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Public Service Commission

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DATE: Tuesday, December 09, 2003
TO: Lila A. Jaber, Chairman
J. Terry Deason, Commissioner
Braulio L. Baez, Commissioner
Rudy Bradley, Commissioner
Charles M. Davidson, Commissioner
FROM: Beth W. Salak, Director, Division of Competitive Markets & Enforcement
RE: Testimony Summary – Docket Nos. 030867-TL, 030868-TL, 030869-TL, and 030961-TI

Attached are brief summaries of testimony filed in the above-referenced dockets. A summary by company and issues has been compiled for each BellSouth, Verizon, and Sprint. A side-by-side comparison has also been created.

cc: Mary Bane
Kevin Neal
JoAnn Chase
Cayce Hinton
Jorge Chamizo
Lawrence D. Harris
Katrina Tew
Docket Files

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Summary of Testimony filed in Docket No.030869-TL: 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.

Summary of Testimony filed in Docket No.030868-TL: 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.

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

A. Intrastate Switched Network Access Rate Reductions - Revised 12/08/03

BellSouth (Mirroring Method)	BellSouth (Composite Method)	Sprint	Verizon
<p>Access Revenues Intrastate Switched Network Access Rate Reduction Total = <u>(\$136.4 million)</u> 2004 = (\$54.58 million) 40% 2005 = (\$47.75 million) 35% 2006 = (\$34.11 million) 25%</p> <p>Access Rates Existing (weighted) = \$0.028109/minute Proposed (weighted) = \$0.008419/minute Total Reduction = <u>(\$0.01969/minute)</u></p> <p>2004 (1) Eliminate originating carrier common line (CCL) charge (2) Reduce terminating CCL from \$0.015847 to \$0.007924/minute</p> <p>2005 (1) Eliminate terminating CCL charge (2) Reduce local switching charge from \$0.008661 to \$0.006917/minute</p>	<p>Access Revenues Intrastate Switched Network Access Rate Reduction Total = <u>(\$125.2 million)</u> 2004 = (\$50.09 million) 40% 2005 = (\$43.83 million) 35% 2006 = (\$31.31 million) 25%</p> <p>Access Rates Existing (weighted) = \$0.056219/minute Proposed (weighted) = \$0.016839/minute Total Reduction = <u>(\$0.03938/minute)</u></p> <p>2004 (1) Eliminate originating carrier common line (CCL) charge (2) Reduce terminating CCL from \$0.015847 to \$0.008921/minute</p> <p>2005 (1) Eliminate terminating CCL charge (2) Reduce local switching charge from \$0.008661 to \$0.008131/minute</p>	<p>Access Revenues Intrastate Switched Network Access Rate Reduction Total = <u>(\$142.1 million)</u> 2004 = (\$62.32 million) 44% 2005 = (\$56.21 million) 40% 2006 = (\$23.54 million) 16%</p> <p>Access Rates Existing (weighted) = \$0.104/minute Proposed (weighted) = \$0.013/minute Total Reduction = <u>(\$0.091/minute)</u></p> <p>2004 (1) Reduce originating carrier common line (CCL) charge from \$0.025800 to \$0.012443/minute (2) Reduce terminating CCL from \$0.033633 to \$0.012443/minute (3) Eliminate interconnection charge</p> <p>2005 (1) Eliminate originating CCL (2) Eliminate terminating CCL (3) Reduce end office-local switching charge from \$0.017700 to \$0.011964/minute.</p>	<p>Access Revenues Intrastate Switched Network Access Rate Reduction Total = <u>(\$76.2 million)</u> 2004 = (\$24.1 million) 32% 2005 = (\$27.0 million) 35% 2006 = (\$25.2 million) 33%</p> <p>Access Rates Existing (average) = \$0.0485441/minute Proposed (average)= \$0.0117043/minute Total Reduction = <u>(\$0.0368398/minute)</u></p> <p>2004 (1) Reduce interconnection charge from \$0.0102494 to \$0.0058073 (2) Eliminate information surcharge</p> <p>2005 (1) Eliminate interconnection charge (\$0.0044421) (2) Eliminate originating carrier common line charge (CCL) (3) Decrease terminating CCL from \$0.0246950 to \$0.0228649.</p>

A. Continued

BellSouth (Mirroring Method)	BellSouth (Composite Method)	Sprint	Verizon
<p><u>2006</u> (1) Reduce local switching charge from \$0.006917 to \$0.001995/minute</p> <p>(Revised Direct Testimony of J. Hendrix - Exhibit JH-3).</p>	<p><u>2006</u> (1) Reduce local switching charge from \$0.008131 to \$0.003613/minute</p> <p>(Revised Direct Testimony of J. Hendrix - Exhibit JH-3).</p>	<p><u>2006</u> (1) Reduce end office-local switching charge from \$0.011964 to \$0.003568 (2) Additional increases and decreases to switched transport rates to mirror interstate rates</p> <p>(Amended Direct Testimony of J. M. Felz - Exhibit JMF-11).</p>	<p><u>2006</u> Reduce terminating CCL from \$0.0228649 to \$0.0031065</p> <p>(Amended Direct Testimony of O. D. Fulp - page 14, and Exhibit ODF-1)</p>

B. Basic Local Rate Increases

BellSouth (Mirroring Method)	BellSouth (Composite Method)	Sprint	Verizon
<p>Revenue Increase</p> <p>Total Increase = <u>\$136.3 million</u> Residential Recurring = \$118.85 million Business Recurring = \$1.16 million Res. & Business Nonrecurring = \$16.29 million</p>	<p>Revenue Increase</p> <p>Total Increase = <u>\$125.2 million</u> Residential Recurring = \$107.77 million Business Recurring = \$1.16 million Res & Business Nonrecurring = \$16.29 million</p>	<p>Revenue Increase</p> <p>Total Increase = <u>\$142.1 million</u> Residential Recurring = \$117.4 million Business Recurring = \$17.0 million Residential Nonrecurring = \$5.5 million Business Nonrecurring Rates = \$2.1 million</p>	<p>Revenue Increase</p> <p>Total Increase = <u>\$76.2 million</u> Residential Recurring = \$70.9 million Business Recurring = \$5.3 million</p>

B. Basic Local Rate Increases (Continued) - (Revised 12/09/03)

BellSouth (Mirroring Method)	BellSouth (Composite Method)	Sprint	Verizon
<p>Residential Recurring Rates Average Residential Basic Local Rate Increase = <u>\$3.86/month</u> 2004 = \$1.39/month 2005 = \$1.38/month 2006 = \$1.09/month</p>	<p>Residential Recurring Rates Average Residential Basic Local Rate Increase = <u>\$3.50/month</u> 2004 = \$1.25/month 2005 = \$1.25/month 2006 = \$1.00/month</p>	<p>Residential Recurring Rates Average Residential Basic Local Rate Increase = <u>\$6.86/month</u> 2004 = \$2.95/month 2005 = \$2.75/month 2006 = \$1.16/month</p>	<p>Residential Recurring Rates Average Residential Basic Local Rate Increase = <u>\$4.73/month</u> 2004 = \$1.58/month 2005 = \$1.58/month 2006 = \$1.57/month</p>
<p>Residential Nonrecurring Rates <u>Line Connection Charge - 1st Line</u> Increase of \$5.81 from \$40.88 to \$46.69</p>	<p>Residential Nonrecurring Rates <u>Line Connection Charge - 1st Line</u> Increase of \$5.81 from \$40.88 to \$46.69</p>	<p>Five call Extended Local Calling (ECS) Allowance [\$1.00 to \$1.25 credit for applicable (82% customers)]</p>	<p>Residential Nonrecurring Rates</p>
<p><u>Line Connection Charge - Additional Line</u> Increase of \$1.95 from \$12.05 to \$14.00</p>	<p><u>Line Connection Charge - Additional Line</u> Increase of \$1.95 from \$12.05 to \$14.00</p>	<p>Residential Nonrecurring Rates <u>Primary Line (United & Centel)</u> Increase of \$4.55 from \$20.45 to \$25.00</p>	<p><u>Residential Network Establishment Charge</u> Increase of \$5.00 from \$20.00 to \$25.00</p>
<p><u>Line Change Charge - 1st Line</u> Increase of \$5.05 from \$23.50 to \$28.55</p>	<p><u>Line Change Charge - 1st Line</u> Increase of \$5.05 from \$23.50 to \$28.55</p>	<p><u>Secondary Line</u> United: Increase of \$5.30 from \$9.70 to \$15.00 Centel: Increase of \$2.25 from \$12.25 to \$15</p>	<p><u>Residential Central Office Connection Charge</u> Increase of \$5.00 from \$35.00 to \$40.00</p>
<p><u>Line Change Charge - Additional Line</u> Increase of \$3.95 from \$11.00 to \$14.95</p>	<p><u>Line Change Charge - Additional Line</u> Increase of \$3.95 from \$11.00 to \$14.95</p>	<p><u>Access Line Charge (United & Centel)</u> Increase of \$0.30 from \$30.70 to \$31.00</p>	
		<p><u>Premise Visit</u> United: Increase of \$39.80 from \$10.20 to \$50.00 Centel: Increase of \$28.50 from \$21.50 to \$50.00</p>	
		<p><u>Record Change (United)</u> Increase of \$14.90 from \$5.10 to \$15.00</p>	
		<p><u>Number Change (United & Centel)</u> Increase of \$5.30 from \$9.70 to \$15.00</p>	
		<p><u>Restore Service (United & Centel)</u> Increase of \$9.65 from \$15.35 to \$25.00</p>	

