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November 6, 1995

Ms. Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
Room 110, Easley Building
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

HAND DELIVERY

Re: Docket No. 950737-TP

Dear Ms. Bayo:

Enclosed for filing are an original and 15 copies of the Posthearing Brief of McCaw Communications of Florida, Inc. in the above-referenced docket. Also enclosed is a 3 1/2" diskette with the documents on it called "MCCAW.PHB."

Please indicate receipt of this document by stamping the enclosed extra copy of this letter.

ACK _____ Your attention to this filing is appreciated.

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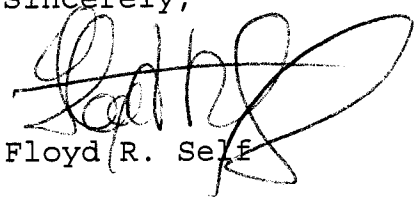
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OTH _____

Sincerely,



Floyd R. Self

cc: William H. Higgins, Esq.
Parties of Record



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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into)
Temporary Local Telephone)
Number Portability Solution) Docket No. 950737-TP
to Implement Competition in) Filed: November 6, 1995
Local Exchange Telephone)
Markets)

**POSTHEARING BRIEF OF
McCAW COMMUNICATIONS OF FLORIDA, INC.**

McCaw Communications of Florida , Inc. ("McCaw") on behalf of itself and its Florida regional affiliates, pursuant to Rule 25-22.056, Florida Administrative Code, and Order No. PSC-95-0896-PCO-TP, respectfully submits the following Posthearing Brief to the Florida Public Service Commission ("Commission") in the above captioned docket.

I. BASIC POSITION

Number portability is critical to the development of local competition in Florida. Because the remote call forwarding approved as an interim solution is an essential monopoly component for local service, it should be priced at cost without any additional mark up or contribution.

II. ISSUES AND POSITIONS

ISSUE 3: What are the advantages and disadvantages of each solution identified in Issue 2?

SUMMARY OF POSITION: *Hearing Exhibit 7 identifies the advantages and disadvantages of remote call forwarding.*

ANALYSIS AND ARGUMENT: Hearing Exhibit 7 identifies the

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advantages and disadvantages of remote call forwarding. None of the parties materially disputed this enumeration of the advantages and disadvantages.

The only questions raised regarding any of the advantages or disadvantages identified in this exhibit were nonsubstantive. Witness Poag argued that disadvantages 2 and 12 and disadvantages 6 and 11 were redundant, but witness Engleman explained that they were either overlapping or complimentary, but not redundant. Hearing Tr. 187-88 (Poag) and 235 (Engleman). Moreover, even if redundant, Mr. Poag did not dispute them being disadvantages.

As for disadvantage 13, while both witnesses Menard and Poag testified that E911 is not a problem for their networks, there was no disputing that it may be a problem for other LECs or it may require at least some extra training by the PSAP operators. Hearing Tr. 122-23, 155, 190-91. Mr. Poag also claimed that disadvantage 7 was not a disadvantage, but as Mr. Engleman discussed, while a customer with a ported number could advise others of its network number, that creates confusion and other problems that undermine and complicate a customer choosing a local competitor. Hearing Tr. 190-91; 235-38.

Finally, Mr. Poag provided information suggesting that disadvantage 3 may not be true on the basis of some preliminary timing tests United had conducted. Hearing Tr. 188-190. While

there is no basis for disputing the limited testing United has undertaken, the fact remains that the other witnesses do not dispute that in fact there may be, in the words of Exhibit 7, "potential call set up . . . delay" (emphasis added).

ISSUE 4: What costs are associated with providing each solution identified in Issue 2?

SUMMARY OF POSITION: *The costs involved are service ordering and origination and the switching and transport associated with forwarding the calls.*

ANALYSIS AND ARGUMENT: The LECs have each submitted cost studies identifying the basic recurring and nonrecurring costs associated with remote call forwarding, the stipulated interim number portability solution. Hearing Exhibits 11, 13, and 15. While these studies generally identify the costs associated with remote call forwarding, the cross examination identified several fundamental problems that undermine certain aspects of each study.

First, the return on equity may either be too high or not as authorized. For example, BellSouth used a 16 percent return whereas GTE Florida used its Commission-authorized rate of return. Hearing Tr. 91-92, 143. To the extent a LEC cost study uses an inappropriate return, the cost study should be corrected and recalculated.

Second, the cost studies should distinguish between

residential and business service. Southern Bell based its nonrecurring costs on just the business service ordering cost without taking into account the lower residential service ordering cost. Hearing Tr. 123-125. But as was clear from the testimony, some ALECs intend to target residential customers, who are expected to want to retain their telephone numbers as much as business customers. Hearing Tr. 20-25, 208-209, 215. Accordingly, to the extent there are differences in business versus residential costs, such costs should be properly accounted for either through separate rates for each class of customers or a proper weighting of costs in developing a blended number. Hearing Tr. 300.

Third, the studies may have inappropriately included figures for land, buildings, right to use fees, and other such unrelated costs. Hearing Tr. 67-69, 74-80, 90-91, 126-27, 128-29. To the extent these are shared costs or investments made for other purposes or they otherwise represent an excess loading of costs, they should be removed. Hearing Tr. 69-70, 74 87-88, 127, 195-97.

