. 820537-TP. TMAs were created to define the specific areas in which the LECs would be the sole suppliers of transmission facilities. TMAs were to have the same boundaries as the equal access exchange areas (EAEAs). TMAs were established on a transitional basis to allow time for hearing and to allow the LECs time to adjust to competitive conditions. The objectives of TMAs have been achieved. The LECs have had five years to adjust to competitive conditions. Competition should now be allowed because competition gives consumers more choices, the opportunity for lower rates, and makes available innovative services not offered by the LECs. (Whitaker)

MCI: Yes, consumers would benefit from allowing intraEAEA competition, and current circumstances warrant the abolition of toll transmission monopoly areas.

The original objective for TTMs (in 1984) was to protect the LECs' toll transmission facilities, and the revenues from those facilities, during a temporary period of transition to full competition. The TTMs were essentially an "add-on" to the EAEA policy which had been designed to encourage IXCs to locate their POPs at existing toll centers. The transitional objective to protect LEC transmission facilities has been met. With the location of IXC POPs at the LEC toll centers, the LEC toll transmission facilities within EAEAs will continue to be utilized by LECs to originate and terminate traffic for the IXCs even if the TTMs are abolished.

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The revised objective for TTMs (in 1986) was to protect LEC intraLATA toll service revenues to avoid any possible impact on universal service until certain changes had taken place in the telephone industry. Most of those changes have now occurred or are in the process of occurring. In today's environment, the retention of TTMs is not necessary to protect universal service. Even if the abolition of TTMs were to result in some contribution loss to the LECs, it would not necessarily be appropriate to increase local rates. Dr. Cornell has suggested a "building block" mechanism through which all LEC services can be priced on a consistent basis, and any necessary level of contribution can be recovered on an equal basis from those services. (Wood, Cornell)

NTS: No position provided.

TELUS: Yes, the TTMs should be eliminated effective immediately. The TTMs were implemented as a time-limited device to help the LECs prepare for full toll competition. Carriers and customers have had nearly seven years of experience with competition. Today, all carriers (LECs and IXCs) are more sophisticated and prepared for full intraEAEA competition and customers are more knowledgeable consumers of long distance service. The preconditions established by the Commission have been met and the LECs have undertaken a variety of regulatory and business actions and have developed new services and technologies that make them capable competitors. With the retention of the separate EAEA policies, LEC access facilities will continue to be used for the origination and termination of intraEAEA toll traffic, which in turn will generate significant access revenues for the LECs through existing and newly stimulated traffic.

SPRINT: The Florida telecommunications market has evolved sufficiently over the five-year period following implementation of the interim TTMs to warrant a review of the appropriateness of the TTMs at this time. US Sprint believes that because the TTMs were designed to provide a transition mechanism for the introduction of competition into the intraEAEA market, the TTMs should be abolished once the criteria for effective competition have been met. US Sprint believes that significant progress in meeting these criteria has been made and that the Commission now should establish a definite timetable for achieving the remainder of these objectives and initiating intraEAEA competition. In particular, steps toward de-loading NTS costs

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from access charges have been taken by some LECs, a bill-and-keep system has been implemented, and pricing flexibility has been attained by some LECs. A specific timetable should therefore now be established to achieve further de-loading of NTS costs from access charges and implement pricing flexibility for LEC toll services, thereby allowing the abolishment of TMAs and initiating intraEAEA competition. (Sievers, Key)

FIXCA: Yes. The TMAs were created in 1984 as a transitional policy to help LECs prepare for competition after divestiture. Five years have now passed since TMAs were established and the Commission has the benefit of the experience of those past years. This experience indicates that the original concerns that TMAs were created to address (such as high local rates and unstable revenues) were exaggerated. Further, the Commission has implemented most actions which it previously identified as prerequisites to the elimination to TMAs. Finally, the evolution of the telephone industry in the past five years has provided the LECs with the necessary tools to compete in the industry.

Order No. 13750 issued on August 5, 1984 created TMAs. The Commission's objectives were:

1. to provide a transitional period during which LECs could adjust to competitive circumstances,
2. to achieve short-term LEC revenue stability, and
3. to perhaps achieve economies of scale in the provision of transmission facilities.

Order 13750 at 11.

In Order No. 16345 issued on July 14, 1986, the Commission revisited its original TMA objectives and expressed concern about the impact which the elimination of TMAs would have on toll rates. The Commission was concerned that opening TMAs to competition might cause LEC toll rates to become deaveraged and perhaps route-specific.

The objectives of the TMA policy noted above have either been accomplished or are no longer appropriate objectives in today's telecommunications environment. Changes

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which have occurred in the industry which now allow LECs to compete and indicate that the transitional process is over include: access charges which have been developed and implemented; intercompany compensation arrangements among LECs; deaveraged toll rate structures and route-specific pricing; and LEC pricing and earnings flexibility. Further, many of the LECs have formed affiliates which provide interexchange service. All of these changes will allow the LECs to fairly compete in the market place.

Devices designed to limit competition to protect LEC revenue stability were intended to be temporary and transitional. The analysis presented in the testimony of FIXCA witness Joseph Gillan demonstrates that continued market growth and access charge revenues will maintain stability in LECs' total revenue without continuing artificial constraints on competition. These conclusions hold true over a wide range of possible market outcomes and comfortably capture all those results which can reasonably be expected.

The Commission's objective to exploit economies of scale in the provision of transmission facilities will be achieved without protective devices. Existing LEC networks are used for virtually all kinds of calls. LEC networks provide both access and toll service. Therefore, economies of scale are currently being realized and will continue to be realized even when the LEC does not directly provide the retail toll service.

Finally, deaveraging of toll rates and route-specific pricing, which were viewed as undesirable consequences of removing TMAs in the Commission's second TMA order, have since been authorized by the Commission.

In Order No. 16343, the Commission appeared to agree with LEC witnesses that certain events should occur prior to abolition of TMAs. These included: deloading NTS support from access charges, implementation of a bill-and-keep system for LEC toll charges, private line and special access rate adjustments and regulatory changes. Since Order No. 16343 was entered, most of these events have occurred. For example, the Commission has implemented the MABC compensation system and bill-and-keep among the LECs. Pricing and earnings flexibility has been granted to Southern Bell, the largest LEC. The

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Commission has concluded that NTS costs need not be uniformly deloaded.

If TMAs are eliminated, interexchange carriers will have more freedom to offer products to customers. Their ability and the elimination of compensation requirements, when coupled with the regulatory measures of "Consumer Sovereignty", will help bring the benefits of competition to customers. LECs will be encouraged to become more efficient, reduce costs, and provide higher quality service to compete with other carriers. (Gillan, Leisner)

OPC: Current circumstances and conditions warrant the abolition of the toll transmission monopoly areas (TMAs) in the territories served by the four largest local exchange companies: Southern Bell Telephone and Telegraph Company, GTE Florida, Inc., United Telephone Company of Florida, and Centel.

STAFF: No position at this time.

ISSUE 2: If continued or eliminated, what policy changes or other regulatory actions are appropriate?

POSITION OF PARTIES:

CENTEL: If TMAs are continued, no other policy changes are needed. If TMAs are abolished, LECs should be given pricing flexibility and the same freedom from regulation as any other competitors.

GTEFL: The continuation of TMAs presents the issue associated with the compensation IXCs must pay to local exchange carriers for unauthorized intraEAEA calls in accordance with Docket No. 870894-TP. First, the methodology adopted in Order No. 20484 sets forth a surrogate methodology which presents problems in its implementation. GTEFL supports the current parameters for compensation as outlined in the Orders in Docket No. 870984-TP for the duration of TMAs as modified by GTEFL's position in testimony. Second, if TMAs are extended, the Commission must address the appropriate pricing of toll rates due to the existing requirements regarding the imputation of access charges by local exchange carriers. If TMAs are eliminated, the requirement for IXCs to pay additional compensation should be eliminated. The requirement of all 1+, 0+ and 0- calls to be

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routed to the LEC should be continued. The requirement for imputation of access charges must be addressed.

SO BELL: If the TMAs are continued, the Commission should maintain the process of removing those barriers identified in response to Issue 1 which prevent the LECs from effectively competing with the IXC's. This is necessary so that at the appropriate time, when full and fair participation by all LECs on a statewide basis becomes possible, the LECs will be positioned to do so. If the TMAs are eliminated, the Commission should immediately remove all of those regulatory barriers which are within its control and make provisions to allow the LECs to recover the losses they will suffer as a result of the restrictions which prevent certain LECs from fully competing with the IXC's.

UNITED: If TMAs are continued, no policy changes or regulatory actions are required. (See United's response to Issue 14.) If TMAs are eliminated, the regulatory policies established in Docket 820537-TP, Orders Nos. 13750, 13912, 16343, 16804, and Docket 870660-TP, Order No. 20154, can be eliminated.

ALLTEL: If the present arrangement is allowed to remain intact, we don't believe any changes are necessary. If the present arrangement were to be changed by eliminating some or all of the TMAs, we believe a lot of changes would have to be made to minimize the monetary dislocations that may occur. Our main concern is what will replace the MABC plan. Under this plan, all local exchange companies were ordered to establish a presence in each exchange(s) of all the local exchange companies involved in the completion or termination of traffic originated by its customers. This arrangement is a modification of the ITORP (IntraLATA Toll Originating Responsibility Plan). Each company bills and keeps the toll revenue originated by its customers and must compensate all other local exchange carriers that are involved in completing the call at premium access rates. The originating access is TOD (Time of Day Sensitive) but the terminating is not. This requirement is much different than what is permitted in the Interstate InterLATA environment at present. Many interexchange carriers buy access at the tandem level at a discounted rate which is further aggravated by high level PIUs which usually are not company specific or LATA specific but are state specific.

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The terminating revenues the LECs now receive via the MABC Plan will likely diminish drastically and we doubt that this will be offset by terminating access revenues from the IXCs. As we said earlier, the entire MABC plan which is probably the most equitable arrangement for all LECs, would have to be modified or replaced with some other arrangement. The monetary impact must be identified for any change to the status quo or serious financial harm may occur.

FLORALA: If TMAs are retained, the Commission should continue to weigh the same "public interest" considerations as acknowledged and accepted by the Florida Supreme Court. The Commission should continue to look at things such as the effect on local rates.

If TMAs are eliminated, the Commission may need to readdress its policies on equal access and develop policies on stranded investment, lost economies of scale, duplicate facilities and keeping LEC's whole.

GULF: If TMAs are retained, the Commission should continue to weigh the same "public interest" considerations as acknowledged and accepted by the Florida Supreme Court. The Commission should continue to look at things such as the effect on local rates.

If TMAs are eliminated, the Commission may need to readdress its policies on equal access and develop policies on stranded investment, lost economies of scale, duplicate facilities and keeping LEC's whole.

INDIANTOWN: If continued, no change would be required. If eliminated, it would seem that at a minimum, those allowed to offer this service would be required to meet high standards of service.

NORTHEAST: None, if TMA's are continued. An increase in local rates would be required if TMA's were eliminated.

QUINCY: If continued, the Commission should continue to weigh the same "public interest" considerations that the supreme court has acknowledged, i.e., that the Commission is right in looking at things such as the effect on the local rates.

