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LAW OFFICES
MESSER, CAPARELLO, MADSEN, GOLDMAN & METZ
A PROFESSIONAL ASSOCIATION

215 SOUTH MONROE STREET, SUITE 701
POST OFFICE BOX 1876
TALLAHASSEE, FLORIDA 32302-1876
TELEPHONE: (904) 222-0720
TELECOPIERS: (904) 224-4359; (904) 425-1942

November 20, 1996

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

BY HAND DELIVERY

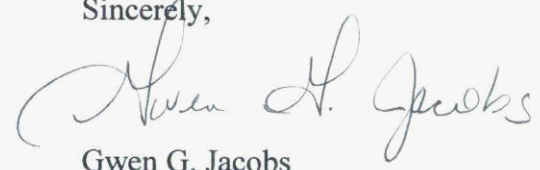
Re: Docket No. 920260-TL

Dear Ms. Bayo:

Enclosed are an original and fifteen copies of the Post Hearing Brief of AT&T Wireless Services of Florida, Inc., in the above-referenced matter. I have also enclosed a 3.5 inch diskette with the brief on it saved as "brief."

Please indicate your receipt of this document by stamping the enclosed extra copy of this letter. Thank you for your assistance in this matter.

Sincerely,



Gwen G. Jacobs

- ACK _____
- AFA _____
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- OTH _____

GGJ/smw
Encl.
cc: William H. Higgins, Esquire
Parties of Record

DOCUMENT NUMBER-DATE

12527 NOV 21 1996

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Comprehensive review to)
to the revenue requirements and)
rate stabilization plan of)
Southern Bell Telephone and)
Telegraph Company.)

Docket No.: 920260-TL
Issued: November 21, 1996

**POSTHEARING BRIEF OF AT&T WIRELESS
SERVICES OF FLORIDA, INC.**

AT&T Wireless Services of Florida Inc., f/k/a McCaw Communications of Florida Inc., for itself and its Florida regional affiliates ("AWS"), pursuant to Rule 25-22.056, Florida Administrative Code, respectfully submits the following Posthearing Brief to the Florida Public Service Commission ("Commission") in the above captioned docket.

I. BASIC POSITION

The Commission should approve the Joint Proposal filed by Florida Ad Hoc, AT&T, MCI, Sprint and AWS for the final, unspecified rate reduction to promote competition among local exchange carriers. The proposals of BellSouth, Public Counsel, FCTA and Palm Beach Newspapers should be rejected.

II. ISSUES AND POSITIONS

ISSUE 1: Below are listed the proposals of various interested parties to this proceeding with respect to the disposition of the scheduled 196 unspecified rate reductions. Which, if any, should be approved?

A)	BellSouth Telecommunications, Inc.:	Millions
1)	Reduce switched access (introduce zone density)	\$16.40
2)	Reduce PBX rates and introduce term contracts	13.45
3)	Waive certain business and residential Secondary Service Order charges	5.81
4)	Reduce First Line Connection charge (Business)	3.22
5)	Introduce Area Plus for Business	2.25
6)	Eliminate usage charge on Remote Call Forwarding	2.01

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7)	Reduce DID recurring and non-recurring charges	1.88
8)	Credit for ECS routes implemented	1.10
9)	Reduce Business Line monthly rates in Rate Group 12	.62
10)	Reduce Megalink interoffice rates	.58
11)	Reduce WATS and 800 Service access line charges	.36
12)	Eliminate the Secondary Service Order charge for WatsSaver	.30
13)	Reduce SNAC charges for Business	.07
14)	Reduce DS-1 interoffice mileage rates	<u>.04</u>
		\$48.09

B)	Joint Proposal of AT&T, MCI, Sprint Communications, FIXCA, Ad Hoc and McCaw Communications:	<u>Millions</u>
1)	Reduce PBX and DID trunk charges	\$11.00
2)	Eliminate the Residual Interconnection Charge	35.00
3)	Reduce mobile interconnection rates	<u>2.00</u>
		\$48.00

C) Public counsel:
Establish a reserve fund to assist BellSouth Telecommunication, Inc. customers who have experienced problems with conversion to the 954 NPA.

D) FCTA:
Eliminate or reduce nonrecurring charges for interconnection trunks and special access circuits ordered by ALECs.

