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May 10, 2002

VIA HAND DELIVERY

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

Re: Docket No. 010963-TP

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Comments of ALLTEL, Northeast and Smart City. We are also submitting the Comments on a 3.5" high-density diskette using Microsoft Word 97 format, Rich Text.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

Sincerely,



J. Jeffrey Wahlen

Enclosures

cc: All Parties of Record

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into Telecommunications
Rate Center Consolidation in the State of
Florida

DOCKET NO. 010963-TP
FILED: May 10, 2002

**COMMENTS OF ALLTEL FLORIDA, INC.,
NORTHEAST FLORIDA TELEPHONE COMPANY
AND SMART CITY TELECOM**

ALLTEL Florida, Inc. ("ALLTEL"), Northeast Florida Telephone Company ("Northeast") and Smart City Telecommunications LLC d/b/a Smart City Telecom ("Smart City Telecom") (collectively "Small LECs") submit the following comments:

Introduction

ALLTEL, Northeast and Smart City Telecom are incumbent local exchange companies operating under the jurisdiction of the Florida Public Service Commission ("FPSC" or "Commission"). Each of these three incumbent local exchange companies is a "small" local exchange company within the meaning of Section 364.052, Florida Statutes, and has elected price regulation. Key statistics for each of the Small LECs are set forth below:

	<u>Access Lines</u>	<u>Rate Centers</u>	<u>NXXs</u>
ALLTEL	99,400	27	35
Northeast	10,300	2	3
Smart City Telecom	18,780	2	9

Each of the Small LECs serves territory that is contiguous to BellSouth, Verizon and/or Sprint. Prior to July 1, 1995, the Commission had established various EAS and ECS plans

involving these companies, some of which are inter-carrier routes that could be affected by rate center consolidation involving the large LECs. For example, the proposal for rate center consolidation contained in the Working Group Report, dated September 22, 2000 ("Report"), would affect calling plans for 12 ALLTEL exchanges (rate centers) in the 352 NPA.¹ The same proposal would affect calling plans for both of Smart City Telecom's exchanges (rate centers) in the 407-321 NPAs.² The proposal would affect calling plans for 17 and 2 (both) exchanges (rate centers) for ALLTEL and Northeast in the 904 NPA, respectively.³ Calling plans for both of Smart City Telecom's rate centers would be affected by the Working Group's proposal for the 863 NPA.⁴

Section 364.052(2)(b), Florida Statutes, reflects the Legislature's judgment that small LECs face unique challenges due to their size and the nature of their service territories, and authorizes the Commission to minimize the burdens of regulation by establishing streamlined regulatory procedures for small LECs. The policy expressed in Section 364.052(2)(b) is consistent with the Commission's longstanding practice of establishing special procedures for small LECs when doing so is in the public interest. For example, rather than requiring small LECs to implement intraLATA presubscription on a time certain schedule, the FPSC ordered the small LECs to implement intraLATA presubscription only upon receipt of a bona fide request. See In re: Investigation into IntraLATA Presubscription, Docket No. 930330-TP, Order No. PSC-95-0203-FOF-TP (Feb. 23, 1995). Doing so allowed the FPSC to evaluate the impact of intraLATA presubscription on the large LECs before requiring intraLATA presubscription by the small LECs.

¹ See Report, Appendix A, pages 1 and 2 of 9.

² Report, Appendix A, page 3 of 9.

³ Report, Appendix A, page 5 of 9.

Basic Position

If the Commission has jurisdiction to order rate center consolidation (“RCC”), the small LECs would only support an RCC plan that includes streamlined regulatory procedures allowing all ILECs, especially the small LECs, to recover the associated costs and lost revenues, including lost EAS and ECS revenues.⁵ Even if the Commission has jurisdiction and constructs a streamlined procedure for recovery of associated costs and lost revenues, the small LECs question whether the number conservation benefits associated with consolidating small LEC rate centers would make the effort worth the costs. Accordingly, if the Commission elects to pursue rate center consolidation at all, the small LECs request that: (a) mandatory RCC for small LECs be deferred until the impact of RCC on large LECs can be evaluated, and (b) the small LECs be allowed to recover, through a streamlined process, the costs and lost revenues (including EAS and ECS) associated with implementing RCC by a neighboring large LEC.

Discussion

Rate center consolidation is the aggregation of multiple rate centers into a larger rate center. While there may be ways to consolidate rate centers without changing local calling scopes, an RCC often increases the local calling scopes of customers in the affected rate centers. Under traditional “value of service” ratemaking principles, the value of local service to a customer is a function in part of the number of other customers that can be called on a toll-free basis. The concept of “rate groups” evolved so that the price paid by consumers with different local calling scopes would reflect the value of service associated with the different

⁴ Report, Appendix A, page 7 of 9.

⁵ The Working Group estimates that the revenue loss to the 407/321, 561, 813, 904 and 954 NPAs are \$10.7, \$25.1, \$6.5, \$5.9 and \$44.9 million each year, respectively.

calling scopes. Customers with a larger local calling scope generally fall within a larger rate group with a higher basic local rate.

While RCC may have an incidental affect on competition, RCC is recognized primarily as a means to extend the life of the current North American Numbering Plan ("NANP") by conserving NXXs and numbering resources. As noted by Mr. Knox of Sprint at the March 15, 2002, workshop ("Workshop"), the North American Numbering Plan Administrator ("NANPA") estimates that adopting rate center consolidation throughout North America will only extend the life of the NANP by a few years. [Workshop Transcript, p. 85, ln. 14.] Thus, while rate center consolidation may save numbers, it, by itself, is not a panacea for the numbering challenges in North America.

