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November 21, 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

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 fifteen copies of Verizon Florida Inc.'s Prehearing Statement in the above matter. Also enclosed are an original and fifteen copies of the Prehearing Statement of Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance, NYNEX Long Distance Company d/b/a Verizon Enterprise Solutions and Verizon Select Services Inc. together with a diskette with copies of the Prehearing Statements in Word format. 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,

A handwritten signature in cursive script that reads "Richard Chapkis".

Richard Chapkis

RC:tas
Enclosures

DOCUMENT NUMBER DATE

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FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the foregoing Prehearing Statements in Docket No. 030867-TL were hand-delivered(*) and/or sent via electronic mail and overnight delivery(**) on November 21, 2003 to:

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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: November 21, 2003

VERIZON FLORIDA INC.'S PREHEARING STATEMENT

Verizon Florida Inc. (Verizon) files this Prehearing Statement in accordance with Order Nos. PSC-03-0994-PCO-TL and PSC-03-1118-PCO-TL in this docket and Florida Public Service Commission Rule 25-22.038.

A. Witnesses

Verizon's witnesses for this proceeding and the issues to which they will testify are as follows:

1. Mr. Orville D. Fulp: Issues 1, 1a, 3, 4, and 5.
2. Dr. Carl R. Danner: Issues 1, 1b, 1c, 2, and 5.
3. Dr. Kenneth Gordon: Issues 1, 1b, 1c, 2, and 5.
4. Mr. Evan T. Leo: Issues 1, 1b, 1c, and 2.

B. Exhibits

Verizon will introduce the following exhibits:

1. Amended Direct Testimony of Orville D. Fulp on behalf of Verizon Florida Inc., filed October 2, 2003, and attached Amended Exhibits ODF-1, ODF-2, ODF-3, and ODF-4.
2. Rebuttal Testimony of Orville D. Fulp on behalf of Verizon Florida Inc., filed November 19, 2003.

3. Amended Direct Testimony of Carl R. Danner on behalf of Verizon Florida Inc., filed October 2, 2003, and attached Amended Exhibit CRD-1.
4. Rebuttal Testimony of Carl R. Danner on behalf of Verizon Florida Inc., filed November 19, 2003.
5. Amended Direct Testimony of Kenneth Gordon on behalf of Verizon Florida Inc., filed October 2, 2003, and Attachments A and B.
6. Rebuttal Testimony of Kenneth Gordon on behalf of Verizon Florida Inc., filed November 19, 2003 and attached Exhibit 1.
7. Direct Testimony of Evan T. Leo on behalf of Verizon Florida Inc., filed August 27, 2003 and attached Exhibit ETL-1.
8. Rebuttal Testimony of Evan T. Leo on behalf of Verizon Florida Inc., filed November 19, 2003.

Verizon reserves the right to introduce additional exhibits at the hearing or other appropriate points.

C. Verizon's Basic Position

The Commission should approve Verizon's rate rebalancing plan because it meets the four criteria set forth in Section 364.164, Florida Statutes.

First, Verizon's rate rebalancing plan will remove current support for basic local telecommunications services. (Section 364.164(1)(a)). Verizon has shown that: (i) its basic local services receive support, and (ii) the plan will remove the support by increasing the price of those services.

Second, Verizon's rate rebalancing plan will: (i) facilitate the creation of a more attractive local exchange market for the benefit of residential consumers; and (ii) induce enhanced market entry. (Section 364.164(1)(a)–(b)). By moving Verizon's basic local rates toward cost, Verizon's proposed basic local rate increases will induce competitors to

enter and serve the basic local exchange market. This will benefit residential customers by making them a more attractive target for competitors that have every incentive to meet their demands with new and innovative products and services.

Third, Verizon's rate rebalancing plan will reduce intrastate switched network access rate reductions to parity over a period of not less than two years nor more than four years. (Section 364.164(1)(c)). Specifically, the plan will reduce the Company's intrastate access rates to parity in three increments over two years.

