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# REPORT ON THE STATUS OF COMPETITION IN THE TELECOMMUNICATIONS INDUSTRY

**As of May 31, 2006**

This report was prepared by the Florida Public Service Commission's
Division of Competitive Markets and Enforcement

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# EXECUTIVE SUMMARY

This report fulfills the statutory requirements set forth in Section 364.386 and Section 364.161(4), Florida Statutes (F.S.), which require the Florida Public Service Commission (the Commission or FPSC) to report on "the status of competition in the telecommunications industry" to the Governor and Legislature by December 1 of each year. On May 26, 2006, data requests were sent to the ten incumbent local exchange companies (ILECs) and 396 competitive local exchange companies (CLECs) certificated by the Commission to operate in Florida, requesting data as of May 31, 2006. The report covers the period June 1, 2005 through May 31, 2006. Significant findings of this year's report include the following:

- As of May 31, 2006, 168 CLECs provided service with an overall market share of 17%, a one percent decrease from 2005.

- Total ILEC access lines decreased by 4%. This percentage reflects a 6% decrease in residential lines and a 3% increase in business lines.

- Total CLEC access lines decreased by 10%. This figure reflects a 28% decrease in residential lines and a 3% decrease in business lines.

**Residential**

- CLEC residential market share is 7%, a decrease from 9% in 2005.

- Residential access lines declined 4% for BellSouth, 11% for Verizon, 6% for Embarq, and 28% for the CLECs.

- Residential access lines declined 7% for the rural ILECs. This decline follows a 1% increase in lines in 2005.

**Business**

- CLEC business market share is 33%, a decrease from 34% in 2005 and representing a loss of 38,886 access lines.

- Business access lines increased 2% for BellSouth, 10% for Embarq, and by nearly 8% for the rural ILECs.

- Verizon business access lines declined by 5%.

The reduction of CLEC residential market share and residential access lines and the decline in the number of CLEC providers can be largely attributable to two factors. The first factor is the FCC's decision to eliminate mass market switching as an unbundled network element (UNE). The transition period for eliminating this element began in March 2005 and ended in March 2006. The second factor most likely to contribute to weakened CLEC residential market performance is the increasing acceptance of intermodal competitors, especially wireless

and Voice over Internet Protocol (VoIP) service providers, as adequate substitutes for wireline telecommunications service by the consuming public.

Through mergers, acquisitions, and corporate restructuring, several national carriers, including two Florida ILECs, experienced name changes. Sprint Florida, Inc. became Embarq Florida, Inc. (Embarq), and Alltel Florida, Inc. became Windstream Florida, Inc. (Windstream). The report uses the company reference that is appropriate in the given context of the narrative.

Other significant developments for wireline carriers include the implementation of the first round of rate changes under the rate rebalancing petitions in November 2005. The following bullets reflect those changes as well as changes associated with the price cap indexing provision contained in Section 364.051(3), Florida Statutes:

- Verizon increased basic residential service rates ranging from 14.9% to 19.6% and basic business service rates from 1.5% to 10.2%.

- BellSouth increased basic residential service rates ranging from 10.0% to 14.4% and basic business service rates from 0.8% to 10.8%.

- Embarq increased basic residential service rates from 18.2% to 24.5% and basic business services rates from 10.5% to 14.7%.

- Intrastate access charge reductions totaling approximately $100 million were passed through to consumers by interexchange carriers (IXCs) in November 2005, in accordance with the provisions of the FPSC Order approving the rebalancing petitions. These reductions are the first step of the overall reductions that will total in excess of $300 million.

Wireless, VoIP, and broadband services all represent a significant portion of today's communications market in Florida. These services are not subject to FPSC jurisdiction, and Florida-specific data is not readily available. Some CLECs reported VoIP lines in response to the 2006 FPSC data request; however, several CLECs elected not to respond to the request, citing the lack of FPSC jurisdiction over VoIP services. No ILECs or ILEC affiliates provided VoIP data. Significant Florida-specific facts relating to these services include:

**Wireless**

- Florida wireless subscribership numbered approximately 12.5 million by the end of 2005.

**VoIP**

- Vonage reported 148,936 subscribers with Florida billing addresses as of September 1, 2006.

- Florida CLECs reported 87,056 VoIP lines to the FPSC in response to its 2006 data request. This number represents only a fraction of the lines being served in Florida via VoIP.