B. Basic Local Rate Increases (Continued)

BellSouth (Mirroring Method)	BellSouth (Composite Method)	Sprint	Verizon
<p><u>Business Recurring Rates</u> Rate Groups 1, 2, and 3 will increase to \$25.00/month in two equal increments. (Increase ranges from \$2.28 to \$4.45/month)</p> <p>Rate Groups 4, 5, and 6 will increase to \$28.00/month in two equal increments. (Increase ranges from \$2.16 to \$3.25/month)</p> <p>Rate Groups 7 to 11 will increase to \$30.20/month in two equal increments. (Increase ranges from \$0.52 to \$3.48/month)</p> <p>Rate Group 12 remains unchanged at \$30.20/month.</p> <p>Rate Group X1 will increase to \$28.00/month in two equal increments of \$2.07.</p> <p>Rate Groups X2 and X3 will decrease to \$30.20/month in two equal increments. (Decrease ranges from \$0.36 to \$1.06/month)</p> <p>Rate Group X4 will increase to \$30.20/month from \$29.68 in two equal increments of \$0.26.</p> <p><u>Business Nonrecurring Rates</u></p> <p><u>Line Connection Charge - 1st Line</u> Increase of \$8.76 from \$56.24 to \$65.00</p> <p><u>Line Change Charge - 1st Line</u> Increase of \$5.79 from \$38.16 to \$43.95</p> <p>(Revised Direct Testimony of J. A. Ruscilli - Exhibit JAR-1).</p>	<p><u>Business Recurring Rates</u> Rate Groups 1, 2, and 3 will increase to \$25.00/month in two equal increments. (Increase ranges from \$2.28 to \$4.45/month)</p> <p>Rate Groups 4, 5, and 6 will increase to \$28.00/month in two equal increments. (Increase ranges from \$2.16 to \$3.25/month)</p> <p>Rate Groups 7 to 11 will increase to \$30.20/month in two equal increments. (Increase ranges from \$0.52 to \$3.48/month)</p> <p>Rate Group 12 remains unchanged at \$30.20/month</p> <p>Rate Group X1 will increase to \$28.00/month in two equal increments of \$2.07.</p> <p>Rate Groups X2 and X3 will decrease to \$30.20/month in two equal increments. (Decrease ranges from \$0.36 to \$1.06/month)</p> <p>Rate Group X4 will increase to \$30.20/month from \$29.68 in two equal increments of \$0.26.</p> <p><u>Business Nonrecurring Rates</u></p> <p><u>Line Connection Charge - 1st Line</u> Increase of \$8.76 from \$56.24 to \$65.00</p> <p><u>Line Change Charge - 1st Line</u> Increase of \$5.79 from \$38.16 to \$43.95</p> <p>(Revised Direct Testimony of J. A. Ruscilli - Exhibit JAR-1).</p>	<p><u>Business Recurring Rates</u> <u>Average Business Basic Local Rate Increase</u> Total = \$6.00/month 2004 = \$2.70/month 2005 = \$2.40/month 2006 = \$0.90/month</p> <p><u>Business Nonrecurring Rates</u> <u>Primary Line</u> United: Increase of \$9.40 from \$25.60 to \$35.00 Centel: Increase of \$4.35 from \$30.65 to \$35.00 <u>Secondary Line</u> United: Increase of \$8.65 from \$16.35 to \$25.00 Centel: Increase of \$10.70 from \$14.30 to \$25.00 <u>Access Line Charge (United & Centel)</u> Increase of \$4.25 from \$35.75 to \$40.00 <u>Premise Visit</u> United: Increase of \$39.76 from \$10.24 to \$50.00 Centel: Increase of \$19.35 from \$30.65 to \$50.00</p> <p><u>Business Nonrecurring Rates-Cont.</u></p> <p><u>Record Change (United & Centel)</u> Increase of \$9.90 from \$5.10 to \$15.00 <u>Number Change (United & Centel)</u> Increase of \$8.25 from \$11.75 to \$20.00 <u>Restore Service</u> United: Increase of \$14.55 from \$20.45 to \$35.00 Centel: Increase of \$19.65 from \$15.35 to \$35.00</p> <p>(Amended Direct Testimony of J. M. Felz - Exhibit JMF-12).</p>	<p><u>Business Recurring Rates</u> Business Basic Recurring and other Local Rates will increase to \$32.00 for all five rate groups.</p> <p>Increase ranges from \$1.65/month to \$7.53/month.</p> <p>The \$1.65 increase for Rate Group 5 will take place in 2005 and 2006.</p> <p>The \$7.53 increase will take place in 2004, 2005, and 2006.</p> <p><u>Business Nonrecurring Rates</u> <u>Network Access Establishment Charge</u> Increase of \$10.00</p> <p>Amended Direct Testimony of O.D. Fulp - pages 16-17 and Exhibit ODF-2)</p>

C. Lifeline

<u>BellSouth (Mirroring Method)</u>	<u>BellSouth (Composite Method)</u>	<u>Sprint</u>	<u>Verizon</u>
<p>Customers receiving Lifeline service will not be subject to any residential basic local service increases for a period of <u>four</u> years effective September 1, 2003.</p> <p>(Revised Direct Testimony of J. A. Ruscilli - page 11).</p>	<p>Customers receiving Lifeline service will not be subject to any residential basic local service increases for a period of <u>four</u> years effective September 1, 2003.</p> <p>(Revised Direct Testimony of J. A. Ruscilli - page 11).</p>	<p>Sprint will extend the Lifeline credit amount for an additional year beyond the two-year rebalancing period <u>through at least the first quarter of 2007</u>.</p> <p>Amended Direct Testimony of J. M. Felz - page 27).</p>	<p>Customers receiving Lifeline service will not be subject to any residential basic service increases for the <u>two year period</u> of the rate rebalancing.</p> <p>(Amended Petition of Verizon Florida, Inc. - page 4).</p>

Summary of Testimony filed in Docket No.030869-TL: 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.**

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 customers?

Issue 1A: What is a reasonable estimate of the level of support provided for basic local telecommunications services? - Revised 12/09/03

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>COST STANDARD + TREATMENT OF LOOP: TSLRIC - the same model as in UNE pricing proceeding, but a new study with new inputs, citing (1) the cost standard for cross-subsidization in 364.3381, F.S.; and (2) the FPSC definition of TSLRIC in Order No. PSC-96-1579-FOF-TP, at page 25. (Shell)</p> <p>If retail customer operations cost factor is included, it adds 9.59%. (Shell)</p> <p>TSLRIC of residential or business basic service should be the direct cost of network access, plus any other direct cost that is residential or business specific. (Gordon)</p> <p>TSLRIC of residential basic and business basic may differ based on loop length and density, but underlying costs of providing service not dependent on a customer's classification. (Banerjee)</p> <p>FCC's CALLS Order affirms that cost of loop should not be shared with usage services. (Banerjee)</p>	<p>COST STANDARD + TREATMENT OF LOOP: Joint/common costs should not be included. (Gabel)</p> <p>Structure costs are shared; should not be attributed to basic service. Structure costs incurred jointly for range of loop-based services. (Gabel)</p>	<p>COST STANDARD + TREATMENT OF LOOP: Loop is common cost. The loop is used for multiple services. (Cooper)</p>	<p>COST STANDARD + TREATMENT OF LOOP: <u>AT&T & MCI:</u> Loop cost should be determined based on principle of cost causation. (Mayo)</p>

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

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>Manner in which loop is used does not affect the cost incurred. (Banerjee)</p> <p>Loop costs are directly attributable to basic service based on principle of cost causation, consistent with 1999 FPSC Report to Legislature. (Gordon/Shell)</p> <p>GEOGRAPHIC LEVEL of ANALYSIS: Rate Group, because retail rates currently vary by rate group. (Shell)</p> <p>CURRENT LEVEL of SUPPORT: Substantial (confidential), due to residual pricing of basic service. Under rate base/rate-of-return regulation, basic service rates set on residual basis to meet revenue requirement; thus, these rates must be subsidized. Low basic rates compared to other states. (Gordon)</p>	<p>GEOGRAPHIC LEVEL of ANALYSIS: No testimony.</p> <p>CURRENT LEVEL of SUPPORT: None. AT&T loop cost estimates in UNE pricing proceeding do not support conclusion that basic service is subsidized. (Gabel)</p>	<p>GEOGRAPHIC LEVEL of ANALYSIS: No testimony.</p> <p>CURRENT LEVEL of SUPPORT: None. (Cooper)</p>	<p>GEOGRAPHIC LEVEL of ANALYSIS: No testimony.</p> <p>CURRENT LEVEL of SUPPORT: <u>Other ILECs, AT&T/MCI:</u> Inherent due to residual pricing of basic service. (Mayo)</p>

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?

BellSouth	Office of Public Counsel	AARP	Others
<p>Current support impedes competition in local exchange markets. CLECs will not enter subsidy-receiving markets; 1996 Act and FCC emphasize elimination of implicit subsidies; residential basic rates lower than one would expect in undistorted competitive markets and lower compared to many states; uneven entry, 29 of 40 states have higher proportion of CLEC lines sold to residential and small business customers, 83% of FL ILEC lines vs. 48% of FL CLEC lines to residential and small business customers. (Banerjee)</p> <p>Pricing of wireline services not based on lock-in strategy used for pricing complementary services such as wireless phone/usage and razors/blades. Pricing strategy should be market driven, not required. Basic service is a standalone product. (Gordon, Banerjee, Ruscilli)</p> <p>39% of BellSouth's non-packaged residential lines in FL have no features. (Ruscilli)</p> <p>Economics of pricing complementary products indicates lower price for item with higher elasticity of demand and higher price for item with lower elasticity of demand; does not justify underpricing of basic service which is highly inelastic relative to usage. (Banerjee)</p> <p>CLECs are targeting higher-margin customers and eroding subsidy. (Ruscilli)</p>	<p>There is no current support for basic service; thus, no basis for granting petitions. (Proffered cost standard) (Gabel)</p> <p>Knology's 10-K reports do not mention high access charges or low basic rates as difficulties. (Gabel)</p> <p>ILECS' basic rate comparisons with other states are misleading because SLC excluded and locations not cost-comparable. (Gabel)</p> <p>Market-based pricing considers complementary goods – citing economic theory and observations from competitive markets. (Gabel)</p> <p>Competitive entry decisions based on revenues/costs for all services, not just basic service because entry is based on net expected return; FCC's impairment analysis and BST and Verizon comments in TRO; testimony by Cox Communications in CT. (Gabel)</p> <p>Knology has offered bundled service in Panama City since at least June 2001; thus, decisions not based on Section 364.164, F.S. (Gabel)</p> <p>High access charges do not prevent a CLEC from taking a bundling strategy, since access charges paid and received by a CLEC will tend to offset. (Gabel)</p>	<p>There is no current support for basic service; thus, no basis for granting petitions. (Proffered cost standard) (Cooper)</p> <p>Competition is focusing on bundled offerings, rather than basic service, citing to actual market behavior. (Cooper)</p> <p>The current status of residential competition is mixed. FL is average on intensity (CLEC market share), high on extensiveness (availability), and low on balance. (% CLEC customers who are residential) (Cooper)</p>	<p>Knology: Competition is focusing on bundled offerings, rather than basic service, citing to actual market behavior. (Bocucci)</p>