Fourth, Verizon's rate rebalancing plan is revenue neutral. (Section 364.164(1)(d)). It calls for Verizon to reduce its intrastate access rates by \$76.2 million and offset that increase with a corresponding increase in basic local rates.

In sum, the plan should be adopted because it removes support that prevents increased competition that would benefit residential customers and meets the other criteria in Section 364.164.

D, E, F. Verizon's Positions On Specific Issues

Verizon considers each issue in this proceeding to be a mixed question of fact, law and policy.

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?

VERIZON'S POSITION: Yes. Verizon's basic local services receive support, and Verizon's plan removes this support by bringing the prices of those services more in line with costs. Removing support for basic local services will promote competition for the benefit of

residential customers. It will make residential customers more attractive to competitors and thus induce enhanced market entry, encourage innovation, and promote increased freedom of choice. Moreover, the plan will reduce intrastate access rates, thereby allowing residential customers to make more long distance calls at lower prices.

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

VERIZON'S POSITION: For purposes of this proceeding, Verizon seeks to remove \$76.2 million of support from basic local telecommunications services. This is the amount necessary to bring Verizon's intrastate switched network access rate to parity with its interstate switched network access rate.

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

VERIZON'S POSITION: Yes. Verizon's current residential basic monthly rates are well below incremental cost, and therefore impair competition for residential customers. The availability of local service at supported prices limits the prices that competitive local providers can charge. To the extent that competitive providers' costs are similar to Verizon's, the existing supported prices make it economically infeasible for those providers to compete.

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

VERIZON'S POSITION: Yes. As stated above, by moving basic local residential rates toward cost, Verizon's rate rebalancing plan will promote competition for the

benefit of residential customers. It will make these customers more attractive to competitors and thus induce enhanced market entry, encourage innovation, and promote increased freedom of choice. In addition, Verizon's rebalancing plan will lower intrastate access rates and allow residential customers to make more long distance calls at lower prices.

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

VERIZON'S POSITION: Yes. Verizon's rate rebalancing plan will bring the prices of Verizon's basic local services more in line with costs. Prices that more closely reflect underlying costs, such as those proposed in Verizon's rate rebalancing plan, will increase the likelihood that competitive providers can offer services at a price equal to or lower than that offered by Verizon, and still remain profitable. As a result, the reformed prices proposed in Verizon's rate rebalancing plan will make the local exchange market more attractive to competitors and induce enhanced market entry.

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?

VERIZON'S POSITION: Yes. Verizon's rebalancing plan will reduce the Company's intrastate switched network access rates to parity in three increments over two years.

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

VERIZON'S POSITION: Yes. Verizon's rate rebalancing plan is revenue neutral, as defined in the statute. The plan will reduce Verizon's intrastate switched network access

rates by \$76.2 million and offset that increase with a corresponding increase in basic local rates.

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

VERIZON'S POSITION: The ILECs' rebalancing plans should be granted. Verizon's plan meets the criteria of Section 364.164, and will result in prices that are more fair and accurate. This in turn will promote competition, benefit customers, and advance the public interest.

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?

VERIZON'S POSITION: This issue is beyond the scope of this proceeding, which is governed by Section 364.164, Florida Statutes. For that reason, Verizon, Bell South and Sprint have filed a Joint Motion for Reconsideration or Clarification of the Prehearing Officer's Second Order Modifying Procedure.

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?

VERIZON'S POSITION: This issue is beyond the scope of this proceeding, which is governed by Section 364.164, Florida Statutes. For that reason, Verizon, Bell South and Sprint have filed a Joint Motion for Reconsideration or Clarification of the Prehearing Officer's Second Order Modifying Procedure.

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

VERIZON'S POSITION: This issue is beyond the scope of this proceeding, which is governed by Section 364.164, Florida Statutes. For that reason, Verizon, Bell South and Sprint have filed a Joint Motion for Reconsideration or Clarification of the Prehearing Officer's Second Order Modifying Procedure.

