

ORIGINAL

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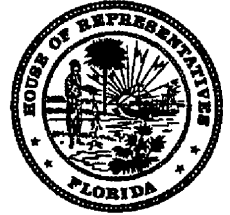
PRESIDENT



Charles J. Beck  
Interim  
Public Counsel

JOHNNIE BYRD

SPEAKER



STATE OF FLORIDA  
OFFICE OF THE PUBLIC COUNSEL

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November 21, 2003

Ms. Blanca S. Bayó, Director  
Division of the Commission Clerk  
and Administrative Services  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0870

RECEIVED-HPSC  
03 NOV 21 PM 3:16  
COMMISSION  
CLERK

RE: Docket No. 030867-TL, 030868-TL, 030869-TL & 030961-TI

Dear Ms. Bayó:

Enclosed are an original and fifteen copies of Citizens' Prehearing Statement for filing in the above-referenced docket.

Also enclosed is a 3.5 inch diskette containing Citizens' Prehearing Statement in Microsoft Word 6.0. Please indicate receipt of filing by date-stamping the attached copy of this letter and returning it to this office. Thank you for your assistance in this matter.

RECEIVED & FILED

*lh*  
EPSC-BUREAU OF RECORDS

Sincerely,

H F. Mann  
Associate Public Counsel

HFM/dsb

Enclosures

- AUS \_\_\_\_\_
- CAF \_\_\_\_\_
- CMP** \_\_\_\_\_
- COM 5 \_\_\_\_\_
- CTR \_\_\_\_\_
- ECR \_\_\_\_\_
- GCL 1 \_\_\_\_\_
- OPC \_\_\_\_\_
- MMS \_\_\_\_\_
- SEC 1 \_\_\_\_\_
- OTH 1 copy to each docket \_\_\_\_\_

DOCUMENT NUMBER-DATE

11848 NOV 21 8

EPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Verizon Florida Inc. ) Docket No. 030867-TL  
to reform intrastate network access )  
and basic local telecommunications )  
rates in accordance with Section )  
364.164, Florida Statutes. )

In re: Petition by Sprint-Florida, ) Docket No. 030868-TL  
Incorporated to reduce intrastate )  
switched network access rates )  
to interstate parity in revenue-neutral )  
manner pursuant to Section 364.164(1), )  
Florida Statutes. )

In re: Petition for implementation of ) Docket No. 030869-TL  
Section 364.164, Florida Statutes, by )  
rebalancing rates in a revenue-neutral )  
manner through decreases in intrastate )  
switched access charges with offsetting )  
rate adjustments for basic services, by )  
BellSouth Telecommunications, Inc. )

In re: Flow-through of LEC switched ) Docket No. 030961-TI  
access reductions by IXCs, pursuant to )  
Section 364.163(2), Florida Statutes. ) FILED: November 21, 2003

CITIZENS' PREHEARING STATEMENT

The Citizens of Florida (Citizens), pursuant to Florida Public Service Commission Order No. PSC-03-0994-PCO-TL issued September 4, 2003; order No. PSC-03-1118-PCO-TL issued October 7, 2003; and order No. PSC-03-1269-PCO-TL, issued November 10, 2003, file this Prehearing Statement.

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FPSC-COMMISSION CLERK

**Witnesses**

Citizens prefiled testimony by the following witnesses:

- (1) Dr. David J. Gabel, Direct and Rebuttal
- (2) Bion C. Ostrander, Direct, Rebuttal and Second Direct

**Prefiled Exhibits**

Witnesses for Citizens prefiled the following exhibits:

Dr. David J. Gabel

- A-1 Estimation of The In-Plant Factor
- A-2 Estimation of The Retail Cost Allocator
- A-3 List of Proprietary Files Provided to Staff and BellSouth
- A-4 Curriculum Vitae

Bion C. Ostrander

- BCO-1 Qualifications
- BCO-1, Part B Qualifications
- BCO-2 Rate Impact

**Statement of Basic Position**

The petitions filed by Verizon, Sprint, and BellSouth to reform their intrastate network access rates and BLTS rates should be denied. The Companies' petitions do not provide adequate empirical evidence to support their claims. In particular:

