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March 13, 1998

Ms. Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: **Docket No. 970526-TP**
Generic consideration of incumbent local exchange (ILEC) business
office practices and tariff provisions in the implementation of intraLATA
presubscription

Dear Ms. Bayo:

Please find enclosed an original and fifteen copies of GTE Florida Incorporated's
ACK _____ Posthearing Statement for filing in the above matter. Also enclosed is a diskette with a
AFA _____ copy of the Posthearing Statement in WordPerfect 6.1 format. Service has been made
APP _____ as indicated on the Certificate of Service. If there are any questions regarding this
CAE _____ matter, please contact me at (813) 483-2617.

Very truly yours,

Kimberly Caswell

Kimberly Caswell

KC:tas

Enclosures

A part of GTE Corporation

Ernesto Mayor, Jr.

DOCUMENT DATED DATE
~~RECEIVED~~ MAR 13 1998
FEDERAL COMMUNICATIONS COMMISSION

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION ORIGINAL

In re: Generic consideration of incumbent) Docket No. 970526-TP
local exchange (ILEC) business office) Filed: March 13, 1998
practices and tariff provisions in the)
implementation of intraLATA presubscription)
_____)

GTE FLORIDA INCORPORATED'S POSTHEARING STATEMENT

GTE Florida Incorporated (GTEFL) files its Posthearing Statement in accordance with Commission Rule 25-22.056(3) and the Prehearing Order (number PSC-98-0299-PHO-TP) in this case. Most of the issues in this case were settled by a stipulation approved by the Commission at the hearing on February 23, 1998. GTEFL will, therefore, comment only on the two issues remaining for resolution with regard to GTEFL.

GTEFL's Basic Position

In its deliberations in this case, the Commission should keep in mind that no complaint was ever filed against GTEFL or any other carrier in this proceeding for anticompetitive practices. Thus, any evidence or rationale that may have justified imposition of marketing and other restrictions on BellSouth—which was the target of such a complaint—does not apply to GTEFL. GTEFL's intraLATA business office practices are now and always have been reasonable and competitively neutral. Its intraLATA practices mirror those ordered in the federal jurisdiction for interLATA services. GTEFL has voluntarily instituted—and even gone beyond—measures adopted for BellSouth in its complaint case. Specifically, its practice of providing one free intraLATA PIC change, regardless of the time since conversion, has affirmatively promoted the exercise of competitive choice.

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The only marketing restriction remaining at issue here is whether the ILECs should have the ability to market their intraLATA services to customers calling the ILECs for reasons other than PIC changes. GTEFL believes it already complies with this condition. But even if the Commission disagrees, there is no reason to restrict GTEFL's activities in this regard. This temporary constraint, among others, was imposed upon BellSouth with the intent of allowing the IXCs to establish themselves in the intraLATA toll market and to ensure that customers were aware of their intraLATA options. Because these objectives have been met, Commission Staff has recommended lifting the marketing restrictions on BellSouth before they would otherwise expire in June of this year.

Consistent with this assessment about the level of competition in the intraLATA market, there is no reason to consider imposing this condition on GTEFL, particularly because it did not engage in most of the allegedly anticompetitive activities BellSouth did. Further, GTEFL has lost almost 42% of its toll PIC-able lines and 67% of new customers choose an intraLATA carrier other than GTEFL. There is thus no need to give IXCs any artificial advantage in the intraLATA market for any length of time.

Finally, GTEFL's tariffs allowing separate inter- and intraLATA PIC change charges should remain intact. GTEFL is the only party that submitted any cost information in support of its intraLATA PIC change costs, and the only one providing evidence as to the efficiencies gained when a customer's inter- and intraLATA PICs are changed on the same order. In no event should the Commission apply the 30% additive for intraLATA PIC changes that BellSouth has implemented. The BellSouth figure--which was not even based on any BellSouth cost data--does not reflect GTEFL's PIC change costs or its work

processes. Applying the same additive for GTEFL would be arbitrary and capricious.

GTEFL's Specific Positions

Issue 3c: Should the Commission restrict ILECs' ability to market their intraLATA services to existing customers when they call for reasons other than selecting IntraLATA carriers? If so, for what period of time should any such requirements be imposed?

GTEFL's Position: No. GTEFL has lost 41.8% of its toll PIC-able lines and 67% of new customers choose carriers other than GTEFL. GTEFL's competitors can joint market their services, and they clearly need no artificial regulatory advantages over GTEFL. In any case, GTEFL believes it already complies with the proposed restriction.

