

AUSLEY & MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(850) 224-9115 FAX (850) 222-7560

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March 1, 2002

VIA HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of the Commission
Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

Re: Docket No. 000075-TP

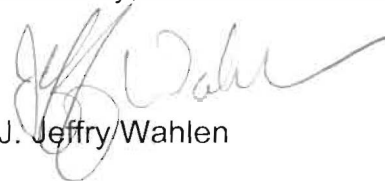
Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of the ALLTEL's Post-hearing Statement and Brief. We are also submitting the Post-Hearing Statement and Brief 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

AUS _____ Enclosures
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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 Telecom-
munications Act of 1996

DOCKET NO. 000075-TP
FILED: 6/10/02

ALLTEL'S POST-HEARING STATEMENT AND BRIEF

ALLTEL Florida, Inc. ("ALLTEL" or the "Company"), pursuant to Order No. PSC-02-0602-PHO-TP, submits the following Posthearing Statement and Brief:

I.

Introduction

This phase of this docket was instituted by the Commission during its Special Agenda Conference on December 5, 2001. There, the Commission voted to defer issues 13 and 17 for decision until after a supplemental hearing. The supplemental hearing was held on May 8, 2002 in Tallahassee, Florida before the full Commission. With the exception of two witnesses, the prefiled testimony of the witnesses to be heard at the hearing were entered into the record without cross-examination. ALLTEL sponsored one witness, Alfred Busbee, who prefiled direct testimony on Issue No. 13. Mr. Busbee's prefiled direct testimony was entered into the record at Tr. 204. Mr. Busbee did not prefile or submit any exhibits.

II.

Basic Position

The local calling area for the purposes of reciprocal compensation should be defined as the retail local calling area of the ILEC. Neither the Florida Commission nor

interconnecting companies have statutory authority to redefine or alter the ILEC's "local calling areas" for the purpose of determining the applicability of reciprocal compensation, especially to the extent it would change the jurisdictional separation of access and local traffic and alter the current amount of access charges to which the ILEC would otherwise be entitled.

III.

ISSUES AND POSITIONS

The Company's positions on the issues for publication in the Staff Recommendation are set forth below and marked with an asterisk (*). Where the Company has taken a position, the Company's analysis in support of its position is set forth as "discussion" under each issue.

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?
- 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?
- 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?

Position:

- a) * No. The Commission does not have the authority in Florida to expand the ILEC's "local calling areas" for the purpose of determining the applicability of reciprocal compensation.

b) * No. Interconnecting companies do not have the authority in Florida to negotiate away or expand the ILEC's "local calling areas" for the purpose of determining the applicability of reciprocal compensation.

c) * The local calling area should be defined as the retail local calling area of the ILEC for the purposes of reciprocal compensation.

Discussion Regarding 13(a) and (b):

Establishing LATAs as the default local calling area would be inconsistent with law. Two incumbent LEC witnesses testified that establishing the LATAs in Florida as the default "local calling area" for reciprocal compensation purposes would reduce intrastate access revenues thereby potentially impairing an ILEC's ability to meet its carrier of last resort obligations. See Rebuttal Testimony of Beth Shiroishi at Tr. 038 (Ins. 16-25) [adopting testimony of Dennis Trimble]; Direct Testimony of Dennis Trimble at Tr. 100-101. Under Florida law, the incumbent local exchange carriers are the carrier of last resort. See § 364.025(1), Fla. Stat. As noted by Witness Trimble, "there is no explicit universal service fund in Florida, so all state support for universal service is generated implicitly within the ILEC's rate structures – whether through switched access, toll, or other rate elements." [Tr. 101]

At least one ALEC attempted to suggest on cross-examination that the Commission should not concern itself with carrier of last resort/universal service considerations in this case because (1) ILECs can seek a local price increase to cover lost access revenues [Tr. 63] and (2) ILECs can seek interim universal service support from the FPSC if needed. [Id.] These points have no merit for three reasons.

First, the current price regulation system in Florida limits the ability of the Commission to grant a local rate increase. To the best of ALLTEL's knowledge, only one company (TDS/Quincy Telephone) has requested a local rate increase under the "changed circumstances" provisions in Section 364.051(4); however, that effort was voluntarily dismissed. Unless the ALECs, the Office of Public Counsel and other interested parties are prepared to stipulate that access revenues lost in the redefinition of local calling areas can be recovered on a dollar for dollar basis under Section 364.051(4) without an earnings test, the Commission should not order or establish the LATAs in Florida as the default "local calling area" for reciprocal compensation purposes based on an assumption that local rates can be increased to recover the resulting lost access revenues. To do so would require the Commission to rely on an assumption that is not true as a practical matter.