- Several Florida cable companies, including Bright House Networks, Knology, Comcast, Time Warner Cable, Cox Communications, and MediaCom now offer VoIP service to Florida subscribers.

**Broadband**

- FCC statistics show that Florida's broadband access line count reached approximately 3 million as of December 31, 2005, up from 2.4 million the prior year.

Florida's communications market continues to evolve as new technologies and services become more widely accepted. Estimates of wireless substitution for wireline service have increased from prior years, and this trend is expected to continue in the near future. In the most recent reporting period, Florida cable companies expanded the number of markets in which they offer voice services, and it is expected that even more Florida markets will have access to cable-provided voice offerings in the coming year. Finally, Vonage, a nationally known VoIP provider, has reported a substantial number of Florida subscribers at the present time. These facts, coupled with continued residential access line losses by ILECs, suggest an active market for voice communications services in many areas of Florida.

# CHAPTER I: INTRODUCTION AND BACKGROUND

Chapter 364, Florida Statutes, sets forth the principles by which the Florida Public Service Commission (FPSC or Commission) regulates wireline telecommunications companies. Regulation is primarily focused on traditional local telephone companies, known as incumbent local exchange companies (ILECs). Competitors to the ILECs, known as competitive local exchange companies (CLECs), and interexchange companies (IXCs) are subject to minimal regulation. The Commission does not regulate wireless telecommunications, broadband services, or Voice over Internet Protocol (VoIP) services.[1]

Chapter 364 requires the Commission to prepare and to deliver a report on "the status of competition in the telecommunications industry" to the Governor and Legislature by December 1 of each year. Specifically, Section 364.386, Florida Statutes, requires that the report address the following six issues:

1. The overall impact of local exchange telecommunications competition on the continued availability of universal service.

2. The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.

3. The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.

4. The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunications services.

5. What additional services, if any, should be included in the definition of basic local telecommunications services, taking into account advances in technology and market demand.

6. Any other information and recommendations that may be in the public interest.

The report is structured to provide supportive information prior to the discussion of these issues. A 1997 amendment to Section 364.161(4), Florida Statutes, also requires a summary of all complaints filed by CLECs against ILECs. The list of complaints is found in Appendix E.

This report covers the period June 1, 2005 through May 31, 2006, with a snapshot of data taken May 31, 2006. As of May 31, 2006, ten ILECs and 396 CLECs were certificated by the Commission to operate in Florida. The number of certificated CLECs decreased from 428 in 2005. As of May 31, 2006, 168 CLECs provided service as compared to 182 as of May 31,

[1] Section 364.011, Florida Statutes exempts intrastate interexchange services, broadband services, VoIP, or wireless telecommunications from Commission oversight "except to the extent delineated in this chapter or specifically authorized by federal law[.]" However, certain VoIP providers have voluntarily obtained CLEC certificates. As shown in Appendix D, 32 CLECs offering VoIP provided the Commission with the number of their VoIP lines.

2005.[2] The 2006 response rate to the Commission survey was 100% for ILECs and 93% for CLECs; whereas in 2005, the response rate was 100% for the ILECs and 89% for CLECs.

This chapter includes an introduction and overview of the local telecommunications exchange market-opening provisions of the Telecommunications Act of 1996 (the 1996 Act) and Chapter 364, Florida Statutes. Chapter I also discusses the methodology used in preparing this report, including efforts to streamline the data gathering process.

Chapter II provides a general overview of the communications market, including those parts of the market over which the Commission has no regulatory authority. Chapter III provides a detailed analysis of the status of local wireline competition in Florida, examining the data by market share percentage, number of access lines, and ILEC territory. Chapter IV describes the status of nontraditional communications technologies, such as wireless, VoIP, and broadband.

The six issues required to be addressed by Chapter 364, Florida Statutes, are the focus of Chapter V. Chapter VI and Chapter VII contain reviews of regulatory and legislative activities at the state and federal levels, respectively. There are also six appendices, the titles of which are located in the Table of Contents, as well as a glossary of communications terms.

