

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Embarq Florida, Inc.,) Docket No. 060644-TL
Pursuant to Florida Statutes 364.051(4), to)
Recover 2005 Tropical System Related Costs)
And Expenses) Filed: December 11, 2006

EMBARQ FLORIDA, INC.'S PREHEARING STATEMENT

Embarq Florida, Inc. ("Embarq"), pursuant to Order No. PSC-06-0850-PCO-TP and Order No. PSC-06-0981-PCO-TP, submits the following Prehearing Statement:

A. **WITNESSES:** Embarq has prefiled the testimony of the following witnesses:

Kent W. Dickerson (Direct and Surrebuttal) Issues 1, 2, 3, and 4

B. **EXHIBITS:** Sprint has prefiled the following exhibits:

- KWD-1 Florida District Map – Embarq Southern Operations
- KWD-2 Damage Resulting from 2005 Tropical Storm Systems
- KWD-3 Storm Cost and Extraordinary Recovery
- KWD-4 Summary Extraordinary Storm Costs & Recovery
- KWD-5 Forecast Access Lines and Cost Recovery Amount

CMP _____
COM _____
CTR _____
ECR _____
GCL _____
OPC _____
RCA _____
SCR _____
SGA _____
SEC 1
OTH _____

Embarq reserves the right to introduce exhibits at the hearing as necessary to present its case and for cross-examination purposes.

C. **BASIC POSITION:** Hurricanes Dennis, Katrina and Wilma caused damage in 2005 to Embarq's facilities in five of the eight Florida districts where Embarq provides service. The total costs incurred by Embarq to repair, restore, and replace the lines, plants or facilities damaged by the storms was nearly \$60 million dollars. In accordance with Florida

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law, and consistent with the extraordinary cost standard applied in Embarq's proceeding to recover its 2004 storm costs, Embarq is seeking to recovery approximately \$10.3 million of its 2005 storm costs, through application of a 50 cent surcharge to be applied to all retail access lines and wholesale unbundled loops. The application of the extraordinary cost standard and the statutory cap on recovery of 50 cents per line result in a conservative amount of recovery, many times less than Embarq's actual damages and costs incurred and fully in compliance with the recovery allowed under Section 364.051(4), Florida Statutes.

D. ISSUES AND POSITIONS:

ISSUE 1: What is the appropriate amount of intrastate costs and expenses related to damage caused during the 2005 tropical storm season, if any, that should be recovered by Embarq, pursuant to Section 364.051(4), Florida Statutes?

Embarq's Position: Embarq's total costs incurred as a result of the 2005 hurricanes were \$59,940,742. Embarq's extraordinary intrastate costs totaled \$15,468,151. Based on the statutory recovery cap of 50 cents per line per month for 12 months, the total costs Embarq is entitled to recover are shown on line 44 of Exhibit KWD-2 that is, approximately \$10.3 million dollars.

ISSUE 2: (a). What is the appropriate type and number of retail access lines, basic and nonbasic, to which any storm damage recovery may be assessed?

Embarq's Position: The surcharge should be applied to all of Embarq's retail basic and nonbasic local exchange service lines, including residential and business lines, payphone lines, key system lines, PBX trunk lines, Centrex lines, ISDN BRI lines and ISDN PRI lines. In addition, lines that Embarq provides via resale arrangements with competitive carriers should be included in these lines. The total number of access lines to be assessed should be the access lines that are in service during the 12-month recovery period. The

number of retail access lines that Embarq projects to be in-service are included on lines 11 and 12 of Exhibit KWD-5.

(b). Is a line item charge on Embarq's wholesale UNE loop appropriate pursuant to Section 364.051(4)(b)(6), Florida Statutes and Federal Law? If yes, on which types of lines should the charge be assessed and how should the lines be counted? What is the total number of UNE loops to be assessed, if any?