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If eliminated, the Commission may need to readdress its policies on equal access, and develop policies on stranded investment and lost economies of scale, duplicate facilities and keeping LECs whole.

SOUTHLAND: Since TMAs should be eliminated, all policies which grant monopoly status or convey market power to any carrier in the interexchange market, should be eliminated. These policies changes should include, but are not limited to the elimination of the intraEAEA compensation mechanism and the elimination of "0+" and "1+": intraLATA monopolies.

ST. JOE: If TMAs are retained, the Commission should continue to weigh the same "public interest" considerations as acknowledged and accepted by the Florida Supreme Court. The Commission should continue to look at things such as the effect on local rates.

If TMAs are eliminated, the Commission may need to readdress its policies on equal access and develop policies on stranded investment, lost economies of scale, duplicate facilities and keeping LEC's whole.

VISTA-UNITED: The primary policy relevant to the issue of continuation or elimination of TMA's is the support of local rates through toll revenue contributions, and the Commission should continue its current policy in order to hold down local service rates.

ATT-C: AT&T believes that the rules and policies established by the Commission which prohibit competition within EAEAs should be eliminated. However, if the Commission retains toll monopoly areas, at the very least, Rules 25-24.471(4)(a), Rule 25-24.480(3), and Order Nos. 13750, 13912, 13934, 15882, 18656 and 20484 should be modified to allow for the completion of intraEAEA traffic without restrictions, over IXCs facilities made available through competitive IXC specialized service offerings other than MTS service. The existing requirement of payment to the LECs for the carriage of such traffic by the IXCs should be eliminated. Such elimination is warranted given the fact that 1) access already more than compensates the LECs for the use of the network for this traffic; and 2) it is inconsistent to allow a LEC to compete with the IXCs for this traffic without placing the same cost burden on its services.

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If the Commission eliminates toll monopoly areas, Rule 25-24.471(4)(a) and Rule 25-24.480(3) should also be eliminated. Commission Order Nos. 13750, 13912, 13934, 15882, 17016, 18656 and 20484 should be modified to remove the restriction requiring compensation to the LECs for the completion of intraEAEA traffic over IXC facilities. (Proctor)

ITI: The Commission should eliminate TMAs and EAEAs. However, even if TMAs and EAEAs are continued, the 0+ restriction should be eliminated since it is shown that 0+ intraLATA competition will not adversely impact the financial position of the LECs. If the Commission is concerned about possible negative market impacts, ITI recommends that the Commission eliminate TMAs and attendant policies on an experimental basis, much as it established TMAs on a transitional basis. The decision can then be revisited and finalized after two or three years of implementation. (Whitaker)

MCI: If TTMA's are eliminated, the Commission should adopt new rules for pricing local exchange company services in order to avoid both price squeezes and cross subsidization. These pricing rules are necessary to ensure that competition will not be artificially restrained by anticompetitive practices by the LEC provider of bottleneck monopoly services. These pricing rules can also ensure that all toll calls make the same "contribution" toward the LECs' revenue requirements, whether the call is carried by the LEC or by an IXC.

An appropriate set of pricing rules are presented in Dr. Cornell's testimony regarding the "building block" approach. Under this approach, a charge would be set at or above properly defined cost (including any necessary level of contribution) for each monopoly element used by a LEC in providing services. The rates for each LEC tariffed offering (access, LEC toll, local, etc.) then would be set equal to sum of the charges for all building blocks of which that offering is composed. The rates for a LEC service that includes both monopoly and non-monopoly building blocks (e.g. ESSX) would be required to cover the charges that would be made to the LEC's competitors for the monopoly building block elements, plus the costs of any nonbottleneck building blocks. The implementation of this pricing mechanism would protect against anticompetitive pricing practices and would ensure that the same contribution would come from intraEAEA or intraLATA toll regardless of whether the call was carried by the LEC or by an IXC.

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If TMAs are not eliminated, the Commission should clarify that the origination and termination of intraEAEA calls over LEC-provided switched or special access facilities does not violate the LEC's toll transmission monopoly and should eliminate the requirement for compensation on any such intraEAEA calls. (Wood, Cornell)

NTS: No position provided.

TELUS: If the TMAs are not eliminated, the intraEAEA compensation penalty established by Order No. 20484 should be terminated. If the Commission retains the TMA policy, then IXCs should not be penalized when the customer makes the choice of utilizing an alternative dialing sequence to obtain service from the IXC. Because of the EAEA policies, which Telus endorses, these calls are still routed over LEC access facilities. Thus, so long as some LEC service (access, dedicated, or switched) is used to transmit these intraEAEA calls, this will be more than sufficient to assure a continued contribution to universal service, especially given the high contribution levels of switched access. If the TMAs are eliminated, no further regulatory action is appropriate or required.

SPRINT: Elimination of the TMAs would solve the major problem associated with the current TMA policy: the requirement for IXCs to pay compensation to LEC for incidental intraEAEA traffic carried over IXC services. US Sprint believes that the payment of compensation above access costs is inappropriate and unnecessary. IntraEAEA compensation does not deter IXC intraEAEA traffic, because end users make these calls, not the IXCs. Also, it appears that the existence of IXC intraEAEA traffic has not caused LECs to be unable to meet their unauthorized rate of return. Thus, if eliminated, no changes or other regulatory actions are necessary.

US Sprint believes that even if TMAs are retained, the requirement that compensation above access charges paid to the LECs by IXCs for intraEAEA traffic carried over IXC services is inappropriate and should be eliminated. IXCs having only one point of presence within an EAEA (including US Sprint) carry intraEAEA traffic almost entirely via LEC access facilities. Therefore, if TMAs are retained, the definition of LEC services available for resale within EAAs should be broadened to include access services. This largely would

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eliminate the compensation requirement while maintaining the intraEAEA transmission competition ban. (Sievers, Key)

FIXCA: The Commission has always embraced the policy that regulatory measures should be devised to benefit the consumer, not the providers of services. TMAs were a transitional device which delayed the full realization of that policy for a limited time and for a limited purpose. Because there is no need to continue TMAs, their elimination actually advances the Commission's original, appropriate policy. To further implement this policy, FIXCA has recommended a package of measures called "Consumer Sovereignty."

If TMAs are not eliminated, the Commission should clarify its intent to prohibit only intraEAEA facilities-based competition. The completion of calls on LECs' access facilities is an authorized form of resale which does not violate that policy, because no IXC transmission facilities are involved, and no compensation should be required for such calls. Additionally, the Commission should examine the TMA compensation system to determine if the compensation rate is accurate. The Commission should also reevaluate the geographic TMA/EAEA boundaries which were based on planned 1987 toll center/access tandem areas which have not materialized. The boundaries should reflect actual 1989 network configurations. If TMAs are retained, their geographical boundaries should be reduced so that consumers will have more service options.

The Commission should institute a policy of Consumer Sovereignty. This policy recognizes that a customer's toll traffic belongs to the customer and that the thrust of regulation should be to benefit the consumer. This policy has three elements. First, the customer should be allowed to decide to whom (IXC, LEC or both) his 1+ traffic will be routed. Consistent with the Commission's overall policy, the convenience of 1+ dialing should be regarded as a customer amenity, not as an individual carrier's marketing advantage. LECs should be required to route a customer's 1+ traffic to the customer's carrier of choice. LECs should be required to ballot their customers to educate them concerning their rights under Consumer Sovereignty and to determine their preference.

Second, the level of contribution to local costs from interexchange services should be quantified and determined by the Commission based on verifiable data. Toll's

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contribution to local rates should not be based on debatable allocations or definitions of costs.

Third, access charges should be the vehicle by which IXCs contribute to local costs. The prescribed level of contribution should be embedded in access prices. This policy will contain the competitive effects of the Commission's contribution policy to a narrow market where the LECs enjoy almost absolute market power. Competition, in other markets, can proceed without negatively affecting the support of local rates. (Gillan, Leisner)

OPC: The Citizens have none to identify at this time.

STAFF: No position at this time.

ISSUE 3: Do current circumstances and conditions warrant elimination of the equal access exchange areas (EAEAs)? (Issue includes but is not limited to the original objectives for the EAEAs, how those objectives have been met, whether those objectives remain viable for the future, and the effect of those objectives on the configuration of telecommunications networks).

POSITION OF PARTIES:

CENDEL: Yes.

GTEFL: The current circumstances and conditions do not warrant the elimination of EAEAs. The EAEA concept established in Order No. 13750 intended there to be statewide access to competitive toll service regardless of volumes or markets. In GTEFL's case, the Tampa toll center serves as the access tandem and equal access is provisioned at the end office level. The average transport rate gives IXCs the incentive to serve all offices regardless of whether they are high volume, low volume, urban and rural in nature. Indeed, this concept has been successful and most IXCs are serving all end offices with equal access capability in GTEFL's service territory.

SO BELL: To the extent that the TMAs are coextensive with the EAEAs, the same reasons that compel the continuation of the

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TMA's also dictate that the EAEAs remain in their present configuration.

UNITED: No. The existing EAEAs are appropriate under a toll monopoly area scenario and should be retained without modification.

ALLTEL: No. The Commission has said that TMA's and EAEAs are one and the same; therefore, our position on this issue is the same as our position on Issue #1 and #2.

FLORALA: We are of the opinion that current circumstances do not warrant the elimination of EAEAs nor does the current EAEA structure presently require any modifications. The TMA's are the transmission facilities that inter-connect the end offices with the Toll Center or Toll Tandem within an EAEA, so they are very definitely related. In Florida, the structure of TMA's and EAEAs were established by the Commission and are identical in geographical area.

GULF: We are of the opinion that current circumstances do not warrant the elimination of EAEAs nor does the current EAEA structure presently require any modifications. The TMA's are the transmission facilities that inter-connect the end offices with the Toll Center or Toll Tandem within an EAEA, so they are very definitely related. In Florida, the structure of TMA's and EAEAs were established by the Commission and are identical in geographical area.

INDIANTOWN: No.

NORTHEAST: No. The current EAEA's are structured around the toll tandem, which provides toll service to and from all end offices in the EAEA.

QUINCY: No. The objectives for elimination have not been met, those objectives remain viable for the future.

SOUTHLAND: The EAEA concept, which encourages tandem level interconnection, can be retained without adverse impact on the competitive interexchange market if the toll transmission monopoly area policies of compensation and dialing pattern monopolies are eliminated.

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ST. JOE: We are of the opinion that current circumstances do not warrant the elimination of EAEAs nor does the current EAEA structure presently require any modifications. The TMAs are the transmission facilities that inter-connect the end offices with the Toll Center or Toll Tandem within an EAEA, so they are very definitely related. In Florida, the structure of TMAs and EAEAs were established by the Commission and are identical in geographical area.

VISTA-UNITED: No.

