



GTE SERVICE CORPORATION

One Tampa City Center
201 North Franklin Street (33602)
Post Office Box 110, FLTC0007
Tampa, Florida 33601-0110
813-483-2606
813-204-8870 (Facsimile)

Marceil Morrell*
Assistant Vice President &
Associate General Counsel-East Area

Anthony P. Gillman*
Assistant General Counsel

Florida Region Counsel**
Kimberly Caswell
M. Eric Edgington
Ernesto Mayor, Jr.
Elizabeth Biemer Sanchez

* Certified in Florida as Authorized House Counsel
** Licensed in Florida

May 12, 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. *980647-TL*
Procedures for Data-Gathering for Legislative Reports

Dear Ms. Bayo:

Please find enclosed an original and fifteen copies of GTE Florida Incorporated's Petition for Establishment of Hearing Procedures for filing in the above matter. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this matter, please contact me at (813) 483-2617.

Very truly yours,

Kimberly Caswell

KC:tas
Enclosures

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Procedures for Data-Gathering)
for Legislative Reports)
_____)

Docket No.
Filed: May 12, 1998

**GTE FLORIDA INCORPORATED'S
PETITION FOR ESTABLISHMENT OF HEARING PROCEDURES**

As the Commission knows, this year's Florida Legislature adopted a bill significantly revising Chapter 364 of the Florida Statutes. While the Governor has not yet acted on the bill, it is expected to become law very soon. The new law will require the Commission to study and report to the Legislature on a number of complex matters by February 15, 1999. The Commission's studies will, in turn, require local exchange companies (LECs), including GTE Florida Incorporated (GTE), to generate and produce large amounts of data in a compressed time frame.

GTE believes the legislation requires hearings in association with the study process for the reports. This expectation is consistent with Commission practice (reflected in Florida Statutes section 120.569 and 120.57) affording a hearing when a party's substantial interests will be affected and when there are disputed issues of material fact. Both criteria apply in this case. In the reports, the Commission will make findings and recommendations regarding, among other things, GTE's costs of providing local service, the "fair and reasonable" rate for that service, and the nature and level of interservice and intercustomer subsidy flows associated with GTE's services. These findings and recommendations will be the basis for legislative action next year on local rates and the establishment of a universal service fund. In addition, it is self-evident that all of the material facts the Commission must determine--GTE's costs of providing service, the

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relationships between its various costs and charges, etc.--will be disputed, given the involvement of the Office of Public Counsel and intervenors such as competitive local exchange companies.

Even though the new legislation itself contemplates hearings, in the event that Commission procedures do or will require parties to specifically ask for a hearing on these matters, this is GTE's request for such hearings. GTE believes this request is appropriate now because the study and reporting process will severely tax the resources of both the Commission and the regulated companies. Early clarification of procedural details will allow companies to begin preparing and formatting testimony and other information in a way that is appropriate to the proceedings in which it will be submitted. GTE believes this certainly will benefit all parties involved. In particular, it will leave the Commission as much time as possible for substantive deliberations and drafting the mandatory reports.

As noted, this hearing request is consistent with the terms of legislation. There are five reports the Commission must submit:

Report 1: The forward-looking cost of providing basic local service using a cost proxy model (for large LECs) to be selected by the Commission after notice and opportunity for hearing.

Report 2: The amount of support necessary to provide residential basic local service to low-income (i.e., Lifeline) customers.

Report 3: The relationships among the costs and charges associated with providing basic local exchange service, intrastate access, and other services provided by local exchange telecommunications companies.

Report 4: The fair and reasonable basic local residential service rate considering affordability, the value of service, comparable basic local rates in other states, and the cost of providing basic service in Florida, including the proportionate share of joint and common costs.

Report 5: information and policy recommendations on issues associated with telecommunications companies serving customers in multi-tenant environments. The legislation prescribes workshops for consideration of these issues.

GTE is most interested in defining the procedures for Reports 1, 3 and 4, which will require the most complex and voluminous submissions.