In the Proposed Agency Action (PAA) that gave rise to this proceeding, the Commission attempted to impose upon GTEFL and other ILECs the same marketing and other restrictions that it had established for BellSouth. Generic Consideration of Incumbent Local Exchange (ILEC) Business Office Practices and Tariff Provisions in the Implementation of IntraLATA Presubscription, Order no. PSC-97-0709-FOF-TP (June 13, 1997). Among these is the proposal that, for 18 months from the final Order in this case, the ILEC should not be permitted to initiate communications with existing customers about the company's intraLATA services when those customers contact the ILEC for reasons unrelated to intraLATA toll. Id. at 6.

There is no need for this constraint for any length of time because there is no evidence that GTEFL has "hinder[ed] the exercise of competitive choice," which was the

asserted reason for the complaint against BellSouth. Complaint of Florida Interexchange Carriers Ass'n, MCI Telecomm. Corp., and AT&T Comm. of the Southern States, Inc. Against BellSouth Telecomm., Inc. (BellSouth Complaint Order), 96 FPSC 12:459 (Dec. 23, 1996), at 460. In any case, GTEFL believes it already complies with this proposed condition.

Although GTEFL does not typically market intraLATA toll to its customers calling for reasons unrelated to intraLATA toll service, it may occur from time to time. In these instances, however, the customer controls the conversation. It is GTEFL's practice to address the issue the customer has called about, then to specifically ask him if he is interested in hearing about toll offerings. If the customer is not, GTEFL does not pursue the matter further. Thus, the customer has chosen to listen to any intraLATA toll information GTEFL may provide. GTEFL thus believes it already satisfies the proposed marketing restriction because it does not address intraLATA toll in the absence of customer consent.

Even if, however, the Commission does not agree that GTEFL today meets the letter or intent of the proposal, the Commission should not limit the ILECs' ability to market their intraLATA services to existing customers. This practice is not anticompetitive, but rather pro-consumer. There is, moreover, no need to afford the IXCs an artificial, regulation-induced advantage in the already competitive intraLATA market.

The Commission proposed this marketing restriction for the ILECs in this case only because it was imposed upon BellSouth as part of the resolution of a complaint against BellSouth by the Florida Interexchange Carriers Association, MCI, and AT&T in May of

1996. BellSouth Complaint Order. In that case, the interexchange carriers (IXCs) complained about a number of BellSouth practices--including its marketing at the time of intraLATA PIC changes, rejection of intraLATA PIC change requests from end users, the lack of a no-PIC option, communication of intraLATA choices to new customers, and more. No such complaint about anticompetitive conduct was ever filed against GTEFL because it is not engaging in similar conduct.

In fact, not only has GTEFL not done anything anticompetitive, it has voluntarily implemented a one-free-PIC policy that is decidedly pro-competitive. Specifically, GTEFL allows customers one free intraLATA PIC change, regardless of the amount of time that has passed since conversion. (iMunsell, Tr. 62, 68.) This goes even beyond what the Commission ordered for BellSouth, which is one free intraLATA PIC if it occurs within 30 days of conversion. BellSouth Complaint Order at 468. This is a significant difference, particularly in view of the Commission's assessment of the value of the one-free-PIC measure: that is, "one free PIC can serve as an incentive to existing customers to exercise their choice of intraLATA carriers, thus promoting competition in the intraLATA market." Bell Complaint Order at 469-70. The recognized, beneficial market effects of GTEFL's ongoing, unlimited one-free PIC policy alone should be deemed to counterbalance any wholly speculative negative effects of occasional marketing of intraLATA services to existing customers.

Because GTEFL has been patently reasonable and neutral in its intraLATA business practices, and because it has not engaged in the same practices as BellSouth allegedly did, no remedial measures are necessary for GTEFL. Furthermore, the proposed

restriction will only harm consumers and competition. If adopted, it will deny GTEFL customers information they would otherwise have chosen to hear and which might well be useful to them in terms of saving money or meeting other needs. GTEFL could not even market its intraLATA toll services to customers who already have GTEFL as their intraLATA PIC. Thus, a customer who might be unaware of GTEFL's toll discount plans, for instance, could not hear about those—even if he wanted to—and will continue to pay higher intraLATA toll rates than he otherwise would.