ATT-C: AT&T believes that the EAEAs no longer serve any useful purpose and should be eliminated. The introduction of competition to the rural areas as well as urban areas has occurred because a market in those areas existed as evidenced by the number of IXCs and Resellers who have chosen to serve the Florida market. (Proctor, Guedel)

ITI: In Order No. 13750, the Commission established EAEAs within which the LECs would be responsible for providing access to all customers to reach IXCs serving anywhere in the area. It appeared to the Commission that geographic areas served by each existing toll center and its subtending end offices would be reasonable EAEA boundaries. The Commission's objective was to provide equal access while remaining faithful to its goal of statewide competitive service. The EAEA concept has met its original objectives. Competition has come to all areas of Florida through the efforts of competitors. Elimination of the EAEAs would be the next logical step in providing more competition, and therefore more choices, for Florida's ratepayers. (Whitaker)

MCI: Yes, current circumstances warrant elimination of EAEAs. The original objectives of EAEAs were to ensure equal access by customers to competitive long distance services and to avoid unecomonic duplication of LEC distribution networks by encouraging IXC POP location at existing LEC toll centers. These objectives have been met. First, nearly all end-users in Florida have the ability to access competing IXCs. Second, IXC POPs have generally been located at LEC toll centers. While MCI believes that this second objective would have been realized due to economic forces alone, the EAEAs nevertheless served as a insurance policy against undesirable outcomes during the first years of the developing long distance

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industry. EAEAs have now outlived their usefulness, and their elimination would not cause any adverse consequences. (Wood)

NTS: No position provided.

TELUS: The basic EAEA interconnection policy should be retained. The EAEAs were originally established to make interexchange competition a reality for all customers, not just those in select, financially attractive areas. The Commission's policy encouraged all IXCs to have a single point of interconnection at the access tandems. This networking requirement gives all customers whose end offices subtend the tandem access to the multiple IXCs interconnecting through the single point of interconnection. This policy was further enhanced by adoption of average transport charges within the EAEA. This policy has proven a success, from both a technical and a customer standpoint, although Telus believes these goals would have been met absent the establishment of EAEAs out of the need for carriers to provide service to all customers and the need to efficiently and cost effectively engineer network interconnection.

SPRINT: US Sprint does not object to the continuation of the EAEAs. The access tandem interconnection principle associated with the EAEA concept is consistent with efficient network design objectives that have been implemented elsewhere in the country. Moreover, abolishment of the TMAs need not affect EAEAs. The Commission could choose to eliminate TMAs while retaining the EAEA concept of encouraging the most efficient interconnection between IXCs and end users via the LEC facilities.

FIXCA: Yes. The EAEA policy was implemented to promote the availability of competitive IXC services to consumers regardless of geographical location. To do this, the Commission implemented a non-distance sensitive rate for local transport which is uniform throughout Florida in order to eliminate any disincentive to serve rural areas. The Commission also instituted a discount for non-equal access that reflected the composite implementation of equal access in an EAEA. Actual experience demonstrates that these two implementation tools were probably unnecessary. Mr. Gillan's analysis indicates that transport charges would not likely become highly distance sensitive, and that the weighting formula for a non-equal access discount actually works against

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the objective of the EAEA policy. Other factors, like the BHMOC and isolated tandems, have had more bearing on service to secondary markets. Equal access has been deployed in most areas, and the EAEA boundaries are unnecessary.

The objective of the Commission's EAEA policy was to provide every consumer with equal access to IXCs and to minimized geographical disadvantages in serving certain areas. To do this, the Commission made the EAEA the basic geographic unit of access service.

The Commission's desire to see interLATA equal access widely available has been largely accomplished: by the end of 1989, over 94% of access lines will have been converted. While it is questionable whether the requirements of the Commission's EAEA policy have caused the move to equal access, it has occurred nonetheless. Thus, the EAEA policy is unnecessary.

EAEAs tie regulatory protection to areas served by access tandems. Such a policy could provide an economic incentive to make large areas dependent upon a single tandem to maximize the monopoly value of the Commission's competitive barriers. This incentive could introduce an unacceptable reliance on a single switch and could invite disastrous consequences in the event of a system failure such as the fire at the Hinsdale tandem.

As a general proposition, however, it is unlikely that the EAEAs have had a significant impact on network design. Large carriers, such as AT&T, typically connect directly at the end-office. Only smaller IXCs rely on tandem-switched access. The principal objective of the EAEAs--to have IXCs connect with the LECs using access tandems--is chosen by small IXCs independently of the EAEA policy, and ignored by larger carriers which prefer end-office connections. (Gillan, Leisner)

OPC: The Citizens have no position on this issue at this time.

STAFF: No position at this time.

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ISSUE 4: If continued or eliminated, what policy changes, EAEA boundary changes, or other regulatory actions are appropriate?

POSITION OF PARTIES:

CENTEL: If EAEAs are continued, no policy changes are needed at this time. The current EAEA structure has had no detrimental impact on Centel's engineering development where the LEC is the provider of transport and traffic concentration. In a future competitive marketplace, however, such concentration may be more economically provided beyond the EAEA boundary.

GTEFL: GTEFL has no recommended changes regarding EAEA boundaries or regulatory actions.

SO BELL: None. To the extent that the EAEAs are coextensive with the TMAs, the same reasons that compel the continuation of the TMAs also dictate that the EAEAs remain in their present configuration. Therefore, no changes are appropriate or necessary. If, on the other hand, EAEAs were eliminated, it might well be appropriate to eliminate the average transport rates and replace them with distance sensitive rates.

UNITED: Except for the relationship between EAEAs and TMA boundaries and the application of the phase-out of the nonpremium discount, the impact of the elimination of EAEAs would not cause any significant problems. However, United sees no reason to eliminate the EAEAs at this time. Somewhat like the LECs' exchanges, EAEAs provide an administratively efficient method for implementing the Commission's policies.

ALLTEL: Please see our position on Issue 1 and 2.

FLORALA: Circumstances have not changed enough to warrant elimination of TMAs/EAEAs. No regulatory actions or boundary modifications should be made.

GULF: Circumstances have not changed enough to warrant elimination of TMAs/EAEAs. No regulatory actions or boundary modifications should be made.

INDIANTOWN: See response to Issue No. 2, above.

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NORTHEAST: None. See response to Issue 3.

QUINCY: If continued, no policy changes, EAEA boundary changes, or other regulatory action changes will be needed.

If eliminated, regulatory actions will need to be made concerning off setting the NTS costs will higher local service rates.

SOUTHLAND: EAEA boundaries should be configured based upon existing access tandems and their subtending end offices as initially ordered by the Commission.

ST. JOE: Circumstances have not changed enough to warrant elimination of TMAs/EAEAs. No regulatory actions or boundary modifications should be made.

VISTA-UNITED: None.

ATT-C: AT&T believes that the EAEAs should be eliminated rather than modified. (Proctor, Guedel)

ITI: See response to Issue 2 above. (Whitaker)

MCI: If EAEAs are eliminated, no additional regulatory actions are required. For example, local transport can continue to be priced on a nondistance sensitive basis, regardless of the existence of EAEAs.

If EAEAs are continued, the Commission should subdivide the OJUS EAEA to reflect the fact that there are now two toll centers serving the Dade/Broward County area. This is particularly important if the Commission continues to use the EAEAs as the geographical boundaries for any continuing toll transmission monopolies. (Wood)

NTS: No position provided.

TELUS: If the TMAs and the 1+/0+ monopolies are eliminated, no changes are necessary in the current EAEA policy. If the TMA and 1+/0+ monopolies are retained, the EAEAs should be modified to reflect actual tandem configurations with, in general, the EAEAs being designed to promote competition.

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SPRINT: It is US Sprint's understanding that the EAEAs were designed to incorporate the toll centers and all subtending end offices, as indicated in the Commission's Order No. 13750, page 6. US Sprint believes that this is the appropriate geographic definition for EAEAs. If the EAEAs are retained, EAEAs which do not meet this geographic definition should be redefined to meet the original Commission objectives. In particular, any EAEAs which incorporate inter-toll center transmission facilities should be divided into separate EAEAs. If the EAEA are eliminated, no other actions are necessary. (Siever, Key)

FIXCA: EAEAs should be eliminated and should be replaced with a policy on Consumer Sovereignty. See Issue 18.

If EAEAs are retained, their boundaries should reflect actual tandem boundaries, not planned configurations which have not occurred. The discount for unequal access should be modified and the BHMOC should be reduced whenever conditions permit. (Gillan)

The restriction on intraEAEA private line competition should be eliminated. This policy eliminates competition in the intraEAEA market and penalizes customers who need cost-effective private lines. It protects the LECs from competition and from incentives to reduce costs. Such protection is unnecessary and should be eliminated. (Nall)

OPC: The Citizens have none to identify at this time.

STAFF: No position at this time.

ISSUE 5: What are the potential benefits and detriments, including but not limited to economic factors, resulting from intraEAEA transmission competition to the following: IXC, LECs, and consumers?

POSITION OF PARTIES:

CENTEL: The quality of local and LEC provided toll service should not be negatively affected by intraEAEA transmission competition. Customers will be given greater freedom of choice and IXCs will have an opportunity to compete. A possible detriment is the potential loss of revenue which may be experienced by LECs.

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GTEFL: The benefit of intraEAEA transmission competition to the interexchange carrier is the ability of the IXC's to use their own transmission facilities which could result in a reduction in cost. The IXC's could utilize their own existing transmission facilities to compete immediately and with little incremental cost.

The detriment of transmission competition to consumers is that the IXC's in all likelihood will "cream skin" the profitable intraEAEA toll routes providing benefits only large toll users on these routes. The remainder of the ratepayers would not receive the benefits of transmission competition.

The detriment of transmission competition to the local exchange carrier is entirely dependent upon how the Commission decides to implement intraEAEA transmission competition. While the amount of revenue loss is dependent upon the Commission's decision, any decision would result in substantial reductions in toll revenues and could necessitate increased local rates to offset the lost subsidies to local service which are contained in current toll rates. The majority of GTEFL's local subscribers would not benefit from such a change since the savings associated with their low volume of toll calling would not offset the increase in their local bills.

SO BELL: Southern Bell has conducted an intraLATA toll contribution study which estimates the losses which would result from the elimination of the TMAs as well as the 1+ and 0+ dialing restrictions. That study shows that if the Commission opens the EAEAs to transmission based competition, Southern Bell will lose nearly \$45 million in contribution in 1990. If the Commission went even further and eliminated the local exchange companies' 1+ and 0+ dialing exclusivity, Southern Bell's losses would be \$71 million in contribution in 1990.

UNITED:

- a. IXC's - Benefits and detriments need to be addressed by the IXC's.

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- b. LECs - With the present pricing subsidies and limited pricing flexibility available to the LECs, there are no benefits to intraEAEA transmission competition. Detriments would be the increased bypass potential, loss of revenues and customer base, and potential stranded facilities. Maintaining the TMAs would provide the LECs additional time to complete the actions identified by the Commission in Order No. 16343. These actions need to be accomplished before eliminating TMAs. Specifically, the order stated that "we believed that by this time NTS costs would have been deloaded from access charges, the LECs would have been billing and keeping toll charges, and private-line pricing would have been resolved. These events have not as yet taken place. As the industry exists today, it is not in the public interest to abolish TMAs". At this point in time, only bill and keep of intraLATA has occurred. NTS costs have not been deloaded and private line and special access services have not been restructured and repriced.
- c. Consumers selected high volume customers could reduce their toll and access costs by connecting directly to IXC's. Revenue shortfalls would need to be recovered from other customers. Because of pricing distortions, uneconomic allocations of resources would result in higher overall cost to customers in the long run. Thus, elimination of TMAs without first correcting the existing pricing distortions would not be in the public interest.

