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ORIGINAL

September 24, 2003

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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Re: Docket No. 030867-TL
Petition of Verizon Florida Inc. to Reform Its Intrastate Network Access and Basic
Local Telecommunications Rates in Accordance with Florida Statutes, Section
364.164

Dear Ms. Bayo:

Please find enclosed for filing an original and 15 copies of Verizon Florida Inc.'s
Response to Citizens' First Motion to Compel Interrogatory Responses in the above
matter. Service has been made as indicated on the Certificate of Service. If there are
any questions regarding this filing, please contact me at 813-483-1256.

Sincerely,

Richard Chapkis

RC:tas
Enclosures

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of Verizon Florida Inc.'s Response to Citizens' First Motion to Compel Interrogatory Responses in Docket No. 030867-TL were sent via electronic mail and hand-delivery(*) or overnight delivery(**) on September 24, 2003 to:

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Richard Chapkis

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Verizon Florida Inc. to Reform)
Its Intrastate Network Access and Basic Local)
Telecommunications Rates in Accordance with)
Florida Statutes, Section 364.164)
_____)

Docket No. 030867-TL
Filed: September 24, 2003

**VERIZON FLORIDA INC.'S RESPONSE TO CITIZENS'
FIRST MOTION TO COMPEL INTERROGATORY RESPONSES**

Verizon Florida Inc. (Verizon) respectfully submits this Response to Florida Citizens' (Citizens) First Motion to Compel Interrogatory Responses (Motion to Compel).

I. INTRODUCTION

This case involves the specific issues to be considered by the Commission under Section 364.164(1), Florida Statutes.¹ The Citizens have served overbroad and burdensome interrogatories seeking responses that are: (1) beyond the scope of the issues to be considered by the Commission; and (2) outside the discovery limitations established by the Legislature. Notwithstanding the oppressive nature of the Citizens' interrogatories, Verizon has responded to each interrogatory that bears on an issue that is appropriately considered in this proceeding. Accordingly, the Citizens' Motion to Compel should be denied in its entirety.

II. VERIZON'S OBJECTIONS TO CITIZENS' INTERROGATORIES ARE PROPER AND SHOULD BE SUSTAINED.

As an initial matter, the Citizens take issue with Verizon's use of general objections. Nothing contained within Order No. PSC-03-0994-POC-TL precludes the use of general objections, and in light of the expedited discovery timeframes in this proceeding, Verizon's use of general objections – in which it lists standard discovery objections and reserves its

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rights – is entirely appropriate. See, e.g., Order No. PSC-03-0223-PCO-TP and Order No. PSC-02-1613-PCO-GU (prior proceedings in which parties availed themselves of general objections without any FPSC preclusion or prohibition concerning such use).

In this instance, Verizon has not refused to respond to a single interrogatory based on its general objections. Verizon has interposed specific objections to those interrogatories that seek information beyond the scope of discovery in this proceeding, and Verizon has only exercised its right not to respond where it has interposed specific objections.

In order to present a self-contained document, Verizon first states verbatim the interrogatory, Verizon's objection and Public Counsel's argument supporting why Verizon should be compelled to respond. As discussed below, Verizon's specific objections are well founded and should be sustained.

Interrogatory No. 3:

Please identify any studies made by Verizon in Florida or any of its operating states that quantifies the cost of basic residential telephone service based on the assumption that all basic services, vertical services and access services share the cost of the loop.

Specific Objection to Interrogatory No. 3:

In addition to its General Objections, which are incorporated herein by reference, Verizon objects to this interrogatory on the grounds that it is not limited to any stated period of time and, therefore, is overly broad and unduly burdensome. Moreover, Verizon objects to this interrogatory on the grounds that it seeks information relating to entities other than Verizon Florida Inc. and therefore is overly broad, unduly burdensome,

¹ Hereinafter, all statutory references are to the Florida Statutes.

oppressive, and not permitted by applicable discovery rules. Finally, Verizon objects to this interrogatory on the grounds that it seeks information precluded from discovery by the limitations imposed by Florida Statutes, Section 364.164(3). The cost of basic residential telephone service in other states is not discussed in Verizon's Petition or the testimony of its witnesses. Subject to the foregoing objections, Verizon will identify responsive studies, if any, made by Verizon Florida Inc. since January 1, 2000.

