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RECORDS AND REPORTING

August 3, 1998

BY HAND DELIVERY

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

Re: Special Project 980000A-SP

Dear Ms. Bayo:

Enclosed is ALLTEL Florida, Inc.'s Initial Response to the Division of Communication's data request (June 19, 1998), consisting of 7 pages (Bates 1-7). A copy of this response is being hand-delivered to the Division of Communications and the FAD contemporaneously with this filing. In addition, I am sending a courtesy copy to the office of Public Counsel (Beck) and the Department of Legal Affairs (Gross).

This Initial Response does not include proprietary confidential business information.

ACK \_\_\_\_\_ Please acknowledge receipt and filing of the above by  
AFA \_\_\_\_\_ stamping the duplicate copy of this letter and returning the  
APP \_\_\_\_\_ same to this writer.

CAF \_\_\_\_\_ Thank you for your assistance in this matter.  
CMH \_\_\_\_\_  
CIA \_\_\_\_\_

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FPSC BUREAU OF RECORDS

Sincerely,

J. Jeffrey Wahlen

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FPSC-RECORDS/REPORTING

Enclosures

cc: AFAD (Devlin) (H/D w/enclosure)  
CMU (D'Haeseleer) (H/D w/enclosure)  
OPC (Beck) (H/D w/enclosure)  
DLA (Gross) (H/D w/enclosure)

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**ALLTEL FLORIDA, INC.'S  
Responses to Commission Staff Data Requests: Section 2 of Chapter 98-277 980000A-SP:  
UNDOCKETED SPECIAL PROJECT  
Fair and Reasonable Rates**

***Introduction***

Section 2(2)(a) of Chapter 98-277, requires the commission to provide a report to the Legislature of its conclusions as to the fair and reasonable Florida residential basic local telecommunications service rate considering affordability, the value of service, comparable residential basic local telecommunications rates in other states, and the cost of providing residential basic local telecommunications services in this state, including the proportionate share of joint and common costs. To aid the commission in its review of "costs," Section 2(2)(b) required local exchange carriers to provide to the Commission by August 1, 1998, cost data and analysis that support the cost of providing basic telecommunications service in their service territory, as prescribed by the commission for purposes of recommending the fair and reasonable rate.

In addition, the Section 2(1) recognized that charges for intrastate switched access and other services may be set above costs and may be providing an implicit subsidy to residential basic local telecommunications service in this state. The statute, therefore, required the commission to study and report to the Legislature, the relationships between costs and charges associated with providing basic local service, intrastate access, and other services provided by local exchange telecommunications companies.

In response to these directives, all LECs in Florida received two sets of data requests, one from the Division of Auditing & Financial Analysis ("AFAD") and another from the Division of Communications, requesting cost information. The data request from AFAD sought information on an embedded cost basis, while the Communications Division's data request required total service long-run incremental cost ("TSLRIC") studies as the basis. ALLTEL Florida ("ALLTEL") has responded fully to the AFAD data request. However, ALLTEL has not previously been required to produce TSLRIC studies and does not have such studies available for the services identified in the Communications Division's data request. Without the company specific TSLRIC studies, ALLTEL cannot provide a meaningful contribution analysis as requested by the Communications Division.

ALLTEL can provide comments that may provide some insight into the issue of TSLRIC for small LECs relative to the TSLRIC for the larger LECs who will be providing company specific TSLRIC studies in response to this data request. ALLTEL would agree that the average of the large LEC's (BellSouth, GTE and Sprint) TSLRIC studies for the individual services would represent the minimum economic cost the small LECs would incur to provide the same services. This assumption is supported by a comparison of the major cost drivers for ALLTEL to the same cost drivers for BellSouth, GTE and Sprint that would typically be utilized in a

forward-looking economic cost study. This comparison demonstrates the reason for higher costs in small Florida LECs like ALLTEL.