ALLTEL: We assume that if competitive entry for facility based IXC's (Interexchange Carriers) is permitted within the transmission monopoly areas, we can expect the following to occur. As the local exchange company loses toll business to the IXC's, the IXC's become more profitable which may result in the IXC lowering its toll rates to the end users which is a benefit to the toll users. The down side of this is that the local exchange company must make up the toll loss to the IXC through an increase in local rates to all its customers. In short, it appears that any benefits the IXC's and toll callers share is at the expense of the local exchange companies local customers and stockholders. Our customers should be polled to determine if they want their local rates increased so that

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their long distance rates can be lowered. We believe that such a poll would accurately reflect "public interest".

FLORALA: The differential between a higher level of revenues produced by intraLATA toll retention and a lower level of access charges received from IXC's would have to be recovered in local rates since the smaller LEC's have limited ability to recover revenue from their other service offerings.

We also believe that with the advent of intraEAEA competition, the IXC's would choose to compete on the most profitable intraEAEA toll routes which again would reduce LEC toll revenue and place upward pressure on local rates.

GULF: The differential between a higher level of revenues produced by intraLATA toll retention and a lower level of access charges received from IXC's would have to be recovered in local rates since the smaller LEC's have limited ability to recover revenue from their other service offerings.

We also believe that with the advent of intraEAEA competition, the IXC's would choose to compete on the most profitable intraEAEA toll routes which again would reduce LEC toll revenue and place upward pressure on local rates.

INDIANTOWN:

IXC - only benefits, they would be able to offer a service that they are now not allowed to offer.

LEC - Potential to lose a substantial and integral source of revenue that allows a static service charge.

Consumer - Some large volume users in larger metropolitan areas may benefit if competition is allowed. It would seem though that if the source of revenue is lost to an LEC, then those consumers who make up the majority of non-benefits would be required to be charged higher rates to recover the lost revenues.

NORTHEAST:

- a. IXC's - Increased toll revenues, increased access costs which should result in increased net income.

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- b. LEC's - Decreased toll revenues, increased access revenues which would require a local rate increase.
- c. Consumers - Toll rates may decrease slightly and local rates would increase.

Local rates would be higher.

Toll rates would decrease on low-cost, high-volume routes, and would increase on high-cost, low-volume routes.

QUINCY: We don't know what effect competition will have on IXC's. I see no benefits to the LECs and consumers derived from competition in the intraEAEA jurisdiction. I see detriments for the LEC's concerning stranded investment and inefficient trunk groups. Consumers most likely will pay for these shortfalls in the form of higher local service rates.

SOUTHLAND: There are no potential detriments to the citizens of the State of Florida which would result from the implementation of intraEAEA transmission competition. The benefits of unrestricted intraEAEA competition include increased innovation, technological efficiency and market performance.

ST. JOE: The differential between a higher level of revenues produced by intraLATA toll retention and a lower level of access charges received from IXCs would have to be recovered in local rates since the smaller LECs have limited ability to recover revenue from their other service offerings.

We also believe that with the advent of intraEAEA competition, the IXCs would choose to compete on the most profitable intraEAEA toll routes which again would reduce LEC toll revenue and place upward pressure on local rates.

VISTA-UNITED: IntraEAEA transmission competition could make it more difficult for customers to obtain repairs and provide additional facilities, and it could cause the customer to have to pay more for local service.

ATT-C: The potential benefits of such competition include:

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IXCs - The IXCs will have the ability to respond and satisfy individual customer needs by introducing services which provide customers more options in a timely manner at competitive prices.

LECs - IntraEAEA competition will afford the LECs the opportunity to become effective competitors. To the extent that the LECs are successful in this competition (by reducing costs, pricing competitively, introducing new services, etc.) their service output and financial well-being will be enhanced. Moreover, stimulation of toll usage brought about by intraEAEA competition will stimulate LEC access charge revenues which provide a substantial contribution to support local exchange services.

Consumers - Consumers benefit from the results of a free and open marketplace. Firms competing for their business strive to develop and introduce new services with improved features and functions to enhance existing technology. As competition increases, rates are driven closer to cost and consumers are given more choices from which to select. (Proctor, Mayo)

ITI: The potential benefits are numerous. The IXCs will receive more competitive advantages, the LECs will collect more revenue for access minutes, and consumers will enjoy the benefits of more competitive prices and less confusion in the marketplace. Toll rates and access charges will become more competitively priced. Competition will increase the opportunity to achieve state of the art technology. Additionally, intraEAEA transmission competition should result in improved local and toll service for the following reasons: increased off-peak usage, as well as increased usage in general; increased call completion ratios; and increased efficiency by the LECs.

The LECs claim that their provision of intraEAEA service provides contribution to local rates. Even if this is true, the loss of LEC toll traffic revenues would be more than offset by increased access charges. Any losses not so offset would be so minimal as not to justify a continued prohibition on intraEAEA competition. (Whitaker)

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MCI: If the building block pricing policies discussed in Issue 2 are adopted, intraEAEA transmission competition will produce only benefits, not detriments. Consumers will benefit from increased competition. By obtaining any required "contribution" equally from all monopoly building blocks, the LECs will be protected from economic detriment. Additionally, the LECs will benefit from competitive incentives to reduce costs and to devise new offerings designed to meet customer needs. IXC's will benefit by the removal of artificial restrictions on the services that they are allowed to offer customers. (Cornell)

NTS: No position provided.

TELUS: With the retention of the EAEA policy, the practical effect of intraEAEA transmission competition is to remove the requirement that IXC's use LEC WATS or MTS to terminate traffic or, alternatively, pay the intraEAEA compensation penalty. For the LECs, the retention of the EAEA policies means LEC access facilities will continue to be utilized. Given the relative contributions from LEC toll and IXC access charges, it is not clear that permitting such competition will result in measurable lost LEC revenues. The bottom line for consumers is greater competition, new and improved services, and lower rates.

SPRINT: Permitting intraEAEA competition will allow IXC's to offer a full range of services in the Florida intrastate toll market; eliminate compensation payment requirements for intraEAEA traffic carried over IXC services; reduce requirements for jurisdictional reporting of traffic; provide greater incentives for the LECs to offer more innovative toll services at lower prices; and encourage a more rapid introduction of new services and technologies into the intraEAEA market. (Sievers, Key)

FIXCA: IntraEAEA competition will enable consumers to choose from a myriad of providers and services applicable to long distance calling and, if accompanied by changes in allowed dialing patterns, to do so with the greatest level of convenience. LECs will become responsive to customer demand and will be given a new incentive to operate more efficiently. If the policy of Consumer Sovereignty is adopted and access charges become the vehicle and gauge for contribution of local service, competition will not adversely affect local rates. Further, LEC revenue will probably not be materially affected

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due to the growing telecommunications market and the length of time necessary for market penetration by competition. (Gillan, Leisner)

OPC: IntraEAEA transmission competition should heighten the level of competition between and among the interexchange carriers and the local exchange companies. Ultimately, a vigorous, effectively competitive market should benefit consumers with a greater variety of services at lower prices.

STAFF: No position at this time.

ISSUE 6: What policy changes or modifications to existing intraLATA 1+ dialing patterns are appropriate?

POSITION OF PARTIES:

CENDEL: At the present time, Centel's switches are generically designed for interLATA presubscription only. Until such time as Centel is able to identify the switching modifications that are necessary to provide intraLATA presubscription separately, dialing prerogatives of 950XXXX and 10XXX access must be utilized. Generic software redesign will be required to allow presubscription of 1+ and 0+ dialing of intraLATA traffic. Redesign is in the development stage and may not be available for some time. Significant expense will be required for additional software which will be required in each end office. Modifications to hardware may also be required depending on the final software design.

GTEFL: None. The removal of LEC 1+ and 0+ intraLATA dialing would, in effect, increase the level of competition within the LATA. This issue is separate and distinct from either the TMA or EAEA concerns. The requirement for all 1+, 0+ and 0- calls to be routed through the LEC should be continued regardless of the decision on the TMA. In addition, the required software generic program to route intraLATA 1+ traffic to a carrier other than the LEC is not available.

SO BELL: None. IntraLATA 1+ dialing should not be made available to IXCs. Southern Bell cannot provide interLATA services such as those provided by IXCs at this time. If Southern Bell were required to surrender the 1+ dialing exclusivity previously granted to it by the Commission,

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Southern Bell believes it would mean the loss of substantially all of Southern Bell's toll traffic. Allowing IXCs to have both 1+ intraLATA dialing as well as 1+ interLATA dialing, while Southern Bell is prohibited from providing interLATA services, would give the IXCs a clear market advantage. Customers would be able to obtain "one-stop shopping" for both intraLATA and interLATA toll services from the IXCs. While on the surface this may appear attractive, the consequences would be devastating to Southern Bell and ultimately to the customer.

The result of such an action would virtually be to convert Southern Bell into a local exchange and local exchange access provider because of the interLATA prohibition placed on Southern Bell. Southern Bell could not effectively compete with these IXCs in this environment and would lose a substantial portion of its toll traffic.

UNITED: The existing intraLATA 1+ dialing patterns are appropriate and require no modification or change. United believes that the LEC's right to carry all 1+ and 0+ intraLATA traffic, as specified in Commission Orders No. 13912 and 14621, should be retained. Without the current 1+ and 0+ restrictions, local exchange companies could not effectively compete in the intraLATA market, as most customers will elect to have the same carrier for both their interLATA and intraLATA calling. Because the LEC is the carrier of last resort in the intraLATA arena, it should be afforded the exclusive right to all 1+ and 0+ intraLATA traffic.

ALLTEL: None until equal access is equipped at all locations.

FLORALA: No policy changes or modifications should be made to the existing 1+ and 0+ dialing prerogatives. The 1+ and 0+ calls should go to the LECs as they do now. If the situation changes, there would only be one source of revenue other than originating toll revenue, i.e., local rates. In addition to the immediate rate impact that would occur from the loss of the 1+ and 0+ dialing prerogative, entry of competitors might create stranded investment, duplicate facilities and lost economics of scale. These problems could require policy decisions from this Commission.

GULF: No policy changes or modifications should be made to the existing 1+ and 0+ dialing prerogatives. The 1+ and 0+ calls should go to the LECs as they do now. If the situation

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changes, there would only be one source of revenue other than originating toll revenue, i.e., local rates. In addition to the immediate rate impact that would occur from the loss of the 1+ and 0+ dialing prerogative, entry of competitors might create stranded investment, duplicate facilities and lost economics of scale. These problems could require policy decisions from this Commission.

INDIANTOWN: No change needed.

NORTHEAST: Most of the smaller independent companies' exchanges have not been converted to equal access; therefore, it is important that this access remains as it is. It will be costly to convert the equal access offices that have this capability because translations will have to be changed. We think that if this is allowed to take place, it will put the local exchange companies out of the intraLATA toll business. This will bring very severe upward pressure on local rates. We don't think the Commission should try to fix something that is not broken and, in our opinion, this is what is being described here.