## A. PROVISIONS AND GOALS OF CHAPTER 364, FLORIDA STATUTES, AND THE TELECOMMUNICATIONS ACT OF 1996

### 1. Chapter 364, Florida Statutes

In 1995, the Florida Legislature amended Chapter 364, Florida Statutes, to allow for competition in the state's local telecommunications markets. The Legislature found that "the competitive provision of telecommunications services, including local exchange telecommunications service, is in the public interest and will provide customers with freedom of choice, encourage the introduction of new telecommunications services, encourage technological innovation, and encourage investment in telecommunications infrastructure."[3]

CLECs are subject to minimal Commission oversight. Unlike the ILECs, CLECs are not required to file tariffs for Commission acknowledgment; instead, each CLEC is required to file a price list if it offers basic local telecommunications service. In addition, Section 364.337(2), Florida Statutes, states, in part, that "The basic local telecommunications service provided by a competitive local exchange telecommunications company must include access to operator services, '911' services, and relay services for the hearing impaired." If they provide bulk local telecommunications services, CLECs must provide a flat-rate pricing option for that service. The statute states that "mandatory measured service for basic local telecommunications services shall not be imposed."

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[2] Reasons for the variation between the number of CLECs certificated and the number that actually provide service include the belief among applicants that certain rights and privileges are accorded to certificated CLECs and the low cost of CLEC certificates in Florida. Although the current filing fee for a CLEC certificate is $400, it had been $250 through the end of 2005. The minimum annual regulatory assessment fee to retain the certificate is $50. Given the relatively low cost of acquiring and maintaining a certificate, many CLECs may have elected to obtain certificates with the plan of offering services in Florida in the future.

[3] Section 364.01(3), Florida Statutes.

In 2005, the Florida Legislature amended Section 364.01(4)(d), Florida Statutes, providing that the Commission shall exercise its exclusive jurisdiction to "promote competition by encouraging innovation and investment in telecommunications markets and by allowing a transition period in which new and emerging technologies are subject to a reduced level of regulatory oversight."

### 2. Federal Telecommunications Act of 1996

The Federal Telecommunications Act of 1996 (the 1996 Act) established a national framework to enable CLECs to enter the local telecommunications marketplace. The Federal Communications Commission's (FCC's) Local Competition Order specified that opening the local exchange and exchange access markets to competition was "intended to pave the way for enhanced competition in all telecommunications markets."[4] The FCC expected opening markets to "blur traditional industry distinctions and bring new packages of services, lower prices, and increased innovation to American consumers."[5] Not only have CLECs entered the local market, but less traditional providers, such as cable, wireless, and broadband communications providers, have also entered this market using their own facilities or new technologies to compete against traditional wireline providers for a share of the market.

The 1996 Act established three methods by which CLECs could enter the local exchange market: resale, leasing of unbundled network elements (UNEs), and investing in their own facilities.[6] Because ILECs dominate the last mile of the traditional wireline networks, CLECs must either use an ILEC's local loops, build their own facilities, purchase facilities from other CLECs, or enable facilities currently in place (for example, cable networks) to provide local telephone service. The 1996 Act did not address market entry strategies for non-wireline competitors.

## B. METHODOLOGY

As in prior years, the Commission prepared this report using responses by CLECs and ILECs to the Commission's data requests. Commission staff also used additional resources, including FCC reports, industry reports, financial analyses, and responses to Commission surveys conducted by the University of Florida's Bureau of Economic and Business Research (BEBR). The staff data request consisted of quantitative questions (for example, the number of access lines) and qualitative questions (for example, the effects of industry mergers).

The Commission continues its efforts to increase efficiency while gathering the data and information necessary to produce this report. Commission staff revised the data requests this year to meet two primary goals: 1) simplify and clarify the data requests and 2) better reflect the evolving competitive local market. The second goal was achieved by moving from an ILEC-

[4] FCC 96-325. CC Docket No. 96-98, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996. *First Report and Order.* Released August 8, 1996. ¶4.
[5] Ibid.
[6] Policies such as number portability and interconnection also facilitate CLEC entry into this market.

centered view to one more inclusive of CLEC business plans, a move which had the added benefit of reducing the CLEC reporting burden.[7]

Commission staff is confident that the data presented and the analyses that follow are accurate based on the information provided by the ILECs and the reporting CLECs. As in previous years, precise market share calculations are hindered because a number of CLECs failed to respond.[8]

[7] In past years, the CLECs were asked to provide their access lines by each ILEC exchange. Because a CLEC's business plan may have had no correlation to an ILEC's exchanges, asking for data by exchange created additional work for CLECs. As the competitive local market has evolved in Florida, it became apparent that CLEC data by ILEC territory (for example, BellSouth's territory) might be more meaningful than CLEC data by ILEC exchange.