The results of the analysis show that compared to ALLTEL, on average BellSouth, GTE and Sprint have:

- 91% less switching investment per line
- 77% less circuit investment per line
- 63% less C&WF investment per line
- 77% less total investment per line
- 88% less total expenses per line
- 87% less total costs per line
- 104% more total revenues per line
- 10% higher business line ratio (29% to 19%)
- 9 times more lines per exchange
- 7% more lines per square mile
- 17% more lines per square mile in the exchange with the most square miles
- 175% more lines per square mile in the exchange with the fewest lines

The above information may assist the Communications Division in determining the small LEC's relative economic cost of providing residential basic local telecommunications services in Florida compared to the costs of the large LECs for the purpose of determining a fair and reasonable residential basic local telecommunications rate. However, ALLTEL does not agree that using surrogate forward-looking economic costs compared to ALLTEL's actual prices for specific services is appropriate in a contribution analysis. The results of such a contribution analysis would distort the level of contribution a specific service may be providing to universal service.

ALLTEL would agree that such an analysis could be used for an order of magnitude comparison to identify the relative relationships of contribution provided by certain services or categories of services. It is for that purpose that ALLTEL provides the rate and revenue information that is part of the contribution analysis formula requested by the Communications Division.

### ***Preliminary Response***

ALLTEL's preliminary responses to the data request are set forth below. Each of the requests has been reproduced below for ease of reference.

For purposes of the requests Nos. 1 through 4, "contribution analysis" should be understood as a comparison of the rates charged for a given service with their associated costs, and the difference between the total revenues generated by a service and the service's total cost; we ask you to provide both measures. We request that you indicate the service's dollar contribution (rate minus unit cost, and total revenues minus total costs), and the service's percentage contribution ((rate-

cost]/cost, and [total revenues-total costs]/total costs). The cost standard should be total service long-run incremental cost (TSLRIC) per Section 364.3381(2), or a reasonably comparable measure.

1. (a) Please provide a contribution analysis for "voice-grade, fiat-rate residential local exchange service," as this term is used in Section 364.02(2), F.S.

**Response:** ALLTEL does not have data that is directly responsive to the request at this time, but intends to provide a supplemental schedule (Exhibit I) that may provide insight into the overall topic at issue. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.

- (b) Please provide the cost study and all associated work papers and related documentation, that results in the contribution analysis in (a).

**Response:** Please see response to 1(a).

- (c) Please provide a contribution analysis for "voice-grade, fiat-rate single-line business local exchange service," as this term is used in Section 364.02(2), F.S.

**Response:** ALLTEL does not have data that is directly responsive to the request at this time, but intends to provide a supplemental schedule (Exhibit I) that may provide insight into the overall topic at issue. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.

- (d) Please provide the cost study and all associated work papers and related documentation, that results in the contribution analysis in (c).

**Response:** Please see response to 1(c).

- (e) Please provide a contribution analysis for ESSX/Centrex service.

**Response:** ALLTEL does not have data that is directly responsive to the request at this time, but intends to provide a supplemental schedule (Exhibit I) that may provide insight into the overall topic at issue. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.

- (f) Please provide the cost study and all associated work papers and related documentation, that results in the contribution analysis in (e).

**Response: Please see response to 1(e).**

- (g) Please provide a contribution analysis for PBX trunk service.

**Response: ALLTEL does not have data that is directly responsive to the request at this time, but intends to provide a supplemental schedule (Exhibit I) that may provide insight into the overall topic at issue. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.**

- (h) Please provide the cost study and all associated work papers and related documentation, that results in the contribution analysis in (g).

**Response: Please see response to 1(g).**

- (i) Please provide a contribution analysis for all multi-line circuit-switched business services other than those indicated in (e) and (g)

**Response: ALLTEL does not have data that is directly responsive to the request at this time, but intends to provide a supplemental schedule (Exhibit I) that may provide insight into the overall topic at issue. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.**

- (j) Please provide the cost study and all associated work papers and related documentation, that results in the contribution analysis in (i).

**Response: Please see previous response.**

- 2. (a) Please provide a contribution analysis for intrastate switched access charges.