QUINCY: Currently 1+ dialing is completed for AT&T only. Equal Access conversion has not taken place. We see no other policy changes that are needed.

SOUTHLAND: The consuming public should be granted the right to determine their preferred "1+" carrier for intraLATA traffic. The current LEC monopoly should therefore be eliminated.

ST. JOE: No policy changes or modifications should be made to the existing 1+ and 0+ dialing prerogatives. The 1+ and 0+ calls should go to the LECs as they do now. If the situation changes, there would only be one source of revenue other than originating toll revenue, i.e., local rates. In addition to the immediate rate impact that would occur from the loss of the 1+ and 0+ dialing prerogative, entry of competitors might create stranded investment, duplicate facilities and lost economics of scale. These problems could require policy decisions from this Commission.

VISTA-UNITED: Elimination of the 1+ and 0+ intraLATA monopoly would take the LEC's out of the long distance business. In order to prevent such an occurrence, no changes to the existing dialing patterns should be permitted.

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ATT-C: In order to continue the transition to a more competitive intraLATA marketplace, AT&T believes it is necessary to modify the existing 1+ intraLATA dialing arrangements coincident with the elimination of the toll monopoly areas. AT&T recommends that the LECs be permitted to retain the 1+ and 0+ monopoly on intraLATA MTS calls. However, the 1+ monopoly on WATS and 800 should be removed, allowing all competitors unrestricted use of this dialing arrangement. (Proctor, Guedel)

ITI: No position at this time; although ITI believes that many of the reasons for the elimination of the 0+ restriction (see Issue 7) would also justify the elimination of the 1+ restriction.

MCI: It is appropriate to require separate 1+ presubscription for intraLATA traffic, so that customers will be free to choose the carriers which best meet their needs. This policy change needs to be implemented on a definite timetable to avoid an open ended transition period. (Wood, Cornell)

NTS: NTS believes that the current EAEA and TMA structure should be eliminated and intraLATA competition should be allowed in the 1+ market.

TELUS: By far, the most important action the Commission can take in this docket to advance the benefits of competition to consumers is to eliminate artificial dialing and transmission restrictions and permit callers full freedom of choice in preselecting a long distance carrier for all toll calls on an equal access basis. Telus' experience with its customers indicates that callers today are sophisticated enough to demand a variety of services and pricing alternatives. The IXCs and the LECs have become more sophisticated in providing service and pricing options to meet these customer needs. A separate intraLATA presubscription process would enable the LECs to continue to participate in this market. We would expect the LECs to retain a significant portion of the market, but the point is that customers will have a choice. To the extent the LECs lose direct toll business, the net revenue impact to the LECs would not be adverse due to the payment of access charges by the IXCs and the new revenues associated with the stimulative effects of intraLATA toll competition. In the final analysis, universal service goals will be better served

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by full intraLATA competition rather than by continuation of the current 1+/0+ LEC monopolies.

SPRINT: US Sprint takes no position on this issue.

FIXCA: The Commission should give consumers control over the disposition of 1+ traffic by allowing subscribers to preselect a carrier(s) for both interLATA and intraLATA 1+ traffic. (Gillan)

OPC: No changes or modifications should be made at this time.

STAFF: No policy changes or modifications.

ISSUE 7: What policy changes or modifications to existing intraLATA 0+ dialing patterns are appropriate?

POSITION OF PARTIES:

CENDEL: At the present time, Centel's switches are generically designed for interLATA presubscription only. Until such time as Centel is able to identify the switching modifications that are necessary to provide intraLATA presubscription separately, dialing prerogatives of 950XXXX and 10XXX access must be utilized. Generic software redesign will be required to allow presubscription of 1+ and 0+ dialing of intraLATA traffic. Redesign is in the development stage and may not be available for some time. Significant expense will be required for additional software which will be required in each end office. Modifications to hardware may also be required depending on the final software design.

GTEFL: None. See response to Issue No. 6.

SO BELL: None. Any change in the traditional 0+ dialing to access an operator would create unwarranted customer confusion since the current 0+ dialing pattern is widely accepted, understood and expected. In addition, any such change would simply exacerbate the problems identified in Southern Bell's response to Issue 6.

UNITED: No policy changes or modifications are required. See Response to Issue 6.

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ALLTEL: None until equal access is equipped at all locations.

FLORALA: No policy changes or modifications should be made to the existing 1+ and 0+ dialing prerogatives. The 1+ and 0+ calls should go to the LECs as they do now. If the situation changes, there would only be one source of revenue other than originating toll revenue, i.e., local rates. In addition to the immediate rate impact that would occur from the loss of the 1+ and 0+ dialing prerogative, entry of competitors might create stranded investment, duplicate facilities and lost economics of scale. These problems could require policy decisions from this Commission.

GULF: No policy changes or modifications should be made to the existing 1+ and 0+ dialing prerogatives. The 1+ and 0+ calls should go to the LECs as they do now. If the situation changes, there would only be one source of revenue other than originating toll revenue, i.e., local rates. In addition to the immediate rate impact that would occur from the loss of the 1+ and 0+ dialing prerogative, entry of competitors might create stranded investment, duplicate facilities and lost economics of scale. These problems could require policy decisions from this Commission.

INDIANTOWN: No change needed.

NORTHEAST: See response to Issue 6.

QUINCY: We see no policy changes or modifications.

SOUTHLAND: The consuming public should be granted the right to determine their preferred "0+" carrier for intraLATA traffic. The current LEC monopoly should therefore be eliminated.

ST. JOE: No policy changes or modifications should be made to the existing 1+ and 0+ dialing prerogatives. The 1+ and 0+ calls should go to the LECs as they do now. If the situation changes, there would only be one source of revenue other than originating toll revenue, i.e., local rates. In addition to the immediate rate impact that would occur from the loss of the 1+ and 0+ dialing prerogative, entry of competitors might create stranded investment, duplicate facilities and lost economics of scale. These problems could require policy decisions from this Commission.

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VISTA-UNITED: Elimination of the 1+ and 0+ intraLATA monopoly would take the LEC's out of the long distance business. In order to prevent such an occurrence, no changes to the existing dialing patterns should be permitted.

ATT-C: See AT&T's position on Issue 6. (Proctor, Guedel)

ITI: The 0+ restriction to the LECs should be eliminated for the same reasons forwarded by the other parties for the elimination of the 1+ restriction. Operator services competition into intraLATA markets is in the public interest, enhancing end user convenience and choice. Furthermore, 0+ intraLATA competition is unique in that it will not financially harm the LECs and, in fact, may provide the LECs with contribution from access and billing validation services that was previously unrealized. (Whitaker)

MCI: It is appropriate to require the LECs to route 0+ traffic to the customer's presubscribed 1+ interLATA and intraLATA carriers, respectively. This policy change needs to be implemented on a definite timetable to avoid an open-ended transition period. (Wood)

NTS: NTS believes that the restriction on 0+ dialing should also be lifted.

TELUS: The 0+ monopoly should be eliminated for the same reasons the 1+ monopoly must be eliminated, as discussed at Issue 6. In addition, the Commission must understand that 0+ operator services have become an integral part of long distance services that cannot be treated in a vacuum apart from 1+ long distance service. Many carriers now provide operator services to presubscribed business and residence customers on a responsible service basis, and consumers should have to access these services on an intraLATA basis.

SPRINT: US Sprint takes no position on this issue.

FIXCA: 0+ traffic should be routed under the same conditions as 1+ traffic. (See FIXCA's position on Issue 6). (Gillan)

OPC: No changes or modifications are appropriate at this time.

STAFF: No policy changes or modifications.

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ISSUE 8: Should the current policy regarding the phase out of the discount for less than equal access be retained?

POSITION OF PARTIES:

CENDEL: Yes. It is only appropriate for IXCs to pay premium rates for FGD service. Centel has been 100% equal access since December 1988.

GTEFL: No response.

SO BELL: Yes, the current policy regarding the phase out of the discount for less than equal access should be retained. In Order No. 12765, issued December 19, 1983, the Commission ordered that a 35% discount be given to all carriers served by Feature Groups A or B. This was ordered to provide an incentive for LECs to develop equal access as rapidly as was feasible, and was to be eliminated when equal access became available. Later, in Order No. 13858, the Commission ordered that the discount for less than equal access be phased out and based the phaseout on the number of access lines within an EAEA that had been converted to equal access. There is no valid reason to change the Commission's previously stated order.

UNITED: Yes. To the extent that inferior access interconnection is required in nonequal access offices, the discount should be retained until equal access is fully implemented.

ALLTEL: No.

FLORALA: We are unaware of an existing plan to phase out the discount for less than equal access. As the LECs slowly but surely move to total equal access, the discount is automatically eliminated.

GULF: We are unaware of an existing plan to phase out the discount for less than equal access. As the LECs slowly but surely move to total equal access, the discount is automatically eliminated.

INDIANTOWN: Yes.

NORTHEAST: We are not aware of any plan to phase out the discount for less than equal access.

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QUINCY: Yes.

SOUTHLAND: The discount for non-premium access should be retained and be applicable until Feature Group D is resident and operative. The phase out process should be amended to an end office-by end office mechanism like that which is in place at the federal level.

ST. JOE: We are unaware of an existing plan to phase out the discount for less than equal access. As the LECs slowly but surely move to total equal access, the discount is automatically eliminated.

VISTA-UNITED: As the LEC's move toward total equal access, the discount is automatically eliminated.

ATT-C: No. The discount was implemented as a transitional mechanism to accommodate particular IXCs until "Equal Access" became available. By year end 1989 some 94% of the lines in Florida will have been converted to equal access with nearly 96% capable.

It is AT&T's position that the discount has now outlasted any usefulness it may have had and that perpetuation of the discount can only slow the process of converting the remaining lines. (Guedel)

ITI: No position at this time.

MCI: MCI seeks no compelling reason to change the current policy. However, MCI would not object to a modification that would eliminate the discount for Feature Group B and D access in an EAEA once 95% of the access lines in the EAEA had been converted to equal access. In EAEAs that are not largely converted, a discount is still appropriate to reflect the deficiencies of Feature Group A and B access, and to avoid stifling the limited form of competition that such arrangements can provide. (Wood)

NTS: No position provided.

TELUS: The phase-out should be continued. The current system provides the proper incentives for both the LECs to convert to and the IXCs to utilize equal access. This transition is a real incentive for the LECs to expedite conversion to equal

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access, since gross access charge revenues will automatically increase as the EAEA is converted. On the other hand, since the discount is phased out irrespective of the IXCs' use of equal access, the eventual equalization of rates eliminates any economic incentives for the IXCs to take the lower quality access forms.

SPRINT: US Sprint believes that the existing formula should be retained without change. The discount for less than equal access continues to be appropriate to reflect the inferior access arrangements provided in non-equal access and offices. (Sievers)

FIXCA: The Commission should modify its discount policy to reflect access conditions in each individual end-office. IXCs should receive discounted access prices only in those end-offices having unequal access. (Gillan)

OPC: No position at this time.

