

State of Florida



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: March 15, 2002
TO: Division of Commission Clerk and Administrative Services (Bayó)
FROM: Division of Competitive Markets and Enforcement (İleri) *zi RBB AK*
RE: Docket No. 010963-TP: Investigation into Telecommunications Rate Center Consolidation in the State of Florida

Please place the following correspondence from Sprint in the above referenced docket:

March 15, 2002 Presentation File of Stan Greer (BellSouth) to Mr. Levent İleri (FPSC)

If you have any questions, please call me at 413-6562.

LI
Attachment

cc: Office of the General Counsel (Christensen)
Division of Competitive Markets and Enforcement (Bulecza-Banks, Casey)

- AUS _____
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DOCUMENT NUMBER DATE

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FPSC-COMMISSION CLERK

BellSouth Rate Center Consolidation Presentation

March 15, 2002

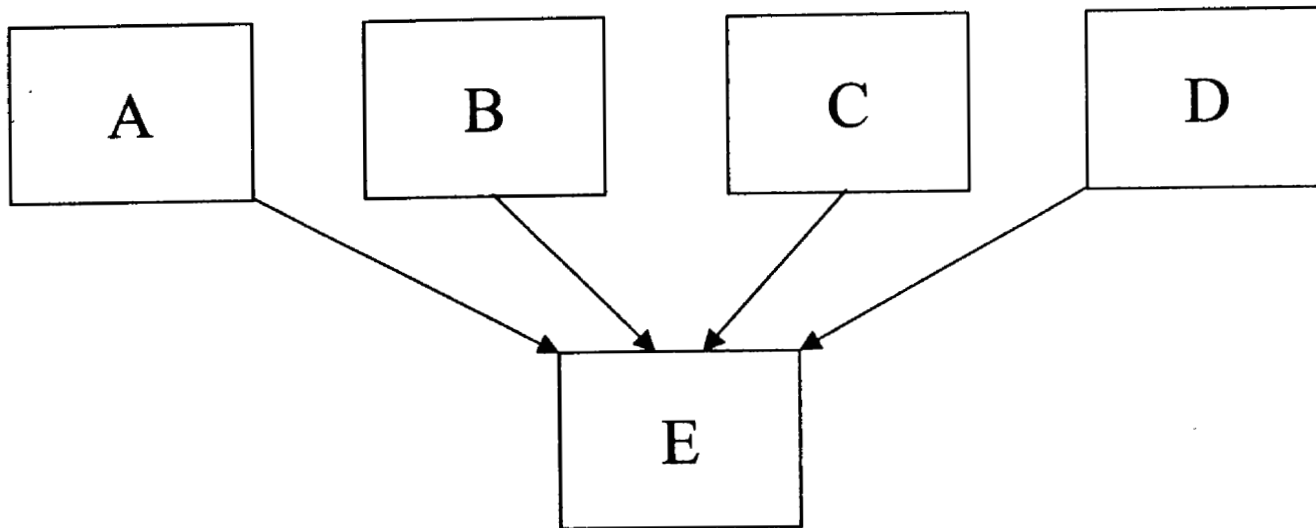
Florida Commission Workshop

BELLSOUTH RATE CENTER CONSOLIDATION PRESENTATION

- General Understanding of Rate Center Consolidation (RCC)
- Can The Commission Require RCC
- Detailed Review of RCC Issues
- RCC Working Group Report

What is Rate Center Consolidation (RCC)?

Rate Center Consolidation is the aggregation of multiple rate centers into a larger rate center.



KEY QUESTION

- Does the FPSC have the authority to order RCC?
- ANSWER: NO.

THE FCC HAS GENERAL AUTHORITY

- The FCC has exclusive authority over numbering issues. 47 U.S.C. § 251(e).
- The FCC, however, can delegate all or portions of its authority over numbering issues to state commissions. 47 U.S.C. § 251(e)(1).