E) Palm Beach Newspapers, Inc./Florida Today:
Reduce BellSouth's N11 service tariff so that the N11 customers pay a flat charge of one cent per minute, or the current monthly minimum, whichever is greater.

SUMMARY OF POSITION: *The Joint Proposal, especially the mobile interconnection reductions, is the best use of the unspecified rate reductions since the designated services would benefit the most customers, reduce prices that are greatly in excess of cost, and facilitate competitive equality between customer service classes. BellSouth's strategic pricing should be rejected.*

ANALYSIS AND ARGUMENT: The Commission should approve the Joint Proposal as it best satisfies the following policy objectives: 1) it benefits the most customers in a

nondiscriminatory manner; 2) it reduces those rate categories where the current price is greatly in excess of cost; 3) it encourages a more competitive telecommunications market in Florida; and 4) it directs the refund to those customers who have provided the most in excessive contribution over the years. Hearing Tr. 80 (Metcalf), 133 (Maass), 174 (Wood). These objectives are consistent with the purposes of the original settlement leading to this proceeding and the revised Florida and Federal statutes that seek to implement and expand competition into all phases of the telecommunications industry. None of the parties have objected to these objectives. The rate reductions proposed by BellSouth fail to meet these objectives by not only hampering the development of competition, but also by failing to adequately refund the overearnings to the parties who have paid the excessive rates. Hearing Tr. 81. The other rate proposals are unnecessary and inappropriate at this time.

A. The BellSouth Proposal Should be Rejected

BellSouth's facially attractive proposals essentially restrict BellSouth's competitors with respect to new and expanding businesses in Florida. BellSouth would target the benefit of these rate reductions to those consumers who make up one of the larger potential markets for the new competitive telecommunications suppliers. Hearing Tr. 81-82 (Metcalf), 129 (Vanderpool). The testimony of the BellSouth witnesses reinforces its anticompetitive objectives. For example, waiver of secondary service charges, reduction in first line connect charges, elimination of secondary service charges for WatsSaver, and more extended local calling for business in Area Plus, all make competition less viable by securing and expanding BellSouth's customer base. Hearing Tr. 141. Similarly, BellSouth's PBX proposal is tied to the acceptance of long-term customer contracts, thus restricting a customer's ability to move, and the lower DID rates only apply to new subscribers. Hearing Tr. 82. As Mr. Wood concluded: "if BST is permitted to use the refunds from past

overearnings to provide strategically targeted benefits to customers and potential customers for which BST either experiences or expects to experience some level of competition, BST will have a distinct advantage in the marketplace.” Hearing Tr. 179 (Wood Rebuttal).

The anticompetitive objectives of BellSouth’s proposals are also inequitable. As Mr. Wood testified, by using dollars available from overearnings to implement strategic pricing strategies, BellSouth management will utilize dollars obtained from Florida ratepayers as excess earnings during a period of earnings regulation to create future financial gains that under price regulation will be retained by BellSouth shareholders. Hearing Tr. 176. For example, BellSouth proposes to eliminate the Secondary Service Charges for its WatsSaver service. Similar to the effect of its offer to lower DID rates for new customers, only new subscribers will benefit; existing ratepayers who provided the funds for the reduction will not. Hearing Tr. 175. In other words, many of BellSouth’s rate reductions and service charge waivers have been adopted to attract new subscribers to BellSouth with lower rates. However, like other competitors, BellSouth’s shareholders should be required to use their own money, rather than the overearnings refund, to compete for new customers and obtain future anticipated gains.

In the final analysis, these rate reductions should be used to promote competition, not to help BellSouth make competition less viable. Furthermore, to better protect ratepayers and prevent BellSouth shareholders from obtaining a windfall, the Commission should end this unfair attempt at strategic pricing and deny the BellSouth proposal.

