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March 29, 2002

Ms. Blanca S. Bayo, Director
Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

HAND DELIVERY

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U2 MAR 29 PM 3:44
COMMISSION
CLERK

Re: Docket No. 000075-TP

Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of AT&T Communications of the Southern States, LLC ("AT&T"), TCG of South Florida ("TCG"), and AT&T Broadband Phone of Florida, LLC ("AT&T Broadband") are the following documents:

1. Original and fifteen copies of the Prehearing Statement; and
2. A disk containing a copy of the Prehearing Statement.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the copy to me.

Thank you for your assistance with this filing.

Sincerely,

Martin P. McDonnell
Martin P. McDonnell

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03628 MAR 29 02

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into appropriate)
methods to compensate carriers for)
exchange of traffic subject to Section 251)
of the Telecommunications Act of 1996.)
_____)

Docket No. 000075-TP
(Phase II)

Filed: March 29, 2002

**PREHEARING STATEMENT OF AT&T COMMUNICATIONS OF THE
SOUTHERN STATES, LLC, TCG OF SOUTH FLORIDA AND
AT&T BROADBAND PHONE OF FLORIDA, LLC (FORMERLY KNOWN AS
MEDIAONE FLORIDA TELECOMMUNICATIONS, INC.)**

Pursuant to Order No. PSC-00-2229-PCO-TP issued November 22, 2000, Order No. PSC-00-2350-PCO-TP issued December 7, 2000, Order No. 00-2452-PCO-TP issued December 22, 2000, Order No. PSC-01-0632-PCO-TP issued March 15, 2001 and Order No. PSC-02-0139-PCO-TP issued January 31, 2002, AT&T Communications of the Southern States, LLC ("AT&T"), TCG of South Florida ("TCG") and AT&T Broadband Phone of Florida, LLC ("AT&T Broadband") (formerly known as MediaOne Florida Telecommunications, Inc.), hereinafter referred to collectively as "AT&T", files its Prehearing Statement addressing the remaining Phase II issues.

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03628 MAR 29 2002

FPSC-COMMUNICATIONS CLERK

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On Behalf of AT&T

A. WITNESSES

ISSUES

Direct

Paul E. Cain	Issues 13 and 17
Gregory R. Follensbee ¹	Issue 13
Timothy J. Gates ²	Issue 13
Lee L. Selwyn ³	Issues 13 and 17

Rebuttal

Paul E. Cain	Issues 13 and 17
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B. EXHIBITS

None.

¹Witness Gregory R. Follensbee's testimony was originally filed on March 12, 2001 and was refiled on March 1, 2002 pursuant to Order No. PSC-02-0139-PCO-TP. Mr. Follensbee's testimony is sponsored by AT&T, TCG and AT&T Broadband Phone of Florida, LLC.

²Witness Timothy J. Gates' testimony was originally filed on March 12, 2001 and was refiled on March 1, 2002 pursuant to Order No. PSC-02-0139-PCO-TP. Mr. Gates' testimony is sponsored by Level 3 Communications, LLC.

³Witness Lee L. Selwyn's testimony was originally filed on March 12, 2001 and was refiled on March 1, 2002 pursuant to Order No. PSC-02-0139-PCO-TP. Dr. Selwyn's testimony is sponsored by AT&T, TCG, AT&T Broadband Phone of Florida, LLC, Global NAPs, Time Warner Telecom of Florida, L.P., Florida Cable Television Association, and the Florida Competitive Carriers Association.

C. STATEMENT OF BASIC POSITION

Pursuant to the Federal Communications Act of 1996 (“Act”) and Federal Communications Commission (“FCC”) rules and orders, state commissions should develop policies that promote local exchange services competition between incumbent local exchange companies (“ILECs”) and alternative local exchange telecommunications companies (“ALECs”). Each ALEC, competing for its desired position in the marketplace, should have the opportunity to negotiate its local calling area with the ILEC. In the absence of the parties reaching agreement, the Commission should establish LATA-wide local calling for intercarrier compensation purposes. In order for the ALECs to meaningfully compete in the marketplace, it is imperative that they not be saddled with “cloning” the ILECs’ historical networks and local calling areas in the provision of local communications services. ALECs seek the flexibility to differentiate their service from ILECs in the form of additional features, reduced prices, and expanded local calling areas. LATA-wide local calling for purposes of intercarrier compensation will give ALECs this flexibility, which will enhance competition and result in an overall benefit to the consumers.

