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November 21, 2003

BY HAND DELIVERY

Ms. Blanca Bayó, Director
Division of Records and Reporting
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket Nos. 030867-TL, 030868-TL, 030869-TL, and 030961-TI

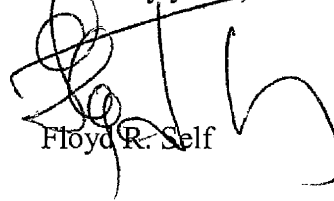
Dear Ms. Bayó:

Enclosed for filing on behalf of AT&T Communications of the Southern States, LLC and MCI WorldCom, Inc. are an original and fifteen copies of AT&T and MCI's Joint Prehearing Statement in the above referenced dockets. Also enclosed is a 3 1/2" diskette with the document on it in Word 97/2000 format.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely yours,



Floyd R. Self

FRS/amb
Enclosures
cc: Parties of Record

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Flow-through of LEC Switched Access Reductions by IXCs, Pursuant to Section 364.163(2), Florida Statutes.

DOCKET NO. 030961-TI

In re: Petition by Verizon Florida Inc. to reform intrastate network access and basic local telecommunications rates in accordance with Section 364.164, Florida Statutes.

DOCKET NO. 030867-TL

In re: Petition by Sprint-Florida, Incorporated to reduce intrastate switched network access rates to interstate parity in revenue-neutral manner pursuant to Section 364.164(1), Florida Statutes.

DOCKET NO. 030868-TL

In re: Petition for implementation of 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.

DOCKET NO. 030869-TL

FILED: November 21, 2003

**JOINT PREHEARING STATEMENT OF
AT&T COMMUNICATIONS OF THE SOUTHERN STATES, LLC AND MCI
WORLD COM COMMUNICATIONS, INC.**

AT&T Communications of the Southern States, LLC (hereinafter "AT&T") and MCI WorldCom Communications, Inc. (hereinafter "MCI") pursuant to Orders Nos. PSC-03-0994-PCO-TL, PSC-03-1118-PCO-TL, and PSC-03-1269-PCO-TL, dated September 4, 2003, October 7, 2003 and November 10, 2003, respectively, submits the following Prehearing Statement in the above-captioned consolidated dockets.

(A)/(B) Witnesses, Subject Matter Issue(s), and Exhibit(s)

AT&T and MCI intend to sponsor the testimony of the following witnesses:

Witnesses:

1. Dr. John Mayo
(AT&T and MCI)

Testimony Filed

Direct and Rebuttal

Issues:

Issues 1 (a-c)

2. Wayne Fonteix (AT&T)	Direct	Issues 1(c), 2, 3, 4 and 5
3. Richard Guepe (AT&T)	Direct and Rebuttal	Issues 6, 7, 8, 9, 10
4. Joseph Dunbar (MCI)	Direct and Rebuttal	Issues 7, 8, 9, 10

Mayo Exhibits:

Exhibit JWM-1	VITA OF DR. JOHN MAYO
Exhibit JWM-2	REVIEW OF NETWORKS ECONOMICS ARTICLE
Exhibit JWM-3	CARRIER ACCESS CHARGES IN A FLAT- FEE, BUNDLED SERVICES MARKET

Fonteix Exhibits:

EXHIBIT WF-1:	BELLSOUTH ACCESS RATES
EXHIBIT WF-2:	SPRINT ACCESS RATES
EXHIBIT WF-3:	VERIZON ACCESS RATES

Guepe Exhibits:

None.

Dunbar Exhibits:

None.

(C) AT&T's and MCI's Basic Position

Local competition in Florida has developed at a slow pace. Seven years after passage of the federal Telecommunications Act of 1996, most Floridians have yet to reap the benefits of a truly competitive market for local telecommunications services. The

disappointing pace of local exchange competition in Florida is due, in part, to high access charges. Excessive access charges retard competition in two ways. First, they support ILEC local exchange service which in turn allows incumbent providers to subject their competitors to an anticompetitive price squeeze. It is difficult for a telecommunications company to enter the local exchange market and compete against incumbent providers whose rates are supported; the support allows incumbent providers to subject their competitors to an anti-competitive price squeeze.