FPSC POWERS

- At this point, the FCC has only delegated limited authority to the FPSC:
 - Create new area codes through the use of geographic splits, area code boundary realignment, or an overlay (FCC 98-224)
 - Implement certain numbering conservation measures (FCC 99-249)

FPSC CONSERVATION

POWERS

In order no. 99-249, the FCC gave the FPSC the authority to implement the following numbering conservation measures:

- Institute 1,000 block pooling
- Reclaim all unused and reserved NXX codes
- Maintain rationing procedures for six months after area code relief
- Set numbering allocation standards
- Request number utilization data from all carriers
- Implement NXX code sharing

RCC IS A STATE ISSUE

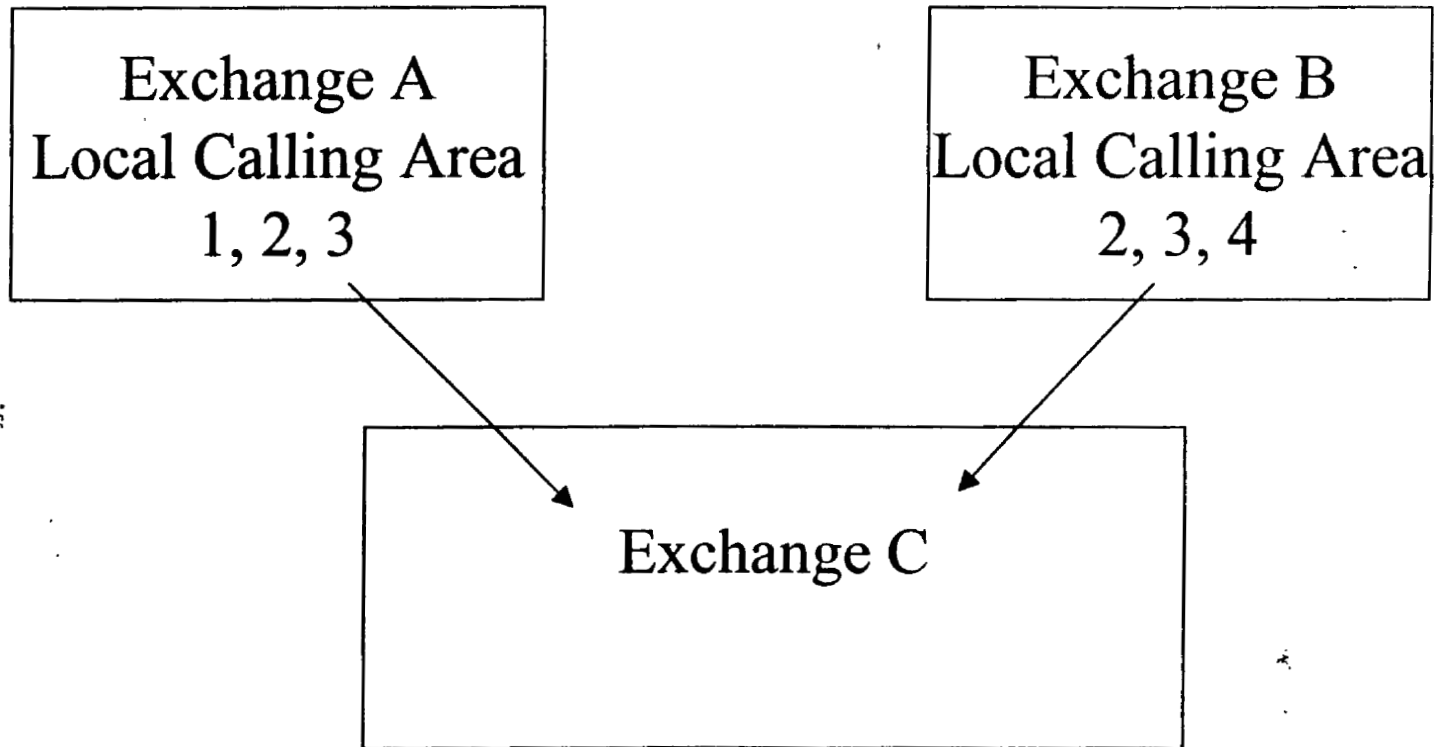
- In FCC 99-249, the FPSC also asked for the authority to implement RCC.
- The FCC, however, expressly determined that, because RCC “involves matters relating to local calling scopes and local call rating, it falls under state utility commissions’ rate-making authority.” FCC 99-249 at ¶ 38.
- Accordingly, regarding the FPSC’s request for authority to order RCC, the FCC held that RCC was within the authority of the FPSC, but granted the FPSC whatever “additional authority it may need to consolidate rate centers” Id.

FLORIDA LAW APPEARS **TO PROHIBIT RCC**

- Section 364.10(1), Florida Statutes provides:

A telecommunications company may not make or give any undue or unreasonable preference or advantage to any person or locality or subject a particular person or locality to any undue or unreasonable prejudice or disadvantage in any respect whatsoever.