[8] Lack of a 100% response from CLECs may result in some understatement of market share; however, the less-than-100% response does not affect the conclusions reached in this report. The data request was mailed to the ILECs and CLECs on May 26, 2006. A second letter was mailed to nonresponding CLECs on July 20, 2006. Telephone calls were made to the CLECs that did not respond. It is unlikely that a 100% rate can be achieved because some CLECs go out of business but do not inform the Commission. These CLECs are included in the calculation as CLECs that did not respond. Additionally, enforcement actions were taken against CLECs that did not respond to the 2005 data request. CLECs that did not respond or could not prove that they had responded were fined by the Commission or, in some cases, had their certificates cancelled.

# CHAPTER II: COMMUNICATIONS MARKET OVERVIEW

Change remains the primary constant in telecommunications markets in Florida and the nation. Newer technologies are changing the way consumers view their communication needs. Stand-alone wireline voice telecommunications service, while still a mainstay of most American households, is losing ground to more versatile services and technologies. Some consumers have abandoned wireline service and gone exclusively to wireless services while a small but growing segment of the consuming public has supplemented or substituted traditional wireline service with VoIP services using broadband connections. Wireless service and VoIP services permit flexibility and enhanced features not available with traditional wireline service. Many consumers now make use of at least two different platforms or technologies for voice communications.

The events that have shaped the market in the past year include the continued consolidation of the wireline market through mergers and acquisitions, an increased effort by traditional wireline ILECs to enter the multichannel video distribution or "cable" television market, an increase of functionality and applications available through portable and handheld devices, significant gains by cable broadband providers in the provision of VoIP services, and continued growth in broadband subscribership. The emergence of the so-called "triple-play" or bundling of voice, data, and video services reflects the versatility of digital networks and the consumer desire for one-stop shopping. In addition, past regulatory decisions are having an impact, and, as implementation evolves, these decisions are being reflected by the markets. State and federal legislative initiatives that will also impact future market developments are being debated. Finally, this year's report also includes a discussion on developments in rural markets that may significantly impact how rural customers use communication services in the near future. The subsequent sections serve as context for this year's analysis.

## A. WIRELINE

As in previous years, the result of our analysis reflects that incumbent wireline carriers are the preferred choice of most households for in-home voice communications. However, consumers are increasingly choosing multiple providers or technologies to deliver voice communications. Telephone survey data indicates that 75% of households in Florida subscribe to wireless service, 52% subscribe to broadband service, and 3% knowingly[9] subscribe to VoIP service, as of 2Q 2006.[10] Residential ILEC access lines continue to decline. Certain ILEC territories in Florida appear more susceptible to competition from cable providers deploying VoIP service. Both Bright House Networks, the largest cable provider in Verizon's territory. and Knology also in Verizon's territory, provide VoIP service over their cable networks. Bright House Networks also has telephone service offerings in its nine county central Florida area

[9] It is not clear that subscribers who have chosen VoIP providers, especially cable providers, are aware that VoIP technology is employed in the provision of their service; therefore, the survey results may understate the amount of VoIP penetration in Florida.

[10] University of Florida's Bureau of Economic and Business Research (BEBR) on behalf of the Florida Public Service Commission. April-June, 2006.

where it provides video cable service to more than 800,000 households that overlap the service territories of the incumbent telecommunications companies Embarq and BellSouth.[11]

In an effort to maintain customer base and increase profitability, incumbent wireline companies, in particular Verizon, are entering the video services market, either directly or indirectly, through partnership with established video service providers. A more complete discussion of these efforts and the technological evolution of networks that permit these ventures appear in subsequent sections.

## B. RURAL WIRELINE

Analysis of communications markets and competition invariably focuses on technological innovation, market share, new services, and converging network platforms and services. The status of rural areas and rural carriers is often overshadowed by the issues of larger ILECs and their competitors. This approach masks some interesting and significant developments in rural areas that may have repercussions on consumers in nonrural areas.

Historically, rural carriers have been isolated from the competitive pressures experienced by carriers serving more developed areas. This isolation is primarily attributable to the relatively high costs of serving sparsely populated areas and the exemption from the unbundling and resale provisions extended to rural carriers in the Telecommunications Act of 1996 (the 1996 Act). As a result, access line loss for rural carriers has been significantly lower than that experienced by the large ILECs.[12] However, a recent report by Standard & Poor's (S&P) suggests that by the end of 2006, rural carriers will experience some level of cable telephony and VoIP competition in their service territories, although the level of penetration will vary depending on each company's overlap with cable modem availability.[13] For these reasons, the S&P report anticipates access line losses to reach 4-5% for many rural carriers in the near future.

