

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In Re: Fair and Reasonable)
Residential Basic Local)
Telecommunications Rates)
_____)

SPECIAL PROJECT NO. 980000A

FILED: September 24, 1998

**COMMENT OF FLORIDA LEGAL SERVICES ON THE
FLORIDA LECs' COST DATA, COST STUDIES, AND RELATED
SUBMISSIONS IN SPECIAL PROJECT NO. 980000A**

FLORIDA LEGAL SERVICES represents low-income Floridians. In this comment, we will address cost allocations made in the cost data and supporting studies submitted in this proceeding by Florida local exchange carriers (LECs) BellSouth Telecommunications, GTE Florida, and Sprint-Florida, which together serve over 98 percent of Florida local service customers. In our review of the cost information, we will discuss the reasonableness of the LECs' cost allocations, including general policy issues, such as universal service and promoting competition, relating to the allocation; and comparable basic residential service rates of other states. We then will discuss the issues of value of service and of affordability. We will conclude by discussing the effect that the limited nature of this proceeding should have on the Commission's report, and by suggesting an outline and key conclusions for Commission's study report on basic residential rates.

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COST OF BASIC RESIDENTIAL SERVICE

At the outset, FLORIDA LEGAL SERVICES objects strenuously to the use of hypothetical cost models, such as the LECs propose, to estimate costs of basic residential service, rather than actual data. Customers' residential phone rates should be determined only by actual, rather than

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hypothetical costs. We do not question the appropriateness of using these cost models for other purposes, such as determining the charges that one provider should pay another for use of network components. These are long-range contracts that involve indeterminate sources of revenues and of opportunity costs. However, when rates for specific consumer services are being determined by regulation due to the presence of monopolies, as occurs for basic residential phone service in Florida, cost calculations that will be used in setting these rates should be based upon actual costs rather than hypothetical costs.

Further, FLORIDA LEGAL SERVICES believes that the process that the Commission and interveners have had to review the submitted data and studies, although in terms of time limitations as much as the Legislature permitted, is wholly insufficient to arrive at any definite conclusions as to costs, even if the appropriate data were supplied. There has been only the beginnings of discovery, with disputes over hundreds of initial interrogatories not even resolved, and not enough time to conduct even the limited amount of inquiry that has taken place. There have been none of the features of contested dockets that assure some level of reliability and confidence in the results, such as open issue identification; independent Commission staff aggressively probing company claims; full discovery; findings of fact based upon sworn testimony and cross examination; and specific rate proposals of the LECs for the Commission and public to react to. We will address the effect that the limited nature of this proceeding should have on the Commission's report later in this comment.

One feature of the cost data and supporting studies submitted by the three principal Florida LECs stands out for special criticism. The LEC submissions appear to incorporate a policy advocacy position of the LECs that the costs of local exchange networks should be allocated almost entirely

to basic service. Vertical services appear to be charged only for part of the cost of the switches that they use.¹ The result is that over 99 percent of the costs divided between basic and vertical residential services are allocated to basic service.

Local exchange networks are built and designed to facilitate all telecommunications services, not just basic service. The functioning of all of networks resources is necessary for the operation of each service. Network costs therefore fall within the "joint and common" category of costs that the Commission has been requested to review by Public Law 98-277. The manner in which network cost is allocated therefore is one of policy, rather than of physical separateness. One service of the network thus does not subsidize another.

Florida, like other states, currently prices local phone services based upon value of service. Basic residential service is priced at the historically-determined residual needed for a reasonable rate of return for the phone companies, after pricing, according to consumer value, access to long distance, through access charges; residential vertical services; and business services. Florida's basic residential service rates, and basic business rates, are comparable to those of other states of similar size; and to other southeastern states after allowing for probable higher costs of service due to more

¹ - Long distance services also appear to be allocated merely the cost of the switching and interconnection equipment. Some of the major cost allocation issues that we could not follow from the discovery we obtained from the LECs are, how the cost models used by the LECs differentiate between the costs for business and for residential basic service; and whether the per-line costs listed by the LECs are for primary lines only, or for all lines. These distinctions obviously have a large influence on the cost calculations. In addition, we have no way of verifying most of the ultimate cost data that was used in the cost models. FLORIDA LEGAL SERVICES hopes to obtain some insight into these cost allocation issues at the technical workshop scheduled in this proceeding, or, if necessary, at separately scheduled depositions of LEC representatives.

rural populations, and to smaller overall populations served.² (Tables 1 and 2.) In setting basic service rates in this manner, Florida recognizes universal service as a public policy, and affordable basic residential rates as the means to obtain it.