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

BellSouth	Office of Public Counsel	AARP	Others
<p>DIRECT BENEFITS FOR RESIDENTIAL CUSTOMERS: Greater choice of providers. Residential customers become more attractive to CLECs based on cash flow analysis; petitions would help address un-evenness of CLEC entry; empirical studies. (Gordon, Banerjee)</p> <p>Lower IXC rates, citing flow-through mandate in Section 364.163(2), F.S. (Ruscilli, Gordon)</p> <p>In-state connection fees will be eliminated, citing to 364.163(2), F.S. (Gordon)</p> <p>4-year LIFELINE protection. (Ruscilli)</p> <p>Enhanced economic welfare. Cost-based price signals encourage more economically rational consumption, investment, and innovation. (Gordon)</p> <p>Economic efficiency (and consumer surplus) gained from lowering price of more elastic service greater than economic efficiency (and consumer surplus) lost from raising price of less elastic service. (Banerjee)</p> <p>Technologically-neutral competition would encourage most efficient mode, citing that wireless, cable, and IP-telephony substitution already happening. (Gordon)</p>	<p>RESIDENTIAL CUSTOMERS WILL NOT BENEFIT: Current market conditions are not impeding local competition; there is no current support for basic service & the NERA competitive entry study is flawed. (Gabel)</p> <p>Trading at-risk access revenues for inelastic residential basic revenues. (Ostrander)</p> <p>There is no proof that enhanced competition will result and the IXC flow-through impact is not known; Regarding the flow-through, there is no testimony on planned rate reductions; likely to be disproportionate benefit since multi-line LD business usage heavier. (Gabel)</p> <p>Statistical analysis on the effects of rebalancing from other states does not exist. (Gabel)</p> <p>Lower access rates could impede competition, citing to Cox testimony from Connecticut. (Gabel)</p> <p>Bundle-based competition is not dependent on rebalancing. The shifting of cost recovery not important if services are bundled. (Gabel)</p> <p>ILECs have made no demonstration of intent to modernize their networks or offer new services. (Gabel)</p> <p>Other modes of competition not imposing significant constraint on ILEC pricing, citing to economic and technical issues (Gabel)</p>	<p>RESIDENTIAL CUSTOMERS WILL NOT BENEFIT: Current market conditions are not impeding local competition; there is no current support for basic service. (Cooper)</p> <p>There is no proof that enhanced competition will result; ILECs only theorize (Cooper)</p> <p>IXC flow-through impact is not known. (Cooper)</p> <p>Bundle-based competition is not dependent on rebalancing. The shifting of cost recovery not important if services are bundled. (Cooper)</p> <p>Older customers only make a limited number of LD calls. (Cooper)</p>	<p>RESIDENTIAL CUSTOMERS WILL BENEFIT: ATT & MCI: In-state connection fees will be eliminated, citing to 364.163(2), F.S. (Mayo)</p> <p>Lower IXC rates, citing flow-through mandate in Section 364.163(2), F.S. (Mayo)</p> <p>Competitors will be better able to compete against ILEC bundled offerings, stating that access charges will be less of a limited factor. (Mayo)</p> <p>Price increases for basic service would lead to relatively smaller consumer welfare losses than the welfare gain resulting from lower LD prices. (Mayo)</p> <p>Basic rate increases would improve margins; however, lower access charges would not affect margins, but would affect volumes. Both the local and long distance sides would likely benefit. (Mayo)</p> <p>There will be no adverse effects on telephone subscribership, citing to experience in other states. Since Florida is not a poor state, with basic rates well below the national average, targeted assistance through Lifeline, price elasticity of demand quite low, prices for complementary goods will decrease. (Mayo)</p> <p>AT&T: AT&T has entered local residential market in FL since the enactment of Section 364.164, F.S. (Fonteix)</p>

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

BellSouth	Office of Public Counsel	AARP	Others
<p>There will be no adverse effects on telephone subscribership, citing to experience in other states. Since Florida is not a poor state with basic rates well below the national average, targeted assistance through Lifeline, price elasticity of demand quite low, prices for complementary goods will decrease. (Gordon)</p> <p>INDIRECT BENEFITS FOR RESIDENTIAL CUSTOMERS: Rebalancing reduces risk for CLECs, improving cash flow equation for serving residential customers. (Gordon)</p> <p>CLECs will benefit from higher residential basic prices without being required to reduce their intrastate access prices. (Gordon)</p> <p>CLEC entry based on comparison of total potential revenues with total costs, but targeting done by customer category. A wider range of customers can be served profitably with rebalancing. (Banerjee)</p> <p>MISCELLANEOUS: Actual residential intrastate toll usage in FL is more than double national average reported by FCC. (Ruscilli)</p> <p>Florida's older citizens pay less for basic service than in other SE states, yet are more financially capable of paying. (Ruscilli)</p> <p>BellSouth's proposal consistent with 1999 FPSC Report to Legislature (Basic rate increase of not more than \$5 per month, with annual increases of not more than \$2). (Ruscilli)</p>	<p>Lower LD rates will only have a limited effect on demand, citing two econometric studies/published articles. (Gabel)</p> <p>Average customer will not benefit based on usage scenarios in FCC national report of average residential intrastate toll minutes. (Ostrander)</p>		<p>MCI, Sprint LD, BellSouth LD, VzLD: Flow-through plans are based on a pro-rata approach NOTE: The flow-through plans offered by AT&T and VSSI are not based on a pro-rata approach. (Various)</p> <p>KNOLOGY: Knology has entered into agreement with Verizon Media Ventures since enactment of Section 364.164, F.S. (Boccucci)</p> <p>CLECs will attract and deploy new capital. (Boccucci)</p>

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

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>Competitors base their entry decision on whether or not they can at least match the rates charged by ILECs. If these rates are lowered artificially by subsidies but the incremental costs do not change, then competitors ineligible to receive the subsidy are likely to be deterred from entering the market. This limits competition. (Taylor/Banerjee, Direct, page 5)</p> <p>There will never be competitive alternatives for customers who are receiving service at a price below the relevant cost of providing that service. As the price of service is raised to, and above, its relevant costs, such customers become more attractive to competitors. (Ruscilli, Amended Direct, page 18)</p> <p>When the price of a service increases, a cash flow analysis would show that the investment project becomes more profitable (or less of a loss) and thus more attractive. (Gordon, Amended Direct, page 25)</p> <p>Technology is changing so rapidly that competitive markets will do a much better job than monopoly of discovering which technologies can or cannot succeed in the long run. (Gordon, Amended Direct, page 25)</p> <p>In order for the lowest-cost mix of technologies to remain in the market, prices and the signals they send must not be distorted and must reflect the underlying cost of providing service. (Gordon, Amended Direct, page 26)</p>	<p>Competition will not be enhanced to the residential customer's benefit, although the LEC's inelastic basic local revenues will be enhanced and the respective LEC's market share will increase using revenues as a basis of measurement. (Ostander, Direct, page 5)</p> <p>There will be no new or unique service introductions, and no uniquely associated benefits of capital investment. (Ostrander, Direct, pages 5-6)</p> <p>Entry decisions are made on the basis of the expected total revenues and costs of all services an entrant can offer, not just one service. If total revenues cover total costs, it is completely irrelevant to a firm's decision to enter a market if one of the components of the offering (e.g., basic local service) may produce a loss according to some measure. The FCC's Triennial Review Order agrees and says that entry decisions are "based not just on the cost of entry but also on the revenues to be gained." (Gabel, Direct, pages 46-47, 50)</p> <p>The fact that revenue neutrality is required implicitly acknowledges that ILECs look at the entire revenue package and not each component in isolation. (Gabel, Direct, page 47)</p>	<p>The legislative debate and statements by the legislation's supporters appear to state that the Florida Legislature intended that "competition would have to be proven to result" as opposed to merely being more likely to result from residential and single-line business rates being increased at the levels requested. (Cooper, Direct, page 5)</p> <p>Thus, the Florida Legislature intended that the Commission must find that actual local competition will result in specific geographic areas (meaning individual rural versus individual urban rate zones) before it can consider raising basic local residential rates. (Cooper, Direct, page 12)</p> <p>None of the Companies have remotely provided such proof for any of their geographic service areas, let alone all such rural and urban areas. The most the Companies have accomplished is to have presented an unfounded theory that increasing their residential customers' rates from 35 to 90 percent over the course to two years and a day will automatically increase the level of local competition by some undefined amount. The attempted proof does not begin to meet the Legislature's test. (Cooper, Direct, page 12)</p> <p>Competition for bundles is where the action is in telecom. The shifting of costs from intraLATA long distance to Basic Service will have little, if any, impact on this competition, since both are in the bundle. (Cooper, Direct, page 28)</p>	<p>AT&T/MCI: Economic theory indicates that the decrease in overpriced access charges together with the increase in retail price of residential service will positively affect the likelihood of market entry. Prices serve the very important role of signaling prospective entrants regarding the desirability of entry. Higher prices relative to cost provide greater inducements for entry. (Mayo, Direct, page 11)</p> <p>Bundled offerings are undermined by excessive access charges because the lower bound to which the competitors can drive prices is defined by the artificially high level of access charges. The presence of excessive access charges will act to limit the ability of competitors to enter the market as segments of the market are profitable only to the ILECs. As the competitive standard moves to an all-distance format, access reductions will afford new entrants an improved opportunity to enter the market and compete. (Mayo, Direct, pages 12-14)</p> <p>AT&T: Reducing intrastate access charges to parity will significantly reduce the ILECs' advantage of receiving huge access charge subsidies, thereby moving ILECs and competitors closer to an equal footing and enhancing competition. The field must be level for the entire telecom market (local to long distance) in order for competition to flourish. (Fonteix, Direct, page 5)</p> <p>Since the passage of the law, AT&T has entered the local residential market in Florida (BellSouth territory). (Fonteix, Direct, page 7)</p>

Issue 2 (Continued): Will the effects of the ILECs' rebalancing proposals induce enhanced market entry? If so, how?

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>Lowering intrastate access rates to parity with interstate rates eliminates an artificial discrepancy between two nearly identical services. Lower intrastate access rates make long distance calling more attractive for customers and for competitors who wish to bundle long distance service with local service. (Taylor/Banerjee, Direct, page 5)</p> <p>The unevenness of business vs. residential entry is attributable in large part to the relationship between end-user rates for basic local telephone service and UNE/UNE-P rates. Generally, the margins are far more substantial for business service. Unconstrained by public policy or regulation, the CLECs have gravitated naturally to business. (Taylor/Banerjee, Direct, page 8)</p> <p>The problem of an unattractive residential market may be worse in Florida than in other states because these other states have higher residential rates. (Gordon, Amended Direct, page 12)</p>	<p>The ILECs argue that the increase in BLTS price will induce more competitive entry. A CLEC, though, can offer more than local, just as an ILEC does. In considering profitability, the CLEC would have to consider that while the rates for basic local service may rise, access charges decrease. On these terms, net profitability would not change and other effects are unlikely to be decisive. (Gabel, Direct, pages 48-49)</p> <p>Florida's UNE prices are not as conducive to profitable entry as other states' prices are. (Gabel, Direct, page 40)</p>	<p>Lowering UNE prices and smoothing out the operating support issues (rather than rate rebalancing) would stimulate competition. (Cooper, Direct, page 30)</p>	<p>Knology: Knology believes that the petitions should be granted because that decision will help to implement the policy underlying 364.14, and it will enhance the competitive choice available to Florida citizens. Shortly after the passage of this legislation, Knology entered into an agreement with Verizon Media Ventures, Inc., to purchase its cable and data asset in Pinellas county, providing the opportunity for Knology to market voice, video and data services to approximately 275,000 homes and businesses. (Boccutti, Direct, page 3)</p> <p>Knology seeks a market-driven competitive price structure when it makes a strategic decision to deploy capital resources to bring the most updated technology to the marketplace. It is Knology's opinion that granting these petitions will bring new capital investment and additional jobs, in addition to new products and price competition to Florida. (Boccutti, Direct, page 3)</p> <p>In other states, Knology made the strategic decision to continue to deploy capital to expand its footprint due to favorable regulatory framework for competition. (Boccutti, Direct, page 2)</p> <p>Testifying Staff: There are strong theoretical reasons to believe that the proposed changes to intrastate access charges and basic local service rates will improve the level of competition in many markets. (Shafer, Direct, page 6)</p>

Issue 2 (Continued): Will the effects of the ILECs' rebalancing proposals induce enhanced market entry? If so, how?

