

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

In re: Flow-through of LEC switched)
access reductions by IXCs, pursuant to)
Section 364.163(2), Florida Statutes.)

Docket No. 030961-TI

FILED: November 21, 2003

AARP'S PREHEARING STATEMENT

AARP, 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 its Prehearing Statement.

Witnesses

AARP has prefiled testimony by the following witness:

DOCUMENT NUMBER-DATE

11881 NOV 21 8

FPSC-COMMISSION CLERK

(1) Dr. Mark N. Cooper, Direct

Prefiled Exhibits

Witness for AARP prefiled the following exhibits:

Dr. Mark N. Cooper

MNC-1	Basic Service Costs and Contribution When Loop Is A Shared Cost
MNC-2	Basic Local Residential Cost, Vertical Services And Access Contribution
MNC-3	Competition In The Local Telephone Market
MNC-4	BellSouth States, CLEC Penetration In Residential/Small Business Market
MNC-5	Residential CLEC Lines As A Percent Of CLIC Lines
MNC-6	Allocation Of Rate Rebalancing Revenue Increases

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. Mark N. Cooper

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. Mark N. Cooper

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. Mark N. Cooper

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. Mark N. Cooper

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. Mark N. Cooper

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, AARP takes no position at this time.

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

POSITION: No. The ILECs have not substantiated that their respective intrastate long distance (LD) rate reductions for residential customers will equal their corresponding BLTS increases. Furthermore, 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: Dr. Mark N. Cooper

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. Mark N. Cooper

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:

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:

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:

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: Dr. Mark N. Cooper

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: It is not presently possible to determine the extent any such customers will experience reductions in their long distance bills because the IXCs had not until recently, if at all yet, filed tariffs detailing how they would flow through the reduction in access fees. AARP has not yet had sufficient time to analyze the recently filed IXC testimony to determine if the unredacted materials will present sufficient data to make such a determination.

WITNESS:

ISSUE 11: Should these Dockets be closed?

POSITION: Yes.

Stipulated Issues

AARP has stipulated to no issues at this time.

Pending Motions

AARP has no pending motions at this time.

Claims of Confidentiality

There are numerous pending claims of confidentiality. AARP has made no claims of confidentiality for data supplied by it or Dr. Cooper.

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

AARP is 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

AARP has no objections to witness qualifications at this time.

Respectfully submitted,

/s/ Michael B. Twomey
Michael B. Twomey
Attorney for AARP
Post Office Box 5256
Tallahassee, FL 32314-5256
(850) 421-9530

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

I HEREBY CERTIFY that a copy of the foregoing AARP 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.

Beth Keating, Esquire
Division of Legal Services
Fla. Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Nancy B. White
c/o Nancy H. Sims
BellSouth Telecommunications, Inc.
150 South Monroe Street, Suite 400
Tallahassee, FL 32301

Charlie Beck, Esquire
Office of the Public Counsel
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400

Mark Cooper
504 Highgate Terrace
Silver Spring, MD 20904

Lyn Bodiford
State Affairs Coordinator
AARP
200 West College Street
Tallahassee, FL 32301

Tracy Hatch/Chris McDonald
AT&T
101 North Monroe, Suite 700
Tallahassee, FL 32301

Donna McNulty
MCI WorldCom, Inc.
1203 Governors Square Blvd.
Suite 201
Tallahassee, FL 32301-2960

Richard Chapkis
Vice President & General Counsel
Verizon Florida, Inc.
201 North Franklin Street
FLTC0007
Tampa, FL 33602

Michael Gross
Florida Cable Telecomm. Assn.
246 East 6th Avenue
Tallahassee, FL 32303

Susan Masterton, Esquire
Sprint-Florida, Incorporated
P.O. Box 2214
Tallahassee, FL 32316

Charles Rehwinkel, Esquire
Sprint-Florida, Incorporated
1313 Blair Stone Road
FLTH00107
Tallahassee, FL 32301
Brian Sulmonetti

John P. Fons, Esquire
Ausley & McMullen
P.O. Box 391
Tallahassee, FL 32302

MCI WorldCom
Concourse Corporate Center Six
Six Concourse Parkway, Suite 3200
Atlanta, GA 30328

Floyd Self, Esquire
Messer, Caparello & Self
Post Office Box 1876
Tallahassee, FL 32302-1876

/s/ Michael B. Twomey
Attorney