Second, to the best of ALLTEL's knowledge, no Florida ILEC has ever petitioned the FPSC to establish an explicit interim universal service mechanism. While some of the cross-examination questions propounded to Witness Shiroishi alluded to a "universal service fund" [Tr. 48, ln. 17], there is no such fund in place and such a fund could not be established without action of the legislature. See § 364.025, Fla. Stat. Whether and how a lawful intrastate explicit universal service funding mechanism should or can be constructed is far beyond the scope of this proceeding. In light of the cable industry's historic opposition to a state universal service fund, and the legal uncertainties associated with creating such a fund, the Commission should not view the theoretical possibility of an explicit state universal service fund as an excuse to ignore the real revenues that will be lost if the LATAs in Florida are established as the default "local calling area" for reciprocal compensation purposes.

Finally, the Commission should recognize that Section 364.16(3)(a), Florida Statutes, precludes the Commission from defining the LATAs in Florida as the default “local calling area” for reciprocal compensation purposes. Section 364.16(3)(a) states:

No local exchange telecommunications company or alternative local exchange telecommunications company shall knowingly deliver traffic, for which terminating access service charges would otherwise apply, through a local interconnection arrangement without paying the appropriate charges for such terminating access service.

As noted by Witness Shiroshi, “Section 364.16(3)(a) does not allow the Florida Public Service Commission to determine that all calls within the LATA are local, and thus afford ALECs the opportunity to knowingly deliver traffic where terminating access charges would otherwise apply and not pay access charges.” [Tr. 040] That being the case, the FPSC should reject efforts to establish the LATAs in Florida as the default “local calling area” for reciprocal compensation purposes.

Discussion Regarding 13(c):

ALLTEL’s witness Alfred Busbee testified [Tr. 204] that ALLTEL provides local telephone exchange services in five small, noncontiguous local calling areas in LATA 452 and in two in LATA 454. LATA 452 surrounds Jacksonville, but ALLTEL is not the ILEC in Jacksonville and LATA 454 surrounds Gainesville and Ocala, but ALLTEL is not the ILEC in Gainesville or Ocala. [Tr. 205] In both LATAs a larger geographic area is located outside ALLTEL’s local calling areas then is located inside them. [Tr. 205]

ALLTEL’s local calling areas in Florida, like that of all ILECs in Florida, are the specific geographic areas within a state as defined by ALLTEL and each ILEC and duly approved by the Commission within which said carrier offers and provides telephone exchange service to its *retail* customers. [Tr. 206] Telecommunications traffic originated

and terminated within those geographic local calling areas is considered jurisdictionally local and is not subject to toll or access charges pursuant to said carrier's General Subscriber Tariff. [Tr. 206]

"Exchange access" is defined in 47 U.S.C. §153(16) as, "the offering of access to telephone exchange services or facilities for the purpose of the origination or termination of telephone toll services." [Tr. 206] Rates, terms and conditions governing the provision of exchange access are set forth in ALLTEL's and the other respective carrier's Commission approved Access Tariff. [Tr. 206]

Reciprocal compensation, as relevant to this proceeding, is a construct of the Telecommunications Act of 1996. [Tr. 206] Simply stated, reciprocal compensation is the compensation mechanism by which one local exchange carrier pays for the transport and termination of "local traffic" terminated on the other local exchange carrier's network. [Tr. 206]

With respect to Issue 13 (c), it is ALLTEL's position that the local calling area should be defined as the retail local calling area of the ILEC for the purposes of reciprocal compensation. [Tr. 207] While this Commission has not yet determined this issue, other state commissions have. For example, the Public Utility Commission of Ohio ("PUCO") addressed this issue in its Local Service Guidelines adopted in Case NO. 95-845-TP-COI. [Tr. 207] There, the PUCO specifically defined the local calling area for the purposes of reciprocal compensation as that of the ILEC. [Tr. 207] Section IV(C), page 27 of Local Service Guidelines states in part:

"As NECs [i.e., New Entrant Carriers or ALECs] establish operations within individual ILEC service areas, the perimeter of the ILEC local calling area, as revised to reflect EAS, shall constitute the demarcation for the differentiating local and toll call types for the purpose of traffic termination

compensation. Any end user call originating and terminating within the boundary of such local calling area, regardless of the LEC at the originating or terminating end, shall be treated as a local call. " [Tr. 207]

