



required to make any refunds, so since that time it seems likely that the company's earnings have improved significantly. BellSouth has had "cost recovery" of all of its costs since that time.

There is nothing extraordinary or unique about number pooling costs. Efficient use of these resources is part of the overall cost of providing telecommunications services. Companies incur a wide variety of costs to provide telephone service, and the nature of these costs continually changes as the industry itself evolves. The companies can not pass through each of their costs as special surcharges to local rates, and the costs of conducting number pooling trials should be no exception.

Nothing in the FCC's orders requires anything more than the cost recovery mechanism afforded by Florida's price cap statute. While it is true that the costs incurred by carriers to implement state-mandated thousands-block number pooling are intrastate costs<sup>1</sup>, the FCC's interpretation of section 251(e)(2) of the Telecommunications Act does not guarantee any particular return or require the Commission to guarantee that carriers recover all their thousands-block number pooling costs<sup>2</sup>. Moreover, the Florida Public Service Commission is bound by chapter 364, Florida Statutes. The FCC does not have the power to require the Florida Commission to take an action that is not authorized by Florida Statutes, such as raising local rates through a surcharge, when the price cap statute does not allow such an increase.<sup>3</sup>

Although price cap regulation places strict limits on the companies' ability to raise local rates, the statute also provides a mechanism if the companies should encounter a substantial hardship. Under section 364.051(4), Florida Statutes, any local exchange company that believes circumstances have changed substantially to justify any increase in local rates may petition the Commission for a rate increase, but the Commission may grant such a petition only after an opportunity for a hearing and a compelling showing of changed

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<sup>1</sup> *Numbering Resource Optimization, First Report and Order*, FCC 00-104 released March 31, 2000, para. 197.

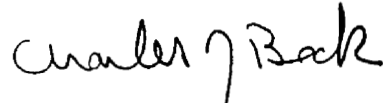
<sup>2</sup> *Id.*, para. 200.

<sup>3</sup> Also note that so far the FCC has not authorized a federal charge on end users for federal thousands-block number pooling costs. *Numbering Resource Optimization, Second Report and Order*, FCC 00-429 released December 29, 2000, para. 180-181.

Cheryl Bulecza Banks  
February 16, 2001  
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circumstances. This mechanism is always available to the companies if they believe they are not recovering their cost of providing telephone service.

Sincerely,

A handwritten signature in black ink that reads "Charles J. Beck". The signature is written in a cursive style with a large, stylized initial "C".

Charles J. Beck  
Deputy Public Counsel

cc: Division of Records and Recording  
All parties of record