



ORIGINAL

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

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)

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

June 17, 1998

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

Re: Docket Nos. 870248-TL, 870790-TL, 900039-TL, 910022-TL,
910528-TL, 910529-TL, 911185-TL, and 921193-TL

Dear Ms. Bayo:

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

Very truly yours,

Kimberly Caswell
Kimberly Caswell

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Resolution by Holmes County)
Board of County Commissioners for)
Extended Area Service in Holmes)
County, etc.)
_____)

Docket Nos. 870248-TL et al.
Filed: June 17, 1998

GTE FLORIDA INCORPORATED'S POSTHEARING STATEMENT

GTE Florida Incorporated (GTEFL) submits its Posthearing Statement in this matter.¹

GTEFL's General Position

GTEFL has just two routes involved in this proceeding--Hudson to Brooksville and Haines City to Orlando. Brooksville and Orlando are BellSouth exchanges. As a general matter, GTEFL believes that market forces can best determine the appropriate services and rate levels for existing interLATA routes. However, because the Commission has already ruled that some form of mandatory toll relief is warranted on its two routes, GTEFL does not oppose providing extended calling service (ECS) in these limited instances. Consistent with existing interconnection agreements between GTE companies and BellSouth in other states, GTEFL would agree to pay BellSouth terminating switched access for traffic on these two routes. If the Commission wishes to continue its policy of flat-rate pricing for residential ECS calls, GTEFL proposes a per-message charge of \$.30. However, GTEFL believes per-minute ECS rates, as proposed by ALLTEL and Sprint, are more appropriate for today's environment. Usage-sensitive pricing more closely meets the objectives of cost coverage, competitive neutrality and efficient competition.

¹ The parties in this case stipulated to submission of the prefiled testimony into the record and waived cross-examination. Therefore, citations are to prefiled testimony and exhibits only.

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GTEFL's Specific Positions

Issue 1: Is one-way ECS appropriate on the routes in question?

GTEFL's Position: ** Market forces can best determine the services and rates to be made available on particular routes. However, GTEFL does not oppose ECS on its two routes at issue because the Commission has already determined some form of mandatory toll relief will be implemented. **

As a general matter, reliance on market forces is the best and most economically efficient way to determine the services and rates to be offered to customers, including those on the interLATA routes at issue. Toll prices will likely continue their downward trend in the coming years, incumbent and alternative local exchange carriers can offer competing calling plans, and ALECs can turn toll routes into local just by defining their calling areas differently than the ILECs do. In view of these kinds of developments, regulatory intervention is not necessary to fix the appropriate service and rate levels for interLATA traffic where some community of interest exists.

Nevertheless, since the Commission has previously determined that some form of toll relief is warranted on GTEFL's routes at issue (Hudson to Brooksville and Haines City to Orlando), GTEFL would not oppose providing ECS in these limited instances. (Scobie Direct Testimony (DT) at 2.)

Issue 2: If one-way ECS is appropriate, what rate, if any, should BellSouth charge to terminate ECS interLATA traffic for all carriers?

GTEFL's Position: ** GTEFL would agree to pay BellSouth for terminating switched access for this traffic, consistent with interconnection agreements between GTE companies and BellSouth in other states. **

Consistent with previously executed interconnection agreements in other states where both GTE and BellSouth operate, GTEFL would agree to pay BellSouth terminating switched access for the traffic on the two routes at issue. (Scobie DT at 2-3.)

Issue 3: If one-way ECS is ordered on the routes in question and a termination charge is deemed appropriate, what economic impact will this have on the originating LEC?