**Response: ALLTEL does not have data that is directly responsive to the request at this time, but intends to provide a supplemental schedule (Exhibit I) that may provide insight into the overall topic at issue. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.**

- (b) Please provide the cost study and all associated work papers and related documentation, that results in the contribution analysis in (a).

**Response: Please see previous response.**

3. (a) Please provide a contribution analysis for intraLATA toll (including common line WATS/800-type services).

**Response:** ALLTEL does not have data that is directly responsive to the request at this time, but intends to provide a supplemental schedule (Exhibit I) that may provide insight into the overall topic at issue. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.

- (b) Please provide the cost study and all associated work papers and related documentation, that results in the contribution analysis in (a).

**Response:** Please see previous response.

- 4 (a) Please provide contribution analyses (separately for residence and business) for each of the following features, whether purchased individually or as part of a package:

**Response:** ALLTEL does not have data that is directly responsive to the request at this time, but intends to provide a supplemental schedule (Exhibit I) that may provide insight into the overall topic at issue. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.

- (1) 3-Way Calling
- (2) Call Waiting
- (3) Call Forwarding Busy Line
- (4) Call Forwarding Don't Answer
- (5) Call Return
- (6) Repeat Dialing
- (7) Call Selector (Special Call Acceptance)
- (8) Preferred Call Forwarding N/A
- (9) Caller ID Deluxe (Caller ID only)
- (10) Custom Code Restrictions

- (b) Please provide the cost study and all associated work papers and related documentation, that results in each of the contribution analyses in (a).

**Response:** See previous response.

- (c) For each of the features listed in (a), please indicate the percent of your access lines (separately for residence and business) equipped with each of these features.

**Response: ALLTEL does not have data that is directly responsive to the request at this time, but intends to provide a supplemental schedule (Exhibit I) that may provide insight into the overall topic at issue. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.**

5. (a) Please provide any studies, reports or analyses conducted by or for your company that concern the relationship between the price and quantity demanded for various services offered by your company. If the company does not have company-specific studies, reports or analyses, but does have studies, reports or analyses that deal with this subject prepared within the past 10 years, please provide such studies, reports or analyses.

**Response: ALLTEL does not have data that is directly responsive to the request at this time. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.**

- (b) Please provide any reports, studies or analyses conducted by or for your company that concern the consumption patterns of your Florida consumers as it pertains to telecommunications purchases. If the company does not have any company-specific studies or reports, but does have relevant materials prepared within the past five years, please provide such studies, reports or analyses.

**Response: ALLTEL does not have data that is directly responsive to the request at this time. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.**

- (c) To the extent not provided in response to (b), please provide any reports, studies, surveys or analyses prepared within the past five years that discuss the ability of Florida consumers to pay for various telecommunications products and services.

**Response: ALLTEL does not have data that is directly responsive to the request at this time. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.**

5. (d) To the extent not provided in response to (b), please provide any reports, studies, surveys or analyses prepared within the past five years that discuss the willingness of Florida consumers to pay for various telecommunications products and services.

**Response: ALLTEL does not have data that is directly responsive to the request at this time. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.**



- (e) To the extent not provided in response to (b), please provide any reports, studies, surveys or analyses prepared within the past five years that discuss the relative valuation placed upon various telecommunications products and services by Florida consumers.

**Response: ALLTEL does not have data that is directly responsive to the request at this time. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.**

- (f) Please provide any reports, studies or analyses in your possession prepared within the past five years that compare or discuss the relative price levels of residential basic local exchange service in the United States.

**Response: ALLTEL does not have data that is directly responsive to the request at this time. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.**

- (g) Please provide any reports, studies or analyses in your possession prepared within the past five years that compare or otherwise discuss the price paid for typical mixes of telecommunications products and services by residential consumers in different areas of the United States. If known, please indicate the dollar amount associated with each component of the "market basket" of telecommunications goods and services. (E.g., indicate amount typically spent on local service, toll, ancillary services, taxes and other fees, etc.)

**Response: ALLTEL does not have data that is directly responsive to the request at this here. ALLTEL is continuing to explore this question and will supplement this response if it finds additional information that provides insight to the overall topic at issue.**

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