Citizens' Motion to Compel a Response to Interrogatory No. 3:

Please also refer to Citizens' response to Verizon's specific objection to Citizens' Production of Documents Request No. 18. Verizon objects to identifying cost studies in this docket that have been completed in other jurisdictions. Contrary to the Company's assertion, Verizon's witnesses, Gordon and Danner, freely utilize data from jurisdictions outside of Florida in an attempt to bolster their market testimony. Mr. Danner specifically refers to the pricing reform order of 1994, by the California Public Utility Commission that was similar to the price increase proposed here by Verizon in the Florida case. (Page 25, line 22; Page 26-line 17) The Citizens are inquiring about cost studies the Company has used to help establish its case in other jurisdictions, such as California, and if the Company is going to use arguments made in those jurisdictions to bolster its testimony here, then the Commission and the Citizens need to know the alleged facts that were submitted in those cases by Verizon. The information requested here is both well known to the witness and readily available to Verizon.

It is noted also that, contrary to the Company's assertion, witness Gordon refers extensively to state policies pricing basic local service "below cost" in a number of states and the resultant frustrations of the policy goal of Federal and state regulators because of

the continuation of those policies. (Page 8, lines 10-20). Mr. Gordon's testimony compares Florida rates to national average rates (Page 10, table 1), despite the fact that the statute says nothing about the cost of telephone services in other parts of the country. Witness Gordon even calculates the ranking of Florida rates compared with those of Georgia, Alabama, Louisiana and Virginia, yet the Company seeks to prevent the Citizens from learning of similar cost comparisons for the Commission's consideration. Finally, the Company's reliance on section 364.164(3), Florida Statutes, is misplaced. Citizens assert that the discovery addressed in that section pertains only to the rate adjustment filings identified in section 364.164(2), and further addressed in section 364.164(3) and section 364.164(7), Florida Statutes.

Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 3:

The Citizens argue that Verizon should be compelled to identify out-of-state cost studies that allocate the cost of the loop to all services because Verizon has referred to decisions from other states and the experiences of its witnesses in other states. This argument should be rejected. Verizon referred to out-of-state orders and the experiences of its witnesses in other states to demonstrate that granting its petition will: (1) remove current support for basic local telephone services that prevents the creation of a more attractive competitive local exchange market for the benefit of residential customers; and (2) induce enhanced market entry. It did not refer to this information to address the loop allocation claim. Accordingly, even if the Commission broadly construes Subsections 364.164(1) and (3) to mean that discovery is limited to issues addressed in Verizon's

Petition (which it should not), this interrogatory falls outside the scope of permissible discovery.

The Citizens' argument that the discovery limitation set forth in Section 364.164(3) only applies to certain subsections of Section 364.164 is erroneous. Section 364.164(3) plainly states that "[a]ny discovery or information requests under this section shall be limited to a verification of historical pricing units . . ." ² By the plain language of the statute, the discovery limitation applies to discovery requests under all of the section, not just certain subsections.

Interrogatory No. 4:

Please state whether Verizon has developed cost studies for bundled services since January 1, 2000, where the basic residential local exchange service component was bundled with additional products and services and provided at a single reduced rate. If so, please state the date and identify the name of the cost study.

Specific Objection to Interrogatory No. 4:

In addition to its General Objections, which are incorporated herein by reference, Verizon objects to this interrogatory on the grounds that it is not reasonably calculated to lead to the discovery of admissible evidence and is not relevant to the subject matter of this proceeding. Pursuant to Florida Statutes Section 364.164(1)(i), the Commission must consider whether Verizon's basic residential local telecommunications services receive support, not whether bundles that include residential local telecommunications services receive support. Bundles that include residential local telecommunications services are classified under Verizon's price-cap plan as non-basic services, and therefore are not

relevant to the rebalancing of basic local telecommunications rates in accordance with Section 364.164. Moreover, Verizon objects to this interrogatory on the grounds that it seeks information precluded from discovery by the limitations imposed by Florida Statutes, Section 364.164(3). Verizon's Petition does not focus on bundled services.

Citizens' Motion to Compel a Response to Interrogatory No. 4:

Please also refer to Citizens' Response to Verizon's Specific Objection to Citizens' Production of Documents Request No. 19. Verizon has filed a request for \$71.4 million in increased rates for basic residential service customers in Florida, alleging that the price of residential service is below its cost. The Citizens and the Commission should have a right to have identified, as well as review, all of Verizon's cost studies that characterize the revenue/cost relationships of basic residential services, including those instances where Verizon has specifically introduced competitive package plans that include the basic residential service component. This information is highly relevant and extremely critical to the evaluation of the benefits or the harm that basic residential telecommunication customers will experience as a result of the Verizon petition. Furthermore, the testimony of witness Leo, page 17, Table VI, includes specific references to bundled service offerings of six Florida competitors. Consequently, our request is relevant to Verizon's testimony. Finally, regarding the Company's reliance on section 364.164(3), Florida Statutes, please see Citizens' response to Interrogatory 3 objection, above.

Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 4:

² Emphasis added.

This interrogatory runs afoul of the discovery limitations imposed by Subsection 364.164(1). As stated in the specific objection, under Subsection 364.164(1)(i), the Commission must consider whether granting Verizon's Petition will remove support for basic local services. Bundles that include residential local telecommunications services are not basic local services. Consequently, such services are outside the scope of the issues to be considered by the Commission under Subsection 364.164(1)(i).

The Citizens argue that Verizon should be compelled to respond to this interrogatory because Citizens is seeking information regarding the "revenue/cost relationships of basic residential services." The Citizens' reliance on this argument is misplaced. Given that bundles are non-basic services, cost studies for bundled services have no bearing on the "revenue/cost relationship of basic services." Moreover, the "revenue/cost relationship of basic residential services" is not germane to any issue deemed relevant by the Legislature under Section 364.164(1).

This interrogatory is also prohibited by the discovery limitations imposed by Section 364.164(3). Even if the Commission broadly construes this subsection to mean that discovery is limited to issues addressed in Verizon's Petition, as opposed to the verification of historical pricing units (which it should not), Verizon should not be required to respond to this interrogatory because its Petition does not focus on the costs of its bundled offerings.

That Verizon refers to the bundled offerings of other carriers does not entitle Citizens to the cost studies for Verizon's bundled offerings. Verizon relies on other carriers' bundled offerings to show that, once rates are rebalanced, such offerings will be more competitive with Verizon's basic local service offerings. The costs of Verizon's

bundled service offerings are not discussed in Verizon's Petition and cannot be used for this purpose. Accordingly, Verizon should not be required to respond to this interrogatory.

Interrogatory No. 5:

Explain how Verizon calculates the costs of SS7 in its costing of basic local exchange residential service as shown in DDC-1.

Specific Objection to Interrogatory No. 5:

In addition to its General Objections, which are incorporated herein by reference, Verizon objects to this interrogatory on the grounds that it seeks information precluded from discovery by the limitations imposed by Florida Statutes, Section 364.164(3). Exhibit DCC-1 is not attached to, nor discussed in, Verizon's Petition or the testimony of its witnesses. Rather, Exhibit DCC-1 is attached to, and discussed in, the testimony of a Bell South witness.

Citizens' Motion to Compel a Response to Interrogatory No. 5:

Verizon witness Fulp's testimony states that the Company is proposing to remove \$76.8 million of intrastate switched access revenue support that goes to basic services and he proposes that the basic services should be increased by the same amount. (Page 3, line 5-12) Witness Fulp then introduces his cost support to justify the proposed rate increases starting on page 19, line 13 of his testimony, and further amplified on pages 22 and 23, as well as specifically in the exhibit he has attached to his testimony. Citizen's request here is for witness Fulp to quantify the methodology he uses to calculate the costs of SS7 signaling. This information is critical to the Citizen's case, since SS7 is common equipment utilized by many, if not all, of the retail and wholesale services provided by the company. The parallel between SS7 and local loop costs is strong, and the Citizens seek to determine if Verizon's cost methodologies are consistent.

Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 5:

Prior to reading Citizens' reasons for compelling a response to this interrogatory, Verizon did not understand that Citizens wanted Verizon witness Fulp to explain the methodology that he used to calculate the costs of SS7 signaling. The methodology that Mr. Fulp used to calculate the costs of SS7 signaling is set forth in Verizon's response to Interrogatory No. 7.

Interrogatory No. 6:

Explain how Verizon calculates the costs of SS7 signaling costs required for vertical services.

Specific Objection to Interrogatory No. 6:

In addition to its General Objections, which are incorporated herein by reference, Verizon objects to this interrogatory on the grounds that it is not reasonably calculated to lead to the discovery of admissible evidence and is not relevant to the subject matter of this proceeding. This is because Verizon relied on Commission-approved unbundled network element (UNE) rates to estimate the incremental cost of provisioning basic local telecommunications services, and these rates do not include vertical services.