Cable companies and VoIP service providers now serving rural areas are able to offer voice services with a relatively modest capital investment, unlike initial voice competitors in ILEC market territories. Since many cable companies were initially formed to provide television service in remote areas not served by broadcasters, the overlay with rural telephone networks by cable operations is often fairly high.[14] Even a slight overlay of 30-40% can create financial pressures for rural carriers since their small size often limits their ability to absorb pricing and profit margin erosion.[15]

At the same time, at least one major ILEC, Verizon, is seeking to increase its profitability by divesting some of its rural access lines in the Northeast.[16] According to some financial analysts, rural wireline markets are rapidly becoming uneconomical to serve. Prospective buyers are likely to consist of smaller companies with even less resources to devote to upgrading

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[11] Carlton Cronan. (2004, November 29). Bright House Networks extends VoIP service to Orlando. *Tampa Bay Business Journal*. Retrieved August 5, 2006, from http://www.bizjournals.com/tampabay/stories/2004/11/29/story5.html?t=printable
[12] Rural Local Exchange Carriers: No Longer Isolated From Competition. (2006, June 12). Standard & Poor's, 1.
[13] Ibid, 2.
[14] Ibid, 2.
[15] Ibid, 2.
[16] Maya Rooney. (2006, May 11). Fairpoint Seen as Likely Bidder on Verizon Lines. Retrieved September 28, 2006, from http://www.forbes.com/markets/2006/05/11/verizon-communications-0511markets07.html

facilities to provided competitive offerings such as high-speed Internet access. The universal service fund subsidies currently paid to large carriers like Verizon for its rural areas are, in general, significantly lower than what a rural carrier would receive.[17] However, existing rules cap the amount of universal service support potential buyers could receive at the level of support currently paid to Verizon. As a result, the incentive for prospective buyers to upgrade facilities to provide broadband services in these areas is diminished.

Efforts to stabilize and perpetuate universal service support for rural carriers, especially those that find themselves under competitive pressures, are likely to intensify and may require customers of nonrural carriers to shoulder additional universal service fund (USF) contributions. A greater USF burden becomes ever more likely if advanced services become supported services under the universal service fund. Chapter III contains an analysis of access line trends in rural areas in Florida, and more detailed analyses of the pending federal USF and intercarrier compensation reforms appear in Chapter VII.

## C. MERGERS AND ACQUISITIONS

In 2005, major transactions among the large ILECs included the joining of SBC Communications and AT&T to form the new AT&T and Verizon's acquisition of MCI. These mergers joined traditional ILEC powerhouses (Verizon and SBC) together with the major CLECs and Internet backbone providers (MCI and AT&T). By virtue of the respective transactions, both Verizon and SBC regained a share of large business customers previously lost to their former competitors and gained a market presence outside of their original ILEC footprints. Cingular Wireless previously acquired AT&T Wireless and was jointly held by SBC and BellSouth. SBC has assumed the AT&T brand name going forward.

The FCC and the Department of Justice (DOJ) have approved the AT&T/SBC and Verizon/MCI transactions with some limited conditions. Recently, however, a federal court judge with review responsibility has requested additional supporting documentation regarding the analysis of the DOJ and FCC in the approval of the AT&T/SBC deal. The federal courts have judicial review authority over consent decrees, such as that of AT&T/SBC, under the Tunney Act. While most observers in the trade press do not believe the deals are jeopardized, it is possible that additional conditions could be placed on the parties by the court. As of this writing, the presiding judge, Judge Emmet Sullivan of the U.S. District Court in Washington, D.C., has declined to admit interveners and has instead requested additional documentation from the DOJ and the principals.