The Commission should retain reciprocal compensation as the appropriate compensation mechanism governing the transport and delivery or termination of traffic subject to Section 251 of the Act, unless the parties agree otherwise. Section 252(d)(2)(A) of the Act states that an interconnection agreement between an ILEC and a new entrant cannot be found just and reasonable unless the agreement itself provides for the mutual and reciprocal recovery by each carrier of costs associated with the transport and termination on each carrier’s network facilities of calls that originate on the network facilities of the other carrier. Reciprocal compensation appropriately

imposes costs on the cost-causer, and allows the costs to be shared by both the originating company and the terminating company. Bill-and-keep, on the other hand, preserves objectionable aspects of the existing patchwork of intercarrier compensation. Bill-and-keep would be neither efficient nor competitively neutral and would result in significant unintended and undesirable consequences, including potential regulatory arbitrage, increased unwanted calls to consumers, and a considerable financial windfall to ILECs.

D. STATEMENT OF ISSUES AND POSITIONS

Issue 13: How should a “local calling area” be defined, for purposes of determining the applicability of reciprocal compensation?

(a) What is the Commission’s jurisdiction in this matter?

AT&T: The Commission has jurisdiction to define its local calling areas for determining the applicability of reciprocal compensation pursuant to Section 251(b)(5) of the Act, Section 120.80(13), Florida Statutes, and Florida Interexchange Carriers v. Beard, 624 So.2d 248 (Fla. 1993).

In paragraph 1035 of its *Local Competition Order* (FCC 96-325), the FCC specifically addressed the authority of state commissions to define local calling areas for purposes of determining the applicability of reciprocal compensation. Paragraph 1035 states:

With the exception of traffic to or from a CMRS network, state commissions have the authority to determine what geographic areas should be considered “local areas” for the purpose of applying reciprocal compensation obligations under Section 251(b)(5), consistent with the state commission’s historical practice of defining local service areas for wireline LECs. We expect the states to determine whether intrastate transport and termination of traffic between competing LECs, or a portion of their local service areas are not the same, should be governed by Section 251(b)(5)’s reciprocal compensation obligations or whether intrastate access charges

should apply to the portions of their local service areas that are different.

Additionally, Section 120.80(13)(d), Florida Statutes, grants the Commission the authority to carry out its duties as a state commission pursuant to the Act, and states:

(d) Notwithstanding the provisions of this chapter, in implementing the Telecommunications Act of 1996, Pub. L. No. 104-104, the Public Service Commission is authorized to employ procedures consistent with that Act.

Finally, the Florida Supreme Court has held that the Commission has statutory authority to modify local calling areas:

The exclusive jurisdiction in section 364.01 to regulate telecommunications gives the Commission the authority to determine local routes.

Florida Interexchange Carriers v. Beard, 624 So.2d 248, 251 (Fla. 1993).

- (b) **Should the Commission establish a default definition of local calling area for the purpose of intercarrier compensation, to apply in the event parties cannot reach a negotiated agreement?**

AT&T: Yes. The Commission should establish a default definition of local calling area for the purpose of intercarrier compensation in the event parties cannot reach a negotiated agreement. A default definition of local calling area would serve the two-fold purpose of assisting carriers in negotiating their local calling area in their agreements as the carriers would know the parameters of the default mechanism, and would result in a consistent statewide default definition of local calling area for the purpose of intercarrier compensation.

- (c) **If so, should the default definition of local calling area for purposes of intercarrier compensation be: (1) LATA-wide local calling, (2) based upon the originating carrier's retail local calling area, or (3) some other default definition/mechanism?**

AT&T: The default definition of local calling for purposes of intercarrier compensation should be LATA-wide local calling. The ILECs' proposal to define a default local calling area as the ILECs' local calling area must be rejected. ILECs have the flexibility, based upon their ubiquitous networks, to extend their local calling areas beyond the boundaries of the basic local

calling areas on file with the Commission. BellSouth's tariffs, for example, specify extended area service (EAS) exchanges and extended calling service (ECS) exchanges. BellSouth's (and the other ILECs') ability to offer their customers local calling area options is in effective marketing tool and should be equally available to the ALECs. Yet, under the ILECs' proposal, it is not.