STAFF: The current policy is that transitional rates are eliminated within an EAEA, when all end offices within that EAEA have been converted to equal access. This policy should be changed such that transitional rates are eliminated within an EAEA when all end offices within that EAEA become equal access capable.

ISSUE 9: Should the LS1 and LS2 access differential be retained?

POSITION OF PARTIES:

CENDEL: The differential for LS1 and LS2 elements for FGA and FGB vs. FGC and FGD access provides a discounted rate structure for inferior access. A discounted structure is only appropriate in less than fully converted equal access areas. Centel, however, has been 100% equal access since December 1988.

GTEFL: GTEFL supports the elimination of the differential because most IXCs terminate the vast majority to their traffic using Feature Group B facilities even though they utilize Feature Group D service for originating traffic. Since the same facilities are used whether the IXC orders Feature Group B or Feature Group D, GTEFL cannot support the current price

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differential, especially since the Company wants to encourage IXCs to utilize Feature Group D. GTEFL recommends the elimination of the LS1 discount when an EAEA becomes 100% equal access.

To avoid costly modifications to the billing system, GTEFL would propose that the LS1 rate element not be modified. However, the LS1 rate would be changed to be the same as the LS2 rate.

SO BELL: No. The LS1 and LS2 access charge differential should not be retained in those EAEAs that are capable of providing equal access. It should be noted that all of Southern Bell's end offices provide equal access.

UNITED: The LS1 and LS2 rate differential should be retained only until 100% equal access is achieved in each EAEA. Once an EAEA has been totally converted to equal access, the differential is no longer warranted.

ALLTEL: No.

FLORALA: No. Technically there is no difference in LS1 and LS2; therefore, the use of two rates should be eliminated, as was done in the Interstate arena (NECA Tariff).

GULF: No. Technically there is no difference in LS1 and LS2; therefore, the use of two rates should be eliminated, as was done in the Interstate arena (NECA Tariff).

INDIANTOWN: No.

NORTHEAST: There is no technical difference in LS1 and LS2 access charge rate elements. LS2 is the rate element for premium local switching service, and LS1 is the rate element for non-premium, discounted local switching service. The use of two rates should be eliminated, as in the interstate arena. For ease of administration and understanding, there should be a LS rate with a discount of the LS rate for non-premium.

QUINCY: No, the LS2 access rate should be abolished and replaced with the LS1 rate. Technically, there is no difference between LS1 and LS2.

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SOUTHLAND: Yes.

ST. JOE: No. Technically there is no difference in LS1 and LS2; therefore, the use of two rates should be eliminated, as was done in the Interstate arena (NECA Tariff).

VISTA-UNITED: No.

ATT-C: No. It is AT&T's position that access charges should be cost based. Proper pricing of these elements would require the LECs to determine the cost of providing "line side" access switching and "trunk side" access switching. If the difference in cost is insignificant then the rates for LS1 and LS2 should be the same. If the costs are significantly different, then different rates would be appropriate. LS1 would reflect the "line side" costs applicable to Feature Group A and LS2 would reflect the "trunk side" costs applicable to Feature Groups B, C and D. (Guedel)

ITI: No position at this time.

MCI: Access charge differentials should be based on cost. To the extent the LS1/LS2 differential is cost based, it should be retained. To the extent it is not cost based, it should be phased-out. (Wood)

NTS: No position provided.

TELUS: The current differential should be retained. Since there is a qualitative difference between Feature Groups A and B access versus Feature Groups C and D, it is only sound economic pricing for the LS1 element to be charged at a level that reflects the technically inferior form of access provided. This differential also helps to offset the increased customer difficulty of dialing up to 30 digits to complete a call using Feature Groups A and B.

SPRINT: The differential should be retained and phased out consistent with the schedule established at the federal level. See 47 C.F.R. Sec. 69.205. (Sievers)

FIXCA: Yes. The Commission should move toward a single rate element for local switching by July 1, 1993, by reducing LS2 while increasing LS1. (Gillan)

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OPC: No position at this time.

STAFF: The current policy is that LSI is charged for Feature Groups A and B (i.e., less than equal access). This policy should be changed to eliminate LSI rates entirely. This change in policy should be made independently from any decision made with respect to issue 8.

ISSUE 10: Should the current "bypass" restriction be continued or elimination?

POSITION OF PARTIES:

CENTEL: The current "bypass" restriction should be continued.

GTEFL: The current bypass restriction should be continued while the TMA remains in effect. Without a level playing field from the standpoint of pricing flexibility and service arrangements, GTEFL is at a distinct and considerable disadvantage in the provision of service on a competitive basis. In addition, the Company is experiencing the introduction of "alternative access vendors" (AAVs) who are in the process of providing bypass facilities on a large scope. The Commission should not adjust the bypass restriction in any method until this new breed of carrier is closely examined and the applicable ground rules are determined.

SO BELL: The current "bypass" restriction should be continued. In Order No. 12765, issued December 9, 1983, the Commission ordered that IXCs could not construct facilities to bypass the LECs unless it was demonstrated that the LECs could not offer the facilities at a competitive price and in a timely manner. As long as the LECs continue to offer facilities in a timely fashion at a competitive price, the restriction should not be eliminated.

The "bypass" restriction is one of this Commission's efforts to prevent IXCs from constructing their own facilities to totally avoid the use of the facilities of the LECs for carrying their traffic. This restriction was first ordered in December, 1983 (Order No. 12765) and restated in Order No. 13934 issued on December 21, 1984 and in the EAEA Orders No. 13750 and 13912 issued in October, 1984 and December, 1984 respectively. Nothing has changed which would justify the Commission altering its current position.

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UNITED: The current bypass restriction is appropriate and should be retained.

ALLTEL: It should be continued.

FLORALA: St. Joseph Telephone and Telegraph Company, The Florala Telephone Company, Inc., and Gulf Telephone Company support the present bypass restriction policies established by the Commission. Because of the fact that we provide service to primarily low volume, low density rural areas bypass has not been a problem.

GULF: St. Joseph Telephone and Telegraph Company, The Florala Telephone Company, Inc., and Gulf Telephone Company support the present bypass restriction policies established by the Commission. Because of the fact that we provide service to primarily low volume, low density rural areas bypass has not been a problem.

INDIANTOWN: Continued.

NORTHEAST: Yes.

QUINCY: The current bypass restriction should be continued.

SOUTHLAND: * The restriction should be eliminated.

ST. JOE: St. Joseph Telephone and Telegraph Company, The Florala Telephone Company, Inc., and Gulf Telephone Company support the present bypass restriction policies established by the Commission. Because of the fact that we provide service to primarily low volume, low density rural areas bypass has not been a problem.

VISTA-UNITED: Continued.

ATT-C: The current bypass restriction should be eliminated. Elimination of the bypass restriction would permit end users more flexibility in designing their telecommunications networks. It would allow them increased opportunity in acquiring the specific types of service, quality and price that they desire.

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Elimination of the restriction would also encourage the LECs to be more responsive in meeting customer needs with regard to access arrangements. (Proctor, Guedel, Mayo)

ITI: No position at this time.

MCI: The restriction should be eliminated. Bypass has not proven to be the great threat that it was perceived to be in 1984 when the bypass restriction was first enacted. The current restriction creates unnecessary administrative hurdles that discourage alternative access arrangements in cases where such arrangements are more economical than LEC-provided access or are necessary to meet a customer's particular redundancy or quality needs. (Wood, Cornell)

NTS: No position provided.

TELUS: The bypass prohibition should be eliminated. Telus does not believe this policy has proven effective in deterring uneconomic bypass for several reasons. First, there is no equivalent FCC policy, and, in our understanding, if the access facility is "contaminated" with interstate traffic the Florida restriction is preempted and does not apply. Second, end users are permitted to own their access facilities to reach the IXCs. Third, as a practical matter, the policy has clearly had a retarding effect on competitive and technological growth in this area of the business. Fourth, the procedures required by the current exemption process make obtaining a waiver costly and untimely, despite the Commission's attempts to streamline the process. Finally, so long as the LECs have contract authority, they will be able to continue competitive counter-bypass offerings. In the final analysis, the policy only imposes cumbersome roadblocks to meeting customer needs. By allowing the marketplace to work, the Commission can effectively deal with the facilities bypass issue.

SPRINT: The current facilities bypass restriction should be eliminated. Because the restriction does not apply to bypass facilities constructed or owned by end users, it cannot affectively deter facilities bypass. Moreover, because bypass facilities used for interstate traffic cannot be prevented by the Commission, the restriction is largely unenforceable. The economic incentives for bypass can be reduced by lowering switched and special access rates.

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FIXCA: Yes. The bypass restriction was initiated to protect LEC revenues immediately after divestiture. It was an interim measure to prevent uneconomic bypass while the LECs prepared for competition. However, experience now shows that this restriction is unnecessary. First, the bypass prohibition only serves to limit competition in the special access market. The Commission has concluded that special access is priced below LEC costs, and there is no basis to restrict (bypass) competition when the LECs' service is not even compensatory. Consequently, there is no evidence that a facilities bypass problem exists. The bypass restriction simply protects LEC-provided special access from competition and there is no reason to do so. (Nall)

OPC: The current "bypass" restriction should be eliminated in the territories served by the four largest local exchange companies: Southern Bell Telephone and Telegraph Company, GTE Florida, Inc., United Telephone Company of Florida, and Centel.

STAFF: No position at this time.

ISSUE 11: Should the Commission now implement its decision in Order No. 12765 to charge resellers FGA access charges instead of PBX trunk rates?

POSITION OF PARTIES:

CENTEL: Yes.

GTEFL: Yes. GTEFL does not have any resellers who resell AT&T WATS in its service territory and thus, no resellers are being charged PBX trunk rates instead of Feature Group A access charges. Therefore, there will be no revenue impact to GTEFL. The Commission's decision not to charge Feature Group A Access charges to resellers was based on the then existing cap on the WATS rate and the resulting impact on resellers. Since the cap has been removed, the Commission should now implement its decision.

SO BELL: Yes. As stated by the Commission in Order No. 12765, issued December 9, 1983, the use made of the local network for originating calls to a reseller is the same as the use for calls to any IXC with line-side connections and the same access

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charges assessed to IXCs should be assessed to resellers. Southern Bell continues to concur in that decision.

UNITED: Yes. The application of FGA access charges is appropriate to compensate for the additional access usage created by the utilization of line side trunks.

ALLTEL: Yes.

FLORALA: Yes. As stated in FPSC Order No. 12765, page 18, under (B.) Resellers, use made of local network for originating calls to a reseller is the same as the use for calls to any IXC with line side connections.

GULF: Yes. As stated in FPSC Order No. 12765, page 18, under (B.) Resellers, use made of local network for originating calls to a reseller is the same as the use for calls to any IXC with line side connections.

INDIANTOWN: Yes.

NORTHEAST: Yes.

QUINCY: Quincy Telephone Company currently charges FG A access charges to resellers.

SOUTHLAND: No position.

ST. JOE: Yes. As stated in FPSC Order No. 12765, page 16, under (B.) Resellers, use made of local network for originating calls to a reseller is the same as the use for calls to any IXC with line side connections.