To do otherwise would place the ILEC in violation of its exchange access tariff and subject to allegations of discriminatory pricing among carriers, *i.e.* ALECs would be receiving preferential treatment vis-à-vis IntraLATA IXCs. [Tr. 207]

ALLTEL's position does not mean that ALECs are bound by the ILECs' local calling area in determining the ALEC's own local retail marketing area or that ALECs would be precluded from defining their own retail local calling areas, as has been argued by some ALECs in this matter. An ALEC may offer toll free calling (*i.e.*, local calling area) to its end users without regard to the geographic confines of the local/access intercarrier compensation between the interconnecting carriers. [Tr. 207] It is very common for ALECs to bundle a variety of services based upon its total underlying costs, including both reciprocal compensation and telephone exchange access services. [Tr. 208] Similarly, IXCs offer block-of-time packages that include toll free calling nationwide. [Tr. 208] In this case the intercarrier compensation and retail offer are not the same. [Tr. 208] Nonetheless, the end user benefits from tailored calling plans bundled with information services or other services. [Tr. 208]

Nor does the network architecture utilized to interconnect ALECs and ILEC's networks change the manner in which access charges are assessed. The applicability of access charges is predicated upon the jurisdictional nature of the call. [Tr. 209] Regardless of the method of interconnection, the application of exchange access charges are governed by the ILEC's applicable Commission approved exchange access tariff. [Tr. 209]

ALLTEL asserts that it and many other, especially smaller, ILECs would suffer a disastrous negative financial impact if the Commission were to define the ILECs' local

calling areas for the purpose of reciprocal compensation in such away that current IntraLATA telephone exchange access revenues between ALLTEL and ALECs instead become subject to reciprocal compensation.

An ILEC may not apply differing terms and conditions with respect to exchange access charges depending on the whether the call is billed to an ALEC or IXC. [Tr. 209] Therefore, if an ILEC were to negotiate an expanded local calling area to a LATA wide area for the purposes of reciprocal compensation with ALECs, it must also reflect those changes in the applicable exchange access tariff available to all carriers. [Tr. 209] Based upon December 2001 data, ALLTEL presently bills approximately \$900,000 annually for IntraLATA telephone exchange access. [Tr. 209] ALLTEL pays approximately \$200,000 to other carriers for IntraLATA telephone exchange access. [Tr. 209] The net financial impact to ALLTEL should the intrastate, IntraLATA exchange access be redefined as reciprocal compensation is \$700,000 annually. [Tr. 209]

ALECs should be required to define their local calling areas for the purposes of reciprocal compensation the same as those of the ILEC. [Tr. 210] Intercarrier compensation is driven by the jurisdiction of the call, which is determined by the origination and termination points of the call. [Tr. 210] If the ALEC defines its local calling area for the purpose of reciprocal compensation differently than that of the ILEC, a call in one direction may be subject to reciprocal compensation while the same call in the other direction would be subject to access charges causing aberrations in the reciprocal compensation and exchange access. [Tr. 210]

For all the forgoing reasons, the local calling area for the purposes of reciprocal compensation should be defined as the retail local calling area of the ILEC.


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?
- b) What is the potential financial impact, if any, in ILECs and ALECs of bill and keep arrangements?
- 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?”
- d) What potential advantages for disadvantages would result from the imposition of bill and keep arrangements as a default mechanism, particularly in comparison to other mechanisms already presented in Phase II of this docket?

Position:

- a) No position.
- b) No position.
- c) No position.
- d) No position.

Respectfully submitted this 10th day of June, 2002.



J. JEFFRY WALLLEN
Ausley & McMullen
Post Office Box 391
Tallahassee, Florida 32302
850/425-5471

and

STEPHEN T. REFSELL
ALLTEL Corporate Services, Inc.
One Allied Drive
Little Rock, AR 72203-2177

ATTORNEYS FOR ALLTEL FLORIDA, INC.

CERTIFICATE OF SERVICE

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

Mary Beth Keating/Felicia Banks *
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Allegiance Telecom of Florida, Inc.
Elizabeth Howland
1950 Stemmons Freeway, Suite 3026
Dallas, TX 75207-3118

Allegiance Telecom
Morton Posner
1150 Connecticut Avenue, N.W.
Suite 205
Washington, D.C. 20036

AT&T
Marsha Rule
101 North Monroe Street, Suite 700
Tallahassee, FL 32301-1549

AT&T Communications of the
Southern States, Inc.
Suzanne Ockleberry/James Lamoureux
1200 Peachtree Street, Suite 8017
Atlanta, GA 30309

BellSouth Telecommunications, Inc.
Ms. Nancy B. White, James Meza III
c/o Nancy H. Sims
150 South Monroe Street, Suite 400
Tallahassee, FL 32301-1556