- Section 364.10(1) would prohibit RCC because it potentially discriminates and places an undue or unreasonable prejudice or disadvantage on the customers of the newly consolidated rate center because some customers would be required to make a toll call for the same call that another customer could make toll-free.



- Customers in former Exchange A could not dial customers in local calling area 4 toll-free
- Customers in former Exchange B could not dial customers in local calling area 1 toll-free

REMEDIES?

- Order price regulated LECs to implement extended area service (“EAS”) or extended calling services (“ECS”).
 - Give customers in the new rate center same local calling areas.
 - However, the FPSC cannot order a price-regulated carrier to implement EAS or ECS.
 - In Order No. PSC-97-0971, the Hamilton County Board of Commissioners requested EAS from Hamilton County to all exchanges within Columbia County, Suwannee County, and Madison County

REMEDIES?

- The FPSC denied the request and held that it cannot order a price-regulated LEC to implement post-July 1, 1995 requests for EAS or ECS.
- “We cannot order a price-regulated LEC to implement a non-basic service; thus, we are without jurisdiction to require the price-regulated LECs to implement post-July 1, 1995 requests for EAS or ECS.” Order No. PSC-97-0971-FOF-TL at 3.

REMEDIES?

- A second potential remedy would be to change customer calling areas and rates.
- In order to change local calling scopes, FPSC is effectively ordering price-regulated LEC to implement ECS or EAS

Potential Impact of RCC

- **Customers' Local, Extended Area and Toll Calling Area May Change**
- **Carriers May Experience a Revenue Impact**
- **Customers' Dialing Patterns Could Change**
- **Possible Adverse Routing Impact for 911**
- **Adverse Impact on the ability to get Numbering Resources**

First Major Hurdle

How do companies recover revenue loss and cost to implement a given RCC plan?

Second Major Hurdle

What is the impact to Rate Groups?

Third Major Hurdle

What is the impact of RCC on a company's ability to get additional numbering resources?

Fourth Major Hurdle

Make sure you check and double check E911 Default Routing Issues

Major Rate Center Consolidation Implementation Issues

- Develop Notice to Customers and Carrier
- Develop an implementation schedule/timeline
- Develop any OSS, Billing and Network Modifications
- Complete CO Code Administration Changes
- Complete Dialing Plan and Trunk Translations
- Complete Testing
- Evaluate and Complete any E911 Changes
- Revise Tariffs
- Develop a Cost Recovery/Revenue Neutral Method

When should RCC be Implemented to Maximize Impact?

Before Pooling

After Area Code Relief

RCC Example – Consolidation in Jacksonville

EAS

Baldwin
Callahan
Jacksonville Beach
Julington
Maxville
Middleburg
Orange Park
Ponte Vedra Beach
St. Johns
Yulee

Jacksonville
Maxville

Jacksonville
Ponte Vedra Beach
St. Johns

Jacksonville
Orange Park
St. Johns

Baldwin
Jacksonville
Middleburg
Orange Park

Jacksonville
Jacksonville Beach
St. Johns

Jacksonville

Baldwin

Jacksonville
Beach

Julington

Maxville

Ponte
Vedra
Beach

Fernandina Beach
Hilliard
MacClenny
Palatka
Sanderson
St. Augustine

Callahan
MacClenny
Sanderson

St. Augustine

Green Cove Sp
Palatka
Ponte Verda Beach
St. Augustine

MacClenny
Sanderson

Julington
St. Augustine

ECS

A. Proposal Definition Assumptions

The core assumptions to be used for the development of a RCC Proposal are:

1. **Proposals considered do not decrease customer's existing local or extended calling areas;**
2. Proposals considered conform to current NPA & LATA boundaries (except where existing local calling areas are interLATA);
3. **For any area, a proposal that consolidates only exchanges with the same local calling area would always be considered.**
4. Proposals take into consideration community of interest.
5. **Rural Carriers should not be considered in rate center consolidation unless requiring consolidation would significantly impact the life of an area code.**
6. Rural Carriers may be impacted by any RCC proposal of other carriers.
7. Proposals should not combine inter-company exchanges.
8. Proposals should have consistent rate centers among all carriers.
9. **Proposals should avoid any 911 impacts (additional costs, porting problems, and default rerouting)**
10. **Proposals considered may result in new local/EAS or ECS routes.**
11. Number Pooling impact is not considered in the RCC proposals.