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

VERIZON'S POSITION: This issue is beyond the scope of this proceeding, which is governed by Section 364.164, Florida Statutes. For that reason, Verizon, Bell South and Sprint have filed a Joint Motion for Reconsideration or Clarification of the Prehearing Officer's Second Order Modifying Procedure.

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?

VERIZON'S POSITION: This issue is beyond the scope of this proceeding, which is governed by Section 364.164, Florida Statutes. For that reason, Verizon, Bell South and Sprint have filed a Joint Motion for Reconsideration or Clarification of the Prehearing Officer's Second Order Modifying Procedure.

ISSUE 11: Should these dockets be closed?

VERIZON'S POSITION: No. The above-referenced docket is ongoing and should remain open.

G. Stipulated Issues

There are no stipulated issues at this time.

H. Pending Motions And Other Matters

The following motion is pending:

Joint Motion of Verizon Florida Inc., Sprint-Florida, Inc. and BellSouth Telecommunications, Inc. For Reconsideration or Clarification of the Prehearing Officer's Second Order Modifying Procedure for Consolidated Dockets to Reflect Additional Docket, Associated Issues, and Filing Dates, filed November 20, 2003.

I. Pending Requests For Confidentiality

The following requests for confidentiality are pending:

1. Request for Confidential Classification filed August 27, 2003 - Direct Testimony of Orville D. Fulp, Exhibits ODF-1, ODF-2, ODF-3, and Exhibit ETL-1 to Direct Testimony of Evan T. Leo.
2. Request for Confidential Classification filed September 18, 2003 - Responses to Citizens' First Request for Production of Documents (Nos. 2, 3, 11, 12 and 31).
3. Request for Confidential Classification filed September 29, 2003 - information contained in workpapers (Summaries 3/5, 4/5 and 5/5) prepared by Commission Staff during billing units audit.
4. Request for Confidential Classification filed September 30, 2003 - Revised Response to Citizens' Third request for Production of Documents (No. 51).
5. Request for Confidential Classification filed October 1, 2003 - Responses to Staff's First Set of Interrogatories (Nos. 12, 14, 15, 16 and 41) and First Request for Production of Documents (Nos. 24 and 25).
6. Request for Confidential Classification filed October 2, 2003 - Amended Direct Testimony of Orville D. Fulp and amended Exhibits ODF-1, ODF-2 and ODF-3.
7. Request for Confidential Classification filed October 16, 2003 - First Supplemental Responses to Staff's First Request for Production of Documents (Nos. 3 and 9).
8. Request for Confidential Classification filed October 28, 2003 - Supplemental Responses to Citizens' First Set of Requests for Production of Documents (Nos. 16, 18 and 19).

9. Request for Confidential Classification filed October 29, 2003 - Second Supplemental Responses to Citizens' First Set of Requests for Production of Documents (Nos. 4, 5, 6, 20, 21 and 22).
10. Request for Confidential Classification filed October 31, 2003 - Supplemental Responses to Staff's Second Set of Interrogatories (Nos. 42 and 45).
11. Request for Confidential Classification filed November 19, 2003 - Rebuttal Testimony of Carl R. Danner.
12. Request for Confidential Classification - Responses to Staff's Third Set of Interrogatories (Nos. 77 and 85).

J. Procedural Requirements

Verizon is unaware of any requirements set forth in the Commission's Procedural Order that cannot be complied with at this time.

K. Pending FCC Or Court Actions

Verizon is unaware of any pending FCC or court actions that may preempt Commission action in this docket or that may affect the Commission's ability to resolve any of the issues presented in this docket. Verizon cannot, however, definitively speak to this issue without knowing what action the Commission may eventually take in this proceeding.

L. Witnesses

Verizon has no objections to any witness's qualifications as an expert at this time.

Respectfully submitted on November 21, 2003.

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