

State of Florida



Public Service Commission  
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DATE: JUNE 27, 2002

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF COMPETITIVE MARKETS & ENFORCEMENT (ILERI, *IL*)  
CASEY, BULECZA-BANKS)  
OFFICE OF THE GENERAL COUNSEL (CHRISTENSEN) *PAC MBK*

RE: DOCKET NO. 010963-TP - INVESTIGATION INTO TELECOMMUNICATIONS RATE CENTER CONSOLIDATION IN THE STATE OF FLORIDA.

AGENDA: 7/9/02 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\CMP\WP\010963.RCM

CASE BACKGROUND

Docket No. 010102-TP examined proposed updates to the Routing Data Base System and Business Rating Input Data Base System affecting carriers in the Tampa area. Within that docket, a question regarding this Commission's authority to order rate center consolidation (RCC) was raised. In order to allow input from all affected parties in the State of Florida, not just the carriers participating in the Tampa rate center docket, the Commission directed staff to open a generic docket. By Order No. PSC-01-1577-FOF-TP, issued July 31, 2001, the Commission stated:

In order to achieve a finding which will endure and withstand both the legal and policy challenges which may follow, our staff is directed to expeditiously open a separate generic docket in which we can conduct a more in-depth analysis of the legal and technical aspects of

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rate center consolidation, in isolation of other distractions.

Subsequent to the July 10, 2001 Commission Agenda vote, staff opened Docket No. 010963-TP for the purpose of examining RCC in the State of Florida. A Commission workshop was held on March 15, 2002, and the industry was requested to submit post-workshop comments regarding the feasibility of implementing RCC. Eleven companies and agencies filed post-workshop comments on RCC.

This recommendation addresses whether the Commission should implement RCC in Florida.

#### DISCUSSION OF ISSUES

**ISSUE 1:** Should the Commission proceed with implementing RCC in the State of Florida?

**RECOMMENDATION:** No. Given the success of number pooling in the State of Florida, and the minimal effect of RCC when looking at the exhaust of the North American Numbering Plan (NANP), staff recommends that the Commission should not proceed with implementation of RCC at this time. **(ILERI, CASEY, BULECZA-BANKS)**

**STAFF ANALYSIS:** In simple terms, RCC combines two or more adjacent rate centers into one large rate center. Customers of this newly formed rate center would have local calling over the newly formed large rate center. As an example, on April 8, 2002, seven rate centers in the Florida Keys were consolidated into one rate center as a result of a stipulation between the Office of Public Counsel and BellSouth Telecommunications, Inc. (BellSouth). The Commission approved stipulation included the provisions that BellSouth would absorb the "non-recurring cost for the operational support system upgrades necessary to implement RCC" and the "recurring cost of eliminating Extended Calling service."

From the outset, staff's goal regarding RCC was to examine the feasibility of RCC as one of the means to optimize the use of telephone numbers in the State of Florida. In October of 1999, staff and the industry established the Florida Number Conservation Steering Committee. The Committee established five number conservation groups: Legal, Rate Center Consolidation, Number Pooling, Short Term Conservation Measures, and Code Sharing. The working groups were to address the interim number conservation authority granted to the Commission by the FCC. The RCC Working Group's goal was to examine the feasibility of RCC as a means to optimize the use of telephone numbers and to identify a methodology that could be used for RCC studies.

On September 22, 2000, the Florida RCC Working Group issued a report on RCC in the State of Florida. The conclusion of the report was that most, if not all, carriers support the implementation of RCC if it is done on a revenue and cost neutral basis.

By consolidating rate centers, carriers would lose revenue by eliminating calling areas which may have been toll (i.e., ECS rates) calling areas prior to RCC. As an example, the report provided the following estimated impacts of RCC:

<b>Numbering Plan Areas (NPA's)<sup>1</sup></b>	<b>Rate Centers (Before/After)</b>	<b>Estimated Revenue Loss</b>
305/786	11/2	\$29,000,000
407/321	6/2	\$10,700,000
561	14/5	\$25,100,000
727	4/2	\$ 7,500,000
813	4/2	\$ 6,500,000
904	23/8	\$ 5,900,000
954	5/1	\$44,900,000

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<sup>1</sup> Numbering Plan Area refers to Area Codes.

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On February 28, 2002, the North American Numbering Plan (NANP) Expansion Number Optimization (NENO) working group of the North American Numbering Council (NANC) issued a report on the impact of RCC on the NANP exhaust. The results of this analysis indicate that RCC has a minimal impact on NANP.