A. **NXX Impact Analysis Assumptions**

For the purpose of this report, the following assumptions are used to establish the impact of rate center consolidation, prior to pooling, on NXX assignments:

1. **Alternative local exchange carriers (ALECs) would still require an NXX per rate center;**
2. Rate center consolidation will have minor affect on how wireless carriers obtain NXXs and should not be considered as part of this analysis.
3. NXX analysis assumes that NXXs can be shared across switches of the same carrier providing service within the rate center. In a number portability environment and a number-pooling environment this capability is assumed to exist.
4. For multi-switch wire centers within a rate center, a NXX savings for each wire center is assumed.
5. **For LECs with one NXX currently assigned, a fill rate of 25% was assumed.** The table below illustrates the methodology for determining the impact of RCC on NXX assignment. For example, in Table 1, without RCC, LEC A has one NXX per rate center for 10 rate centers. Based on the assumption of a 25% fill rate, if the 10 rate centers were consolidated into one rate center, the additional telephone numbers for assignment, with RCC, would be:
6. **For LECs with more than 1 NXX assigned in an existing rate center, it is assumed all NXXs prior to the last NXX have 100% utilization.** The last NXX in a rate center is assumed to have a fill of 25%. For example, in Table 2, in a 10 rate center alternative, if LEC A has two NXXs in one rate center and one NXX in the remaining rate centers, the impact on NXX assignments would be calculated as:
7. The study assumes that NXXs can be shared across host/remote arrangements.
8. **To determine the impact of RCC on future growth, an ALEC growth rate of 15% a year is assumed. This growth rate represents the rate of NXX assignment prior to ALEC requesting NXXs.**

- A. Revenue/Cost Impact Analysis Assumptions
1. **Source for initial revenue data to determine magnitude of revenue impact should be the local, toll, and access billing data.**
 2. IXC revenue loss has not been considered in this analysis.
 3. **A fundamental assumption is that all customers within a consolidated area will have the same local calling area and be affected by the same community calling plans. No exchange will lose any local calling, and any point that is now local to any of the exchanges in a new consolidated rate center will be local to all of the new rate center.**
 4. Revenue losses from services such as FX and FX/CO arrangements are not included in this analysis.
 5. Lost reciprocal compensation revenue from increased ISP traffic is not considered.
 6. **Revenue impact for each consolidation proposal is impacted by the total consolidation.** For example, as indicated in Appendix A, the ECS and toll revenue impact of Broward County (954 NPA) is approximately 3-4 million per month. This revenue figure may be impacted by other consolidation alternatives within the 305/786 or 561 area codes due to overlapped calling. Thus, the revenue impacts will have to be refined if a subset of proposed consolidations within each NPA is eliminated from consideration.
 7. No stimulation factor for increased calling has been applied to consolidations that will result in a conversion of toll to extended local calling.
 8. Cost impacts due to increased local trunking requirements, including ISP traffic, are not considered, except for Sprint. (See footnote 10)
 9. Investments for central office, outside plant, trunking, and expenses for translations, directory, customer education, administration, and billing system changes should also be considered.

TABLE 3

NPA	NXXs Assigned to LECs Prior to RCC	NXXs Required for LECs After RCC	Available Telephone Numbers
305/786	612	501.25	1,107,500
407/321	353	243.50	1,095,000
561	383	285.75	972,500
727	169	152.50	165,000
813'			
904	306	231.75	742,500
954	392	316.75	752,500

Backup data is in Appendix B

TABLE 4

NPA	Rate Centers (Before/After)	Number of ALECs	15% Increase of ALECs by Year	ALECs NXXs Assigned by Year before RCC	ALECs NXXs Assigned by Year after RCC
305/786	11/2	39	6	66	12
407/321	6/2	32	5	30	10
561	14/5	20	3	42	15
727	4/2	18	3	12	6
813 ¹	4/2				
904	23/8	19	3	69	24
954	5/1	29	5	25	5

Note: Numbers Columns 4, 5, and 6 in this table have been rounded.

TABLE 5

NPA	REVENUE LOSS BY YEAR*
305/786	\$29,000,000
407/321	\$10,700,000
561	\$25,100,000
727	\$7,500,000
813	\$6,500,000
904	\$5,900,000
954	\$44,900,000

* Amounts are rounded to the nearest \$100,000

The approximate impact for the entire plan is 149.5 million a year¹ for BellSouth², Sprint³, and Verizon.

IF THE FPSC HAS **AUTHORITY**

- If the FPSC believes that it has the authority to order RCC, the FPSC should implement RCC on a revenue neutral and cost neutral basis.
 - Implement RCC without a ballot.
 - Apply an additive to cover revenue loss and cost to implement.