B. The Joint Proposal Should be Approved

The Commission should approve the Joint Proposal as it is the only proposal that is consistent with the original objectives of the Stipulation and Implementation Agreement and it is the

one proposal that best encourages and fosters the development of competition. The Joint Proposal brings the greatest benefits to the largest number of ratepayers. (Maass p. 134)

(1) Mobile Interconnection

The \$2 million for mobile service interconnection usage reductions is necessary because events have overtaken the Commission's 1995 decision to break the link between mobile service interconnection rates and access charges. Order No. PSC-95-1247-FOF-TL. When the Commission broke the link with access, it did so without fully considering revised Chapter 364's mandates for access charge reductions, the limitation on the Commission rate setting authority under price regulation, and the mandate for fair competition. The subsequent passage of the Federal Telecommunications Act of 1996 and its broad directives for competition, including cost-based interconnection and reciprocal compensation between LECs and mobile carriers, only furthers the need for rate relief beyond the rates established in the Commission's 1995 mobile interconnection order.

By themselves, the lack of reciprocal compensation and rates that are twice to more than ten times cost should justify the proposed rate reductions for non-type 2B mobile interconnection identified in the Joint Proposal. Accepting at face value BellSouth's data, the cost of intracompany non-type 2B mobile-to-land termination is at most \$.00751, and likely lower with proper cost studies. Hearing Tr. 145. But as importantly, the break with access charges further compel action in this docket.

The current rate levels for the non-type 2B interconnection rates are derived from the former linkage to access charges. Since the linkage was broken, there have been two specified access charge reductions (October, 1995 and October, 1996) with a further unspecified reduction

contemplated by the Joint Proposal. Hearing Tr. 137. This has adversely impacted non-type 2B mobile interconnection rates in two ways.

First, the land-to-mobile option rate is now more than originating access charges. This means that mobile carriers are paying more than IXCs for essentially the same service: \$.0447 vs. \$.0254 for access. Hearing Ex. 17, at 9, Hearing Tr. 137. Considering that the cost of this service is less than \$.0025, paying more than access charges raises even more serious anticompetitive consequences than the well recognized problems associated with excessively priced access charges.

Second, the non-Type 2B mobile-to-land rate is out of sync with access charges with respect to the non-local, LATA-wide termination service that equates to terminating access. Quite simply, if the link with access had been maintained the current rate would be \$.0160 for peak and \$.0114 for off-peak, instead of \$.0204 and \$.016, respectively. Hearing Ex. 17, at 2. This situation raises the same problems as the land to mobile option.

Accepting the data supplied by BellSouth, the proposed \$2 million in non-Type 2B usage reductions equates to approximately \$.004 per minute of use when applied equally to all of the non-Type 2B usage rates. Based upon this evidence the Commission should approve the \$2 million reduction for mobile service interconnection, with the \$2 million applied to reduce each non-Type 2B rate across the board by the same amount (i.e., approximately \$.004 per minute of use).

(2) Access Charges

As several of the witnesses testified, intrastate access charges and mobile interconnection rates are priced substantially in excess of cost. Hearing Tr. 134 (Maass), 151 (Guedel), 161 (Wood). Specifically, Mr. Guedel testified that BellSouth's cost of providing switched access service is less than \$.0025 per access minute of use. Hearing Tr. 151. However, BellSouth's switched access

charges, with the specified \$40 million reduction, will be approximately \$.06 per minute including two ends of switched access or, on an average basis, approximately \$.03 per access minute of use. Under this scenario, BellSouth will be enjoying a mark-up above cost between 1100% and 1400% while creating an environment that is not conducive to competitive development. Hearing Tr. 151. These access charges provide BellSouth with the opportunity to act anticompetitively, contravening the spirit of revised chapter 364 and the Telecommunications Act of 1996.

Utilizing \$35 million of the unspecified rate reductions to eliminate the Residual Interconnection Charge will encourage competition in the market as well as align prices with cost as contemplated by the Telecommunications Act of 1996. As Mr. Vanderpool testified, the RIC was created as a make whole element to maintain LEC revenue requirements under rate of return regulation during the restructure of local transport (LTR). Hearing Tr. 126. However, BellSouth has elected price regulation and the obligations of Order No. 94-0172-FOF-TL do not extend beyond December 31, 1997. Section 364.385, Florida Statutes (1995). Moreover, since there is no cost basis for the RIC, access rates are artificially maintained at a much higher level than necessary for BellSouth to recover the cost of providing access services. Thus, eliminating the RIC charge for intrastate access will in turn reduce the access rate, thereby better aligning prices with cost. Hearing Tr. 127.