- ◆ Residential basic local telephone service is not subsidized by access or any other service. Accordingly, a rebalancing, by substantially raising residential BLTS rates, cannot be justified by any claim by the ILECs that such support exists.
- ◆ The ILECs have not made a showing that the proposed rebalancing of these rates would create a more attractive competitive local exchange market for the benefit of residential customers or that market entry will be enhanced because their analysis is based on a model that no entrant would ever use. Moreover, any claims of benefits to consumers based on the removal or reduction of support of residential BLTS are moot, since no such support exists.
- ◆ The ILECs have not demonstrated that the proposed rebalancing would benefit or protect consumers. Again, any claims of benefits to be brought about by elimination or reduction of support of residential BLTS are irrelevant since residential rates are not supported, and ILEC evidence beyond this on the impacts of the rebalancing is very limited.

The economic and policy environment in the telecommunications sector is undergoing rapid and fundamental change. The development of more competitive telecommunications markets in the area of mobile services has revealed what economically efficient prices are likely to look like in telecommunications markets generally. Relative pricing patterns in these markets are in sharp contrast to the prices recommended by the ILECs.

If the Commission accepts one or more of the ILECs' petitions, the interexchange telecommunications companies should flow through the intrastate switched network access charge reductions in a proportionate manner that would return the BLTS rate increases to the appropriate parties who are saddled with these increases.

### **Issues and Positions**

**ISSUE 1:** Will the ILECs' rebalancing proposals remove the current support for basic local telecommunications services that prevents the creation of a more attractive competitive market for the benefit of residential consumers?

**POSITION:** Residential basic local telephone service is not subsidized by access service or any other service. The ILEC's petitions therefore do not remove current support, because there is none.

**WITNESS:** Dr. David Gabel

**ISSUE 1A.:** What is a reasonable estimate of the level of support provided for basic local telecommunications services?

**POSITION:** Basic Local Telecommunications Services (BLTS) are not supported by the rates charged for intrastate access because the existing BLTS rates exceed their incremental costs.

**WITNESS:** Dr. David Gabel

**ISSUE 1B.:** Does the current level of support prevent the creation of a more attractive competitive local exchange market for the benefit of residential consumers?

**POSITION:** No. The existing level of BLTS rates have minimal, if any, impact on making the local exchange market more attractive to competitors.

**WITNESS:** Dr. David Gabel

**ISSUE 1C.: Will the ILECs' rebalancing proposals benefit residential consumers as contemplated by Section 364.164, Florida Statutes? If so, how?**

**POSITION:** No. The ILECs have not made a showing that the proposed rebalancing of BLTS rates would create a more attractive competitive local exchange market for the benefit of residential customers or that market entry will be enhanced because their analyses are based on a model that no entrant would ever use. Moreover, any claims of benefits to consumers based on the removal or reduction of support of residential BLTS are moot, since no such support exists.

**WITNESS:** Dr. David Gabel

**ISSUE 2: Will the effects of the ILECs' rebalancing proposals induce enhanced market entry? If so, how?**

**POSITION:** No. Competitive Local Exchange Companies' (CLECs) entry decisions will be based on total expected revenues and costs associated with all the services that can be sold given entry into the market. An entry decision would not be based on the price of any particular service or product such as residential BLTS.

**WITNESS:** Dr. David Gabel

**ISSUE 3: Will the ILECs' rebalancing proposals reduce intrastate switched network access rates to interstate parity over a period of not less than two years or more than four years?**

**POSITION:** Verizon's inclusion of the interstate PICC end-user charge in its calculation of intrastate access charges for the purpose of rebalancing means that Verizon has failed to comply with the provisions of the Act requiring parity and revenue neutrality. Verizon's petition should be denied on these grounds.

Regarding BellSouth and Sprint, Citizens take no position at this time.

**ISSUE 4: Are the ILECs' rebalancing proposals revenue neutral, as defined in Section 364.164(2), Florida Statutes?**

POSITION: Verizon's inclusion of the interstate PICC end-user charge in its calculation of intrastate access charges for the purpose of rebalancing means that Verizon has failed to comply with the provisions of the Act requiring parity and revenue neutrality. Verizon's petition should be denied on these grounds.