The allocation of local exchange costs proposed by the LECs is an unreasonable allocation because it is contrary to, and, if converted into rate increases, would substantially impede the current public policy of this state of universal service, through creating hardships upon telephone customers and causing retreat from universal service; because it does not enjoy public support and is inequitable to basic service customers; because it supports unfair monopolistic practices, rather than legitimate public issues, such as the development of competition in comparison with other states; and because it is not followed, to our knowledge, in any other states and is not needed to address any current unfairness towards LECs in local service pricing.

Discussion

The LECs' proposed segregation of basic service alone to bear the brunt of network costs is unwise from a public policy perspective, because such pricing would result in the impairment or loss of public benefits derived from universal service. The public policy of universal service, and the public's support for it, is girded upon several benefits provided to the public at large. First, universal service provides value to the local network for the public at large, including businesses and those

² - It is difficult to compare basic residential service rates in other states because of differences in system costs and rate structures. Higher basic residential service rates in other southeastern states are accompanied by higher basic business rates as well, and are plausibly explained by higher costs due to more rural populations, and to smaller overall populations served. States of comparable size to Florida generally have similar basic rates to the rates that are charged in Florida, although there are differences in the structure of charges and in the prevalence of unlimited versus measured service.

making incoming calls to subscribers. Second, local network access is today an indispensable link to the world for millions of subscribers, particularly for those on limited incomes. We have built our modern society based upon access to the phone system, eliminating in the process much of our former, neighborhood-based, ways of life. Taking away access to phone service through unnecessary rate increases, at this point, would be grossly unfair and inhumane to those directly affected, and would substantially burden the remainder of society through increased demands placed on assistance and relief resources. And third, access to the local network also provides "entry" to non-basic local services, such as long distance and vertical services, that also use the network, and therefore it is reasonable and just for non-basic services to bear part of the cost of the network. Unnecessary rate increases for basic local service would cause hardship on residential customers, and retreat from universal service. Subsidized lifeline rates would cover only about 15 percent of affected low income households in Florida, and only about 2 percent of all affected Florida households.

It also would be inequitable to allow such a cost allocation. The LECs' cost allocation proposal is inequitable from a functional perspective. All phone services, not just basic service, use the local network, and require the functioning of the local network to be operable and of economic value. The local network is built and physically designed to fully facilitate all of these services. It would be inequitable for local exchange companies to build local networks designed to facilitate all of these services, and then to arbitrarily assign almost all of the networks' costs to basic service alone, and to charge customers accordingly.

The allocation of local exchange costs proposed by the LECs also is unreasonable because it supports unfair monopolistic practices, and does not further legitimate public issues, such as the

development of competition in local exchange service in comparison with other states. Pricing basic residential rates based upon the LECs' proposed cost allocations would be an unfair monopolistic practice. Basic residential customers alone still are monopoly customers of local telephone customers, and therefore need continued regulatory protection as is contained in Florida's current price caps on basic residential rates, and on the amounts by which the rates may be increased. Use of the LECs' current proposed allocation of local exchange network costs to basic residential service would single out basic residential customers, who are monopoly customers, to dramatic price increases, in order to subsidize either the LECs themselves, or other competitive services that the phone companies offer. The basic rate customers would be taken advantage of based upon their monopoly customer status. Until the LECs networks are truly open to alternative carriers, such proposed pricing would be an unfair monopolistic practice.