On March 15, 2002, a Commission workshop was held to discuss RCC in the State of Florida. At the conclusion, the Commission recommended that the industry file comments by May 10, 2002. Alltel/NEFTC/Smart City, AT&T, BellSouth, ITC^DeltaCom, Marion County, the State Technology Office, Sprint, TDS Telecom, and Verizon filed post-workshop comments. A brief summary of these comments is as follows:

Alltel/NEFTC/Smart City: If the Commission has jurisdiction to order 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. The small LECs question whether the number conservation benefits associated with consolidating small LEC rate centers would make the effort worth the costs.

AT&T: AT&T supports RCC as a tool to make the management and use of numbering resources more efficient. There are competitive benefits through making more numbers available to carriers. The Commission has adequate statutory authority, independent of any end-user rate issues, in Chapter 364, Florida Statutes. The statutory basis for the Commission's authority for RCC was presented in a staff recommendation in Docket No. 010102-TL; however, it was deferred to a generic proceeding.

BellSouth: Under Florida law, the Commission cannot order RCC for price-regulated Local Exchange Companies (LECs). However, BellSouth would probably support the implementation of RCC if the numbering issues were resolved and it could be implemented on a revenue and cost neutral basis. RCC has a fundamental problem as it relates to numbering issues because implementing RCC exacerbates the problems associated with obtaining additional numbering resources under the FCC's current rules. The FCC's requirements for receiving additional numbering resources adversely impacts the ILECs more than the ALECs because of multi-switched rate centers.

ITC^DeltaCom: ITC^DeltaCom is in favor of RCC as a way to manage code resources and assist new entrants into the market place. The costs of implementing RCC, within ITC^DeltaCom, are negligible and manageable to the time frame specified by the Commission and/or the ILEC.

Marion County: When RCC is considered, the Commission should not disturb the 911 default call routing system that has been in existence for some years. A degradation of service to even one citizen could have serious results.

State Technology Office: At the present time, any failure of the automatic Number Identification (ANI) signal will cause the system to immediately route the 911 call to a designated default Public Safety Answering Point (PSAP) within the county where the 911 call is originated. Any situation or influence that degrades high quality 911 service or increases the counties' costs to provide this service will have a definite negative impact on 911 interests. Therefore, the State Technology Office encourages the Commission to make every effort possible to identify in this investigation the total impact of RCC on 911 systems.

Sprint: Sprint believes that Chapter 364, F.S., as it currently exists, restricts the Commission's authority to order RCC for ILECs that have elected price regulation in Florida. However, an ILEC may voluntarily choose to establish such service pursuant to the price regulation of nonbasic services set forth in Section 364.051, F.S. RCC results in effective rate regrouping to avoid discriminatory treatment of similarly situated customers. All customers in the RCC would be charged the basic rate for the highest rate group, assuming that the local calling scopes for all customers would be increased to incorporate the entire rate center.

Sprint stated that NANC's initial RCC analysis showed that RCC would extend the life of NANP for only a few years once number pooling has been implemented. Sprint further states that "[t]he FCC's rules for number conservation, NXX reclamation, sequential number assignment by thousands-blocks, and the Number Resource Utilization/Forecasting (NRUF) reporting have provided needed NPA relief without the need for rate center consolidation." Sprint further stated that "[r]ecent developments relating to the 407/321 area codes indicate that numbering relief may not be as critical as had been anticipated at one time."

TDS Telecom: If RCC were to be ordered, it should be on a revenue and cost neutral basis. TDS believes that RCC should be optional for small LECs because there is limited competition in rural markets. TDS Telecom stated that it did not have Local Number Portability (LNP) or the underlying LNP technology in its Quincy switch. TDS Telecom also claimed that "[b]y the FCC Order, TDS is not required to implement LNP until such time as the company receives a bona fide request. Even if requested to provide LNP, under the federal [sic] Telecommunications Act, rural carriers are permitted to file for rural exemption of this requirement." TDS Telecom further stated that "[t]he true benefits to number conservation are through number pooling."

Verizon: The usefulness and cost-effectiveness of RCC cannot be established in the abstract, but can only be determined on a case-by-case basis. Verizon encourages the Commission to continue to consider less extreme measures that can and will achieve the same objectives as RCC. Verizon could not agree to implement RCC in the absence of a suitable mechanism to recover all of the costs and revenue losses caused by RCC. The Legislature revised Chapter 364 in 1995, and it removed the Commission's authority to unilaterally order RCC for price-regulated carriers. Because RCC would involve extension of customers' local calling areas and service, the Commission may not force companies to implement RCC.

When determining whether RCC could be used as an effective number utilization strategy, staff examined the results to date of number pooling efforts in the State of Florida.