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
			<p>Profitability is the main determinant of market entry to provide an individual product. The challenge of making a profit in a market in which a key product is priced below cost is a deterrent to entry. Removing or reducing the degree of any subsidy will also remove or reduce the significance of that deterrent. The profitability of services such as caller ID, long distance, and dial-up Internet access also plays a role in the market entry decision. This explains why some residential competition persists even in light of evidence that basic local exchange service on its own is priced below cost on average. (Shafer, Direct, pages 6-7)</p> <p>The improvement of the cost/price relationship for basic local exchange service as reflected in the Companies' petitions will be a signal to competitors that the potential for profitability is improved. As a result, one can reasonably expect that there will be additional market entry, particularly in markets that may have previously been only marginally profitable or slightly unprofitable. (Shafer, Direct, page 8)</p> <p>This does not mean that the proposed changes will induce additional market entry in all markets because the cost of providing basic local exchange service can vary dramatically between areas. (Shafer, Direct, page 8)</p> <p>There are factors other than profitability that impact a competitor's decision to enter a particular market. These include cost of customer acquisition, technological changes, capital market factors, demographics, etc. (Shafer, Direct, pages 8-9)</p>

interstate parity over a period of not less than two years or more than four years?

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
Both the Mirroring and Typical Network	No testimony.	While in its prehearing statement AARP does not take a position on this issue for BellSouth, in his direct testimony, witness Cooper believes that parity is a bad policy since "the FCC has allowed the long distance services to have a free ride on the telecommunications network. Eliminating the carrier common line charge and all other contributions to fixed costs violates the principle that services should pay for the facilities they use. Each of the proposals before the Commission zeros out all contributions to fixed costs." (Cooper)	<u>AT&T</u> : Believes that BellSouth's mirroring methodology meets the criteria set forth in the statute while its typical network methodology does not. (Fonteix)

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

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p><u>Mirroring Methodology:</u> Access charge reduction of \$136.4M: Utilizes all the recurring switched network access elements specified in Section 364.164, Florida Statutes. (Bigelow)</p> <p><u>Residential Recurring Rates:</u> Total increase of \$3.86 for all rate groups. The increase will be \$1.39 in 2004, \$1.38 in 2005, and \$1.09 in 2006.</p> <p><u>Single Line Business Rates:</u> Rate groups 1-3 will increase to \$25 over two equal increments, rate groups 4-6 and X1 to \$28.00 over two equal increments, rate groups 7-11 and X2-X4 to \$30.20 over two equal increments.</p> <p><u>Non-Recurring Service Charges:</u> Proposes increasing these charges over three increments. (Ruscilli)</p> <p><u>Typical Network (Composite) Methodology:</u> Access charge reduction of \$125.2M. Limited to elements reported by BellSouth in the Florida Access Toll Report. (Bigelow)</p> <p><u>Residential Recurring Rates:</u> Total increase of \$3.50 for all rate groups. The increase will be \$1.25 in 2004, \$1.25 in 2005, and \$1.00 in 2006.</p> <p><u>Single Line Business Rates:</u> Rate groups 1-3 will increase to \$25 over two equal increments, rate groups 4-6 and X1 to \$28.00 over two equal increments, rate groups 7-11 and X2-X4 to \$30.20 over two equal increments.</p> <p><u>Non-Recurring Service Charges:</u> Proposes increasing these charges over three increments. (Ruscilli)</p>	<p>Has concerns over whether or not the LEC's update process is consistent with the statute and revenue neutrality provisions. (Ostrander)</p> <p>OPC is unable to confirm whether or not BellSouth's calculations are correct. (Ostrander)</p>	<p>No Testimony - Per Prehearing Order: BellSouth has not substantiated that its intrastate long distance rate reduction for residential customers will equal its corresponding basic local service increase.</p>	<p>AT&T: Believes that the Mirroring Methodology is appropriate. (Fonteix)</p> <p>Believes Typical Network Methodology is inappropriate because it targets only a select set of rate elements to equal interstate rates and fails to address all of the rate elements in the statutory definition of switched network access rate. (Fonteix)</p>

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

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
Approved.	Denied.	Denied	<p><u>Attorney General:</u> Denied</p> <p><u>ATT/MCI:</u> BellSouth's mirroring proposal should be granted.</p> <p><u>Knology:</u> Approved.</p>

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?

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>No Position.</p>	<p>All IXCs 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. The IXCs with \$100 or less in access expense should attest to such.</p> <p>IXCs that paid \$1 million or more in intrastate switched access charges should include:</p> <ol style="list-style-type: none"> 1) A calculation of the long distance rate reduction by specific service for residential and business customers. 2) A calculation of the average revenue per minute for residential and business customers before and after reductions. 3) A calculation showing the current amount and percent of long distance revenues received from residential customers vs business customers. 4) A showing that long distance portion of bundled service was beneficiary of the flow through. <p>IXCs that paid less than \$1 million in intrastate switched access charges should file a letter with the Commission certifying that they have complied with flow-through requirements and provide average revenue per minute for both residential and business customers both before and after rate reductions. (Ostrander)</p>	<p>No Testimony - Per Prehearing Order: All IXCs 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. The IXCs with \$100 or less in access expense should attest to such.</p>	<p>Attorney General: No Testimony - Per Prehearing Order: All IXCs 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. The IXCs with \$100 or less in access expense should attest to such.</p> <p>ATT/MCI: All IXCs should be required to flow through the switched access reductions. Would not oppose a de minimus threshold for smaller IXCs. (Guepe, Dunbar)</p> <p>Sprint Communications: Any IXC with over \$1 million in annual switched access expense should be required to file tariffs in support of flow-through obligation. IXCs should meet with staff for tariff requirements. (Kapka)</p> <p>Verizon Long Distance: Any IXC that receives the benefit of intrastate switched access rate reductions must file intrastate tariffs. An IXC reseller should not be required to reduce prices to its customers unless it receives a reduction in the prices it is charged by its facilities-based supplier. (Brotten)</p> <p>BellSouth Long Distance: No position. (Henson)</p> <p>Knology: Intends to match the ILEC access rates in a manner consistent with the Commission approved phase in period. (Boccucci)</p>

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?

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
No Position	Yes. The timing should be the same. If IXCs are not prepared to implement long distance reductions, then ILEC increases in local rates should also be delayed. (Ostrander)	No Testimony - Per Prehearing Order: Yes.	<p>Attorney General: No Testimony - Per Prehearing Order: Yes.</p> <p>ATT/MCI: Yes, if IXCs are allowed 60 days from the ILEC filing date to prepare tariffs for filing. (Guepe, Dunbar)</p> <p>Sprint Communications: Should have 60 days from the tariff effective date of the ILEC access rate changes to make its showing. (Kapka)</p> <p>Verizon Long Distance: Facility-based IXCs should be required to pass through rate reductions as soon as possible. Non-facilities based IXCs should be required to flow through reductions when they are received. Should have reasonable time after reductions take affect. (Brotten)</p> <p>BellSouth Long Distance: IXCs should file tariffs to be effective within a reasonable time after the effective date of the LEC filings, within 15 days of the effective date of the last three LECs' filings. (Henson)</p> <p>Knology: Intends to match the ILEC access rates in a manner consistent with the Commission approved phase in period. (Boccucci)</p>

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

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>No Position.</p>	<p>The IXCs should be required to cap and maintain their long distance rate reductions for a period of three years after parity is achieved. (Ostrander)</p>	<p>No Testimony - Per Prehearing Order: The IXCs should be required to cap and maintain their long distance rate reductions for a period of three years after parity is achieved.</p>	<p>Attorney General: No Testimony - Per Prehearing Order: The IXCs should be required to cap and maintain their long distance rate reductions for a period of three years after parity is achieved.</p> <p>ATT/MCI: The competitive market should and will decide this issue. (Guepe, Dunbar)</p> <p>Sprint Communications: Market forces will insure that the revenue benefits of access reductions will be effective in maintaining the revenue benefits of the access reductions. (Kapka)</p> <p>Verizon Long Distance: Competition will ensure that IXCs flow through access reductions without any need for Commission intervention. (Brotten)</p> <p>BellSouth Long Distance: Given the highly competitive nature of the long distance market in Florida, there is no need for the Commission to impose a minimum period of time during which the IXCs would be required to keep in access reductions in place. (Henson)</p>

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

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>No Position.</p>	<p>The IXCs 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. (Ostrander)</p>	<p>The IXCs 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. (Cooper)</p>	<p>Attorney General: No Testimony - Per Prehearing Order: The IXCs 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.</p> <p>ATT/MCI: As long as both residential and business customers benefit, each IXC should be left to accomplish its flow through consistent with its market needs. (Guepe, Dunbar)</p> <p>Sprint Communications: For residential customers, Sprint would adjust the average revenue per minute for this base of customers such that the average revenue per minute would be reduced by an amount at least equal to the reduction in access charges per minute. (Kapka)</p> <p>Verizon Long Distance: Flow through the benefits realized from access reductions to both residential and business customers based on the relative proportion of access minutes associated with these classes of customers. (Brotten)</p> <p>BellSouth Long Distance: Willing to allocate its rate reductions to both residential and business customers in an appropriate pro rata manner. (Henson)</p>

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?

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
No Position.	All residential and business customers should experience a rate reduction unless: a) the customer subscribes to one of the small IXCs that pays less than \$100 per month in access expense; or b) the customer does not take much, or any, long distance calls for the period that the long distance rate reductions will be in effect. (Ostrander)	No testimony.	<p>Attorney General: No position.</p> <p>ATT: All AT&T residential customers paying the in-state connection fee will experience a reduction in their long distance bill through the reduction of the fee. All classes of AT&T's business customers will receive reductions. (Guepe)</p> <p>MCI: All MCI stand-alone, presubscribed, residential long distance customers paying MCI's in-state access recovery fee will receive a benefit, because MCI will reduce its in-state connection fee over the next 3 years. (Dunbar)</p> <p>Sprint Communications: Generally, customers making long distance calls will experience a price reduction. Also, customers will see a monthly reduction in in-state access connection fee. (Kapka)</p> <p>Verizon Long Distance: Plans to reduce in-state usage rates on some, but not all, residential and business plans. (Brotten)</p> <p>BellSouth Long Distance: Not every customer will necessarily experience a reduction in its long distance bill. Some companies may reduce rates on one set of plans, while others may reduce other rates. (Henson)</p>

Issue 11: Should these Dockets be closed?