The LECs' proposed cost allocation to basic residential service cannot be justified based upon any comparative competitive disadvantage caused by Florida's current rates for basic residential service. These rates do not impede the development of competition in local exchange service, in comparison with other states, because other states price basic residential service in a manner similar to the way Florida does. In the Southeast, many of our neighboring states have higher residential basic service rates, but they also have higher business basic rates, and it may be inferred that the difference is based upon increased cost. In these states, the percentage of rural residents is over twice that of Florida's, and they have less than half as many residents as does Florida. (Table 1.) The basic business rates in these states are higher than those in Florida by an amount approximately proportionate to their increased residential rates, and in over half of them exceed \$40.00 per month. (Table 1.) In states with large, urban populations comparable to that of Florida, basic residential

rates are quite similar to those in our state, especially when differences in cost of living (such as New York City being more than twice as costly as Florida cities) are taken into account. (Table 2.)

Competition, for competition sake's alone, is a hollow, empty mantra that deserves no credence from Floridians. Whether we have competition in local exchange networks in Florida should depend entirely upon whether the public overall will benefit. Florida should not give up its natural cost advantages for telecommunications services through higher phone rates, just so that non-incumbent LECs can duplicate services already provided, but at higher rates.

Furthermore, current pricing of local exchange services in Florida appears to be fair to local exchange carriers. The costs of providing local exchange service do not appear to have increased, and may have decreased, over the past several years. Florida LECs have maintained or increased their substantial profitability over this time.

Each of Florida's three large LECs reported in their 1997 annual reports that their non-depreciation expenses have remained nearly stationary over the past three years; and that they substantially increased their depreciation-related expenses in the fourth quarter of 1995 after opting out of rate regulation earlier that year. The LECs reported that they made the accounting change not because of increased costs, but rather to take advantage of no longer having to follow regulatory guidelines, and thus being able to increase their depreciation allowances, and consequently capital expenditures, in order to better position themselves competitively in subsequent years. The result was that the Florida LECs reduced the estimated useful life of much of their infrastructure (cable, circuits, switches, etc.) by a third or more; took massive extraordinary charges in 1995; and generally increased their depreciation allowances in subsequent years. In spite of these large accounting adjustments, Florida's three large LECs continued to be highly profitable, reporting pre-tax profits

in 1997 of at least 32 percent.³ Florida LECs may petition the Commission for a rate increase if they believe that "circumstances have changed substantially [since Florida's deregulation of local exchange service in 1995] to justify any increase in the rates for basic local telecommunications services," F.S. §364.051(5), but no such petition has been filed.

VALUE OF SERVICE

The technical workshop in this proceeding is devoting extensive amounts of time to the issues of value of service, affordability, and general policy considerations. "Value of service" is a well-established term of art that refers to the traditional means of establishing rates for telecommunications services based upon allocating joint network costs according to customer value obtained from services. This is its intended meaning in Public Law 98-277. The phrase "value of service" was added at the end of the last legislative session specifically to give comfort to opponents

³ Consolidated Statements of Income and Notes, in 1998 10-K reports [1997 Annual Reports] of BellSouth Telecommunications (Note M), GTE Florida (Note 2), and Sprint-Florida (Note 8), as filed with the Securities and Exchange Commission.

BellSouth Telecommunications (BST) reduced its estimated economic asset lives of its digital switching from 17 to 10 years, and its other circuits from 10.5 years to 9.1 years; of its buried and aerial metallic cable from 20 to 14 years; and its underground metallic cable from 25 to 12 years. As a result of the accounting switch, BST posted an extraordinary charge in 1995 of \$2,718 million after taxes. BST's depreciation and amortization rose from \$3,065 million in 1995 to \$3,332 million in 1997, while its other regularly occurring operating expenses rose by two percent. BST's pre-tax profits in 1997 were 33.1%.

GTE Florida reduced its average depreciable lives of copper from 20-30 years to 15 years; of switching from 17-19 years to 10 years; of circuit from 11-13 years to 8 years; and fiber from 25-30 years to 20 years. As a result of the accounting switch, GTE Florida posted an extraordinary charge in 1995 of \$374 million after taxes. GTE Florida's depreciation and amortization rose from \$285 million in 1995 to \$358 million in 1997, while its other operating costs and expenses rose by one percent. GTE Florida's pre-tax profits in 1997 were 32.5%.