There is no reason to sanction these anti-consumer effects, especially in light of the purpose of the proposed restriction. As explained in the BellSouth complaint case, all three 18-month marketing prohibitions rested on the assumption that the intraLATA market was in transition to competition. They were proposed only because the intraLATA toll market was "in its infancy." They were "intended to increase customers' awareness and to allow the IXCs time to establish their presence in the intraLATA toll market." BellSouth's Petition to Lift Marketing Restrictions Imposed on Its Business Practices Regarding IntraLATA Pre-Subscription, Docket No. 971399-TP, Staff Recommendation, dated Jan. 22, 1998 (BellSouth Staff Rec.) at 5; BellSouth Complaint Order at 466. The Commission extensively deliberated as to the need for the BellSouth marketing restrictions at its agenda adopting them, with four Commissioners dissenting as to various portions of the eventual ruling. Given the controversy surrounding the marketing restrictions, the Commission concluded that these issues could be revisited if market conditions dictated.

Id.

Now, almost two years after the IXC's filed their complaint against BellSouth, the intraLATA market is no longer "in its infancy" and there is no justification for this or any other marketing restriction on the ILECs. In fact, Staff has already concluded as much in the context of a BellSouth petition to lift the marketing restrictions imposed upon it. The stated purpose of the restrictions, including this one—was to increase customer awareness regarding the availability of various intraLATA carriers and to give the IXC's sufficient time to establish themselves in the intraLATA market. BellSouth Complaint Order at 466. The Staff concluded that these objectives have been met, pointing to BellSouth data showing it has lost 26% of toll PIC-able access lines and that 34% of new residential customers chose an intraLATA carrier other than BellSouth. (Staff Rec. at 4.)

In view of this information and the Staff's recommendation, it is likely that all three temporary marketing restrictions on BellSouth would likely have been removed by now, but for the IXC's' expected protest of any such ruling. The procedural requirements associated with a protest and hearing will, in practical terms, probably prevent the BellSouth restrictions from being removed before their expiration in June.

Fortunately, in this case, the Commission remains free to recognize the competitive status of the intraLATA market that was reflected in the Staff's recommendation to eliminate BellSouth's restrictions. Certainly, if the market has developed sufficiently to remove those restrictions, new restrictions for other carriers should be out of the question. In this regard, GTEFL's data show even more vigorous competition for intraLATA toll services. As of February 1998, GTEFL had lost almost 42% of its toll PIC-able lines. For December 1997 (a sample month for which GTEFL had information readily available), 67%

of customers chose intraLATA carriers other than GTEFL. It is thus abundantly clear that the IXCs have firmly established themselves in the intraLATA market and that they need no competitive advantages from this Commission.

In addition, the Commission must remember that the marketing restriction proposed here was only one of three imposed on BellSouth. The other two were that BellSouth could not market its intraLATA toll service to a new customer unless the customer introduced the subject; and that it could not initiate marketing efforts designed to dissuade customers from changing their intraLATA carrier from BellSouth to another carrier. BellSouth Complaint Order at 461-64. As reflected in the approved stipulations in this case, these measures are not under consideration for GTEFL, because GTEFL has stated that it has not engaged in the conduct at issue. (Prehearing Order, no. PSC-98-0299-PHO-TP (Feb. 18, 1998) at Att. A pp. 2-3.) Because GTEFL never tried to influence the PIC selections of new customers or existing customers who have decided to change their PICs, there is necessarily much less concern that GTEFL's actions prevented customers from knowing the range of their intraLATA choices or that GTEFL could have hindered development of intraLATA toll competition. On the contrary, GTEFL has always presented all intraLATA options in a neutral manner, in accordance with the Commission's mandate in the original intraLATA presubscription Order and consistent with its interLATA procedures.

Since there is no pattern of activity that may have denied customers adequate knowledge of their intraLATA options—as there was in the BellSouth complaint case—there is no need in this case for any marketing restrictions. Attempts to influence original PIC

choice or persuade a customer not to change his PIC after he asks to do so are potentially more troublesome, in terms of consumer education and market development, than marketing to existing customers who are not calling to change their PIC. Standing alone, GTEFL's practice of occasionally marketing intraLATA toll to existing customers who consent to such marketing would have been highly unlikely to undermine consumers' knowledge of their intraLATA PIC choices or given GTEFL any unfair advantage over the IXCs. GTEFL's market share data confirms that there were no such negative effects.