Embarq's Position: It is appropriate for the Commission to approve the application of the storm recovery charge to Embarq's "wholesale unbundled network element loop customers" as well as Embarq's retail customers, since the storm damage experienced by Embarq affected its facilities used to serve both retail and wholesale customers. The application of the storm cost recovery surcharge to wholesale unbundled loop customers is consistent with federal law because any approved Storm Recovery Surcharge fee will be distinct and separate from the UNE prices established pursuant to § 251 of the Telecommunications Act. Rather, the fee is for the purpose of recovering only the Commission-determined reasonable, intrastate portion of costs incurred to repair and restore Embarq's lines and facilities damaged by tropical storms in 2005. The agreements Embarq enters into with its wholesale customers support the imposition of such a Commission-approved fee.

The charge should be assessed on all DSO, DS1, DS3, UNE-P and Enhanced Extended Loops. Embarq proposes to assess the charge in a manner similar to how Embarq proposes to assess the charge on Embarq's retail DS 1-based retail services (that is, ISDN-PRI lines). Accordingly, Embarq is proposing to assess 5 charges per DS1 loop, which equates to \$2.50 per DS1. Further, Embarq is proposing to assess 30 charges per DS3 loop, which equates to \$15.00 per DS3. Embarq proposes that all other wholesale

unbundled loop types be counted as 1 for each wholesale unbundled loop projected to be in service during the recovery period. The total number loops to be assessed should be the loops that are in service during the 12-month recovery period. The number of loops that Embarq projects to be in-service are included on line 13 of Exhibit KWD-5.

ISSUE 3: What is the appropriate line item charge per access line, if any?

Embarq's Position: Since Embarq's total costs exceed the maximum amount that could be recovered under the statutory cap, the appropriate line item charge per access line is the statutory maximum of 50 cents per line per month for 12 months.

ISSUE 4: If a line item charge is approved in Issue 3, on what date should the charge become effective and on what date should the charge end?

Embarq's Position: The charge should become effective as soon as possible after Commission approval, taking into consideration time for Embarq to modify its billing processes necessary to implement the Commission's order. Once Embarq begins billing the charge, it should be applied for the 12 consecutive months permitted by the statute, at which time the charge should end.

ISSUE 5: Should the docket be closed?

Embarq's Position: No. Embarq will monitor and review its cost recovery process and will, at the end of 12 months, demonstrate to the Commission that it collected the line-item charge in accordance with the Commission's order resulting from this proceeding. This docket should remain open pending such final review.

E. STIPULATIONS: There are no pending stipulations that Embarq is aware of at this time.

F. PENDING MOTIONS: Embarq is aware of the following pending motions:

CompSouth's First Motion to Compel, filed 12/04/06 and Embarq's Response, filed 12/11/06

Motion for Temporary Protective Order (for Document No. 10437-06), filed 11/14/06

G. PENDING CONFIDENTIALITY REQUESTS: Embarq has the following

Requests for Confidential Classification or Claims of Confidentiality pending:

Request for Confidential Classification for Document Nos. 10730-06, 10731-06 and 10732-06, filed 12/8/06

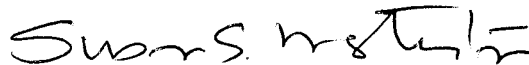
Claim of Confidentiality for Document No. 10437-06-06, filed 11/13/06¹

Request for Confidential Classification for Document No. 08857-06, filed 9/25/06

H. OBJECTIONS WITNESSES QUALIFICATIONS: The Company has no objections to a witness's qualifications as an expert.

I. COMPLIANCE WITH ORDER ON PREHEARING PROCEDURE: Embarq does not know of any requirement of the Order on Prehearing Procedure with which it cannot comply.

Respectfully submitted this 11th day of December 2006.



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¹ Embarq understands that in accordance with Rule 25-22.006, F.A.C., to the extent this discovery information is entered into the record of the proceeding, Embarq must file a Request for Confidential Classification within 21 days after the hearing.