There is no doubt that a hearing must be held to choose the proxy model and determine basic local service costs, as required for Report 1, above. GTE understands the Commission Staff had, in fact, drafted a tentative schedule for the hearing process relatively early in the legislative process (Fiscal Impact Statement and Implementation Schedule on Bill No. PCB UCO 98-03, dated April 10, 1998 ("April 10 Schedule").) Likewise, Commission Staff recently issued a universal service data request seeking information about proxy model inputs. (Letter from W. D'Haeseleer, Director, Div. of Comm., to B. Menard, Reg. Director, April 28, 1998.) The data request is intended to prepare for Commission submissions to the FCC "as well as preparatory efforts related to a possible intrastate mechanism." (Letter at 1.) Before these preparatory efforts go further, GTE believes it would be beneficial to issue a procedural schedule. The time periods allocated to each activity could track those contemplated in the Commission's April

10 Schedule submitted to the Legislature. The hearing process under that Schedule would take about 7 months. A reasonable start date for the proceeding (triggered by issuance of a Notice of Hearing and Prehearing) might be June 1.

GTE believes the legislation also contemplates a hearing for Report 4, as well, on the fair and reasonable basic rate. The companies are to submit cost data and analysis by August 1. The legislation prescribes that "all intervenors" shall have access to this information "for the purpose of verifying the submitted cost data and analysis." As reflected in Commission Rule 25-22.039, intervention is a concept associated with the hearing process. In addition, based on GTE's past experience in arbitration and other proceedings, the cost "verification" opportunity the legislation affords intervenors will be very contentious. The inevitable involvement of the Office of Public Counsel in this case will further assure the contested nature of the fair and reasonable rate determination. Based on the language of the new statute, and given the need for the Legislature to receive the most complete and accurate information possible, there is no feasible way to address the issues for this report without a hearing. The hearing would include prefiled testimony, the opportunity for cross-examination, and other customary procedural due process protections. In consideration of the relatively short time frame for completing all the reports, GTE suggests that this hearing might be consolidated with the above-discussed hearing on the cost of service and choice of a proxy model. This would be the most efficient approach since both proceedings must, under the terms of the legislation, address the cost of providing basic local service.

The determinations underlying Report 3, concerning the relationships among the costs and charges for basic, access, and other services, cannot practically be made except through the hearing process. The reporting directive will require the Commission to examine and fully document complex matters of interservice and intercustomer subsidies. These subsidies are at the heart of the universal service funding question the Legislature must resolve in its next session. Identification of the nature and level of subsidy flows to basic local service will be critical to devising an appropriate universal service funding framework. Moreover, explicit funding issues cannot plausibly be considered apart from the "fair and reasonable" basic rate determination the Commission must make for Report 4. The only way the Legislature can fully understand the subsidization issue (as well as its link to universal service funding) is for the Commission to gather as much relevant data as possible from all interested parties. A hearing is the only way to assure a comprehensive presentation of these data and to air fully all of the issues that the Legislature will need to consider next year. The Legislature must rely on the Commission, as the expert agency, to verify and synthesize all of the information it will need to make its universal service funding decisions. The Legislature cannot assure itself that the Commission report reflects comprehensive and accurate information in the absence of an evidentiary hearing. Unsworn comments and un-cross-examined assertions are certainly not an adequate or appropriate basis for legislative deliberations on funding of universal service, a matter that will affect all of the telephone subscribers of this State. Again, consolidation with the proceedings underlying Reports 1 and 4 might be the most efficient approach, since the Commission will, for Report 3, need to consider some of the

same cost and associated information submitted in those other proceedings.

For all the reasons discussed in this filing, GTE asks the Commission to expeditiously establish hearing schedules to gather the information necessary for the above-listed Reports required by the new legislation..

Respectfully submitted on May 12, 1998.

By:



Kimberly Caswell
Anthony P. Gillman
Post Office Box 110, FLTC0007
Tampa, Florida 33601
Telephone: 813-483-2617

Attorneys for GTE Florida Incorporated

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of GTE Florida Incorporated's Petition for Establishment of Hearing Procedures were sent via U. S. mail on May 12, 1998 to the following:

Staff Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Office of Public Counsel
111 W. Madison St., Room 812
Tallahassee, FL 32399-1400



Kimberly Caswell