GTEFL's Position: ** GTEFL cannot provide a definitive answer because call duration data are unavailable to GTEFL for the proposed routes, which are today interLATA. In addition, end user rates are still unsettled. In attempting to provide economic impact information, GTEFL has had to assume certain call durations and rates. **

This question requires a comparison between the status quo--where GTEFL receives originating access from an interexchange carrier (IXC)--and the ECS scenario where GTEFL receives usage revenues and/or message charges from end users. This comparison is very difficult because call duration data are unavailable to GTEFL for the proposed routes, which are today interLATA. (Scobie DT at 5.) In addition, the rates that end users will pay as a result of this docket are, as yet, unsettled. For instance, a move toward measured rates (rather than the typical flat-rate ECS charge) has been suggested for residential customers. (Powell DT at 4-6; Eudy DT at 10.) Also, GTEFL has

recommended that, if residential customers continue to pay flat-rate ECS charges, the per-message charge should be \$.30. (Scobie DT at 4-5.)

Nevertheless, for the sake of answering this question, GTEFL will make some assumptions to try to compare revenues gained from access charges (i.e., the status quo) with those that might be obtained in an ECS environment. For this purpose, GTEFL will assume a residential call duration of 5 minutes (which is the average intraLATA call length) and a flat-rate ECS charge of \$.30. Compared to this thirty-cent end-user charge, access revenues would be \$.256. On the business side, GTEFL will assume a 2.5 minute call duration, which is the average business ECS call length (business calls are likely to be less price-elastic than residential calls). In this scenario, GTEFL would receive just over \$.128 per message in access revenues compared to \$.19 per business message under the usage-sensitive ECS rate structure. (Scobie DT at 5-6.)

Under this analysis, a residential call in an access environment generates a \$.236 contribution, while a residential ECS call would produce only \$.099 contribution. On the business side, a call which generates a \$.118 contribution under an access scenario would produce \$.109 under ECS rates.

GTEFL's economic impact analysis of one-way ECS to BellSouth exchanges is detailed in its Exhibit CMS-1, attached to Mr. Scobie's Direct Testimony (and also attached to this Posthearing Statement). This is the information GTEFL understands the Staff requested of the ILECs at the prehearing conference in this matter.

Issue 4: If one-way ECS is appropriate, what rate structure and rate levels should the LECs charge?

GTEFL's Position: ** If the Commission maintains flat-rate pricing for residential ECS, a \$.30 rate is necessary to cover GTEFL's costs. The best approach, however, is a move toward usage-sensitive residential rates, as proposed by Sprint and ALLTEL. **

In his Direct Testimony, GTEFL witness Scobie proposed rates based on the current ECS structure--that is, business customers would pay on a per-minute basis and residential customers would pay on a per-message basis. Assuming maintenance of this existing structure, GTEFL proposes customary business ECS rates of \$.10 for the first minute and \$.06 for each additional minute. For residential customers, GTEFL has recommended a \$.30 flat rate, which is somewhat higher than the \$.25 ECS charge that has been implemented in the past. The higher rate more appropriately reflects GTEFL costs associated with the calls, including a contribution to joint and common costs. Specifically, GTEFL took the average ECS residential message length of 6.2 minutes and multiplied it by the GTEFL local interconnection origination rate of \$.004 per minute and the BellSouth terminating switched access rate of \$.023189 per minute. The total was slightly over \$.20 for an average call. GTEFL then multiplied that number by its overhead factor of 47% to arrive at a rate of \$.294 (rounded to \$.30) for a per-message rate. (Scobie DT at 4-5.)

While GTEFL urges the Commission to implement its proposed rates if it opts for the traditional ECS rate structure, GTEFL does not believe that structure remains the best approach. Instead, the Commission should move toward the Sprint and ALLTEL recommendation of a usage-sensitive rate structure for residential users that is the same

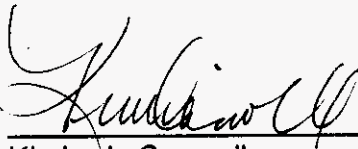
as the existing structure for business users (\$.10 for the first minute and \$.06 for additional minutes). (Powell DT at 4-6; Eudy DT at 10-11.) To this end, Sprint witness Powell aptly pointed out that a per-minute rate “will mitigate inter-carrier advantage and be more competitively neutral.” (Powell DT at 5.) If the ILEC must offer ECS on a flat-rate, per-message basis, it would retain callers with long call durations and lose callers with short call durations to competitors who are free to offer usage-sensitive pricing. The ILEC in this situation could be forced to pay more in terminating access charges than it collects in revenues from originating callers, thereby limiting the ILECS’ ability to compete for customers with relatively shorter holding times. (Powell DT at 5.) The ALEC’s competitive advantage in this instance would have nothing to do with its marketplace skills, but would, rather, arise from the regulatory construct. This kind of outcome is inimical to efficient and rational competition.