Sprint-Florida discontinued using regulatory depreciation standards, but did not disclose in its annual report the company's reductions in asset useful lives. As a result of the accounting switch, Sprint-Florida posted an extraordinary charge in 1995 of \$139 million after taxes and other adjustments. Sprint-Florida's depreciation rose from \$228 million in 1995 to \$247 million in 1997, while its other regularly occurring operating expenses rose by four percent. Sprint-Florida's pre-tax profits in 1997 were 31.8%.

of the previous versions of the bill, including FLORIDA LEGAL SERVICES, that the Commission's review of basic residential rates would not jettison entirely established criteria for establishing rates. Use of the traditional method of determining "value of service" to show how current rates have been set implements the intent of Public Law 98-277. Florida's 1995 revision of its telecommunications regulation does not require or contemplate a new interpretation of this phrase.

Under a "value of service" review, basic residential service is priced at the historically-determined residual needed for a reasonable rate of return for the phone companies, after pricing, according to consumer value, access to long distance, through access charges; residential vertical services; and business services. Businesses are recognized as receiving monetary benefits for their listings in the form of increased business, and the value of this benefit is at least partially included in the value of basic business service. Basic residential service is priced at a residual in order to further universal service. The pricing of basic residential service in this way recognizes that only part of the value of a residential line is enjoyed by the subscriber, with the remainder accruing to other members of the community; and also recognizes the social and public purposes furthered by a rate for basic residential service that is universally affordable.

Use of "value of service" criteria should lead to telecommunications rates at about the current rates for these services. For the Commission to impart new meaning to this term of art in its report would, in our view, constitute an uncalled for policy-based departure from the criteria for the rate study specified by Public Law 98-277. Nor, accepting the current meaning of "value of service," does the information related to the value of basic residential service that the Commission has been gathering in the past several months, such as customer opinions and a formal survey, justify

assigning new customer values to telecommunications service. So far, the information appears to be showing that basic residential service customers do not believe that they are receiving adequate value of service at current rates.

AFFORDABILITY

"Affordability" is a more difficult term to define and incorporate into the analysis of phone rates. FLORIDA LEGAL SERVICES is of the view, that we hope the Commission will adopt, that the "affordability" factor provides a balancing factor against raising basic rates for other reasons, under which the issue of loss of subscribers, or other customer hardship, caused by rate increases would be weighed against public benefits, if any, obtained through raising basic rates. Consideration of affordability impacts would also involve consideration of alternative to across-the-board rate increases as ways of mitigating these impacts.

It should be made clear that any increase in phone rates will cause some loss of subscribers and customer hardship; that increases of 50% to 100% or more in basic rates will cause devastating effects upon the public, to the extent that universal service will be lost; that basic residential service provides a critical connection to the world for millions of Floridians, particularly to those on fixed incomes who cannot afford or otherwise use Internet access and other means of home-based communication; and that the Lifeline/Link-Up program, that subsidizes monthly residential phone bills, is currently utilized by only 2 percent of all residential customers in Florida, and only 15 percent of low income customers. Decisions relating to the degree of acceptable affordability impact of higher rates, and whether alternative should be considered, are policy issues that should be described to, and decided by the Legislature.

Discussion

By "affordability," FLORIDA LEGAL SERVICES believes that the Legislature intends that the Commission look at how changes in basic service rates, particularly increases, may affect the affordability of the service for customers. We believe that there are three major issues for the Commission to consider in addressing this factor. First, to what extent would basic rate increases lead to customers discontinuing basic residential service, and what would the consequences be of this? Second, how might rises in the basic rate affect customers who are able to retain their service, but with difficulty, and what would be their perception of the changes? And third, how would customers who are relatively unaffected by basic rate increases perceive basic rate increases, and would they too consider the new rates to be "unaffordable?" Judged by these criteria, we believe that increases in basic rates at this time would result in the higher rates being "unaffordable" to many current telecommunications customers.

The current rates for basic residential telecommunications service in Florida, currently about \$10 to \$12 per month, are affordable even to many low income households, as evidenced by their subscription to basic residential service, and their comfort with the rate charged. Every dollar rise in the monthly basic residential rate means \$12 less in phone customers' annual budgets, and will force some customers to leave. Few low-income households have savings they can draw upon, or unnecessary expenses that they can cut. Some do not have \$12 extra per year; more still do not have \$24 extra per year; and so on. Those who will pay the increases may buy less medicine for themselves, or less orange juice for their children. Raising basic rates to \$20 or more per month, which would cause households to have to pay more than \$100 per year extra for telephone service, would cause basic service rates to become unaffordable to many households, and should be expected

to cause a widespread exodus of low income households from telephone service.