ISSUE 5: How should the costs identified in Issue 4 be recovered?

SUMMARY OF POSITION: *Pursuant to the approved stipulation in this docket, the costs should be recovered through a per-line per-month charge. Given the statutory charge to recover cost but not disadvantage, deter, or inconvenience customers changing

carriers, the rate levels should be LEC-specific at cost without any additional mark up or contribution.*

ANALYSIS AND ARGUMENT: The stipulation approved in this docket provides that the costs of remote call forwarding should be recovered through a per-line per-month charge. The only real issue then is the price level for this service. The record and statutory intent direct that such service should be priced only at cost.

The remote call forwarding price at issue in this proceeding involves a unique set of policy considerations. On the one hand, the Legislature has mandated that the cost of number portability not be below cost. On the other hand, the Legislature has recognized that number portability is an essential component to the successful realization of local exchange competition and, therefore, mandated that all local providers must have access to local numbering resources on equitable terms. Section 364.16(4). The issue then is whether number portability should be offered only at cost or at cost plus some amount of contribution. The overall legislative intent and the record in this case clearly demonstrate that the rate should be set only at cost.

At the outset, BellSouth's proposal must be rejected. As Mr. Kolb admitted on cross examination, BellSouth is proposing that if in the universal service docket the Commission rejects its request for universal service funding then it would seek to recover some of

the rejected revenue through the number portability rate. Hearing Tr. 110-12. As even Mr. Kolb acknowledged, in the universal service docket the Commission will determine what funding, if any, is appropriate for universal service. Hearing Tr. 111. It would be inappropriate then to seek to recover here what may be denied in the other docket. In addition, the \$2.00 "make up" charge provided to Mr. Kolb by Mr. Lombardo is, by Mr. Kolb's own admission, without any evidentiary basis. Hearing Tr. 98. Thus, the question of the proper price level for remote call forwarding should be decided on the basis of this record without any "add in" for universal service.

As for pricing the service at cost or at cost plus some element of contribution, the record supports a price set at only cost. All the parties agree that number portability is critical to the development of local competition and that it is an essential, monopoly service. Hearing Tr. 20-23, 208-209, 296-97. The record also establishes that remote call forwarding, as an interim number portability solution, is an inferior service to the preferred, permanent database solution. Hearing Tr. 221-222, 258, 263. As an inferior service, it should be priced at a discount, much as the Commission did when it introduced long distance competition and established discounts for inferior forms of access. Hearing Tr. 222, 253-54. Only by pricing the service at cost will the LECs

have a real incentive to work rapidly to a permanent number portability solution. Hearing Tr. 258-59. The price of number portability is a barrier to competition, which is compounded by the fact that the interim solution, remote call forwarding, limits the services an ALEC may provide to its customers. Hearing Tr. 248, 295-96. On the basis of this record, it would be inappropriate to allow the LECs to exact a premium on this service above cost.

The only possible exception to pricing the service only at cost may be in the case of GTE Florida, which excluded the cost of its old switches, inclusion of which would significantly increase the cost result. Hearing Tr. 143-44. Because of the use of an incremental cost study combined with the unique circumstances of the GTE Florida switching network, its proposed price above cost may be appropriate, subject to the other issues raised above.

ISSUE 8: Should the docket be closed?

SUMMARY OF POSITION: *No, the docket should remain open to monitor implementation of the Commission's decisions and to undertake a permanent number portability solution.*

ANALYSIS AND ARGUMENT: No party objected to the Commission immediately beginning work on development and implementation of a permanent number portability solution. Ideally, it seems appropriate to continue this docket to monitor implementation of the temporary number portability solution and to begin work on a

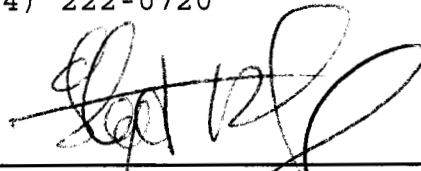
permanent solution. However, if this docket is not left open, then the Commission should immediately open a new docket for these purposes.

III. CONCLUSION

On the basis of this record, the Commission should set the price for remote call forwarding at each LEC's cost without any additional contribution.

Dated this 6th day of November, 1995.

Respectfully submitted,
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Posthearing Brief of McCaw Communications of Florida, Inc. in Docket No. 950737-TP has been sent by Hand Delivery (*) and/or U.S. Mail on this 6th day of November, 1995 to the following parties of record:

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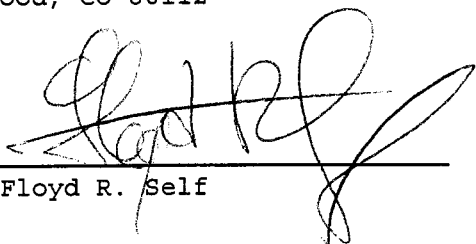
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A handwritten signature in black ink, appearing to read "Floyd R. Self", is written over a horizontal line. The signature is stylized and cursive.