Second, excessive access charges further depress competition by limiting competitors' ability to compete across the full range of service categories. The ILECs' per-minute cost to originate or terminate a telephone call is the same whether that call originated across the street, across the state or across the continent; a minute-long telephone call uses a minute of the ILEC's network resources regardless of the distance it traveled before reaching the ILEC network. However, competitors are charged higher rates to originate and terminate long distance calls, so they must charge their customers higher rates for such calls, even though distance-based distinctions are increasingly irrelevant to consumers. The Tele-Competition Act of 2003 ("2003 Act") allows the Commission to rebalance retail service rates to reduce the outdated access support, thereby reducing intrastate access charges to parity with interstate access charges and limiting ILECs' ability to leverage an anti-competitive price squeeze.

Further, the 2003 Act specifically sets forth the four criteria the Commission is to use to evaluate the ILECs' petitions. The Commission's inclusion of Issues 6-10 is outside the scope of the criteria established by statute. The Commission's inclusion of Issues 6-10 is outside the scope of the criteria established by statute. The IXC market is

highly competitive and the competitive market should and will decide such issues. Moreover, the statute requires IXCs to flow-through whatever access charge reductions are approved, and provides the IXCs the discretion to determine how best to flow through such reductions based on what is occurring in the marketplace. The IXCs are required to eliminate in-state connection fees by July 1, 2006. The 2003 Act recognizes the competitive IXC market is the best determinant of the specifics of the access flow through.

(D)(E) and (F) Questions of Fact, Pricing Issues

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?

AT&T/MCI POSITION: Yes. The ILECs' proposals do so by simultaneously reducing intrastate switched access rates that have been established at economically inefficient levels through the residual rate setting process and adjusting local exchange rates upward on a revenue neutral basis. This movement unequivocally "removes support for basic local telecommunications services" in Florida. Through the process of residual ratemaking, intrastate switched access charges have been historically elevated well above their relevant economic cost and the surplus has served as residual support for basic local telecommunications services. Thus, it is quite clear that the statutory requirement of removing support for basic local services will be met by the plan described in the ILECs' petitions.

WITNESS: Dr. John Mayo

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

AT&T/MCI POSITION: AT&T and MCI have no position.

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

AT&T/MCI POSITION: Yes. The excessive switched access charge levels make it difficult for a telecommunications company to enter the local exchange market and compete against incumbent providers whose local rates are supported by access charges; the support allows incumbent providers to subject their competitors to an anti-competitive price squeeze. Further, excessive access charges further depress competition by limiting competitors' ability to compete across the full range of service categories.

WITNESS: Dr. John Mayo

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

AT&T/MCI POSITION: Yes. The ILECs' proposals will reduce current deterrents to local market entry. A more level playing field will induce increased market entry, which will provide consumers, residential and business alike, with a wider choice of providers' offerings and prices. Residential consumers will further benefit from toll rate reductions and the elimination of any in-state connection fee.

WITNESS: Wayne Fonteix, Dr. John Mayo

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

AT&T/MCI POSITION: Yes. Reduction of the existing access support will make the market more attractive for traditional long distance companies to enter the telecommunications local market. (For example, since the passage of the 2003 Act, AT&T has announced its entry into the local residential market in Florida). Reduction and eventual elimination of the access support is critical to sustainable competition. It will allow CLECs to compete on a more equal footing with the ILECs who already provide both local and long distance services to their customers.

WITNESS: Wayne Fonteix, Dr. John Mayo

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?

AT&T/MCI POSITION: The proposal by Sprint appears to correctly reduce its switched network access rates to interstate parity. BellSouth's "mirroring" proposal appears to correctly reduce its switched access rates to interstate parity while its "typical network" proposal does not. Verizon's proposal does not correctly reduce its intrastate switched access rates to interstate parity.

WITNESS: Wayne Fonteix

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

AT&T/MCI POSITION: The ILEC rebalancing proposals appear to be revenue neutral notwithstanding any failures to correctly reach interstate parity.

WITNESS: Wayne Fonteix

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

AT&T/MCI POSITION: Sprint's proposal should be granted. BellSouth's mirroring proposal should be granted. Verizon's proposal should be denied unless it corrects its access reductions outlined in Issue 3.

WITNESS(ES): Wayne Fonteix, Dr. John Mayo

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?

AT&T/MCI POSITION:

All IXCs should be required to flow through the switched access reductions they receive in order to keep long distance carriers on a level playing field. For competitive neutrality, any flow through conditions imposed must be applied to all IXCs. However, AT&T and MCI would not oppose a *de minimus* threshold established by the Commission for those IXCs for which the flow through would have no meaningful impact. This threshold should be set sufficiently low to allow only those IXCs with very low volume of access use to qualify.

WITNESS: Richard Guepe

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?