<u>BellSouth</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
No position.	Yes.	Yes.	<p>Attorney General: Yes.</p> <p>Verizon Long Distance: No. The docket is ongoing and should remain open.</p>

Summary of Testimony filed in Docket No.030868-TL: 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.

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 customers?

Issue 1A: What is a reasonable estimate of the level of support provided for basic local telecommunications services? Revised 12/09/03

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>COST STANDARD + TREATMENT OF LOOP: TSLRIC Surrogate of UNE-P using weighted average investment minus joint/common costs, plus retail costs because a derivation from PSC-approved UNE rates should minimize issues. (Dickerson)</p> <p>Loop costs are directly attributable to basic service based on principle of cost causation, consistent with 1999 FPSC Report to Legislature. (Gordon)</p> <p>TSLRIC of residential or business basic service should be the direct cost of network access, plus any other direct cost that is residential or business specific. (Gordon)</p> <p>Argument that loop is shared cost confuses rate setting with cost determination. (Staihr)</p> <p>With 72% of FL cable buried, adding residential customers to a hypothetical existing, business only network would cause new and incremental costs; alleged avoided construction costs would not be avoided. (Dickerson)</p> <p>Federal USF Model to estimate BLTS costs includes entire loop cost. (Dickerson)</p>	<p>COST STANDARD + TREATMENT OF LOOP: Joint/common costs should not be included. Structure costs are shared; should not be attributed to basic service. Structure costs incurred jointly for range of loop-based services. (Gabel)</p>	<p>COST STANDARD + TREATMENT OF LOOP: Loop is common cost. The loop is used for multiple services. (Cooper)</p>	<p>COST STANDARD + TREATMENT OF LOOP: <u>ATT & MCI:</u> Loop cost should be determined based on principle of cost causation. (Mayo)</p>

Issue 1A (Continued): What is a reasonable estimate of the level of support provide

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>GEOGRAPHIC LEVEL of ANALYSIS: Grid Roll-Up to Total, because grids are the smallest geographic area for computing loop investments. (Dickerson)</p> <p>CURRENT LEVEL of SUPPORT: Highest of all 3 LECs (confidential), due to a different geographic density/customer mix. (Felz, Staihr) Under rate base/rate-of-return regulation, basic service rates set on residual basis to meet revenue requirement; thus, these rates must be subsidized. Low basic rates compared to other states. (Gordon, Felz)</p>	<p>GEOGRAPHIC LEVEL of ANALYSIS: No testimony.</p> <p>CURRENT LEVEL of SUPPORT: None. AT&T loop cost estimates in UNE pricing proceeding do not support conclusion that basic service is subsidized. (Gabel)</p>	<p>GEOGRAPHIC LEVEL of ANALYSIS: No testimony.</p> <p>CURRENT LEVEL of SUPPORT: None. (Cooper)</p>	<p>GEOGRAPHIC LEVEL of ANALYSIS: No testimony.</p> <p>CURRENT LEVEL of SUPPORT: <u>Other ILECs, ATT/MCI:</u> Inherent due to residual pricing of basic service. (Mayo)</p>

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?

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>Current support impedes competition in local exchange markets. CLECs will not enter subsidy-receiving markets; 1996 Act and FCC emphasize elimination of implicit subsidies ((Staihr, Gordon); residential basic rates lower than would expect in undistorted competitive markets and lower compared to many states; uneven entry, 29 of 40 states have higher proportion of CLEC lines sold to residential and small business customers, (Gordon)</p> <p>Sprint can no longer control the source and the target of the subsidy, which was only possible in a monopoly market. (Staihr)</p> <p>Pricing of wireline services not based on lock-in strategy used for pricing complementary services such as wireless phone/usage and razors/blades. Pricing strategy should be market driven, not required. Basic service is a standalone product. (Gordon)</p> <p>CLECS are targeting higher-margin customers and eroding subsidy. (Staihr)</p>	<p>There is no current support for basic service; thus, no basis for granting petitions. (Proffered cost standard) (Gabel)</p> <p>Knology's 10-K reports do not mention high access charges or low basic rates as difficulties. (Gabel)</p> <p>ILECs' basic rate comparisons with other states are misleading because SLC excluded and locations not cost-comparable. (Gabel)</p> <p>Market-based pricing considers complementary goods – citing economic theory and observations from competitive markets (Gabel)</p> <p>Competitive entry decisions based on revenues/costs for all services, not just basic service because entry is based on net expected return; FCC's impairment analysis and BST and Verizon comments in TRO; testimony by Cox Communications in CT (Gabel)</p> <p>High access charges do not prevent a CLEC from taking a bundling strategy, since access charges paid and received by a CLEC will tend to offset. (Gabel)</p> <p>Knology has offered bundled service in Panama City since at least June 2001; thus, decisions not based on Section 364.164, F.S. (Gabel)</p>	<p>There is no current support for basic service; thus, no basis for granting petitions. (Proffered cost standard) (Cooper)</p> <p>Competition is focusing on bundled offerings, rather than basic service, citing to actual market behavior. (Cooper)</p> <p>The current status of residential competition is mixed. FL is average on intensity (CLEC market share), high on extensiveness (availability), and low on balance (% CLEC customers who are residential) (Cooper)</p>	<p><u>KNOLOGY:</u> Competition is focusing on bundled offerings, rather than basic service, citing to actual market behavior. (Bocuccci)</p>

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

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>RESIDENTIAL CUSTOMERS WILL BENEFIT: Greater choice of providers. Competitive entry will be efficient and sustainable. Residential customers become more attractive to CLECS based on cash flow analysis; cable and wireless providers may be the most likely competitors in less urban areas; empirical studies; ILECs will no longer lose revenue needed to cover costs of serving subsidized customers. (Gordon, Stahr)</p> <p>Lower IXC rates, citing flow-through mandate in Section 364.163(2), F.S. (Felz)</p> <p>In-state connection fees will be eliminated, citing to 364.163(2), F.S. (Felz)</p> <p>5 free-call allowance for ECS. (Felz)</p> <p>3-year LIFELINE protection. (Felz)</p> <p>Enhanced economic welfare. Cost-based price signals encourage more economically rational consumption, investment, and innovation. (Gordon)</p>	<p>RESIDENTIAL CUSTOMERS WILL NOT BENEFIT: Current market conditions are not impeding local competition; there is no current support for basic service & the NERA competitive entry study is flawed. (Gabel)</p> <p>Trading at-risk access revenues for inelastic residential basic revenues. (Ostrander)</p> <p>There is no proof that enhanced competition will result and the IXC flow-through impact is not known. Regarding the flow-through, there is no testimony on planned rate reductions; likely to be disproportionate benefit since multi-line LD business usage heavier. (Gabel)</p> <p>Statistical analysis on the effects of rebalancing from other states does not exist. (Gabel)</p> <p>Lower access rates could impede competition, citing to Cox testimony from Connecticut. (Gabel)</p> <p>Lower LD rates will only have a limited effect on demand, citing two econometric studies/published articles (Gabel)</p>	<p>RESIDENTIAL CUSTOMERS WILL NOT BENEFIT: Current market conditions are not impeding local competition; there is no current support for basic service. (Cooper)</p> <p>There is no proof that enhanced competition will result; ILECs only theorize (Cooper)</p> <p>IXC flow-through impact is not known. (No testimony) (Cooper)</p> <p>Older customers only make a limited number of LD calls. (Cooper)</p> <p>Bundle-based competition is not dependent on rebalancing. The shifting of cost recovery not important if services are bundled. (Cooper)</p>	<p>RESIDENTIAL CUSTOMERS WILL BENEFIT: ATT & MCI: In-state connection fees will be eliminated, citing to 364.163(2), F.S. lower IXC rates, citing flow-through mandate in Section 364.163(2), F.S. (Mayo)</p> <p>Competitors will be better able to compete against ILEC bundled offerings, stating that access charges will be less of a limiting factor. (Mayo)</p> <p>Price increases for basic service would lead to relatively smaller consumer welfare losses than the welfare gains resulting from lower LD prices. (Mayo)</p> <p>Basic rate increases would improve margins; however, lower access charges would not affect margins, but would affect volumes. Both the local and long distance sides would likely benefit. (Mayo)</p> <p>There will be no adverse effects on telephone subscribership, citing to experience in other states. Florida is not a poor state & basic rates well below national average; targeted assistance through Lifeline; price elasticity of demand quite low; prices for complementary goods will decrease. (Mayo)</p>

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

Sprint-Florida	Office of Public Counsel	AARP	Others
<p>Technologically-neutral competition would encourage most efficient mode, citing that wireless, cable, and IP-telephony substitution already happening. (Gordon)</p> <p>There will be no adverse effects on telephone subscribership, citing to experience in other states. Since Florida is not a poor state with basic rates well below national average; targeted assistance through Lifeline and price elasticity of demand quite low; prices for complementary goods will decrease; income is most important factor. (Gordon, Felz, Staihr)</p> <p>CLECs will benefit from higher residential basic prices, without being required to reduce their intrastate access prices. (Gordon)</p> <p>Rebalancing reduces risk for CLECs, improving cash flow equation for serving residential customers. (Gordon)</p>	<p>Average customer will not benefit based on usage scenarios in FCC national report of average residential intrastate toll minutes. (Ostrander)</p> <p>Bundle-based competition is not dependent on rebalancing. The shifting of cost recovery not important if services are bundled. (Gabel)</p> <p>ILECs have made no demonstration of intent to modernize their network or offer new services. (Gabel)</p> <p>Other modes of competition not imposing significant constraint on ILEC pricing, citing to economic and technical issues. (Gabel)</p>		<p>AT&T: AT&T has entered local residential market in FL since the enactment of Section 364.164, F.S. (Fonteix)</p> <p>MCI, Sprint LD, BellSouth LD, VZLD: Flow-through plans are based on a pro-rata approach. NOTE: The flow-through plans offered by AT&T and VSSI are not based on a pro-rata approach. (Various)</p> <p>KNOLOGY: Knology has entered into agreement with Verizon Media Ventures since enactment of Section 364.164, F.S. (Boccucci)</p> <p>CLECS will attract and deploy new capital (Boccucci)</p>