As Mr. Guedel testified, access charges in excess of incremental cost provide the incumbent monopolist with the opportunity to exact a contribution from any potential competitor that attempts to compete with an incumbent's retail services. Hearing Tr. 153. Therefore, reducing BellSouth's

switched access charges, by eliminating the RIC charge for intrastate access, will promote competition in all phases of the telecommunications industry. Consequently, consumers will benefit from lower prices, rapid introduction of new technologies, and a broad range of service offerings.

(3) PBX/DID

The Joint Proposal provides for an \$11 million reduction in PBX trunks and DID service associated with PBX trunks as a means of increasing competition and customer choice. As Mr. Vanderpool testified, the reduction of PBX and DID rates is essential to establish consistency between functionally equivalent services. PBX trunk service competes with ESSX, however BellSouth's ESSX service is considerably less expensive than PBX and DID services while the cost to provide ESSX service is higher. Hearing Tr. 83. Indeed, as exhibit 19 reveals, Centrex/ESSX has made significant inroads into the PBX market over the last few years due, no doubt, to this price inequity.

By utilizing \$11 million of the unspecified reductions to reduce PBX and DID rates, the Commission will allow similar services to be priced similarly and closer to cost. Hearing Tr. 128. Moreover, moving these rates closer to cost will maximize the most efficient use of the network and prove an incentive to engage in the most efficient conduct, thereby resulting in a more competitive telecommunications market in Florida, which benefits Florida's consumers. Hearing Tr. 135.

C - E. Other Proposals

The Commission should reject the proposals filed by Public Counsel, FCTA, and Palm Beach Newspapers, Inc/Florida Today as they are speculative and do not serve the policy objectives set forth in the Settlement and Implementation Agreement.

The 954 area code implementation proposal should not be approved. The need for such a fund has not been proven, especially given the number of interchangeable NPAs that have been implemented elsewhere in Florida and throughout the United States. Moreover, such a fund does not further competition in the marketplace nor provide a refund to the parties who have paid the excessive rates. Hearing Tr. 143.

As for the other proposals, there may be merit in the pricing analysis advanced for their reductions. However, given the long standing cost/price problems associated with mobile interconnection usage rates, access charges, and PBX/DID rates, and the broader benefit available by reducing mobile service interconnection, access charges, and PBX/DID rates, it would be far more advantageous to reduce these rates than those identified by FCTA and the newspapers. Hearing Tr. 143.

ISSUE 2: **To the extent the Commission does not approve the plans proposed by BellSouth, Public counsel, FCTA, Palm Beach Newspapers, Inc./Florida Today and AT&T, MCI, Sprint, FIXCA, Ad Hoc, and McCaw, how should the Commission implement the scheduled rate reduction?**

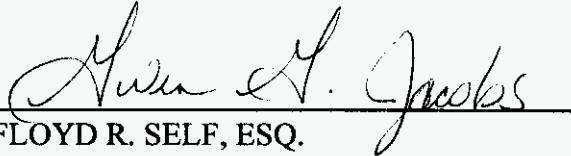
SUMMARY OF POSITION: * The Commission should approve the Joint Proposal. To the extent there is money available for additional rate reduction, the Commission should apply them to mobile interconnection usage rates as if the linkage with access charges had not been broken.*

ISSUE 3: **What should be the effective dates of the approved tariffs?**

SUMMARY OF POSITION: *The rate reductions approved by the Commission should be effective 30 days from the Commission's final order in the docket.*

Respectfully submitted, this 21st day of November, 1996.

MESSER, CAPARELLO, MADSEN,
GOLDMAN & METZ, P.A.
Post Office Box 1876
Tallahassee, FL 32302-1876
(904) 222-0720

A handwritten signature in cursive script, appearing to read "Gwen G. Jacobs", is written over a horizontal line.

FLOYD R. SELF, ESQ.

GWEN G. JACOBS, ESQ.