Commissioner Garcia aptly recognized the difference between situations where a customer has already decided to take advantage of his opportunity to choose another carrier, and those where a customer calls into the ILEC for reasons other than selecting an intraLATA toll carrier. In his dissent from the decision to forbid BellSouth from marketing in the latter situation, he concluded that forbidding BellSouth to affirmatively present its services to an existing customer "could harm BellSouth's ability to compete, and, thereby, disable our attempts to promote a competitive environment." (BellSouth Complaint Order, Garcia dissent.)

This reasoning applies with equal force in this case. While the IXCs have and will suffer no disadvantage if GTEFL is allowed to continue its intraLATA toll marketing, GTEFL will be unfairly handicapped if this benign practice is prohibited. Today, IXCs, as well as alternative local exchange carriers (ALECs)—which may often be one in the same—are free to market their services in any manner they wish. As the MCI witness testified in the BellSouth complaint case, "MCI can attempt to sell the customer both interLATA and intraLATA toll services during any customer contacts." See BellSouth Complaint Order at

465. Moreover, IXCs are traditionally known to customers as long-distance providers. Most consumers probably do not distinguish between intra- and interLATA toll. So GTEFL believes the IXCs, rather than ILECs, have the advantage when marketing intraLATA toll. Indeed, BellSouth has raised the possibility that some IXCs may be misleading customers to believe they may only designate one long distance carrier. (Petition of BellSouth Telecomm., Inc. to Lift Marketing Restrictions Imposed by Order No. PSC-96-1569-FOF-TP, filed Oct. 21, 1997, at 3.) In this environment, there is no justification for applying marketing restrictions on the ILECs. Truly efficient competition will never develop if some market participants remain subject to regulatory restrictions that do not apply to others.

Indeed, if the Commission's goal is assuring consumers have complete information about their intraLATA options, GTEFL's current marketing practices further this goal. Telling existing customers (some of whom may already be GTEFL intraLATA toll customers) about toll services that may save them money or meet other needs gives customers more information about the range of intraLATA service offerings available to them. It is a disservice to the customer to compel GTEFL to withhold information the consumer may otherwise have consented to receive and that would have better permitted him to intelligently assess the full range of intraLATA offerings in the marketplace

If the Commission, however, disagrees with GTEFL and concludes that the ILECs in this case should be constrained in their marketing of intraLATA services to existing customers, such a restriction should last no longer than the same restriction imposed upon BellSouth. The 18-month restriction was imposed on BellSouth on December 23, 1996 and will expire by itself on June 23, 1998. The duration of this condition represented the

Commission's estimate of how long it would take for IXC's "establish a competitive presence in the intraLATA market" and to "increase customers' awareness of the available intraLATA carriers." BellSouth Complaint Order at 466. As the Staff recognized in the BellSouth case, that day has come. Market conditions are such that Staff recommended early elimination of all of the temporary marketing restrictions on BellSouth.

As noted, GTE's market share losses are even higher than BellSouth's, proving beyond a doubt that the IXCs have firmly established themselves in the intraLATA market and that customers are well aware of their intraLATA choices. Even in the absence of any market data, the measures proposed in the PAA were motivated by the perceived need for equal regulatory treatment of all ILECs. In light of this consideration--and the critical facts that (1) GTEFL never tried to interfere in the PIC selection or change process as BellSouth allegedly did and (2) GTEFL allows a one free intraLATA PIC change regardless of date--there is no plausible rationale for imposing any marketing restriction on GTEFL, and certainly not one that would continue past the June 23 termination of BellSouth's. Because there is no evidence that GTEFL's occasional marketing of intraLATA toll to existing customers hindered the development of intraLATA competition at all, imposition of the proposed restriction on GTEFL would be arbitrary and capricious.

Issue 5: Should the Commission require GTEFL, Sprint-LEC and the small ILECs to provide two-for-one PIC to existing customers?

GTEFL's Position: No. GTEFL should be permitted to retain its separate tariffed interLATA and intraLATA PIC change charges when customers change both PICs. No party other than GTEFL has submitted cost information nor have they analyzed

GTEFL's work processes to support their claims of lower costs.

Based on BellSouth's evidence in its complaint case, it was determined that BellSouth should impose a single PIC change charge for customers simultaneously changing their interLATA and intraLATA carriers (i.e., the interLATA PIC change charge, plus a 30% additive). BellSouth Complaint Order at 470. Based on GTEFL's evidence in this case, any single PIC change charge would be unjustified for GTEFL.