VISTA-UNITED: Yes.

ATT-C: Yes. Resellers should pay access charges to the same extent and at the same rates, terms and conditions as other IXCs because resellers are IXCs and as IXCs, they impose like costs on the local exchange for the access they require. (Guedel)

ITI: No position at this time.

MCI: No position.

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NTS: No position provided.

TELUS: Full Feature Group A access charges should not be assessed to WATS resellers. Telus, as with other resellers, pays access charges today. Only "pure" resellers "avoid" access charges, and to Telus' knowledge there are no such "pure" resellers in business in Florida today. For "mixed" resellers, like Telus, the only relevant issue is the WATS prorate credit that prevents double charging of access charges on resold WATS, which already has access built into its rates. Nothing has changed to alter the validity of this prorate credit for resold WATS used in conjunction with Feature Group A access, and the policy should continue.

SPRINT: US Sprint takes no position on this issue.

FIXCA: No position.

OPC: No position at this time.

STAFF: The Commission should now fully implement its decision in Order No. 12765 to charge Feature Group A access charges to resellers.

ISSUE 12: Should the Commission now implement its decision in Order No. 15481 to implement time of day discounts to LEC terminating access charges in those EAEA's fully (all end offices within the EAEA) converted to equal access?

POSITION OF PARTIES:

CENDEL: No. The technological constraints in determining the jurisdiction of terminating traffic prohibits an equitable method of applying TOD discounts to terminating traffic.

GTEFL: GTEFL plans to implement time of day discounts of Feature Group D terminating traffic effective January 1, 1990. These time of day discounts will allow GTEFL the opportunity to match its price structure to that of our largest customers - the IXCs. Time of day discounts present the opportunity of network usage stimulation in nonpeak periods if the discount is passed through to the end users. Furthermore, time of day discounts can have the effect of deloading certain customer sets of arbitrary subsidy burdens.

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SO BELL: Yes, but on FGD only. By implementating time of day discounts on FGD only, IXC's and resellers will have the incentive to move to equal access service.

UNITED: No. United does not see any significant benefits from the application of time of day discounts on terminating access charges. If additional time of day discounts are deemed appropriate, United proposes that they be offered on originating access charges.

ALLTEL: This is a policy decision for the Commission to make. We do however, feel that we should advise the Commission that even though an end office may be providing equal access for all originating traffic, it may still depend upon the toll tandem office to provide it with the terminating records needed for access usage, carrier identification and time of day records. This detail cannot be provided at the end office location unless each carrier has dedicated trunk groups terminating at that location. We can do this but it is not as cost efficient as the present combined trunk group arrangement. In this instance, it would appear that we are going to have to spend more to enable us to charge less for terminating access.

FLORALA: Neither St. Joseph Telephone and Telegraph Company, The Florala Telephone Company, Inc. or Gulf Telephone Company has converted to equal access.

GULF: Neither St. Joseph Telephone and Telegraph Company, The Florala Telephone Company, Inc. or Gulf Telephone Company has converted to equal access.

INDIANTOWN: No.

NORTHEAST: No. The selection of the time of day is determined by the originator of the call.

QUINCY: Quincy Telephone Company currently does not have a way to measure terminating traffic, T/O ratio's are utilized.

SOUTHLAND: No position.

ST. JOE: Neither St. Joseph Telephone and Telegraph Company, The Florala Telephone Company, Inc. or Gulf Telephone Company has converted to equal access.

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VISTA-UNITED: No.

ATT-C: No. There is no sufficient cost justification to support the implementation of time of day discounts on access charges.

First, NTS access charges (i.e. CCLC) are designed to recover costs which are by definition independent of usage patterns.

Second, application of time of day discounts to traffic sensitive access charges could complicate carrier pricing and could not effectively mitigate LEC costs so long as the LECs continue to price the majority of their switched minutes of use on a flat rate, unlimited usage basis. (Guedel)

ITI: No position at this time.

MCI: Time of day discounts should be applied to any building blocks (e.g. local switching) whose properly defined costs are shown to vary based on time of day. This would result in consistent charges for these building blocks regardless of whether they were used to provide switched access to IXCs, were used by LECs as part of their own tariffed toll offerings, or were used to provide local service. The implementation of time of day discounts on terminating access charges should therefore be held in abeyance for the minimum amount of time required for the LEC's to perform the cost studies to support building block pricing and for the Commission to determine whether time of day discounts are cost justified for one or more building block elements. (Wood)

NTS: NTS believes that not only should the Commission implement Order No. 15481 but should implement time of day discounts for all LEC access charges.

TELUS: Time of day (TOD) discounts should be implemented for terminating access. For consumers, and the long distance rates they pay, TOD pricing is most important. Decades of TOD pricing for long distance services have built for consumers a great sensitivity to TOD discounts so that such pricing is expected and affects calling patterns. Intense competition for business and residence customers is forcing day rates ever lower, and thus closer to cost. This leaves little margin for averaging the below cost evening and night/weekend rates with

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the day rates in order to cover overall costs. In addition to the customer impact, TOD pricing also serves fundamental network efficiency goals of great benefit to all ratepayers. TOD pricing for interconnection serves as an incentive to shift traffic off peak and reduce network investment. Accordingly, this can substantially reduce overall network costs for all users of a network. The basis for establishing the discount periods should relate to the underlying TOD distribution of traffic on the local networks. Traffic distribution data submitted in other Commission dockets generally appears to support a three-tier breakout somewhat comparable to the day, evening, and night/weekend periods now utilized, though more specific data from the LECs may enable a better structuring of such periods.

SPRINT: US Sprint takes no position on this issue.

FIXCA: No. Revenue reductions that would be caused by applying the TOD discounts to terminating access should first be directed at lowering the BHMOC charge. TOD discounts should also apply to terminating FGB access until the LS1/LS2 rate disparity has been implemented and IXCs have migrated services to FGD. (Gillan)

OPC: Yes. Implementation of time of day discounts for LEC terminating access charges will provide an incentive to interexchange carriers to offer more varied, and perhaps greater, discounts for off-peak calling. This greater choice will benefit consumers who wish to minimize their toll rates by making calls during off-peak periods.

STAFF: No position at this time.

ISSUE 13: What tariff filings, rule amendments, time frames, and other procedures are appropriate to implement the decisions reached in this docket?

POSITION OF PARTIES:

CENTEL: If the status quo is maintained, there are no tariff filings, rule amendments, time frames, or other procedures required to implement the decisions reached. If, however, TMAs are abolished, the Commission should allow a conversion period of not less than twenty-four months to provide for generic

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software redesign and to accomplish intraEAEA presubscription balloting. A decision to require TOD discounts for originating or terminating intraEAEA access would present particular difficulties. Technological constraints in determining the jurisdiction of terminating traffic prohibits an equitable method of applying TOD discounts to terminating traffic.

GTEFL: Based on GTEFL's position in this docket, the Commission must address the intraEAEA compensation matter, toll pricing flexibility and the issue of whether LEC toll rates must cover access charges in all instances. These problems should be addressed by the Commission in a timely manner so that the LECs can gain experience before the TMA is eliminated.

SO BELL: The tariff filings, rule amendments, time frames and other procedures that will be required to implement the decisions made in this docket will depend on the orders issued in this docket.

UNITED: United cannot identify specific tariff, rule or procedure changes, or appropriate time frames for implementing such changes until the specific changes are known.

ALLTEL: We identified what we think are the major problems in our response to issue nos. 1, 2, 3 and 12. If we were ordered to eliminate some or all of the TMA/EAEAs, we think it will take approximately 18 months to two years to implement.

FLORALA: No position.

GULF: No position.

INDIANTOWN: No position.

NORTHEAST: A new toll private line tariff needs to be implemented if it is the decision of the Commission to leave TMA's. The elimination of TMA's would require route by route toll rates.

QUINCY: If the Commission decides to retain TMAs no changes would be needed. In the event TMAs would be abolished, LECs would need to file an intraLATA access tariff, this would take a minimum of 6 months.

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SOUTHLAND: IntraEAEA compensation, the bypass prohibitions, and the LEC toll transmission monopolies can be eliminated immediately. Implementation of end user selection of preferred "1+" and "0+" intraLATA carriers should proceed under a time frame established by the Commission.

ST. JOE: No position.

VISTA-UNITED: No position.

ATT-C: While it is difficult to set forth specific implementation guidelines, AT&T believes that if the Commission determines that the toll monopoly areas are no longer in the public interest and should be abolished, implementation of this decision should be immediate.

Tariff revisions, rule changes, and procedures should be filed as ordered by the Commission and approved accordingly. (Proctor)

ITI: No position at this time.

MCI: The appropriate time frames, rule amendments and procedures obviously depend on the specific decisions reached in this docket. MCI believes that the TTMA and the bypass restriction should be eliminated effective January 1, 1990 (at least in the Southern Bell, General, United and Centel territories where most end offices have been converted to equal access or are on a definite timetable for conversion) and that necessary tariff changes to eliminate intraEAEA compensation should become effective on that same date. If deemed necessary by the Commission, elimination of TTMA in the smaller LEC service territories could be delayed until the particular EAEA was largely (e.g. 90%) converted to equal access or until an IXC had made bona fide requests for such conversions. The Commission should establish a short timetable for the LECs to perform and submit the cost studies necessary to support building block pricing, and should implement that pricing no later than January 1, 1991. The Commission should establish a definite timetable that calls for the LECs to implement 1+ and 0+ presubscription no later than January 1, 1991. Conforming amendments may be required to some Commission rules (e.g. rules relating to cost support for LEC tariff filings and rules relating to the bypass or TTMA restrictions). (Wood)

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NTS: No position provided.

TELUS: Mr. Klugman's Direct Testimony at pages 34 to 37 provides extensive recommendations on the required actions that will need to be undertaken to implement any decisions reached in this docket.

SPRINT: The Commission should establish a well-defined timetable for elimination of the TMAs and the initiation of intraEAEA competition. The LECs should be put on notice that all necessary steps to prepare for competition must be completed within this time frame. (Sievers, Key)

FIXCA: The Commission should abolish TMAs and EAEAs. The Commission should reaffirm the use of access charges to recover contribution for local service. The Commission should order transfer of control over 1+ dialing from the LECs to subscribers.

To accomplish transfer of control of 1+ dialing, all the LECs should be required to file estimates of necessary cost and design changes by December 31, 1990. A task force should be formed to address the technical requirements of dialing pattern reform. All the LECs should be required to file a schedule for intraLATA presubscription. The schedules should implement this capability for 50% of the carrier's access lines by December 30, 1991, for 75% by June 30, 1992, and the remainder of the lines by December 31, 1992. (Gillan)

OPC: The Citizens have none to identify at this time.

STAFF: No position at this time.

ISSUE 14: Should the IXCs be required to pay compensation on all intraEAEA traffic carried over other than authorized LEC facilities as long as TMAs remain?

POSITION OF PARTIES;

CENTEL: Yes.

GTEFL: Yes. Compensation should be required when IXCs resell any facilities other than LEC MTS or WATS services. See response to Issue 2.