Citizens' Motion to Compel a Response to Interrogatory No. 6:

See Citizens' response to Verizon's Specific Objection to Interrogatory No. 5.

Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 6:

The Citizens fail to show that this interrogatory seeks relevant information. As stated in the specific objection, Verizon relied on Commission-approved UNE rates to estimate the incremental cost of provisioning basic local telecommunications services, and

those rates do not include vertical services. Therefore, the SS7 signaling costs required for vertical services are not relevant.

Moreover, this interrogatory is prohibited by the discovery limitations imposed by Section 364.164(3). Even if the Commission broadly construes that subsection to mean that discovery is limited to issues addressed in Verizon's Petition, as opposed to the verification of historical pricing units (which it should not), Citizens' attempt to compel a response to this interrogatory should be rejected. Verizon's Petition does not focus on the costs of SS7 signaling required for vertical services.

In light of the foregoing, Verizon should not be compelled to respond to this interrogatory.

Interrogatory No. 10:

Please state the annual rate of growth for basic residential service access lines for each of the past five years starting with December 31, 1998 and ending with December 31, 2002.

Specific Objection to Interrogatory No. 10:

In addition to its General Objections, which are incorporated herein by reference, Verizon objects to this interrogatory on the grounds that it seeks information precluded from discovery by the limitations imposed by Florida Statutes, Section 364.164(3). The annual rate of growth for basic residential service access lines is not discussed in Verizon's Petition or the testimony of its witnesses. Moreover, Verizon objects to this interrogatory on the grounds that it is not reasonably calculated to lead to the discovery of admissible evidence and is not relevant to the subject matter of this proceeding. In short,

the information sought does not bear on the criteria the Commission must consider under Florida Statutes, Section 364.164(1).

Citizens' Motion to Compel a Response to Interrogatory No. 10:

The number of Verizon's residential customers in Florida is relevant to the issues in this case. Verizon proposes to implement this rate increase to the customers of record on two separate dates, during which, the number of customers will change, either upward or downward. The current growth rate for residential services is relevant to those issues. In addition, in order to characterize whether the price increase is beneficial to residential customers, it is important to know how the number of residential customers is changing, over time, at the present rates. Finally, regarding the Company's reliance on section 364.164(3), Florida Statutes, please see Citizens' response to Interrogatory 3 objection, above.

Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 10:

Citizens argues conclusorily that the growth rate of residential customers is relevant without explaining how. Contrary to Citizens' argument, the growth rate of residential customers is irrelevant given that Section 364.164(7) expressly states that revenues shall be calculated using the most recent 12 months demand units and multiplying that number by the price of the service.

Moreover, Citizens' attempt to avoid the discovery limitations set forth in Section 354.164(3) is misplaced. As stated above, Section 364.164(3) plainly states that "[a]ny discovery or information requests under this section shall be limited to a verification of

historical pricing units . . .”³ By the plain language of the statute, the discovery limitation applies to discovery requests under all of the section, not just certain subsections.

Interrogatory No. 11:

Please state the annual rate of growth in intrastate access line revenues for each of the past five years starting with December 31, 1999 and ending with December 31, 2002.

Specific Objection to Interrogatory No. 11:

In addition to its General Objections, which are incorporated herein by reference, Verizon objects to this interrogatory on the grounds that it seeks information precluded from discovery by the limitations imposed by Florida Statutes, Section 364.164(3). The annual rate of growth in intrastate access line revenues is not discussed in Verizon’s Petition or the testimony of its witnesses. Moreover, Verizon objects to this interrogatory on the grounds that it is not reasonably calculated to lead to the discovery of admissible evidence and is not relevant to the subject matter of this proceeding. In short, the information sought does not bear on the criteria the Commission must consider under Florida Statutes, Section 364.164(1).

Citizens’ Motion to Compel a Response to Interrogatory No. 11:

Verizon witness Fulp’s testimony, starting on page 8, explains how the company has calculated the composite access rates over the past 12 months to calculate the amount of the increase for basic local exchange subscribers. The Citizens have a right to test the validity of witness Fulp’s calculations, and the prior year revenues are highly relevant to the evaluation of the testimony offered by the Verizon witness’s use of a composite rate. Witness Fulp takes two pages to explain why he has used a composite rate (page 8-9).

³ Emphasis added.