Attorneys for AT&T Wireless Services of Florida, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of AT&T Wireless Services of Florida, Inc.'s, Post Hearing Brief on Proposed Agency Action in Docket No. 920260-TL has been sent by Hand Delivery (*) and/or U.S. Mail on this 21st day of November, 1996, to the following parties of record:

Martha Brown, Esq.*
Division of Legal Services
Fla. Public Service Commission
2540 Shumard Oak Blvd., Rm 370
Tallahassee, FL 32399-0850

Ms. Robin Norton*
Division of Communications
Fla. Public Service Commission
2540 Shumard Oak Blvd., Rm 270
Tallahassee, FL 32399-0850

Mr. Rick Wright
Division of Audit & Finance
Fla. Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Jack Shreve, Esq.
Office of Public Counsel
Room 812
111 W. Madison Street
Tallahassee, FL 32399-1400

Robert G. Beatty
J. Phillip Carver
c/o Nancy Sims
Southern Bell
150 S. Monroe St., Suite 400
Tallahassee, FL 32301

Joseph A. McGlothlin, Esq.
Vicki Gordon Kaufman, Esq.
McWhirter, Grandoff & Reeves
117 S. Gadsden St.
Tallahassee, FL 32301

Mr. Joseph P. Gillan
J. P. Gillan & Associates
P. O. Box 541038
Orlando, FL 32854-1038

Marth McMillin, Esq.
MCI Telecommunications Corp.
780 Johnson Ferry Road, Suite 700
Atlanta, GA 30346

Richard D. Melson, Esq.
Hopping Boyd Green & Sams
P. O. Box 6526
Tallahassee, FL 32314

Benjamin W. Fincher
Sprint Communications Co., L.P.
3100 Cumberland Circle
Atlanta, GA 30339

C. Everett Boyd, Esq.
Ervin, Varn, Jacobs,
Odom & Ervin
P. O. Drawer 1170
Tallahassee, FL 32302

Michael W. Tye, Esq.
Tracy Hatch, Esq.
AT&T
101 N. Monroe St., Ste. 700
Tallahassee, FL 32301

Mark Logan
Bryant, Miller & Olive
201 S. Monroe St., Suite 500
Tallahassee, FL 32301

Robin Dunson, Esq.
AT&T
Promenade I, Room 4038
1200 Peachtree St., N.E.
Atlanta, GA 30309

Mr. Monte Belote
Fla. Consumer Action Network
4100 W. Kennedy Blvd., #128
Tampa, FL 33609

Mr. Dan B. Hendrickson
P. O. Box 1201
Tallahassee, FL 32302

Mr. Don Bell
1016 Shalimar Drive
Tallahassee, FL 32312-3019

Michael A. Gross, Esq.
Assistant Attorney General
Department of Legal Affairs
Room PL-01, The Capitol
Tallahassee, FL 32399-1050

Benjamin H. Dickens, Jr., Esq.
Blooston, Mordkofsky,
Jackson & Dickens
2120 L Street, N.W.
Washington, DC 20037

Mr. Douglas S. Metcalf
Communications Consultants,
Inc.
P. O. Box 1148
Winter Park, FL 32790-1148

Thomas F. Woods, Esq.
Gatlin, Woods, Carlson &
Cowdery
1709-D Mahan Drive
Tallahassee, FL 32308

Mr. Cecil O. Simpson, Jr.
Regulatory Law Office
901 North Stuart Street
Arlington, VA 22203-1837

Mr. Charles King
Snively, King & Associates,
Inc.
1220 L Street, NW
Washington, DC 20005

Mr. Lance C. Norris, President
Florida Public
Telecommunications
Association
125 S. Gadsden St., Suite 200
Tallahassee, FL 32301

Angela B. Green, Esq.
Florida Public
Telecommunications
Association
125 S. Gadsden St., Suite 200
Tallahassee, FL 32301


Mark Richard, Esq.
Communications Workers of
America - Local 3122
304 Palermo Avenue
Coral Gables, FL 33134

Ms. Susan K. Weinstock
AARP
501 E Street, NW
Washington, DC 20049

Ms. Marsha E. Rule
Wiggins & Villacorta, P.A.
P.O. Drawer 1657
Tallahassee, FL 32302

Patricia Kurlin, Esq.
Intermedia Communications Inc.
3625 Queen Palm Drive
Tampa, FL 33619-1309

Bob Elias, Esquire*
Division of Legal Services
Fla. Public Service Commission
2540 Shumard Oak Blvd., Rm 370
Tallahassee, FL 32399-0850


GWEN G. JACOBS, ESQ.