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SO BELL: So long as the TMAs are continued, the IXCs should be required to pay compensation on all intraEAEA traffic carried over other than authorized LEC facilities. This would include IXC carriage of intraEAEA traffic on IXC facilities as well as resale of any LEC service not authorized for resale, including access. If the TMAs were continued, but the compensation requirement eliminated, the IXCs would be able to compete with virtual impunity intraEAEA calls other than authorized LEC facilities in contravention of the Commission's policy. If the TMAs and the compensation requirement are continued, specific provision should be made to allow the LECs to receive copies of all compensation reports filed by the IXCs.

UNITED: In Order No. 13750, issued October 5, 1984, in Docket 820537-TP, the Florida Public Service Commission stated at page 10 and 11 that:

Generally, resellers and IXCs may compete with LECs for the provision of toll service to customers within the EAEA only through the use of LEC-provided WATS and MTS. However, an exception will be granted if an IXC does not have facilities with technology in place for screening and blocking unauthorized calls. In such a case the IXC may carry traffic over its own facilities and pay the existing MTS rates to the LEC.

Pursuant to this language, any intraEAEA traffic not carried over LEC MTS or WATS facilities is unauthorized, and compensation should be paid by the IXC carrying such traffic to the LEC at the LEC's MTS rates. United sees no reason to change this decision by the FPSC while the TMAs are still in existence.

ALLTEL: No position at this time.

FLORALA: No position at this time.

GULF: No position at this time.

INDIANTOWN: No position at this time.

NORTHEAST: No position at this time.

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QUINCY: No position at this time.

SOUTHLAND: Interexchange carriers should not be subject to intraEAEA compensation and the toll transmission monopoly areas should be eliminated in their entirety. In the event that TMAs are retained, no compensation above access charges is appropriate for the use of LEC facilities for intraEAEA call completion.

ST. JOE: No position at this time.

VISTA-UNITED: No position at this time.

ATT-C: No.

ITI: No position at this time.

MCI: The answer to this question depends what definition is adopted for "authorized LEC facilities."

As noted in response to Issue 1, the toll transmission monopoly concept was intended to limit competition for transmission of toll calls within the EAEA and thereby avoid the duplication of LEC transmission facilities. Where an IXC has only one POP in an EAEA, the IXC cannot, by definition, transmit toll calls. It is therefore consistent with the toll transmission monopoly concept to treat LEC-provided switched access and special access as "authorized LEC facilities" that can be used by IXCs to complete intraEAEA toll calls.

If "authorized LEC facilities" are defined to include LEC-provided switched access and special access facilities, then compensable minutes would exist only in EAEAs in which an IXC had two or more POPs, and might use its own transmission facilities in the handling of an intraEAEA toll call. Given the incidental nature of such traffic, any compensation would be minimal and it would not be cost-effective to require the payment of compensation on such calls.

If "authorized LEC facilities" are defined to exclude LEC-provided switched and special access facilities, then some compensation might be appropriate, provided that the compensation rules and policies are clarified or modified as follows:

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(1) The current formula for determining the number of compensable switched access minutes is a reasonable proxy. However, the compensation rate applied to compensable switched access minutes should be revised to recognize the cost savings to the LEC; that is, the rate should be based on contribution loss rather than revenue loss.

(2) No compensation should be required for calls that originate over LEC-provided special access facilities. First, there are severe practical difficulties in measuring the number of compensable special access minutes, or in special access customer is typically a high volume customer that would be using a LEC-provided WATS product, rather than LEC-provided MTS, for its intraEAEA calls. On a contribution loss basis, compared to LEC-provided WATS, the LECs suffer no loss from intraEAEA traffic handled by IXCs that originates over special access facilities. Therefore the appropriate rate for any compensable minutes would be zero.

NTS: No position.

TELUS: No.

SPRINT: No. US Sprint believes that the payment of compensation above access costs is inappropriate and unnecessary. IntraEAEA compensation does not deter IXC intraEAEA traffic, because end users make these calls, not the IXCs. Also, it appears that the existence of IXC intraEAEA traffic has not caused LECs to be unable to meet their unauthorized rate of return. Finally, IXCs having only one point of presence within an EAEA (including US Sprint) carry intraEAEA traffic almost entirely via LEC access facilities. Therefore, if TMAs are retained, the definition of LEC services available for resale within EAAs should be broadened to include access services. This would eliminate the compensation requirement while maintaining the intraEAEA transmission competition ban.

FIXCA: No. The Commission has previously exempted cellular carriers from compensation for intraEAEA calls over non-LEC facilities because such calls did not contribute to LEC revenues at the time TMAs were instituted. Similarly, new IXC traffic and services introduced since the TMA policy was established should be exempted.

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OPC: No position.

STAFF: Yes. The IXCs should be required to pay compensation on all intraEAEA traffic carried over non-LEC facilities as long as the TMAs remain.

VI. EXHIBIT LIST

<u>Witness</u>	<u>Proferring Party</u>	<u>Exh. No.</u>	<u>Title</u>
Varner	So Bell	AJV-1	Florida IntraLATA Toll Contribution Study Loss of Contribution (Millions) Summary
		AJV-2	Florida IntraLATA Toll Contribution Study Market Share Loss by Segment
Whitaker	ITI	SW-1	Resume of Stuart Whitaker
		SW-2	Comparison, across mileage bands, between interEAEA MTS service by ATT and intraEAEA MTS service offered by Southern Bell for 4 minute call
		SW-3	MTS Tariffs: Price for Initial Minute
		SW-4	Southern Bell's Florida 1987 Embedded Direct Analysis
		SW-5	Southern Bell's Revenue, Cost and Contribution from Access

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<u>Witness</u>	<u>Proferring Party</u>	<u>Exh. No.</u>	<u>Title</u>
Whitaker	ITI	SW-6	Southern Bell's Contribution from Competitive Operator Services
		SW-7	Southern Bell's Contribution from Monopoly Operator Services
		SW-8	Comparison of Competitive Operator Services and Monopoly Operator Services
		SW-9	Question No. 4 of Southern Bell's Market Survey
		SW-10	Summary of states which allow facilities based intraLATA toll contribution
		SW-11	Analysis of ALLTEL revenues per minute
		SW-12	Southern Bell's Market Survey Results (Questions 5 and 7)
		SW-13	Analysis of responses to Question 7 of Southern Bell's Market Survey
		SW-14	Market Survey Results: Number who require certain discounts among business and residential respondents

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<u>Witness</u>	<u>Proferring Party</u>	<u>Exh. No.</u>	<u>Title</u>
Whitaker	ITI	SW-15	Market Survey Results: Percent who require certain discounts among business and residential respondents
		SW-16	Market Survey Results: Number who require certain discounts who "would/would not" dial access code
		SW-17	Market Survey Results: Percent who require certain discounts who "would/would not" dial access code
		SW-18	Market Survey Results: Percent who require certain discounts among all respondents
		SW-19	Southern Bell Study (Confidential Treatment Requested)
Cornell	MCI	NWC-1	Resume of Nina W. Cornell
		NWC-2	Example of How to Use the Building Block Approach to Pricing Using Hypothetical Costs and Prices.
Klugman	Telus	NK-1	Effect of Competition of IntraLATA Toll Prices
		NK-2	Revenue Reductions and Increases for Certain Utilities from 1960 to Present

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<u>Witness</u>	<u>Proferring Party</u>	<u>Exh. No.</u>	<u>Title</u>
Whitaker	ITI	NK-3	Local Residential Rate Comparison
Sievers	SPRINT	MPS-1	"Status of IntraLATA Competition by State"
		MPS-2	"Southern Bell's IntraLATA and IntraEAEA Annual Revenues in Florida," and "Southern Bell's IntraLATA and IntraEAEA Traffic in Florida"
		MPS-3	"Sources of Local Service Contribution," and "Disposition of Access and Toll Revenues"
Key	SPRINT	THK-1	"IntraEAEA Call Routing"
		THK-2	"Access Charge Elements for IntraEAEA Call Routing Via Dedicated Access"
Leisner	FIXCA	SWL-1	Resume of Susan W. Leisner
Nall	FIXCA	DWN-1	Vita of Daryl W. Nall
		DWN-2	Monthly Rate Comparisons for T-1 Interoffice Mileages
Gillan	FIXCA	JPG-1	Qualifications, Publications & Testimony--Joseph Paul Gillan

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VII. STIPULATIONS:

No matters have been stipulated at this time.

VIII. PENDING MOTIONS:

There are no substantive motions pending at this time.

IX. RULINGS:

1. Microtel's request to withdraw from further participation in this proceeding is granted.

2. If corrections are necessary to a party's prefiled testimony, that party shall provide replacement pages of the corrected prefiled testimony to the other parties, the court reporters and the Commissioners.

3. The motions filed by various parties to file supplemental rebuttal testimony are granted.

X. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION:

In the event it becomes necessary to handle confidential information, the following procedure will be followed:

1. The Party utilizing the confidential material during cross examination shall provide copies to the Commissioners and the Court Reporter in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material 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.
2. Counsel and witnesses should state when a question or answer contains confidential information.

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3. Counsel and witnesses should make a reasonable attempt to avoid verbalizing confidential information and, if possible, should make only indirect reference to the confidential information.
4. Confidential information should be presented by written exhibit when reasonably convenient to do so.
5. At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the owner of the information. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Commission Clerk's confidential files.

If it is necessary to discuss confidential information during the hearing the following procedure shall be utilized.

After a ruling has been made assigning confidential status to material to be used or admitted into evidence, it is suggested that the presiding Commissioner read into the record a statement such as the following:

The testimony and evidence we are about to receive is proprietary confidential business information and shall be kept confidential pursuant to Section 364.093, Florida Statutes. The testimony and evidence shall be received by the Commissioners in executive session with only the following persons present:

- a) The Commissioners
- b) The Counsel for the Commissioners
- c) The Public Service Commission staff and staff counsel
- d) Representatives from the office of public counsel and the court reporter
- e) Counsel for the parties
- f) The necessary witnesses for the parties
- g) Counsel for all intervenors and all necessary witnesses for the intervenors.

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All other persons must leave the hearing room at this time. I will be cutting off the telephone ties to the testimony presented in this room. The doors to this chamber are to be locked to the outside. No one is to enter or leave this room without the consent of the chairman.

The transcript of this portion of the hearing and the discussion related thereto shall be prepared and filed under seal, to be opened only by order of this Commission. The transcript is and shall be non-public record exempt from Section 119.07(1), Florida Statutes. Only the attorneys for the participating parties, Public Counsel, the Commission staff and the Commissioners shall receive a copy of the sealed transcript.

(AFTER THE ROOM HAS BEEN CLOSED)


Everyone remaining in this room is instructed that the testimony and evidence that is about to be received is proprietary confidential business information, which shall be kept confidential. No one is to reveal the contents or substance of this testimony or evidence to anyone not present in this room at this time. The court reporter shall now record the names and affiliations of all persons present in the hearing room at this time.

It is therefore,

ORDERED by Chairman Michael McK. Wilson, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

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By ORDER of Chairman Michael McK. Wilson, as Prehearing
Officer, this 30th day of OCTOBER, 1989.



Michael McK. Wilson, Chairman
and Prehearing Officer

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