His testimony states that the composite rates are the only good way to compare inter- and intra-state access rates that have different demand characteristics. Citizens seek information about the demand characteristics for intra-state access charges in this request. Finally, regarding the Company's reliance on section 364.164(3), Florida Statutes, please see Citizens' response to Interrogatory 3 objection, above.

Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 11:

Citizens argues that it wants the annual rate of growth in intrastate access line revenues for each of the past five years to "test the validity" of Verizon witness Fulp's composite rate calculations. Citizens' reliance on this argument is misplaced. First, the growth rate in intrastate access lines is irrelevant given that Section 364.164(7) expressly states that revenues shall be calculated using the most recent 12 months demand units and multiplying that number by the price of the service. Second, Mr. Fulp's testimony provides the necessary support for his composite rate calculations using the units for the 12-month period ending May 31, 2003. Third, years prior to the 12-month period ending May 31, 2003 have no bearing on the accuracy of Mr. Fulp's composite calculations.

Moreover, Citizens' attempt to avoid the discovery limitations set forth in Section 354.164(3) is misplaced. As stated above, Section 364.164(3) plainly states that "[a]ny discovery or information requests under this section shall be limited to a verification of historical pricing units . . ."⁴ By the plain language of the statute, the discovery limitation applies to discovery requests under all of the section, not just certain subsections.

⁴ Emphasis added.

Interrogatory No. 13:

Please state whether Verizon has developed cost studies for bundled services since January 1, 2000, where the basic residential local exchange service component was bundled with additional products and services and provided at a single reduced rate. If so, please state the date and identify the name of the cost study.⁵

Specific Objection to Interrogatory No. 13:

In addition to its General Objections, which are incorporated herein by reference, Verizon objects to this interrogatory on the grounds that it is not reasonably calculated to lead to the discovery of admissible evidence and is not relevant to the subject matter of this proceeding. Pursuant to Florida Statutes Section 364.164(1)(i), the Commission must consider whether Verizon's basic residential local telecommunications services receive support, not whether bundles that include residential local service receive support. Bundles that include residential local telecommunications services are classified under Verizon's price-cap plan as non-basic services, and therefore are not relevant to the rebalancing of basic local telecommunications rates in accordance with Section 364.164.

Citizens' Motion to Compel a Response to Interrogatory No. 13:

Please also refer to Citizens' Response to Verizon's Specific Objection to Citizens' Production of Documents Request No. 19. Verizon has filed a request for \$71.4 million in increased rates for basic residential service customers in Florida, alleging that the price of residential service is below its cost. The Citizens and the Commission should have a right to have identified, as well as review, all of Verizon's cost studies that characterize the revenue/cost relationships of basic residential services, including those instances where

Verizon has specifically introduced competitive package plans that include the basic residential service component. This information is highly relevant and extremely critical to the evaluation of the benefits or the harm that basic residential telecommunication customers will experience as a result of the Verizon petition. Furthermore, the testimony of witness Leo, page 17, Table VI, includes specific references to bundled service offerings of six Florida competitors. Consequently, our request is relevant to Verizon's testimony. Finally, regarding the Company's reliance on section 364.164(3), Florida Statutes, please see Citizens' response to Interrogatory 3 objection, above.

Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 13:

This interrogatory runs afoul of the discovery limitations imposed by Subsection 364.164(1). As stated in the specific objection, under Subsection 364.164(1)(i), the Commission must consider whether granting Verizon's Petition will remove support for basic local services. Bundles that include residential local telecommunications services are not basic local services. Consequently, such services are outside the scope of the issues to be considered by the Commission under Subsection 364.164(1)(i).

The Citizens argue that Verizon should be compelled to respond to this interrogatory because Citizens is seeking information regarding the "revenue/cost relationships of basic residential services." The Citizens' reliance on this argument is misplaced. Given that bundles are non-basic services, cost studies for bundled services have no bearing on the "revenue/cost relationship of basic services." Moreover, the

⁵ Interrogatory No. 13 is identical to Interrogatory No. 4.

“revenue/cost relationship of basic residential services” is not germane to any issue deemed relevant by the Legislature under Section 364.164(1).

This interrogatory is also prohibited by the discovery limitations imposed by Section 364.164(3). Even if the Commission broadly construes this subsection to mean that discovery is limited to issues addressed in Verizon's Petition, as opposed to the verification of historical pricing units (which it should not), Verizon should not be required to respond to this interrogatory because its Petition does not focus on the costs of its bundled offerings.