Today, GTEFL assesses two separate PIC change charges of \$4.14 each when a customer changes both inter- and intraLATA PICs at one time. (Munsell Direct Testimony (DT) at 4.) This charge is tariffed in both the interstate and intrastate jurisdictions. The \$4.14 charge is based on a cost study submitted to the FCC as support for GTEFL's interLATA PIC change charge. (Ex. 1, WM-3 at 8-9; Late-filed Deposition Ex. WM-1.) Because GTEFL's intra- and interLATA PIC change processes are exactly the same, the \$4.14 charge applies to both inter- and intraLATA PIC changes. (Ex. 1, WM-3, at 8.)

GTEFL's witness Munsell, an expert in PIC change processes, (Munsell, Tr. 40-41), has evaluated those processes to identify efficiencies gained in changing the inter- and intraLATA PIC at the same time. He found that the only efficiency obtained would be a two-minute labor savings on PIC change calls received directly from end users, because the customer representative can gather the subscriber information for both PIC changes at once. (Ex. 1, WM-3 at 12, 17-18; Munsell, Tr. 30.) There are no other significant efficiencies because the inter- and intraLATA changes are processed separately in GTEFL's system. (Id. at 16-17; Ex. 1, WM-3, at 12.) Since only 14% of PIC changes come

directly to the ILEC from the customer, as opposed to 86% being sent electronically by the IXC, (Munsell, Tr. 37; Late-filed Depo. Ex. WM-2; Munsell DT at 4-5), this efficiency is, on the whole, very minimal. Specifically, there is about an 8-cent savings per transaction when an end user calls to change both his inter- and intraLATA PICs. (Ex. 1, WM-3, at 27.) This insubstantial savings on a relatively small amount of calls is not worth a tariff change. GTEFL should thus be permitted to continue assessing \$4.14 per PIC change charge, whether or not a customer changes both inter- and intraLATA PICs on the same order. As Mr. Munsell testified, 16 states (a majority of GTE's states) have affirmatively determined that the relevant GTE operating company may continue to collect two full PIC change charges on a single order. (Munsell, Tr. 66.)

GTEFL presented the only evidence of its costs and processes associated with PIC changes. AT&T and MCI served no discovery on GTEFL and attempted no investigation of GTEFL's PIC change processes. (Hyde, Tr. 79-80; Guedel, Tr. 115) Instead, their opposition to GTEFL's existing, separate charges was based on incorrect assumptions and opinions unsupported by any facts. Mr. Guedel's observations about GTEFL's cost study were particularly troubling because they were just plain wrong. He testified that GTEFL had extracted only portions of the FCC cost study for purposes of this proceeding and that "if GTE was sincere about putting that cost study, to put the whole thing in front of us. They filed it with the FCC. Why not with the Florida Public Service Commission?" (Guedel, Tr. 120.)

In fact, the cost study GTEFL submitted in this proceeding is the same study submitted to the FCC, except for certain non-material differences, including changing the

word "interLATA" to "intraLATA" because this is a proceeding addressing intraLATA issues; and excising the non-Florida cost information and company designations because they are not relevant to this Florida-specific proceeding. (Ex. 1, WM-3, at 9; Munsell, Tr. 32-33.) The numbers concerning the various aspects of the PIC change process are self-explanatory. There was no additional "back-up" or other information required by or submitted to the FCC, as Mr. Guedel incorrectly implies. (Guedel, Tr. 138.) Because all of their criticisms about the incompleteness of GTEFL's study are unfounded, the Commission should ignore them.

The Commission should, likewise, disregard Mr. Guedel's opinion that any PIC change cost study should use a total service long-run incremental cost (TSLRIC) methodology. (Guedel, Tr. 96.) A TSLRIC approach here would deny GTEFL proper cost recovery. InterLATA PIC change charges are not set at TSLRIC. (See Guedel, Tr. 121.) TSLRIC has never been used in any jurisdiction as a basis developing the PIC change charge, (see Hyde, Tr. 97), nor was there any requirement for BellSouth's PIC change charge or additive to be set at TSLRIC. (Guedel, Tr. 117-18.) As such, a TSLRIC approach is not even consistent with Mr. Guedel's recommendation that the Commission "take a course similar to the course they took in the BellSouth case." (Guedel, Tr. 127.)