BellSouth Telecommunications, Inc.
Douglas Lackey/Earl Edenfield
675 W. Peachtree St., #4300
Atlanta, GA 30375

BroadBand Office Communications, Inc.
Julian Chang
951 Mariner's Island Blvd., Suite 700
San Mateo, CA 94404-1561

Cox Communications
Jill N. Butler
4585 Village Avenue
Norfolk, VA 23502

Florida Cable Telecommunications
Assoc., Inc.
Michael A. Gross
246 E. 6th Avenue, Suite 100
Tallahassee, FL 32301

e.spire Communications, Inc.
131 National Business Parkway, # 100
Annapolis Junction, MD 20701-1001

Florida Competitive Carriers Assoc.
c/o McWhirter Law Firm
Joseph McGlothlin/Vicki Kaufman
117 S. Gadsden Street
Tallahassee, FL 32301

Focal Communications Corporation
of Florida
Mr. Paul Rebey
200 North LaSalle Street, Suite 1100
Chicago, IL 60601-1914

Gerry Law Firm
Charles Hudak/Ronald V. Jackson
3 Ravinia Dr., #1450
Atlanta, GA 30346-2117

Global NAPS, Inc.
10 Merrymount Road
Quincy, MA 02169

KMC Telecom, Inc.
John McLaughlin
1755 North Brown Road
Lawrenceville, GA 30043-8119

Kelly Law Firm
Genevieve Morelli
1200 19th St. NW, Suite 500
Washington, DC 20036

Level 3 Communications, LLC
Michael R. Romano
1025 Eldorado Blvd.
Bloomfield, CO 80021-8869

McWhirter Law Firm
Vicki Kaufman
117 S. Gadsden Street
Tallahassee, FL 32301

Messer Law Firm
Norman Horton, Jr.
215 South Monroe Street, Suite 701
Tallahassee, FL 32301-1876

Orlando Telephone Company
Herb Bornack
4558 S.W. 35th Street, Suite 100
Orlando, FL 32811-6541

Rutledge Law Firm
Kenneth Hoffman/John Ellis/M. McDonnell
P. O. Box 551
Tallahassee, FL 32302-0551

Intermedia Communications, Inc.
Donna C. McNulty
The Atrium, Suite 105
325 John Knox Road
Tallahassee, FL 32303-4131

Katz, Kuttler Law Firm
Charles Pellegrini/Patrick Wiggins
12th Floor, 106 East College Avenue
Tallahassee, FL 32301

Landers Law Firm
Scheffel Wright
P. O. Box 271
Tallahassee, FL 32302

MCI WorldCom
Ms. Donna C. McNulty
325 John Knox Road, Suite 105
Tallahassee, FL 32303-4131

MediaOne Florida Telecommunications, Inc.
Rhonda P. Merritt
101 North Monroe Street, Suite 700
Tallahassee, FL 32301

Moyle Law Firm
Jon Moyle/Cathy Sellers
The Perkins House
118 North Gadsden Street
Tallahassee, FL 32301

Pennington Law Firm
Peter Dunbar/Karen Camechis
P. O. Box 10095
Tallahassee, FL 32302-2095

Sprint-Florida, Incorporated
Charles J. Rehwinkel/Susan Masterton
P. O. Box 2214
MS: FLTLHO0107
Tallahassee, FL 32316-2214

Supra Telecom
Brian Chaiken
2620 S.W. 27th Avenue
Miami, FL 33133-3001

Time Warner Telecom of Florida, L.P.
Carolyn Marek
233 Bramerton Court
Franklin, TN 37069

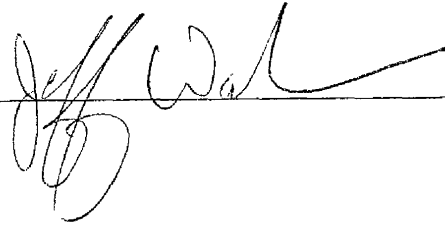
Verizon Select Services, Inc.
Kimberly Caswell
P. O. Box 110, FLTC0007
Tampa, FL 33601-0110

TCG South Florida
Lisa A. Riley
1200 Peachtree Street, N.E., Ste. 8066
Atlanta, GA 30309-3523

US LEC of Florida, Inc.
Wanda Montano
Morrocroft III
6801 Morrison Blvd.
Charlotte, NC 28211

XO Florida, Inc.
Dana Shaffer
105 Molly Street, Suite 300
Nashville, TN 37201-2315

Attorney

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

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