Rises in basic local telecommunications rates would have devastating effects upon the public. The reasons for this derive from the nature of telephone service itself. Telephone service is absolutely vital to households in today's society. The increase in mobility of American society over the past several decades, that has contributed dramatically to our current prosperity, is based upon the capacity of telephone service to continue relationships with geographically separated family members and friends. Modern transportation would be far less developed and attractive to its users without telephones. Suburb living, modern school districts, medical services, communications with employers and businesses, tourism, and countless consumer services would be severely hampered without telephones. The transformation of our country from a collection of locally-based neighborhoods to a national matrix of people has resulted in a dependence on the telephone for many aspects of daily life.

Yet despite the great importance of being connected to the telecommunications network, telephone service is among the more likely candidates for elimination from household budgets should basic rates rise, for two reasons. First, the value of telephone service is shared between the telephone customer and those who communicate with the customer through the telephone, so that the total value of telephone service is greater than that derived from the customer alone. The losses associated with termination of phone service borne by relatives who are no longer able to contact the customer; by businesses that lose profits because they are not called; and by communities that suffer from unemployment, lack of school attendance, and health problems caused by the lack of phone service, are not fully considered by the customer when service is terminated. These benefits of telephone service enjoyed by noncustomers is a primary reason for our continued adherence to

universal service as a state and national policy.

Even more importantly, telephone service is used intermittently. It is the most valuable of all consumer goods or services when it is needed most, but at other times may not be used at all. Households that are on very tight budgets must pay for housing, power, water, nourishment and medicine, or perish. Phone service, compared with these expenditures, is not as immediate, and is much easier to terminate, than these other expenditures, and so is more likely to be discontinued if its rates rise. Yet the consequences down the road to a household without telephone service are disastrous. Low-income households without telephone service have difficulties staying employed, keeping children in school, and staying connected with sources of support that can assist them in escaping poverty. They become trapped in unsafe and unhealthy neighborhoods. The ill hurt more, isolated by themselves. The elderly simply die.

The state-federal program designed to provide subsidies to low-income telephone customers, Lifeline/Link-Up, will not be able to help most of the low income customers who would be affected by increases in basic local rates. Currently, nearly 90% of the one million or more low-income telephone customers in Florida are not on the Lifeline/Link-Up program. Half of the low-income non-participants do not qualify for Lifeline/Link-Up assistance because they do not meet the Florida program requirement of receiving one of a number of public benefits. The remainder are required to initiate their application to the program, and there are many reasons common to nonparticipation in any public benefit program, including lack of knowledge, inability to apply, oversight, personal circumstances, and so on, why the remainder of non-participants fail to apply to the Lifeline/Link-Up program. As the Lifeline/Link-Up program is currently structured in Florida, it will be provide insufficiently available relief to low-income customers affected by increases in basic residential

service rates.

Even many households with income several times the poverty level, though, are on very tight monthly budgets. Expenditures for family members, pets, transportation and outstanding debts have accumulated for many households to barely manageable levels, or beyond. The raising of basic telephone rates, to these households, means calling mom less often; foregoing a favorite recreational activity; or putting off needed car repairs. Rises in basic rates must be perceived to be necessary in order for these households to accept them without rancor, for the deprivation caused by the increases is sharply felt. Rises in basic phone rates would not be perceived to be affordable by households on tight budgets, even if the basic service was maintained, and payment of rate hikes perceived to be unjustified would be made under deep protest.

Customers who could pay the increased basic residential service rates without significant difficulty would still be keenly aware of the hardships caused to others by the increases, due to the nature of telephone service, and consequently many of them would consider the new rates to be "unaffordable." Friends or family members that the better-off customers know, or want to stay in touch with, would have difficulty paying the increases, and might have to discontinue service, causing at least inconvenience, and reduction in the value of service, to all customers. Employers would have greater difficulty contacting employees, and businesses and professionals would receive less business by telephone and be less able to contact their clients. These consequences of higher basic service rates would lead many customers who are able to pay the increases to nevertheless view the higher rates as unaffordable.