Messrs. Hyde and Guedel also criticized the vintage of GTEFL's cost study, which was submitted to the FCC in 1989. It is true that some costs associated with the various processes reflected in the study may have changed. While some can be expected to have gone down, others would have gone up. For instance, while more automated processing of PIC changes may have reduced labor costs, development and

implementation of new systems associated with PIC changes would likely have caused cost increases. (Munsell, Tr. 59.) Examples of these new systems since 1989 include mechanized processes to compare switch databases, service order databases, and CARE databases, and a new front-end ordering system. (Ex 1, WM-3 at 10-11; Munsell, Tr. 42-45). While it is difficult to say, in the absence of a new cost study,¹ whether the total costs of processing a PIC change have gone up, down, or remained the same, it is possible to conclude, based on the evidence, that GTEFL's PIC change charges are reasonable. This is because they are lower than every Bell Operating Company's PIC change rates in the country, and also lower than any ILEC's in Florida, with the sole exception of BellSouth. The other Bell companies' PIC change fees range from \$5.00 to \$5.26, as compared to GTEFL's \$4.14. (Munsell, Tr. 64; Hyde, Tr. 77; Guedel, Tr. 124.) In Florida, Citizens' and Sprint -United charge \$5.00 and \$4.80, respectively (Hyde, Tr. 77.) So Mr. Hyde's allegations about GTEFL's "relatively high" PIC change rates are unjustified. (See Hyde, Tr. 77.)

Indeed, AT&T's and MCI's criticisms of the level of GTEFL's intraLATA PIC change charge cannot be squared with their positions elsewhere. For instance, at the time of intraLATA equal access implementation in Texas, both MCI and AT&T specifically asked the Commission to approve GTE's intraLATA plan and tariffs, which include an intraLATA PIC change charge of \$4.48, higher than GTEFL's. (Letter from K. Mudge, AT&T counsel,

¹ GTEFL did not believe it was necessary to perform a new cost study just for this proceeding because its inter- and intraLATA PIC change processes and costs are identical, and the interLATA cost study submitted here was accepted by the FCC as sufficient support for the interLATA PIC change charge. (See Ex. 1, WM-3, at 9-10.) Neither AT&T nor MCI is challenging GTEFL's interLATA PIC change charge at the FCC

to Hon. K. Hamilton, Admin. Law Judge, Texas Pub. Util. Comm'n, submitted in Project No. 17044, dated June 27, 1997 (AT&T Letter); Letter from P. Garcia Escobedo, MCI, to Hon. K. Hamilton, submitted in Project No. 17044, dated July 10, 1997.) AT&T even asked for such approval on "an expedited basis." (AT&T Letter; Guedel, Tr. 130-32.) AT&T's and MCI's behavior there thus belies any assertions here that GTE's \$4.14 PIC change charge is anticompetitive—as does the fact that over 40% of GTEFL's customer base annually change their interLATA PICs. (See Tr. 81-82, 130.)

BellSouth's \$1.29 PIC change rate does not change the relative reasonableness of GTEFL's charge, which is still second lowest. BellSouth's PIC change fee is clearly an outlier, not just in Florida but in the entire country. In the absence of any BellSouth cost submission to this Commission, it is difficult to understand why it is so low. One reason may be that BellSouth was apparently not performing some of the same PIC change functions other companies like GTEFL have been all along—including accepting intraLATA PIC changes directly from end users, providing a no-PIC option, and allowing one free PIC after conversion. (See Ex. 1, WM-3, at 40-41.)

With regard to this last item, GTEFL voluntarily instituted a practice of providing customers one free intraLATA PIC after conversion regardless of the time that had passed since conversion. This is much more generous than what the Commission ordered for BellSouth, which was one free PIC change, as long as it was within 90 days from the date of conversion. BellSouth Complaint Order at 468. GTEFL's more liberal policy means that it has already completed thousands of intraLATA PIC charges for free and continues to offer the free intraLATA PIC today. Furthermore, the Commission found that BellSouth

should be able to recover its costs of processing an intraLATA PIC change, even when performed together with an interLATA PIC change. BellSouth Complaint Order at 471. But since GTEFL (unlike Southern Bell) has been following a one-free-PIC policy all along, it is probably impossible to get recovery for all of the changes—including the free changes--GTEFL has already made. As the Commission noted, it did not address the one-free-PIC costs when its approved the intraLATA cost recovery mechanism and so those costs are not included in the current recovery mechanism. Id. at 469. This cost disadvantage to GTEFL should weigh in favor of leaving GTEFL's PIC change charges intact. GTEFL should not be penalized for having instituted a measure that would enhance consumer choice.

