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January 15, 2001

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

Re: Docket No. 990649-TP
Investigation into Pricing of Unbundled Network Elements

Dear Ms. Bayo:

Please find enclosed an original and fifteen copies of Verizon Florida Inc.'s Response to Sprint-Florida's Petition to Amend Order Granting Motions to Bifurcate and Suspend Proceedings for filing in the above matter. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this filing, please contact me at (813) 483-2617.

Sincerely,

kw Kimberly Caswell

KC:tas
Enclosures

- APP _____
- CAF _____
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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into pricing)
of unbundled network elements) Docket No. 990649-TP
_____) Filed: January 15, 2001

**VERIZON FLORIDA INC.'S RESPONSE TO
SPRINT-FLORIDA'S PETITION TO AMEND ORDER GRANTING MOTIONS TO
BIFURCATE AND SUSPEND PROCEEDINGS**

Verizon Florida Inc. (Verizon) supports Sprint-Florida's Petition to Amend Order Granting Motions to Bifurcate and Suspend Proceedings (Petition), filed on January 5, 2001, but would extend that request for amendment of the Order to Verizon, as well. The Order that is the subject of Sprint-Florida's Petition pertains to both Sprint-Florida and Verizon. It requires both companies to submit new cost studies on April 2, 2001, and includes both companies in the hearing scheduled for June 27-29, 2001.

Verizon agrees with Sprint-Florida's conclusion that amendment of the Order is warranted because of events that have occurred since it was issued on August 18, 2000. As Sprint-Florida points out, the impetus for bifurcation and suspension of the proceedings as to Sprint-Florida and Verizon was the Eighth Circuit Court of Appeals' Order vacating the FCC's unbundled network element (UNE) rules, including rule 51.505(b)(1), which requires use of a hypothetical network for pricing UNEs. Although Verizon had always opposed the FCC's hypothetical network construct, it was obliged to follow the FCC's rules in performing the cost studies it submitted here and elsewhere. The Court's ruling overturning the FCC's rules thus made it necessary for Verizon and Sprint to re-evaluate their existing studies.

However, as Sprint points out, after this Commission issued its Order, the Eighth Circuit granted a stay of its decision, pending review by the United States Supreme

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Court. A number of petitions for review are pending before the Supreme Court, but the Court has not yet agreed to review the Eighth Circuit's ruling. As such, Verizon concurs in Sprint's observation that it will be impossible to predict what the state of the federal law governing the cost studies will be by the time those studies are due on April 2, 2001.

Over the past months, the Commission has been frustrated by conducting hearing proceedings only to have particular rulings effectively overturned by subsequent FCC or Court decisions. This is an unfortunate situation, but the new regulatory scheme Congress established in the Telecommunications Act of 1996 (Act) has made it necessary for state commissions to remain continually aware of the potential effect of federal rulings on state proceedings. They must assess whether moving forward in a particular case is worth the potential waste and inefficiency associated with doing so.

In this case, Verizon submits that this balancing process must come down on the side of allowing Verizon and Sprint-Florida additional time to submit their cost studies. There is no doubt that the companies' studies and proposed prices must comply with the federal costing and pricing standards. These standards are, at present, still unsettled. But, under the Commission's Order, the companies must undertake the studies now, if they are to meet the April filing deadline. As Sprint correctly points out, until the United State Supreme Court rules definitively on the FCC's pricing rules, "any cost study, whether compliant with those rules or not, runs the risk of being wrong." (Sprint Petition at 3.) And if the study does not comply with the federal rules, then it must be revised. If the study must be revised, then the Commission will need to hold yet another hearing on the study and proposed prices.

Considering the complexity of a UNE price-setting case, and the volume of work both Staff and the parties must do to conduct and conclude such a case, Verizon submits that an additional delay of some months is better than facing the very real possibility of having to repeat this proceeding. The only way to ensure that the Commission will not have to conduct duplicative proceedings is to permit Verizon to submit cost studies after the issue of the appropriate pricing methodology is resolved at the federal level. That is Verizon's primary recommendation. If the Commission declines to accept that recommendation, then Verizon asks that the deadline for submission of its UNE cost studies be extended from April 2, 2001, to *at least* July 2, 2001, as Sprint has requested for itself.

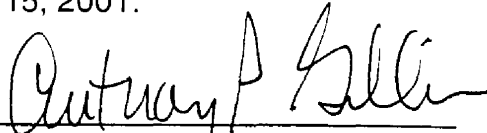
Granting an extension for Sprint-Florida, but not for Verizon, would be inefficient and would serve no purpose. If the companies are placed on separate tracks, the Commission would have to find time for two hearings, rather than one, and Staff would have to largely duplicate its efforts.

Verizon submits that an extension for filing its cost studies will not materially prejudice any party. Until the UNE proceeding concludes, Verizon would agree to leave in place its existing interim deaveraged loop rates, to maintain other UNE rates under existing interconnection contracts, and to negotiate prices for the few remaining UNEs on a bona fide request basis. This is the same approach the Commission accepted when it granted its August Order bifurcating the proceeding. Verizon believes this approach has not caused problems for any party.

For all these reasons, Verizon supports Sprint-Florida's request to delay cost study submissions, but asks the Commission to recognize and grant Verizon's own

request to delay its cost study filing. The best approach would be to delay cost study submissions until after the federal pricing methodology has been finally determined. In the alternative, Verizon seeks an extension for its cost study filing until at least July 2, 2001.

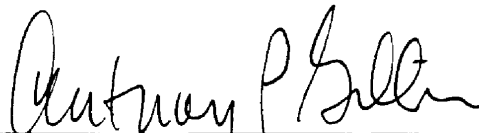
Respectfully submitted on January 15, 2001.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of Verizon Florida Inc.'s Response to Sprint-Florida's Petition to Amend Order Granting Motions to Bifurcate and Suspend Proceedings in Docket No. 990649-TP were sent via U.S. mail on January 15, 2001 to the parties on the attached list.



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