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

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>INDIRECT BENEFITS FOR RESIDENTIAL CUSTOMERS: Rebalancing reduces risk for CLECs, improving cash flow equation for serving residential customers. (Gordon)</p> <p>CLECs will benefit from higher residential basic prices, without being required to reduce their intrastate access prices (Gordon)</p> <p>Rebalancing rates for basic local service will create a situation where competitors will find that, on average, a larger percentage of the residential market is financially attractive to serve. (Staihr - p. 6)</p> <p>Any competitor entering Sprint's territory is faced with, on average, lower rates to compete against and higher costs to incur. (Staihr - p. 13)</p> <p>These artificially low prices are unsustainable in the face of competition, and they come at a cost: fewer options among services, less innovation, and—in large portions of Sprint's serving territory—no competitive choices. (Staihr - p. 16)</p> <p>The benefit to Sprint's residential customers will come through increased choices brought about by competition, and enhanced service offerings and innovation that are stimulated by competition. (Staihr - p. 15)</p>	<p>Entry decisions are made on the basis of the expected total revenues and costs of all services an entrant can offer. (Gabel - p. 46)</p> <p>Given total revenues earned by the ILECs (and hence potential earnings of new entrants) are rebalanced, it is unlikely that there will be a substantial change in the attractiveness of entry broadly in the supply of basic local telephone service. (Gable - p. 47, 48)</p> <p>An unregulated incumbent with substantial market power can price well above competitive levels without attracting entry that constrains their pricing power. In such a case, a rise in total revenues from regulated levels may not be sufficient to allow entrants to overcome existing barriers. (Gable - p. 58)</p>	<p>Florida Legislative statements show that their intent was that the Commission must find that actual local competition will result in specific geographic areas (meaning individual rural versus individual urban rate zones) before it can consider raising basic local residential rates. (Cooper - p. 12)</p> <p>Competition for bundles is where the action is in telecom. The shifting of costs from intraLATA long distance to basic service will have little, if any impact on this competition since both are in the bundle. (Cooper - p. 28)</p> <p>Lowering UNE prices and smoothing out the operating support issues (rather than rate rebalancing) would stimulate competition. (Cooper - p. 30)</p>	<p>Knology Presents itself as an example of enhanced competition due to 2003 Act. (Boccutti)</p> <p>Knology is a facilities-based intermodal competitor offering voice, video and data services over an HFC or FTTC network. Knology currently operates in Panama City and is expanding into Pinellas County, FL. (Boccutti)</p> <p>The new Florida legislation recently signed by the Governor creates the regulatory environment necessary to attract capital investment to expand telephone competition in Florida.. Knology made the strategic decision to expand its service offerings to other cities in Florida. (Boccutti testimony, p. 3)</p> <p>If these petitions are granted, Knology will be able to attract and deploy new capital investment in Florida, thereby offering consumers a choice in facilities-based providers for new and advanced high-tech services. (Boccutti - p. 9)</p>

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?

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>Yes. Reductions in three annual increments.</p> <p>Increment 1 (2004): \$62,319,890 Increment 2 (2005): \$56,211,862 Increment 3 (2006): \$23,541,711</p> <p>Will establish a rate structure for intrastate switched network access rates that mirrors both the rate structure and rate levels of interstate switched network access service in effect on January 1, 2003. (Felz)</p>	<p>No testimony.</p>	<p>While in its prehearing statement AARP does not take a position on this issue for Sprint, in his direct testimony, witness Cooper believes that parity is a bad policy since "the FCC has allowed the long distance services to have a free ride on the telecommunications network. Eliminating the carrier common line charge and all other contributions to fixed costs violates the principle that services should pay for the facilities they use. Each of the proposals before the Commission zeros out all contributions to fixed costs." (Cooper)</p>	<p>AT&T: Believes Sprint's proposal meets the Acts' requirements. (Fonteix)</p> <p>Testifying Staff: Sprint should extend the implementation of its proposal by 12 months in order to mitigate rate shock to consumers. (Shafer)</p>

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

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p><u>Residential Recurring Rates:</u> Proposes increases of \$2.95 for increment one, \$2.75 for increment two, and \$1.16 for increment three for a total of \$6.86.</p> <p><u>Single-Line Business Recurring Rates:</u> Proposes increases of \$2.70 for increment one, \$2.40 for increment two, and \$0.90 for increment three for a total of \$6.00.</p> <p><u>Non-Recurring Charges:</u> Proposes increasing various residential and business non-recurring charges over the three increments of the plan. (Felz)</p>	<p>Has concerns over whether or not the LEC's update process is consistent with the statute and revenue neutrality provisions. (Ostrander)</p> <p>No Testimony - Per Prehearing Order: OPC does not take a position concerning the revenue neutrality of Sprint's proposal.</p>	<p>No Testimony - Per Prehearing Order: Sprint has not substantiated that its intrastate long distance rate reduction for residential customers will equal its corresponding basic local service increase.</p>	<p>AT&T: Believes Sprint's proposal meets the Acts' requirements. (Fonteix)</p>

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

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>Granted.</p>	<p>Denied</p>	<p>Denied</p>	<p>ATT/MCI: Granted.</p> <p>Knology: Granted.</p>

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?

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>No Position.</p>	<p>All IXCs 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. The IXCs with \$100 or less in access expense should attest to such.</p> <p>IXCs that paid \$1 million or more in intrastate switched access charges should include:</p> <ol style="list-style-type: none"> 1) A calculation of the long distance rate reduction by specific service for residential and business customers. 2) A calculation of the average revenue per minute for residential and business customers before and after reductions. 3) A calculation showing the current amount and percent of long distance revenues received from residential customers vs business customers. 4) A showing that long distance portion of bundled service was beneficiary of the flow through. <p>IXCs that paid less than \$1 million in intrastate switched access charges should file a letter with the Commission certifying that they have complied with flow-through requirements and provide average revenue per minute for both residential and business customers both before and after rate reductions. (Ostrander)</p>	<p>No Testimony - Per Prehearing Order: All IXCs 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. The IXCs with \$100 or less in access expense should attest to such.</p> <p>Adopts OPCs position as to what information should be included in tariff filings.</p>	<p>Attorney General: No Testimony - Per Prehearing Order: All IXCs 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. The IXCs with \$100 or less in access expense should attest to such.</p> <p>ATT/MCI: All IXCs should be required to flow through the switched access reductions. Would not oppose a de minimis threshold for smaller IXCs. (Guepe, Dunbar)</p> <p>Sprint Communications: Any IXC with over \$1 million in annual switched access expense should be required to file tariffs in support of flow-through obligation. IXCs should meet with staff for tariff requirements. (Kapka)</p> <p>Verizon Long Distance: Any IXC that receives the benefit of intrastate switched access rate reductions must file intrastate tariffs. An IXC reseller should not be required to reduce prices to its customers unless it receives a reduction in the prices it is charged by its facilities-based supplier. (Brotten)</p> <p>BellSouth Long Distance: No position. (Henson)</p> <p>Knology: Intends to match the ILEC access rates in a manner consistent with the Commission approved phase in period. (Boccucci)</p>

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?

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
No Position	Yes. The timing should be the same. If IXCs are not prepared to implement long distance reductions, then ILEC increases in local rates should also be delayed. (Ostrander)	No Testimony - Per Prehearing Order: Yes.	<p>Attorney General: No Testimony - Per Prehearing Order: Yes.</p> <p>ATT/MCI: Yes, if IXCs are allowed 60 days from the ILEC filing date to prepare tariffs for filing. (Guepe, Dunbar)</p> <p>Sprint Communications: Should have 60 days from the tariff effective date of the ILEC access rate changes to make its showing. (Kapka)</p> <p>Verizon Long Distance: Facility-based IXCs should be required to pass through rate reductions as soon as possible. Non-facilities based IXCs should be required to flow through reductions when they are received. (Brotten)</p> <p>BellSouth Long Distance: IXCs should file tariffs to be effective within a reasonable time after the effective date of the LEC filings, within 15 days of the effective date of the last three LECs' filings. (Henson)</p> <p>Knology: Intends to match the ILEC access rates in a manner consistent with the Commission approved phase in period. (Boccucci)</p>

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

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
No 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. (Ostrander)	No Testimony - Per Prehearing Order: The IXCs should be required to cap and maintain their long distance rate reductions for a period of three years after parity is achieved.	<p>Attorney General: No Testimony - Per Prehearing Order: The IXCs should be required to cap and maintain their long distance rate reductions for a period of three years after parity is achieved.</p> <p>ATT/MCI: The competitive market should and will decide this issue. (Guepe, Dunbar)</p> <p>Sprint Communications: Market forces will insure that the revenue benefits of access reductions will be effective in maintaining the revenue benefits of the access reductions. (Kapka)</p> <p>Verizon Long Distance: Competition will ensure that IXCs flow through access reductions without any need for Commission intervention. (Broten)</p> <p>BellSouth Long Distance: Given the highly competitive nature of the long distance market in Florida, there is no need for the Commission to impose a minimum period of time during which the IXCs would be required to keep in access reductions in place. (Henson)</p>

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

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>No Position.</p>	<p>The IXCs 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. (Ostrander)</p>	<p>The IXCs 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. (Cooper)</p>	<p>Attorney General: No Testimony - Per Prehearing Order: The IXCs 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.</p> <p>ATT/MCI: As long as both residential and business customers benefit, each IXC should be left to accomplish its flow through consistent with its market needs. (Guepe, Dunbar)</p> <p>Sprint Communications: For residential customers, Sprint would adjust the average revenue per minute for this base of customers such that the average revenue per minute would be reduced by an amount at least equal to the reduction in access charges per minute. (Kapka)</p> <p>Verizon Long Distance: Flow through the benefits realized from access reductions to both residential and business customers based on the relative proportion of access minutes associated with these classes of customers. (Broten)</p> <p>BellSouth Long Distance: Willing to allocate its rate reductions to both residential and business customers in an appropriate pro rata manner. (Henson)</p>

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?

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
No Position.	All residential and business customers should experience a rate reduction unless: a) the customer subscribes to one of the small IXCs that pays less than \$100 per month in access expense; or b) the customer does not take much, or any, long distance calls for the period that the long distance rate reductions will be in effect. (Ostrander)	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 recently, if at all yet, filed tariffs detailing how they would flow through the reduction in access fees. (Cooper)	<p>Attorney General: No Testimony - Per Prehearing Order: No position.</p> <p>ATT: All AT&T residential customers paying the in-state connection fee will experience a reduction in their long distance bill through the reduction of the fee. All classes of AT&T's business customers will receive reductions. (Guepe)</p> <p>MCI: All MCI stand-alone, presubscribed, residential long distance customers paying MCI's in-state access recovery fee will receive a benefit, because MCI will reduce its in-state connection fee over the next 3 years. (Dunbar)</p> <p>Sprint Communications: Generally, customers making long distance calls will experience a price reduction. Also, customers will see a monthly reduction in in-state access connection fee. (Kapka)</p> <p>Verizon Long Distance: Plans to reduce in-state usage rates on some, but not all, residential and business plans. (Broten)</p> <p>BellSouth Long Distance: Not every customer will necessarily experience a reduction in its long distance bill, Some companies may reduce rates on one set of plans, while others may reduce other rates. (Henson)</p>

Issue 11: Should these Dockets be closed?

<u>Sprint-Florida</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
No position at this time.	Yes.	Yes.	<p>Attorney General: Yes.</p> <p>Verizon Long Distance: No. The docket is ongoing and should remain open.</p>

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

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 customers?