GTEFL's unlimited one-free-PIC policy is, to a large extent, effectively a two-for-one PIC policy, where the intraLATA PIC is free. In contrast to charges BellSouth is authorized to assess if the intraLATA PIC change occurs outside the 90-day window--the full intraLATA PIC change charge if only that PIC is changed; or the 30% additive if both PICs are changed--the first intraLATA PIC change from GTEFL is free at any time. (Munsell, DT at 5-6.) This is yet another perspective on the overall reasonableness of GTEFL's PIC change charge.

The IXCs' conclusions about the efficiencies GTEFL gains in processing two PICs on the same order are just as devoid of factual support as their assertions about GTEFL's cost studies and its PIC change fee levels. As noted, they did no investigation or inquiry into GTEFL's work processes. In essence, their testimony is merely their opinion that there must be substantial efficiencies associated with changing two PICs at once. For

instance, Mr. Hyde vaguely alluded to unspecified "nonrecurring cost studies" in mostly unnamed proceedings (none of them dealing with the two-for-one PIC issue or GTEFL) in an attempt to support his position in support of a two-for-one charge. (Hyde, Tr. 84-86.) Even if he could cite specific cost studies he reviewed in other proceedings, studies of unbundled network elements or other features have nothing to do with setting a price for PIC processing. The only evidence at all relevant to determining the costs and efficiencies associated with GTEFL's PIC change processes are cost studies and work process investigations specific to those PIC change processes. Again, only GTEFL has submitted such information. That evidence shows that, even when both PICs are changed on one order, each PIC follows a separate path after the initial customer contact, just as though each change were made on different orders. The IXCs offered no facts to rebut this evidence. To the contrary, their testimony only supported GTEFL's position. Mr. Hyde agreed that "if an order was processed for a stand-alone intraLATA or a stand-alone interLATA, [he] would not see any justification for the costs to be different." (Hyde, Tr. 83.) Mr. Guedel agreed that "if the procedures are identical, then the costs would be identical. If there's no difference, there's no difference." (Guedel, Tr. 133.) If these witnesses had done any investigation of GTEFL's processes, they would have known that each of the two PIC charges is, indeed, effectively processed on a "stand-alone" basis, thus justifying two separate charges under even their own analyses.

In contrast to GTEFL's evidence, the IXCs' proposals were so extreme and untenable that they deserve no credence. AT&T and MCI both advocated a primary position that GTEFL should get the same intraLATA PIC change fee as BellSouth does on

dual PIC change orders—49 cents. (See Hyde, Tr. 75; Guedel DT at 7.) This figure works out to just a 12% additive for GTEFL. (Guedel, Tr. 114.) In other words, every time GTEFL changed both PICs on one order, it would get only 12% of its full \$4.14 for the second change. Neither Mr. Guedel nor Mr. Hyde even attempted to tie this proposal to anything relevant to GTEFL itself—not its PIC change charge, its PIC change costs, or its work processes. Their recommendation is nothing more than an undisguised attempt to obtain the lowest possible price for PIC changes, without regard to any appropriate cost recovery for GTEFL.

The IXCs' alternative proposal was to allow GTE a two-for-one PIC change charge with a 30% additive for the second change. (Hyde, Tr. 75; Guedel DT at 7.) Under this proposal, GTEFL would get 30% of its own \$4.14 charge as the additive. The IXCs argue that the Commission should ignore GTEFL's cost study and instead impose the 30% additive deemed appropriate for BellSouth. They "see no reason for this Commission to treat GTE differently than BellSouth." (Guedel, Tr. 99.) To the contrary, the evidence proves there is no reason to treat them the same.

BellSouth submitted no cost study to derive the 30% additive. It was, rather, based primarily on BellSouth's own analysis of its PIC change processes. BellSouth witness Honeycutt testified to an approximate 70% savings when both inter- and intraLATA PIC changes are processed together. BellSouth itself thus suggested the 30% additive—a suggestion which was made in the context of a much larger, complaint case in which BellSouth stipulated to a number of items. (Munsell, Tr. 28.) In fact, even before the decision in its complaint case, BellSouth apparently volunteered to adjust its PIC change

charges so that it would assess only the 30% additive for the intraLATA charge. BellSouth Complaint Order at 470-71 (BellSouth's investigation of its PIC change processes "led BellSouth to adjust its PIC change charges...."). This was, of course, the resolution the Commission later ordered.