Establishing a default definition of local calling area as LATA-wide local calling would enhance competition and result in overall benefits to consumers.

Issue 17: Should the Commission establish compensation mechanisms governing the transport and delivery or termination of traffic subject to Section 251 of the Act to be used in the absence of the parties reaching agreement or negotiating a compensation mechanism? If so, what should be the mechanism?

(a) Does the Commission have jurisdiction to establish bill-and-keep?

AT&T: Yes, the Commission has jurisdiction to establish bill-and-keep, if local traffic between the carriers is roughly balanced. Pursuant to FCC Rule 51.713(b), the Commission may impose bill-and-keep arrangements if the amount of telecommunications traffic from one network to the other is roughly balanced with the amount of local telecommunications traffic flowing in the opposite direction, and is expected to remain so.

(b) What is the potential financial impact, if any, on ILECs and ALECs of bill-and-keep arrangements?

AT&T: A bill-and-keep arrangement would cause major adverse financial impact without a concomitant reduction in administrative costs. ALECs in particular will lose a source of income that is necessary to cover the costs for transporting and terminating calls originating on an ILEC network. Further, depending on how the Commission was to define the term "roughly balanced" to establish the parameters of a bill-and-keep arrangement, the carrier that originates more calls than it terminates obviously would receive a financial windfall.

(c) If the Commission imposes bill-and-keep as a default mechanism, will the Commission need to define generically "roughly balanced?" If so, how should the Commission define "roughly balanced?"

AT&T: Yes, if the Commission imposes bill-and-keep as a default mechanism, it will need to define generically "roughly balanced." Traffic should be considered

“roughly balanced” when the difference between the amounts of traffic terminated by each carrier is almost insignificant.

- (d) **What potential advantages or disadvantages would result from the imposition of bill-and-keep arrangements as a default mechanism, particularly in comparison to other mechanism already presented in Phase II of this docket?**

AT&T: Bill-and-keep has many potential disadvantages as it preserves objectionable aspects of the existing patchwork of compensation. Bill-and-keep would discourage good faith negotiations between parties as the party that expects to originate more traffic than it terminates would have the incentive to avoid any agreement knowing that the default bill-and-keep mechanism would be triggered. Bill-and-keep would create new opportunities for both regulatory arbitrage and monopoly abuse by encouraging carriers to seek customers who make more calls than they receive. Bill-and-keep also requires recipients of unwanted telephone calls to pay for terminating those calls. Consequently, consumers who make few calls or those who subscribe to phone service primarily for safety reasons would likely see their phone rates increase, while customers who make a large number of calls (e.g., telemarketers) would likely see their rates decline.

Only when the exchange of local traffic is precisely in balance does bill-and-keep offer any advantage. Even then, the only advantage to bill-and-keep would be that administrative work would be less burdensome as the parties would not need to render bills and checks to each other each month. Of course, this benefit could easily be achieved between the parties by negotiating bill-and-keep.

The Commission should retain the current reciprocal compensation mechanism unless the parties agree otherwise as it is cost based, consistent with the Act and competitively neutral.

E. STIPULATED ISSUES: None.

F. PENDING MOTIONS: None.

G. PENDING REQUESTS FOR CONFIDENTIALITY: None.

H. ANY REQUIREMENT SET FORTH IN ORDER NO. PSC-02-0139-PCO-TP

ISSUED JANUARY 31, 2002 THAT CANNOT BE COMPLIED WITH: None.

I. ANY DECISION OR PENDING DECISION OF THE FCC OR ANY COURT THAT HAS OR MAY EITHER PREEMPT OR OTHERWISE IMPACT THE COMMISSION'S ABILITY TO RESOLVE ANY OF THE ISSUES PRESENTED FOR RELIEF IN THIS MATTER: None.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished by U. S. Mail to the following this 29th day of March, 2002:

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