Issue 1A: What is a reasonable estimate of the level of support provided for basic local telecommunications services? - Revised 12/09/03

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>COST STANDARD + TREATMENT OF LOOP: UNE-P, because standard is incremental cost plus appropriate contribution towards joint/ common cost, rates are already approved, are readily available, conservative, plus retailing & directory costs are not included. Verizon UNE rates exclude features. (Fulp, Danner)</p> <p>TSLRIC of residential or business basic service should be the direct cost of network access, plus any other direct cost that is residential or business specific. (Gordon, Danner)</p> <p>Loop design and cost do not depend on class of customer (res/bus) at a location. (Danner)</p> <p>Cost of loop incurred when providing basic service; use of loop does not cause cost. (Danner)</p> <p>GEOGRAPHIC LEVEL of ANALYSIS: Rate Group, because retail rates currently vary by rate group; an exchange level analysis would result in still higher basic rates for some. (Fulp)</p> <p>CURRENT LEVEL of SUPPORT: Substantial (confidential), due to residual pricing of basic service. Under rate base/rate-of-return regulation, basic service rates set on residual basis to meet revenue requirement; thus, these rates must be subsidized. Low basic rates compared to other states. (Gordon)</p>	<p>COST STANDARD + TREATMENT OF LOOP: Joint/common costs should be removed from UNE-P rates. (Gabel)</p> <p>Structure costs are shared; should not be attributed to basic service. Structure costs incurred jointly for range of loop-based services. (Gabel)</p> <p>GEOGRAPHIC LEVEL of ANALYSIS: No Testimony.</p> <p>CURRENT LEVEL of SUPPORT: None. AT&T loop cost estimates in UNE pricing proceeding do not support conclusion that basic service is subsidized. (Gabel)</p>	<p>COST STANDARD + TREATMENT OF LOOP: Loop is common cost. The loop is used for multiple services. (Cooper)</p> <p>GEOGRAPHIC LEVEL of ANALYSIS: No Testimony.</p> <p>CURRENT LEVEL of SUPPORT: None. (Cooper)</p>	<p>COST STANDARD + TREATMENT OF LOOP: <u>AT&T & MCI:</u> Loop cost should be determined based on principle of cost causation. (Mayo)</p> <p>GEOGRAPHIC LEVEL of ANALYSIS: No Testimony.</p> <p>CURRENT LEVEL of SUPPORT: <u>Other ILECs. ATT/MCI:</u> Inherent due to residual pricing of basic service. (Mayo)</p>

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?

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>Current support impedes competition in local exchange markets. CLECs will not enter subsidy-receiving markets; 1996 Act and FCC emphasize elimination of implicit subsidies; residential basic rates lower than would expect in undistorted competitive markets and lower compared to many states; uneven entry, 29 of 40 states have higher proportion of CLEC lines sold to residential and small business customers; (Gordon, Danner) facility-based competition for residential customers mainly from intermodal sources. (Danner)</p> <p>Pricing of wireline services not based on lock-in strategy used for pricing complementary services such as wireless phone/usage and razors/blades. Pricing strategy should be market driven, not required. Basic service is a standalone product. (Gordon, Danner)</p> <p>CLECs are targeting higher-margin customers and eroding subsidy. (Danner)</p>	<p>There is no current support for basic service; thus, no basis for granting petitions. (Proffered cost standard) (Gabel)</p> <p>Knology's 10-K reports do not mention high access charges or low basic rates as difficulties. (Gabel)</p> <p>ILECs' basic rate comparisons w/ other states are misleading because SLC excluded and locations not cost-comparable. (Gabel)</p> <p>Market-based pricing considers complementary goods, citing economic theory and observations from competitive markets. (Gabel)</p> <p>Competitive entry decisions based on revenues/costs for all services, not just basic service because entry is based on net expected return; FCC's impairment analysis and BST and Verizon comments in TRO; testimony by Cox Communications in CT. (Gabel)</p> <p>Knology has offered bundled service in Panama City since at least June 2001; thus, decisions not based on Section 364.164, F.S. (Gabel)</p> <p>High access charges do not prevent a CLEC from taking a bundling strategy, since access charges paid and received by a CLEC will tend to offset. (Gabel)</p>	<p>There is no current support for basic service; thus, no basis for granting petitions. (Proffered cost standard) (Cooper)</p> <p>Competition is focusing on bundled offerings, rather than basic service, citing to actual market behavior. (Cooper)</p> <p>The current status of residential competition is mixed. FL is average on intensity (CLEC market share), high on extensiveness (availability), and low on balance (% CLEC customers who are residential). (Cooper)</p>	<p>KNOLOGY: Competition is focusing on bundled offerings, rather than basic service, citing to actual market behavior. (Boccucci)</p>

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

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>RESIDENTIAL CUSTOMERS WILL BENEFIT: Greater choice of providers. Residential customers become more attractive to CLECs based on cash flow analysis; empirical studies; prices of individual services matter since customers routinely mix and match offerings of different providers, price of basic service especially important for cable telephony since may be used for additional lines; increases pool of potentially compensatory customers; CLECs have facilities in place to serve residential customers. (Gordon, Danner)</p> <p>Lower IXC rates, and possibly lower intraLATA rates too, citing flow-through mandate in Section 364.163(2), F.S., and competitive pressure. (Gordon, Danner)</p> <p>In-state connection fees will be eliminated, citing to 364.163(2), F.S. (Gordon, Danner)</p> <p>2-year LIFELINE protection. (Fulp)</p> <p>Enhanced economic welfare. Cost-based price signals encourage more economically rational consumption, investment, and innovation. (Gordon)</p> <p>Technologically-neutral competition would encourage most efficient mode, citing that wireless, cable, and IP-telephony substitution already happening. (Gordon)</p>	<p>RESIDENTIAL CUSTOMERS WILL NOT BENEFIT: Current market conditions are not impeding local competition; there is no current support for basic service & the NERA competitive entry study is flawed. (Gabel)</p> <p>Trading at-risk access revenues for inelastic residential basic revenues. (Ostrander)</p> <p>There is no proof that enhanced competition will result and the IXC flow-through impact is not known. Regarding the flow-through, there is no testimony on planned rate reductions; likely to be disproportionate benefit since multi-line LD business usage heavier. (Gabel)</p> <p>Lower LD rates will only have a limited effect on demand, citing two econometric studies/published articles. (Gabel)</p> <p>Lower access rates could impede competition, citing to Cox testimony from Connecticut. (Gabel)</p> <p>Bundle-based competition is not dependent on rebalancing. The shifting of cost recovery not important if services are bundled. (Gabel)</p> <p>ILECs have made no demonstration of intent to modernize their network or offer new services. (Gabel)</p>	<p>RESIDENTIAL CUSTOMERS WILL NOT BENEFIT: Current market conditions are not impeding local competition; there is no current support for basic service. (Cooper)</p> <p>There is no proof that enhanced competition will result; ILECs only theorize. (Cooper)</p> <p>IXC flow-through impact is not known. (No testimony) (Cooper)</p> <p>Older customers only make a limited number of LD calls. (Cooper)</p> <p>Bundle-based competition is not dependent on rebalancing. The shifting of cost recovery not important if services are bundled. (Cooper)</p>	<p>RESIDENTIAL CUSTOMERS WILL BENEFIT: ATT & MCI: In-state connection fees will be eliminated, citing to 364.163(2), F.S. (Mayo)</p> <p>lower IXC rates, citing flow-through mandate in Section 364.163(2), F.S. (Mayo)</p> <p>Basic rate increases would improve margins; however, lower access charges would not affect margins, but would affect volumes. Both the local and long distance sides would likely benefit. (Mayo)</p> <p>Price increases for basic service would lead to relatively smaller consumer welfare losses than the welfare gain resulting from lower LD prices. (Mayo)</p> <p>There will be no adverse effects on telephone subscribership, citing to experience in other states. Florida is not a poor state & basic rates well below national average; targeted assistance through Lifeline; price elasticity of demand quite low; prices for complementary goods will decrease. (Mayo)</p> <p>Competitors will be better able to compete against ILEC bundled offerings, stating that access charges will be less of a limiting factor. (Mayo)</p>

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

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>There will be no adverse effects on telephone subscribership, citing to experience in other states. Florida is not a poor state & basic rates well below national average; targeted assistance through Lifeline; price elasticity of demand quite low; prices for complementary goods will decrease. (Gordon)</p> <p>Average residential bill increase of \$1 per month. (Danner)</p> <p>INDIRECT BENEFITS FOR RESIDENTIAL CUSTOMERS: Rebalancing reduces risk for CLECs, improving cash flow equation for serving residential customers. (Gordon)</p> <p>CLECs will benefit from higher residential basic prices, without being required to reduce their intrastate access prices. (Gordon)</p> <p>MISCELLANEOUS: Statute closely mirrors 1999 FPSC Report to the Legislature, and Verizon's plan should be approved. (Danner)</p>	<p>Other modes of competition not imposing significant constraint on ILEC pricing, citing to economic and technical issues. (Gabel)</p> <p>Statistical analysis on the effects of rebalancing from other states does not exist. (Gabel)</p> <p>Average customer will not benefit based on usage scenarios in FCC national report of average residential intrastate toll minutes. (Ostrander)</p>		<p>ATT: ATT has entered local residential market in FL since enactment of Section 364.164, F.S. (Fonteix)</p> <p>MCI, Sprint LD, BellSouth LD, VzLD: Flow-through plans are based on a pro-rata approach. NOTE: The flow-through plans offered by AT&T and VSSI are not based on a pro-rata approach. (Various)</p> <p>KNOLOGY: CLECs will attract and deploy new capital (Boccucci)</p> <p>Knology has entered into agreement with Verizon Media Ventures since enactment of Section 364.164, F.S. (Boccucci)</p>

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

Verizon	Office of Public Counsel	AARP	Others
<p>Yes. By removing implicit support from basic local exchange rates, carriers will have increased business opportunities to attract new customers and offer new products, services, and bundles. (Gordon, Amended Direct, page 24, lines 8-19 & Danner, Amended Direct, page 6, lines 1-14.)</p> <p>The announcement by a facilities-based CLEC, Knology, a cable telephony provider, Bright House and a VOIP provider Vonnage, to enter the Florida market following the passage of the access reduction legislation provides evidence that the rebalancing proposal encourages competitive entry. Also, three important statistical studies establishing the positive impact of rate rebalancing on competitive entry provide additional empirical evidence. (Gordon, Amended Direct, pages 27-30 and Danner, Amended Direct, pages 14-21.)</p>	<p>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 [basic local telecommunications service]. (Gabel, Direct, page 46-49)</p> <p>The models used by ILEC witnesses misspecifies the key factors which influence market entry. As a result of the misspecification of the model, the results showing a positive impact of rate rebalancing on competitive market entry are greatly distorted thus offering no forensic value. (Gabel, Direct, pages 36-45 & Rebuttal, pages 10-15, 34 & 36-40) Further evidence indicates that lowering access rates will likely impede competitive CLEC entry due to the loss in additional revenue. (Gabel, Direct, pages 56-58).</p>	<p>Same as OPC. (Cooper)</p>	<p>Attorney General: No Testimony - Per Prehearing Order: No position.</p> <p>ATT/MCI: 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. (Mayo, Direct pages 11-14 & Fonteix, Direct, page 5, lines 8-13.)</p> <p>The anemic CLEC market share for residential customers provides some amount of prima facie evidence that low residential prices are inhibiting competitive entry. (Mayo, Rebuttal, page 8, lines 1-13).</p> <p>Knology: Yes. The ILECS' rebalancing proposal moves the pricing structure for telephone services in Florida towards market based pricing. (Boccucci, Direct, page 3, lines 8-18)</p> <p>Testifying Staff: Yes. The likelihood of increased market entry is improved by the rebalancing proposals, particularly in those markets where profitability is marginal. Market entry is deterred if price is below cost. (Shafer, Direct, pages 6-7)</p>

Issue 2 (Continued): Will the effects of the ILECs' rebalancing proposals induce enhanced market entry? If so, how?