AT&T/MCI POSITION: It is unnecessary to set the exact same filing dates for both the ILECs and IXCs. The statute clearly requires the IXC's revenues to be reduced by the amount of access reductions it receives. The statute does not specify a timeframe.

IXCs need a sufficient amount of time to both calculate the savings they will receive and to prepare tariffs for filing. IXCs should be allowed 60 days from the ILEC filing date of access tariff revisions to file any tariff revisions for flow through. If the Commission chooses to mandate the ILEC and IXC tariffs be effective simultaneously, ILEC access tariff revisions should be filed 60 days in advance of the effective date so that IXCs have the time necessary to conduct their analysis and file their tariffs.

WITNESS: Richard Guepe, Joseph Dunbar

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

AT&T/MCI POSITION: The interexchange long distance market is highly competitive. The competitive market should and will decide this issue. As the commission staff noted in its October 22, 2003 recommendation in Docket No. 030961 regarding its proposals for flow through, such restrictions have been unnecessary in the past and could have negative consequences:

As the long distance market is highly competitive, imposing any restriction on the length of time a revenue reduction is in place could place the IXCs at a disadvantage. Imposing a time mandate could prevent an IXC from implementing a pricing strategy that maximizes its competitive position.

Should the Commission mandate a period of time over which the IXC reductions are to be maintained, this would be the first time such a mandate has been imposed. In prior IXC access reduction flow throughs identified earlier in this recommendation, the Commission did not impose a period of time that the rate reductions must be in place.

WITNESS: Richard Guepe, Joseph Dunbar

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

AT&T/ MCI POSITION: The 2003 Act simply requires the IXCs to return the benefits of access reductions to both residential and business customers. However, it does not micromanage the IXC market by mandating a methodology or specific allocation. In doing so, the Act recognizes the competitive market is the best determinant of the specifics of the access flow through. The 2003 Act specifically has given IXCs the maximum flexibility to determine how best to make reductions that meet the needs of the market place. As long as both residential and business customers benefit, each IXC should be left to accomplish its flow through consistent with its market needs. In addition, each IXC must eliminate any in-state connection fee by July 1, 2006.

WITNESS: Richard Guepe, Joseph Dunbar

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?

AT&T POSITION: All AT&T residential customers paying the instate connection fee will experience a reduction in their long distance bills. Depending on the level of access reductions, residential customers may receive additional reductions.

All classes of AT&T's business customers will receive reductions. To the extent that an individual business customer may be on a service that does not receive a reduction, this customer may choose to switch AT&T plans.

WITNESS: Richard Guepe

MCI POSITION: All consumers in Florida will benefit from these access reductions either directly or indirectly. If the ILEC petitions are approved, pricing changes will occur, making people look at their bills to make sure that they have the right long distance plan for their needs. All MCI stand-alone, presubscribed, residential long distance customers paying MCI's in-state recovery fee will receive a benefit, because MCI will reduce its in-state connection fee over the next three years, eliminating it by July 1, 2006. MCI will pass other benefits to some of its residential customers, although it has not determined specifically how it will do so. Depending on the service and plan, some business customers will see benefits.

Witness: Joseph Dunbar

(G) Stipulated Issues

No issues have been stipulated at this time.

(H) Pending Motions

AT&T and MCI do not have any pending motions at this time.

(I) Claims of Confidentiality

AT&T has a pending request for confidentiality of certain portions of the Direct Testimony of Richard Guepe.

MCI has a pending claim of confidentiality for certain portions of the Direct Testimony of Joseph Dunbar.

(J) Other Requirements

There are no requirements of which AT&T or MCI is aware or that cannot be complied with.

(K) Other Pending Decisions

None.

(L) **Objections to Witness Qualifications**

None.

RESPECTFULLY SUBMITTED this 21st day of November, 2003.

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

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served on the following parties by U. S. Mail this 21st day of November, 2003.

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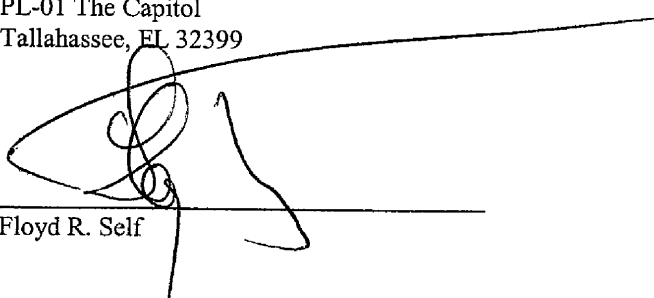
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