That Verizon refers to the bundled offerings of other carriers does not entitle Citizens to the cost studies for Verizon's bundled offerings. Verizon relies on other carriers' bundled offerings to show that, once rates are rebalanced, such offerings will be more competitive with Verizon's basic local service offerings. The costs of Verizon's bundled service offerings are not discussed in Verizon's Petition and cannot be used for this purpose. Accordingly, Verizon should not be required to respond to this interrogatory.

Interrogatory No. 17:

What percentage of Verizon's CLEC lines in Florida are furnished to prepaid local exchange service companies?

Specific Objection to Interrogatory No. 17:

In addition to its General Objections, which are incorporated herein by reference, Verizon objects to this interrogatory on the grounds that it seeks information precluded from discovery by the limitations imposed by Florida Statutes, Section 364.164(3). Prepaid local exchange service companies are not discussed in Verizon's Petition or the testimony of its witnesses.

Citizens' Motion to Compel a Response to Interrogatory No. 17:

Verizon has submitted testimony in this docket relating to the amount of competition that exists in Florida, (See Direct Testimony of Evan T. Leo entitled "Local Competition in Florida") and through witness Gordon, the company has submitted testimony asserting that customers will not experience "rate shock" and that the proposal will not impact universal service. (Page 16, line 7; page 17, line 3) Citizens seek to fully explore the testimony of Verizon's witnesses. Prepaid local exchange companies provide local telephone service at rates that are typically \$50 per month. The rates charged by prepaid companies are not comparable to the ILEC charges for local service and could never be considered as competitive services under any objective analysis. Finally, regarding the Company's reliance on section 364.164(3), Florida Statutes, please see Citizens' response to Interrogatory 3 objection, above.

Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 17:

Verizon's initial specific objection to this interrogatory should be sustained for the reasons set forth therein. Notwithstanding the foregoing, Verizon has not determined a means to obtain this information.

Interrogatory No. 18:

Referring to Danner testimony at page 4, lines 8-10, please state the amount of contribution that future intrastate access charges will make toward joint and common costs, based on the access charge rates filed in this docket.

Specific Objection to Interrogatory No. 18:

In addition to its General Objections, which are incorporated herein by reference, Verizon objects to this interrogatory on the grounds that it is not reasonably calculated to lead to the discovery of admissible evidence and is not relevant to the subject matter of this proceeding. Pursuant to Section 364.164(1)(i), the Commission must consider granting Verizon's plan will remove support for Verizon's basic local telecommunications services. The amount of contribution that future intrastate access charges will make toward joint and common costs, based on access rates filed in this docket, does not bear on the criteria the Commission must consider under Florida Statutes, Section 364.164(1).

Citizens' Motion to Compel a Response to Interrogatory No. 18:

Verizon witness Danner's testimony, on page 4, lines 1-10, clearly states that the access charge reductions and basic rate increases serve to remove support from access lines to basic services because the basic service is priced below its cost. He explains that the basic local service makes no contribution to Verizon's joint and common costs, and he references testimony submitted by Verizon witness Fulp. (Page 4, line 12-20) The Citizens' interrogatory deals directly with the testimony of Verizon's witnesses. Citizens have the right, and the Commission has the duty, to be assured that the rates proposed by the Company will not result in a reverse subsidy as defined by witness Danner, where intrastate access rates will not make a contribution towards joint and common costs.

Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 18:

Subsection 364.164(1)(i) provides that the Commission shall consider whether granting Verizon's Petition will "remove current support for basic local telecommunications services that prevents the creation of a more attractive competitive local exchange market

for the benefit of residential customers.” Because this interrogatory seeks information regarding an issue that is outside the scope of Subsection 364.164(1) (i.e., the source of the support), this interrogatory seeks information that is outside the scope of the issues deemed relevant by the Legislature, and thus outside the scope of discovery. That Verizon continues to be subject to Subsections 364.3381(1),(2) and (3) (requiring that all of Verizon’s services cover their costs) is wholly irrelevant to this proceeding.

Interrogatory No. 20:

Please state the company’s future plans to increase the residential local rates in its territory in order to eliminate all support from other services.