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
			<p>No evidence is provided either in support of or against the relationship between rebalancing and competitive market entry.</p> <p>Verizon Long Distance: The VZ LD Affiliates take no position on this issue.</p>

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?

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>Yes. Will reduce composite intrastate access total average revenue per minute (ARPM) from \$.0485441 to \$.0117043 in three increments over two years.</p> <p>Total reduction of \$76.2 million. (Fulp)</p>	<p>No Testimony - Per Prehearing Order.</p>	<p>No Testimony - Per Prehearing Order: Verizon's inclusion of the PICC charge in its calculation of intrastate access charges means Verizon has failed to comply with the Acts requirements of parity and revenue neutrality. Verizon's petition should be denied on these grounds.</p> <p>While in its prehearing statement AARP only takes issue with Verizon's inclusion of the PICC charge in its calculation of end-user access charges, in his direct testimony, witness Cooper believes that parity is a bad policy since "the FCC has allowed the long distance services to have a free ride on the telecommunications network. Eliminating the carrier common line charge and all other contributions to fixed costs violates the principle that services should pay for the facilities they use. Each of the proposals before the Commission zeros out all contributions to fixed costs." (Cooper)</p>	<p>AT&T: Verizon proposes the inclusion of a Terminating Carrier Common Line (CCL) charge which is an explicit subsidy charge not found on its interstate switched access tariff. Therefore, Verizon's proposed intrastate access rates are not equal to or at parity with its interstate rates.</p> <p>Verizon improperly includes the PICC in addition to the originating and terminating common line charges permitted by the statute.</p> <p>Verizon also improperly developed its proposed PICC by dividing interstate revenue by intrastate demand. The interstate PICC applies only to multi-line business customers. (Fonteix)</p>

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

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p><u>Residential Recurring Rates:</u> Proposes incremental increases of \$1.58 in increment one, \$1.58 in increment two, and \$1.57 in increment three for a total of \$4.73.</p> <p><u>Single-Line Business Recurring Rates:</u> Will raise the basic monthly recurring rate to \$32.00 for all five rate groups. For rate groups one through four, the increase will take place in three increments. For rate group five, which is the most dense, the increase will take place in the second and third increments.</p> <p><u>Non-Recurring Charges:</u> For residential customers, Verizon will raise network establishment charges and central office connection charges by \$5.00 over three increments. For single-line business customers, Verizon will raise single line business network establishment charges by \$0.10. (Fulp)</p>	<p>Has concerns over whether or not the LEC's update process is consistent with the statute and revenue neutrality provisions. (Ostrander)</p> <p>No Testimony - Per Prehearing Order concerning the revenue neutrality of Sprint's proposal.</p>	<p>No Testimony - Per Prehearing Order: Verizon has not substantiated that its intrastate long distance rate reduction for residential customers will equal its corresponding basic local service increase.</p> <p>No Testimony - Per Prehearing Order: Verizon's inclusion of the PICC charge in its calculation of intrastate access charges means Verizon has failed to comply with the Acts requirements of parity and revenue neutrality. Verizon's petition should be denied on these grounds.</p>	<p>AT&T: This Commission should order Verizon to remove its PICC from its calculation. Verizon should also eliminate its Terminating Carrier Common Line charge since it is eliminated from its interstate access charges. (Fonteix)</p>

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

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>Granted.</p>	<p>Denied.</p>	<p>Denied.</p>	<p>ATT/MCI: Verizon's proposal should be denied unless it corrects its access reductions outlined in Issue 3.</p> <p>Knology: Granted.</p>

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?

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>No Position.</p>	<p>All IXCs 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. The IXCs with \$100 or less in access expense should attest to such.</p> <p>IXCs that paid \$1 million or more in intrastate switched access charges should include:</p> <ol style="list-style-type: none"> 1) A calculation of the long distance rate reduction by specific service for residential and business customers. 2) A calculation of the average revenue per minute for residential and business customers before and after reductions. 3) A calculation showing the current amount and percent of long distance revenues received from residential customers vs business customers. 4) A showing that long distance portion of bundled service was beneficiary of the flow through. <p>IXCs that paid less than \$1 million in intrastate switched access charges should file a letter with the Commission certifying that they have complied with flow-through requirements and provide average revenue per minute for both residential and business customers both before and after rate reductions. (Ostrander)</p>	<p>No Testimony - Per Prehearing Order: All IXCs 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. The IXCs with \$100 or less in access expense should attest to such.</p> <p>Adopts OPCs position as to what information should be included in tariff filings.</p>	<p>Attorney General: No Testimony - Per Prehearing Order: All IXCs 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. The IXCs with \$100 or less in access expense should attest to such.</p> <p>ATT/MCI: All IXCs should be required to flow through the switched access reductions. Would not oppose a de minimus threshold for smaller IXCs. (Guepe, Dunbar).</p> <p>Sprint Communications: Any IXC with over \$1 million in annual switched access expense should be required to file tariffs in support of flow-through obligation. IXCs should meet with staff for tariff requirements. (Kapka)</p> <p>Verizon Long Distance: Any IXC that receives the benefit of intrastate switched access rate reductions must file intrastate tariffs. An IXC reseller should not be required to reduce prices to its customers unless it receives a reduction in the prices it is charged by its facilities-based supplier. (Brotten)</p> <p>BellSouth Long Distance: No position. (Henson)</p> <p>Knology: Intends to match the ILEC access rates in a manner consistent with the Commission approved phase in period. (Boccucci)</p>

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?

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
No Position.	Yes. The timing should be the same. If IXCs are not prepared to implement long distance reductions, then ILEC increases in local rates should also be delayed. (Ostrander)	No Testimony - Per Prehearing Order: Yes.	<p>Attorney General: No Testimony - Per Prehearing Order: Yes.</p> <p>ATT/MCI: Yes, if IXCs are allowed 60 days from the ILEC filing date to prepare tariffs for filing. (Guepe, Dunbar)</p> <p>Sprint Communications: Should have 60 days from the tariff effective date of the ILEC access rate changes to make its showing. (Kapka)</p> <p>Verizon Long Distance: Facility-based IXCs should be required to pass through rate reductions as soon as possible. Non-facilities based IXCs should be required to flow through reductions when they are received. Should have reasonable time after reductiona take effect. (Brotten)</p> <p>BellSouth Long Distance: IXCs should file tariffs to be effective within a reasonable time after the effective date of the LEC filings, within 15 days of the effective date of the last three LECs' filings. (Henson)</p> <p>Knology: Intends to match the ILEC access rates in a manner consistent with the Commission approved phase in period. (Boccucci)</p>

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

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
No 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. (Ostrander)	No Testimony - Per Prehearing Order: The IXCs should be required to cap and maintain their long distance rate reductions for a period of three years after parity is achieved.	<p>Attorney General: No Testimony - Per Prehearing Order: The IXCs should be required to cap and maintain their long distance rate reductions for a period of three years after parity is achieved.</p> <p>ATT/MCI: The competitive market should and will decide this issue. (Guepe, Dunbar)</p> <p>Sprint Communications: Market forces will insure that the revenue benefits of access reductions will be effective in maintaining the revenue benefits of the access reductions. (Kapka)</p> <p>Verizon Long Distance: Competition will ensure that IXCs flow through access reductions without any need for Commission intervention. (Brotten)</p> <p>BellSouth Long Distance: Given the highly competitive nature of the long distance market in Florida, there is no need for the Commission to impose a minimum period of time during which the IXCs would be required to keep in access reductions in place. (Henson)</p>

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

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
<p>No Position.</p>	<p>The IXCs 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. (Ostander)</p>	<p>The IXCs 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. (Cooper)</p>	<p>Attorney General: No Testimony - Per Prehearing Order: The IXCs 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.</p> <p>ATT/MCI: As long as both residential and business customers benefit, each IXC should be left to accomplish its flow through consistent with its market needs. (Dunbar)</p> <p>Sprint Communications: For residential customers, Sprint would adjust the average revenue per minute for this base of customers such that the average revenue per minute would be reduced by an amount at least equal to the reduction in access charges per minute. (Kapka)</p> <p>Verizon Long Distance: Flow through the benefits realized from access reductions to both residential and business customers based on the relative proportion of access minutes associated with these classes of customers. (Brotten)</p> <p>BellSouth Long Distance: Willing to allocate its rate reductions to both residential and business customers in an appropriate pro rata manner. (Henson)</p>

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?

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
No Position.	All residential and business customers should experience a rate reduction unless: a) the customer subscribes to one of the small IXCs that pays less than \$100 per month in access expense; or b) the customer does not take much, or any, long distance calls for the period that the long distance rate reductions will be in effect. (Ostrander)	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 recently, if at all yet, filed tariffs detailing how they would flow through the reduction in access fees. (Cooper)	<p>Attorney General: No Testimony - Per Prehearing Order: No position.</p> <p>ATT: All AT&T residential customers paying the in-state connection fee will experience a reduction in their long distance bill through the reduction of the fee. All classes of AT&T's business customers will receive reductions. (Guepe)</p> <p>MCI: All MCI stand-alone, presubscribed, residential long distance customers paying MCI's in-state access recovery fee will receive a benefit, because MCI will reduce its in-state connection fee over the next 3 years. (Dunbar)</p> <p>Sprint Communications: Generally, customers making long distance calls will experience a price reduction. Also, customers will see a monthly reduction in in-state access connection fee. (Kapka)</p> <p>Verizon Long Distance: Plans to reduce in-state usage rates on some, but not all, residential and business plans. (Brotten)</p> <p>BellSouth Long Distance: Not every customer will necessarily experience a reduction in its long distance bill, Some companies may reduce rates on one set of plans, while others may reduce other rates. (Henson)</p>

Issue 11: Should these Dockets be closed?

<u>Verizon</u>	<u>Office of Public Counsel</u>	<u>AARP</u>	<u>Others</u>
No position.	Yes.	Yes.	<p>Attorney General: Yes.</p> <p>Verizon Long Distance: No. The docket is ongoing and should remain open.</p>