Despite the fact that AT&T and MCI were named plaintiffs in the BellSouth suit, and despite the fact that they recommended BellSouth's 30% additive for GTEFL, their witnesses were curiously uninformed about the derivation of the 30% additive (Hyde, Tr. 78-79; Guedel, Tr. 115-117, 123-24, 126-27.), even though this information is plainly reflected in the BellSouth Complaint Order. This is perhaps due to the fact that, given the basis for BellSouth's 30% additive, there is no plausible rationale to apply it to GTEFL. Instead of relying on GTEFL's cost study and its investigation of its work processes, the IXCs suggest that the Commission impose upon GTEFL an additive that BellSouth agreed to, that was based on BellSouth's work processes, and that is not tied to any costs, even BellSouth's. This suggestion is too outlandish to deserve much comment.

In this case, the Commission has more evidence than it did in the BellSouth case to determine the appropriate resolution to the two-for-one PIC issue. BellSouth did not submit a cost study, but GTEFL did. The other type of evidence is the same in both cases. BellSouth, like GTEFL in this case, performed its own analysis of its PIC change processes to evaluate the efficiencies derived from processing the inter- and intraLATA PIC changes at the same time. Thus, the Commission cannot, consistent with the BellSouth decision, ignore GTEFL's work process analysis. Indeed, it is the only evidence of efficiencies the Commission has before it. The Commission cannot use an ILEC work

analysis as the foundation for a decision in one case, but disregard the exact same kind of evidence in another case (as the IXCs suggest here) just because the results are different.

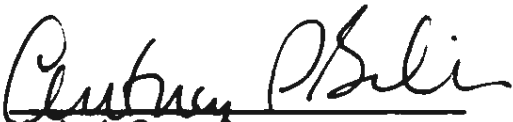
GTEFL's PIC change processes are apparently different from BellSouth's, in that GTEFL accepts two PIC changes on a single order, but then sends them down different paths for processing. (Ex. 1, WM-3 at 16-17.) GTEFL believes this split processing system is desirable for at least two reasons. First, it is able to give accurate time and date stamps for each PIC change. Even Mr. Guedel admitted that the absence of this feature could cause customer confusion problems if the gap between the processing is very substantial. (Guedel, Tr. 139.) Second, GTEFL's system can easily accommodate the instance where a customer has frozen just one of his PICs--either the intra- or interLATA. Processing the changes separately allows the system to reject the change for the PIC that has been frozen, but still process the other PIC change. (*Id.* at 16-17; Munsell, Tr. 51-53, 65.) GTEFL believes that facilitating PIC freezes is particularly important in light of the Commission's proposed rule to make greater use of PIC freezes as a means of curbing slamming. Proposed Rule 25-24.845, F.A.C., Customer Relations, etc., Order No. PSC-97-1615-NOR-T1, at 30, proposed rule 25-4.110(12).

Finally, GTEFL does not believe the Commission can order GTEFL to overhaul its PIC change system to eliminate split processing of inter- and intraLATA changes, as some of Staff's question suggested it might do. (Tr. 55-56.) The issue presented here is whether a two-for-one PIC is warranted; not whether system changes can be made to enable inter- and intraLATA PIC changes to be processed together. As such, GTEFL did

not profile any testimony on potential problems or expenses associated with changing its system. The only testimony was provided by Mr. Munsell at the hearing, and these few observations suggest the magnitude of difficulty and expense associated with GTEFL's changing its system. Mr. Munsell testified that GTEFL would need to go back to its switch vendors and request new specifications for the intraLATA two-PIC software to recognize not only the respective intraLATA and interLATA routing fields, but also a combined routing field. (Munsell, Tr. 55-56; Ex. 1, WM-3, at 25-26.) With regard to expense, the bill for the intraLATA equal access switch software to support the current releases was about \$20 million. (Munsell, Tr. 56, 65.) That expense was spread across the numerous states ordering intraLATA toll competition. In this case, as Mr. Munsell noted, no state has "remotely indicated" an interest in ordering GTE to change its split PIC processing system. (Munsell, Tr. 65-66.) If Florida does so, it will thus bear the entire expense. Since these expenses would presumably be rolled into the intraLATA cost recovery mechanism, this outcome would contravene any objective of obtaining lower PIC change rates.

In summary, the evidence does not justify any changes to GTEFL's PIC change rates or its PIC change processes. GTEFL's PIC change charges are justified and have not hindered intraLATA competition, as demonstrated by, among other things, GTEFL's market share data indicating vigorous intraLATA competition.

Respectfully submitted on March 13, 1998

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of GTE Florida Incorporated's Posthearing Statement in Docket No. 970526-TP were sent via U.S. mail on March 13, 1998, to the parties on the attached list.

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