WITNESS: Bion Ostrander

**ISSUE 5: Should the ILECs' rebalancing proposals be granted or denied?**

POSITION: Denied. As is noted in Issues No. 1 through 4, above, the ILECs have not satisfied the requirements of section 364.164(1), Florida Statutes.

WITNESS: Dr. David Gabel, Bion Ostrander

**ISSUE 6: Which IXCs should be required to file tariffs to flow through BellSouth's, Verizon's, and Sprint-Florida's switched access reductions, if approved, and what should be included in these tariff filings?**

POSITION: All Interexchange Communications Companies in Florida should be required to file tariffs and flow through the impacts of access rate reductions, except for those IXCs whose intrastate access expense reduction is \$100 or less, per month. Those IXCs which are not required to flow through the reductions should attest to such, via a letter filed with the Commission. These flow-through reductions should be directed to residential customers in the same proportion as the BLTS revenue increases proposed by the ILECs.

Included in these tariff filings should be the information delineated in the testimony of Citizens' witness, Bion Ostrander, beginning on page 6.

WITNESS: Bion Ostrander

**ISSUE 7: If the ILEC access rate reductions are approved, should the IXCs be required to flow through the benefits of such reductions, via the tariffs, simultaneously with the approved ILEC access rate reductions?**

POSITION: Yes.

WITNESS: Bion Ostrander

**ISSUE 8:** For each access rate reduction that an IXC receives, how long should the associated revenue reduction last?

**POSITION:** The IXCs should be required to cap and maintain their long distance rate reductions for a period of three years after parity is achieved, as required by section 364.163, Florida Statutes; and as further described in Mr. Ostrander's testimony on pages 14 and 15.

**WITNESS:** Bion Ostrander

**ISSUE 9:** How should the IXC flow-through of the benefits from the ILEC access rate reductions be allocated between residential and business customers?

**POSITION:** The interexchange carriers should allocate rate reductions between residential and business customers in the same proportion as the respective percent revenue increases for those two classes of customers that have been proposed by the ILECs.

**WITNESS:** Bion Ostrander

**ISSUE 10:** Will all residential and business customers experience a reduction in their long distance bills? If not, which residential and business customers will and will not experience a reduction in their long distance bills?

**POSITION:** No position at this time.

**ISSUE 11:** Should these Dockets be closed?

**POSITION:** Yes.

**Stipulated Issues**

Citizens have stipulated to no issues at this time.



### **Pending Motions**

Citizens have three Motions to Compel pending at the filing of this Prehearing Statement on November 21, 2003.

### **Claims of Confidentiality**

There are numerous pending claims of confidentiality. Citizens specifically requested a ruling on one such claim on November 10, 2003, and supplemented that request for ruling on November 17, 2003.

The Commission should closely scrutinize the claims of confidentiality filed by the companies. As much information as possible should be publicly disclosed, and the companies should be required to present information in such a way that information relating to the merits of their cases is public. If information currently claimed as confidential can be combined or presented in a way that would allow public disclosure, the Commission should require the companies to do this.

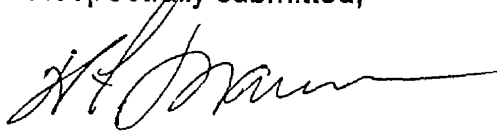
### **Requirements That Cannot be Complied With**

Citizens are not aware of any requirements of Commission Orders No. PSC-03-0994-PCO-TL, No. PSC-03-1118-PCO-TL and No. PSC-03-1269-PCO-TL that cannot be complied with at this time.

**Objection to Witnesses' Qualifications**

Citizens have no objections to witness qualifications at this time.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "C. Beck", with a long horizontal flourish extending to the right.

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Attorneys for Florida's Citizens

**DOCKET NOS. 030869-TL, 030868-TL, 030867-TL and 030961-TI  
CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a copy of the foregoing Citizens' Prehearing Statement has been furnished by U.S. Mail, hand-delivery and/or overnight delivery to the following parties on this 21st day of November, 2003.

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A handwritten signature in black ink, appearing to read "H. F. Mann", written over a horizontal line.

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Associate Public Counsel