EFFECT OF LIMITED NATURE OF PROCEEDINGS ON REPORT

The truncated nature of this proceeding, and the expressed desires of the sponsoring legislators, dictate caution in the use of the cost data and studies, and related filings, to form conclusions as to a fair and reasonable rate for basic residential service. Reasonably, these conclusions should be in the nature of observations with respect to issues raised by the proceedings, rather than in the nature of ultimate determinations as to the appropriate determination of costs, or allocation of costs between basic local residential and other telecommunications services, or resolution of other issues that must be considered, such as value of service, affordability, or comparisons with rates in other states.

There simply hasn't been enough of a process to make determinations as to the appropriate allocation of costs for various telecommunications services, or to make similarly authoritative determinations with respect to the other factors prescribed for Commission review by Public Law 98-277. Discovery has only begun, with disputes over hundreds of initial interrogatories not even resolved, and there has not been enough time to conduct even the limited amount of inquiry that has taken place. There have been none of the features of contested dockets that assure some level of reliability and confidence in the results, such as open issue identification; independent Commission staff aggressively probing company claims; full discovery; findings of fact based upon sworn testimony and cross examination; and specific rate proposals of the LECs for the Commission and public to react to.

Use of the LECs cost data and studies deserve special caution. In light of the newness and public policy concerns associated with the LECs' proposal to allocate the brunt of local exchange costs to basic residential service, and the limited nature of the review of the LECs' cost allocation data and studies by the Commission and the public, it is prudent for the Commission to use the LECs

true after the technical workshop:

(1) The cost of providing basic local telecommunications service in Florida consists almost entirely of costs that should be considered "joint and common costs," as that term is used in Public Law 98-277. Basic local service is just one of the many telecommunications services that use local exchange networks. One service of the network thus does not subsidize another. Due to the lack of competition in residential local exchange service in Florida, these costs can reasonably be allocated only by public policy. Currently, these costs are allocated according to "value of service" through the price caps on basic service. The costs of telecommunications services should be determined, as much as possible, by actual costs, rather than by hypothetical cost models, because this cost data will be used in setting rates for actual subscriber services.

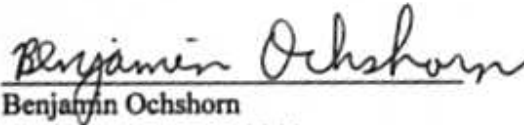
(2) Consideration of the value of service supports maintaining current rate caps upon basic residential service rates. These rates were set based upon value-of-service determinations that allocated "joint and common" network costs according to consumer value, and the data upon which these determinations were made does not appear to have substantially changed, or actually may support lower rates; and the Legislature has not changed this method of determining rates;

(3) Current rate caps upon basic residential service rates would be necessary for continuation of universal service at its current breadth. Substantial increases in basic phone rates could lead to significant erosions of telephone subscribership and create other . Lifeline/Link-Up currently covers only 2 percent of all basic rate customers, and only 15 percent of low-income customers. The loss of subscribers and hardship on customers caused by any basic rate increase would have to be weighed by the Legislature against any purported public benefits from these higher rates; and

(4) It is difficult to compare basic residential service rates in other states because of differences

in system costs and rate structures. Higher basic residential service rates in other southeastern states are accompanied by higher basic business rates as well, and are plausibly explained by higher costs due to more rural populations, and to smaller overall populations served. States of comparable size to Florida generally have similar basic rates to the rates that are charged in Florida, although there are differences in the structure of charges and in the prevalence of unlimited versus measured service.