On June 5, 2002, the North American Numbering Plan Administrator issued the following revised estimated exhaust dates for all of Florida's area codes:

NPAs	New Exhaust Date	Previous Exhaust Date	Quarters +/-
239	2017 4Q	( NA )	New NPA
305-A	2003 4Q	2002 3Q	( +3 ) Florida Keys only
305/786	2008 4Q	2006 4Q	( +8 ) Excludes the Keys
321-A	2021 3Q	2007 4Q	( +55 ) Brevard County only
321/407	2007 2Q	2004 1Q	( +13 )
352	2012 4Q	2008 1Q	( +19 )
386	2020 4Q	2018 4Q	( +8 )
561	2006 2Q	2002 4Q	( +14 )
727	2015 3Q	2008 2Q	( +29 )
772	2026 4Q	( NA )	New NPA
813	2008 3Q	2006 4Q	( +7 )
850	2008 1Q	2006 1Q	( +8 )
863	2015 3Q	2011 4Q	( +15 )
904	2011 2Q	2009 1Q	( +9 )
941	2011 2Q	2003 3Q	( +31 )
954/754	2019 1Q	2002 4Q	( +65 )

**Conclusion:**

Although we acknowledge the demand for telephone numbers has slowed concurrent with the economy, the success of number pooling in Florida is seen as the key factor in extending the life of area codes in Florida. Florida has number pooling existing or scheduled in all 17 of its existing area codes. Given the success of number pooling in the State of Florida, and the minimal effect of RCC when looking at the exhaust of the NANP, staff recommends that the

Commission should not proceed with implementation of RCC at this time.

**ISSUE 2:** Does the Commission have authority to order RCC in the State of Florida?

**RECOMMENDATION:** If the Commission approves staff's recommendation in Issue #1 that RCC is not needed at this time, staff believes that it is unnecessary to address whether the Commission has the authority to order RCC. **(CHRISTENSEN)**

**STAFF ANALYSIS:** As noted in the Case Background, one issue that the Commission requested the participants to address in their comments was whether the Commission has the authority to order RCC. Several participants in the Commission workshop filed comments which provided a detailed argument regarding the Commission's authority to order RCC, while others provided a cursory response or did not address the issue.

BellSouth, Verizon, and Sprint, acknowledge that FCC granted this Commission additional authority to establishing RCC<sup>2</sup>. However, BellSouth, Verizon, and Sprint argue that under Florida Statutes the Commission lacks the authority to order RCC for price-cap regulated incumbent local exchange carriers (ILECs).

ALLTEL, Northeast, and Smart City state in their comments that they share BellSouth, Verizon, and Sprint's concerns regarding the Commission's authority to order RCC. While, ALLTEL, Northeast, and Smart City argue the small ILEC's would be opposed to any RCC plan that increases the local calling scopes of their customer without an commensurate increase in basic local rates, they state that it may be possible to overcome this hurdle if the Commission would consider RCC a substantial changed circumstance within the meaning of Section 364.051(4), Florida Statutes. AT&T and TCG comments

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<sup>2</sup> Florida Public Service Commission Petition to FCC for Expedited Decision for Grant of Authority to Implement Number Conservation Measures, FCC 99-249 (Florida Numbering Order), at Paragraph 38.



that they believe that the Commission has ample authority for RCC under Chapter 364, Florida Statutes.

For the reasons stated in the previous Issue, staff believes that RCC is unnecessary at this time. As noted by the summary of the ILECs' responses above, the issue of the Commission's authority to order RCC is fraught with controversy. Although in staff's opinion the Commission arguably has the authority to order RCC under the FCC's grant of authority and Chapter 364, Florida Statutes, staff believes it is unnecessary to address the issue at this time. Staff believes that it is prudent to refrain from articulating a position on the Commission's authority to order RCC thereby avoiding a hearing on this single issue if RCC is not going to be pursued for other reasons. Therefore, if the Commission approves staff's recommendation in Issue #1 that RCC is not needed at this time, staff believes that it is unnecessary to address whether the Commission has the authority to RCC.

**ISSUE 3:** Should this docket be closed?

**RECOMMENDATION:** Yes. If the Commission approves staff's recommendation, a Proposed Agency Action Order will be issued. Any person whose substantial interests are affected by the proposed agency action may file a protest within 21 days of the issuance of the Commission's Order. If no timely protest is filed, the Order will become final upon the issuance of a Consummating Order. Therefore, this Docket may be closed administratively. If a protest is filed by a person whose substantial interests are affected, if possible, a (any) proceeding should be conducted pursuant to Section 120.57(2), Florida Statutes, or by other appropriate expedited process. **(CHRISTENSEN)**

**STAFF ANALYSIS:** If the Commission approves staff's recommendation, a Proposed Agency Action Order will be issued. Any person whose substantial interests are affected by the proposed agency action may file a protest within 21 days of the issuance of the Commission's Order. If no timely protest is filed, the Order will become final upon the issuance of a Consummating Order. Therefore, this Docket may be closed administratively. If a protest is filed

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