With a usage-based structure, ECS rates will most closely reflect the carriers’ underlying costs, an objective that is critical in a competitive marketplace. (Powell DT at 5-6; Eudy DT at 10.) (In GTEFL’s case, for instance, the per-minute costs on the ECS routes terminating in a BellSouth exchange are about four times greater than routes terminating in other GTEFL exchanges.) The usage-sensitive structure is the only equitable and competitively neutral approach in a competitive environment. (Powell, DT at 6.)

* * *

For all the reasons discussed in this Posthearing Statement, GTEFL urges the Commission to adopt all of its positions on the issues identified for resolution in this case.

Respectfully submitted on June 17, 1998.

By: 

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

Attorneys for GTE Florida Incorporated

ECONOMIC IMPACT OF ONE-WAY ECS TO BELLSOUTH EXCHANGES

UNDER A COST ANALYSIS

CURRENT	BUSINESS (2.5 MOU/MSG)	RESIDENCE (5.0 MOU/MSG)
REVENUE	\$.128/MSG (2.5 X GTEOA)	\$.256/MSG (5.0 X GTEOA)
COST	\$.01 (2.5 X .004)	\$.02 (5.0 X .004)
CONTRIBUTION	\$.118	\$.236


PROPOSED

REVENUE	\$.19 (.10+(1.5x.06))	\$.30
COST	\$.081 (LOA+BSTSA)x 2.5	\$.200 (LOA+BSTSA)x 6.2
CONTRIBUTION	\$.109	\$.10

GTEOA GTE ORIGINATING SWITCHED ACCESS
 LOA GTE LOCAL ORIGINATING ACCESS
 BSTSA BELLSOUTH TERMINATING SWITCHED ACCESS

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of GTE Florida Incorporated's Posthearing Statement in Docket Nos. 870248-TL, et al. was sent via U.S. mail on June 17, 1998 to the parties on the attached list.



Kimberly Caswell

Mary Beth Keating, Staff Counsel
Florida Public Service Comm.
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Nancy B. White
BellSouth Telecomm. Co.
150 West Flagler Street
Suite 1910
Miami, FL 33130

Jeffrey Wahlen
Ausley & McMullen
227 S. Calhoun Street
Tallahassee, FL 32301

Marsha Rule
AT&T Communications, Inc.
101 North Monroe Street
Suite 700
Tallahassee, FL 32301-1549

Holmes County Board of Comm.
210 N. Oklahoma Street
Bonifay, FL 32425

Pasco County Board of
Commissioners
30853 Live Oak Avenue
Dade City, FL 33525

Burt & Lancaster
114 East First Street
Trenton, FL 32693

Assistant County Attorney
Palm Beach County Board of
Commissioners
P. O. Box 1989
West Palm Beach, FL 33402

FCCA
P. O. Box 10967
Tallahassee, FL 32302

Orange County Board of Comm.
P. O. Box 1393
Orlando, FL 32802-1393

Vista United Telecomm. Inc.
P. O. Box 10180
Lake Buena Vista, FL 32830

Starke-Bradford Counties
Chamber of Commerce
P. O. Box 576
Starke, FL 32091

David Erwin
Young Law Firm
P. O. Box 1833
Tallahassee, FL 32302-1833

Volusia County Comm. Director
119 West Indiana Avenue
DeLand, FL 32720

Samuel A. Mutch
2790 N.W. 43rd St., Suite 100
Gainesville, FL 32605

Joseph A. McGlothlin
Vicki Gordon Kaufman
McWhirter Reeves et al.
117 S. Gadsden Street
Tallahassee, FL 32301