Respectfully submitted,



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TABLE 1

Comparison of Local Service Phone Rates in Southern States Listed in Florida Public Service Commission Flier, by Percent Urban

	<u>Population¹</u>	<u>Percent of Population Living in Urban/Rural Areas²</u>	<u>Range of Monthly Basic Urban Residential Rates Reported³</u>	<u>Range of Monthly Basic Urban Business Rates Reported⁴</u>
Florida	14,653,945	84.8% / 15.2%	\$10.30 - \$11.81	\$28.00 - \$29.90
Virginia	6,733,996	69.4% / 30.6%	\$10.42 - \$13.59	\$21.96 - \$49.33
Louisiana	4,351,769	68.1% / 31.9%	\$12.64	\$36.76
Georgia	7,486,242	63.2% / 36.8%	\$14.85 - \$17.45	\$30.60 - \$46.00
Tennessee	5,368,198	60.9% / 39.1%	\$12.15	\$39.70
Alabama	4,319,154	60.4% / 39.6%	\$16.30	\$40.71
South Carolina	3,760,181	54.6% / 45.4%	\$14.77	\$31.67
Arkansas	2,522,819	53.5% / 46.5%	\$14.91 - \$20.02	\$30.66 - \$40.73
Kentucky	3,908,124	51.8% / 48.2%	\$17.55	\$43.19
North Carolina	7,425,183	50.4% / 49.6%	\$10.47 - \$12.54	\$28.22 - \$33.96
Mississippi	2,730,501	47.1% / 52.9%	\$17.95	\$45.14

¹ - ST-97-1 *Estimates of the Population of States: July 1, 1997*, U.S. Bureau of the Census.

² - Table 16, *1990 Census of Population and Housing*.

³ - *1998 Reference Book for Telephone Service*, Federal Communications Commission. The basic residential rate is for private line unlimited calling at the minimum available rate. Rate data is from a survey of the telephone rates in 95 U.S. cities in October, 1996.

⁴ - *1998 Reference Book for Telephone Service*, Federal Communications Commission. The basic business rate is for private line unlimited calling at the minimum available rate. Rate data is from a survey of the telephone rates in 95 U.S. cities in October, 1996.

TABLE 2**Comparison of Residential Unlimited Local Service Phone Rates in Most Populous States**

	<u>Population¹</u>	<u>Range for Monthly Urban Residential Unlimited Local Service Rate Reported²</u>	<u>Range for Typical Monthly Pre-Tax Bill for Urban Residential Service³</u>
California	32,268,301	\$11.25 - \$17.25	\$15.25 - \$21.70
Texas	19,439,337	\$ 8.80 - \$11.05	\$14.98 - \$17.23
New York	18,137,226	\$11.71 - \$22.03	\$17.20 - \$25.53
Florida	14,653,945	\$10.30 - \$11.81	\$16.31 - \$17.15
Pennsylvania	12,019,661	\$10.88 - \$13.80	\$15.63 - \$20.30
Illinois ⁴	11,895,849	\$10.81 - \$14.28	\$14.31 - \$20.77

¹ - ST-97-1 *Estimates of the Population of States: July 1, 1997*, U.S. Bureau of the Census.

² - *1998 Reference Book for Telephone Service*, Federal Communications Commission. The basic monthly residential rate is for private line unlimited calling at the minimum available rate. Rate data is from a survey of the telephone rates in 95 U.S. cities in October, 1996. Each of the referenced states has at least three surveyed cities.

³ - *1998 Reference Book for Telephone Service*, Federal Communications Commission. The basic monthly residential rate is for private line unlimited calling at the minimum available rate. The typical bill is for a private line with unlimited calling at the generally available rate, touch tone, least cost inside wiring maintenance plan, and the \$3.50 subscriber line charges. Rate data is from a survey of the telephone rates in 95 U.S. cities in October, 1996. Each of the referenced states has at least three surveyed cities.

⁴ - These rates were replaced in 1996 by mandatory local measured service for most subscribers. Statewide in Illinois, approximately 93 percent of access lines now receive service under an LMS rate. *1997 Annual Report on Telecommunications of the Illinois Commerce Commission*.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original and one copy of the foregoing Comment of Florida Legal Services was filed with Blanca S. Bayó, Director, Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850; and that a true and correct copy was provided by U.S. Mail this 24 day of September, 1998, to:

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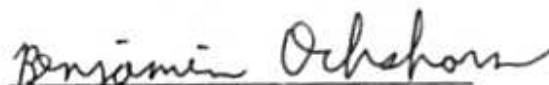
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