While the need to conserve numbering resources in Florida is real, the demand for numbering resources and the need to conserve numbering resources is not attributable only to the incumbent local exchange companies. Rather, the demand for NXXs and numbering resources is attributable to a variety of factors, such as population growth and second lines, as well as demand for NXXs from paging, PCS, cellular and other wireless carriers. While the small LECs do not have precise data, it is generally accepted that the demand for new numbers is growing faster in metropolitan and other densely populated areas than in the predominately rural areas generally served by most small LECs. As the chart on page one shows, the three Small LECs together have relatively few rate centers and NXXs; therefore, the benefits of RCC by small LECs is relatively limited.

With these three preliminary points as background, the small LECs share the concerns expressed by BellSouth, Sprint and Verizon regarding the FPSC's jurisdiction to require mandatory rate center consolidation. The Federal Communications Commission ("FCC") has

held that rate center consolidation “involves matters relating to local calling scopes and local call routing,” which fall under a state commission’s “ratemaking authority.”⁶ Thus, rate center consolidations that affect calling scopes cannot be ordered unless the Commission has ratemaking authority under state law to do so. As noted by BellSouth, Sprint and Verizon at the workshop, the FPSC’s decisions on EAS and rate regrouping under price regulation suggest that the recovery of costs and lost revenues (including EAS and ECS) is a significant hurdle under the current price regulation form of regulation. The Small LECs oppose any rate center consolidation plan that increases the local calling scopes of their customers without a commensurate increase in basic local rates.

Of course, it may be possible to overcome this hurdle if the Commission would consider rate center consolidation a substantially changed circumstance within the meaning of Section 364.051(4), Florida Statutes, and signal in advance its commitment to allow dollar-for-dollar recovery of implementation costs and lost revenues via a basic local rate increase. On this point, it should be noted that many of the industry participants that have contributed to the need for numbering conservation measures (PCS, cellular, paging) have the ability, constrained only by market forces, to increase their prices to recover the costs and lost revenues they would suffer if RCC is ordered. However, given the FPSC’s rate regrouping and EAS decisions, and the current price regulation statute, incumbent LECs have no such similar ability. This disparity should be considered by the Commission as it considers whether and how to proceed.

⁶ In The Matter of Florida Public Service Commission Petition to Federal Communications Commission for Expedited Decision for Grant of Authority to Implement Number Conservation Measures, Order No. FCC 99-249, CC Docket No. 96-98, September 19, 1999, ¶ 38.

Even if the FPSC creates a streamlined process for cost and lost revenue recovery for incumbent LECs, the Small LECs question whether they should be ordered to consolidate their rate centers at all. Both Northeast and Smart City Telecom have only two rate centers each, and ALLTEL has only 27, which are scattered throughout ALLTEL's 13 counties. The Small LECs have a total of 47 NXXs among them, while the total number of NXXs assigned to incumbent LECs in the 305/786, 407/321, 561, 727, 813, 904, and 954 NPAs exceeds 2000.⁷ While RCC by the small LECs would yield some numbering resource efficiencies, the relative magnitude of numbers that would become available by ordering the small LECs to consolidate their rate centers would probably not be material to Florida as a whole. If RCC is to be mandated at all, it should be mandated first in areas where significant numbering efficiencies can be achieved and the benefits exceed the costs of consolidation. The small LECs assert that the benefits to be achieved by consolidating their rate centers do not outweigh the related costs. As was the case with intraLATA presubscription, allowing (or requiring) the large LECs to go first will give the Commission and the small LECs time and experience with which to better evaluate the efficacy of RCC for small LECs.


Of course, even if the Commission elects to proceed with RCC for the large LECs, it should recognize that doing so could have an effect on neighboring small LECs that share EAS or ECS routes with their neighboring larger LECs. As noted by Mr. Greer at the Workshop, adopting the Workgroup's RCC plan for the 904 NPA could have significant impact on Northeast and ALLTEL, and the FPSC should take steps to minimize that impact. [Workshop, pp. 64-65.] Mr. Knox of Sprint indicated that certain non-contiguous consolidations could "financially destroy" a small LEC. [Workshop Transcript, p. 85.] Thus, before the

⁷ Report, page 14.

Commission adopts any particular RCC plan, even one that only directly implicates a large LEC, the FPSC should obtain, via data requests and other means, information that will allow it to assess the cost and revenue impacts of a particular plan on the affected small LECs. The Small LECs stand ready to provide cost and lost revenue data to the Commission for any specific rate center consolidation plan the Commission wishes to consider in more detail.

Rate center consolidation would be a huge undertaking, involving significant changes to billing systems, switching and trunking and E911 systems. RCC would affect all segments of the telecommunications industry, including PCS, cellular, paging, interexchange and local exchange carriers. The tasks of notifying consumers and staffing customer service centers to deal with the related customer inquiries and confusion will require significant resources. The Commission should carefully consider all of the implications, including the associated costs and revenue impacts, before proceeding.

DATED this 10th day of May, 2002.



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ATTORNEYS FOR ALLTEL, NORTHEAST
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by e-mail transmission, U. S. Mail, or hand delivery (*) this 10th day of May, 2002, to the following:

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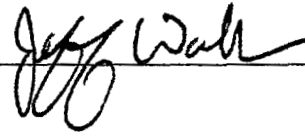
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A handwritten signature in black ink, appearing to read "Jeff Walsh", is written over a horizontal line. The signature is cursive and stylized.

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