Specific Objection to Interrogatory No. 20:

In addition to its General Objections, which are incorporated herein by reference, Verizon objects to this interrogatory on the grounds that it is not reasonably calculated to lead to the discovery of admissible evidence and is not relevant to the subject matter of this proceeding. Pursuant to Section 364.164(1)(i), the Commission must consider granting Verizon’s plan will remove support for Verizon’s basic local telecommunications services. Whether Verizon has any future plans to increase residential local rates to eliminate support from other services does not bear on the criteria the Commission must consider under Florida Statutes, Section 364.164(1). Moreover, Verizon objects to this interrogatory on the grounds that it seeks information precluded from discovery by the limitations imposed by Florida Statutes, Section 364.164(3). Verizon’s future plans to eliminate support from other services, if any, are not discussed in Verizon’s Petition or the testimony of its witnesses.

Citizens’ Motion to Compel a Response to Interrogatory No. 20:

The testimony of Verizon witnesses Danner and Gordon is primarily devoted to the issue that basic local exchange rates in Verizon territory are furnished at rates that are below cost and they have alleged the customer benefits that will accrue when the support from other services is eliminated. Witness Gordon states that under the approach specified in the Telecommunications Act that “there is still no guarantee that residential basic local services recover at least their forward-looking direct costs once intrastate access rates are set to parity with interstate switched access rates.” (Page 21, line 22-25)

In order to properly evaluate the benefits that this proposal will provide to customers, it is absolutely essential that Citizens know how much more the basic rates will be increased if the Commission adopts the cost philosophies of Verizon, as well as the specific plans the company may have to increase its rates, given future pricing flexibility that the company will receive if the Commission approves the Verizon petition. Finally, regarding the Company’s reliance on section 364.164(3), Florida Statutes, please see Citizens’ response to Interrogatory 3 objection, above.

Verizon’s Response to Citizens’ Motion to Compel a Response to Interrogatory No. 20:

Verizon’s initial specific objection to this interrogatory should be sustained for the reasons set forth therein. The Company’s future plans to eliminate additional support from basic local services are not one of the factors to be considered by the Commission under Section 364.164.

Moreover, even if the Commission broadly construes Section 364.164(3) to mean that discovery is limited to issues addressed in Verizon’s Petition, as opposed to the verification of historical pricing units (which it should not), Verizon should not be required

to respond to this interrogatory because its Petition does not focus on its future plans to eliminate additional support from basic local service.

Notwithstanding the foregoing, Verizon wishes to evaluate the effects of lowering access rates to parity and increasing basic local rates before deciding whether to eliminate further support from basic local rates. Therefore, Verizon has not made any decisions regarding whether or not to eliminate additional support from basic local rates.

Interrogatory No. 21:

If basic local rates are supported by access charges, explain if this means that any bundled service that includes basic local service as a component is also being supported. Explain why or why not. Provide calculations and other information to show that each of the bundled services which include basic local service are not being supported by access charges or other services.

Specific Objection to Interrogatory No. 21:

In addition to its General Objections, which are incorporated herein by reference, Verizon objects to this interrogatory on the grounds that it is not reasonably calculated to lead to the discovery of admissible evidence and is not relevant to the subject matter of this proceeding. Pursuant to Florida Statutes Section 364.164(1)(i), the Commission must consider whether Verizon's basic residential local telecommunications services receive support, not whether bundles that include residential local telecommunications services receive support. Bundles that include residential local telecommunications services are classified under Verizon's price-cap plan as non-basic services, and therefore are not relevant to the rebalancing of basic local telecommunications rates in accordance with Section 364.164. Moreover, Verizon objects to this interrogatory on the grounds that it

seeks information precluded from discovery by the limitations imposed by Florida Statutes, Section 364.164(3). Bundled services are not discussed in Verizon's Petition or the testimony of its witnesses.

Citizens' Motion to Compel a Response to Interrogatory No. 21:

Please also refer to Citizens' Response to Verizon's Specific Objection to Citizens' Production of Documents Request No. 19. Verizon has filed a request for \$71.4 million in increased rates for basic residential service customers in Florida, alleging that the price of residential service is below its cost. The Citizens and the Commission should have a right to have identified, as well as review, all of Verizon's cost studies that characterize the revenue/cost relationships of basic residential services, including those instances where Verizon has specifically introduced competitive package plans that include the basic residential service component. This information is highly relevant and extremely critical to the evaluation of the benefits or the harm that basic residential telecommunication customers will experience as a result of the Verizon petition. Furthermore, the testimony of witness Leo, page 17, Table VI, includes specific references to bundled service offerings of six Florida competitors. Consequently, our request is relevant to Verizon's testimony. Finally, regarding the Company's reliance on section 364.164(3), Florida Statutes, please see Citizens' response to Interrogatory 3 objection, above.

Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 21:

See Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 4.

Interrogatory No. 22:

The company asserts in various testimony that higher residential basic local rates will result in increased/improved competition by removing support. If this is the case, explain when and how the company plans to compete for basic residential customers in the

Florida exchanges of other bell operating companies, Sprint, and other rural LECs. Explain why the company has no plan for competing with other carriers in Florida.

Specific Objection to Interrogatory No. 22:

In addition to its General Objections, which are incorporated herein by reference, Verizon objects to this interrogatory on the grounds that it seeks information precluded from discovery by the limitations imposed by Florida Statutes, Section 364.164(3). In its Petition and supporting testimony, Verizon discusses how its plan will affect competition in its territory, not the territories of the other incumbent local exchange carriers.

Citizens' Motion to Compel a Response to Interrogatory No. 22:

Verizon witness Leo's entire testimony relates to the amount of Local Competition that exists in Florida. Contrary to the objections of Verizon, witness Leo's testimony contains numerous references to the FPSC competitive studies and numerous references to national publications that utilize nationwide data in an effort to make specific points supporting his testimony of the witness Leo. Witness Leo's testimony on page 8, paragraph's 15 and 16, specifically quotes the Florida Commission's characterization of the entire Florida competitive market, not Verizon's Florida market. Citizens seek to know why the company has not entered any competitive markets in Florida, including the business markets of other companies that are currently priced at rate levels that Verizon has characterized in this case as sufficient to attract new competitors for the benefit of residential customers. (See Danner testimony, page 8, lines 1-20) Finally, regarding the Company's reliance on section 364.164(3), Florida Statutes, please see Citizens' response to Interrogatory 3 objection, above.

Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 22:

This interrogatory runs afoul of the discovery limitations imposed by Subsection 364.164(1). "How the company plans to compete for basic residential customers in the Florida exchanges of other Bell operating companies" is not one of the four issues to be considered by the Commission under Section 364.164(1). The relevant issue is how Verizon's rate rebalancing plan will affect customers in its service territory.

Moreover, this interrogatory is prohibited by the discovery limitations imposed by Section 364.164(3). Even if the Commission broadly construes that subsection to mean that discovery is limited to issues addressed in Verizon's Petition, as opposed to the verification of historical pricing units (which it should not), Citizens' attempt to compel a response to this interrogatory should be rejected. Verizon's Petition explains how rebalancing its retail rates will promote competition in its service territory by enhancing the ability of competitors to enter and serve its basic local customers. That Verizon witness Leo referred to statewide data to show how Verizon's rate rebalancing plan will affect customers in its service territory does not mean that the Citizens' are entitled to data relating to the service territories of other ILECs. Bell South and/or Sprint's service territories are simply not the subject of Verizon's Petition.

Accordingly, Verizon should not be required to respond to this interrogatory.

Interrogatory No. 23:

The company's testimony appears to assert that access provides greater support to residential basic local rates, versus business basic local rates (and some business rates may already be priced high enough that they don't receive any support from access). If

basic business rates are already high enough in some exchanges (where there is no support) of other Florida bell operating companies, Sprint, and other rural LECs, explain why the company does not compete for basic business customers in these areas. Explain when and how the company plans to compete for these basic business customers in exchanges of other LECs. Explain why the company has no plan for competing with other carriers in Florida if this is so.

Specific Objection to Interrogatory No. 23:

In addition to its General Objections, which are incorporated herein by reference, Verizon objects to this interrogatory on the grounds that it seeks information precluded from discovery by the limitations imposed by Florida Statutes, Section 364.164(3). In its Petition and supporting testimony, Verizon discusses how its plan will affect competition in its territory, not the territories of the other incumbent local exchange carriers.

Citizens' Motion to Compel a Response to Interrogatory No. 23:

See Citizens' Response to Verizon's Specific Objection to Citizens' Interrogatory No. 22.

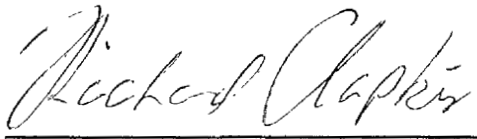
Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 23:

See Verizon's Response to Citizens' Motion to Compel a Response to Interrogatory No. 22.

III. CONCLUSION

For the foregoing reasons, the Commission should deny Citizens' Motion to Compel in its entirety.

Respectfully submitted on September 24, 2003.

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