### 1. AT&T/BellSouth

In 2006, AT&T and BellSouth announced their intention to merge, forming the largest ILEC in the nation as measured by access lines served. This merger will give AT&T control of the largest wireless carrier, Cingular Wireless, which was previously jointly owned by BellSouth (40% shareholder) and the former SBC (60% shareholder). The FPSC opened a docket to

[17] Paul Barbagallo. (2006, August 2). Carriers, regulators debate sale of rural exchanges. TR State Newswire. Retrieved September 28, 2006, from http://www.tr.com/insight2/content/2006/in080206/home.html (subscription required).

address the application for approval of transfer of control of BellSouth's assets.[18] According to the applicants, the merger will have no effect on the rates or terms and conditions of service that BellSouth provides to its Florida customers. The service territories in which each carrier provides local telephone and broadband service are in different markets.[19] After hearing from interested parties, the FPSC issued an Order finding that the merger was in the public interest based upon the applicants' management, technical, and financial capability.[20] The merger is currently under review before the FCC, and, if approved, will leave only AT&T, Qwest, and Verizon as the remaining entities from the seven Regional Bell Operating Companies[21] created by the January 1, 1984 divestiture of the original AT&T. Judicial review of the AT&T/SBC deal may lead to additional conditions or requirements for approval, which in turn may lead to increased scrutiny, delay, and possibly more comprehensive conditions for approval of the AT&T/BellSouth merger by the FCC.

### 2. Windstream and Embarq

Another development of industry restructuring has been the decision by Sprint Nextel and Alltel to spin off their wireline operations as separate entities. Sprint Nextel's former wireline operation is now known as Embarq, while Alltel's former wireline unit was merged with Valor Communications and is now known as Windstream Communications. Investment analysts have suggested that these moves are motivated by the recognition that the wireless industry continues to demonstrate remarkable growth in subscribers and an ever expanding services menu. These trends are driving average revenue per subscriber to higher levels. Conversely, the residential wireline market, particularly in the less densely populated areas that characterize Sprint's and Alltel's former territories, is not growing but is increasingly contested by alternative providers such as wireless and Internet Protocol (IP)-enabled providers. Analysts suggest that by creating two business entities, each company could better meet the needs of different classes of investors, those favoring growth and those favoring dividend income.

### 3. CLEC Consolidation

Some significant consolidations have also been taking place among CLECs. Since 2005, Level III Communications, a wholesale provider of telecommunications and broadband services, has acquired the network assets of WilTel Communications Group LLC, Progress Telecom LLC, and ICG Communications, Inc. More recently, Level III has agreed to buy the competitive local exchange carriers TelCove, Inc. and Looking Glass Networks, Inc. and in the last few months has been an active fundraiser in the stock and bond markets.[22] These acquisitions represent approximately $2.4 billion in additional investment for Level III.[23] Level III, TelCove, ICG, Looking Glass, WilTel, and Progress all have or have had certificated operations in Florida.

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[18] The FPSC opened Docket No. 060308-TP, Joint applications for approval of indirect transfer of control of telecommunications facilities resulting from agreement and plan of merger between AT&T Inc., BellSouth Corporation, and BellSouth Long Distance, Inc. on March 31, 2006.
[19] AT&T provides local telephone and broadband services in 16 states in the western, midwestern, and southwestern parts of the United States. BellSouth provides those services in nine states in the Southeast.
[20] FPSC Order No. PSC-06-0531-PAA-TP, Docket No. 060308-TP, Joint applications for approval of indirect transfer of control of telecommunications facilities resulting from agreement and plan of merger between AT&T Inc. and BellSouth Corporation, and BellSouth Long Distance, Inc. Issued June 23, 2006.
[21] Bell Atlantic, NYNEX, Ameritech, Southwestern Bell, Pacific Telesis Group, BellSouth, U.S. West.
[22] John Curran. (2006, July 20). Level 3 Selling IT Unit For $287m, Continuing M&A Prowl. *TR Daily.*
[23] Beth Potter. (2006, June 21). Level 3 has the dough to buy more: The Broomfield–based fiber-optic network company has $920 million in cash left after a bandwidth buying spree. *DenverPost.com.* Retrieved June 21, 2006, from http://www.denverpost.com/search/ci_3960510

Level III is a key wholesale Internet backbone provider providing options for other CLECs, especially those shifting to IP-enabled voice service as a primary business plan. In addition, Cleartel Communications has acquired NOW Communications in Florida and is currently in the process of acquiring Supra, one of Florida's largest CLECs providing residential service. Cleartel has acquired several smaller CLECs in Florida and serves a large segment of the Hispanic business market in the state. This deal is expected to close sometime in 4Q 2006. Supra, serving more than 150,000 subscribers, is one of the largest residential competitors to BellSouth in the state of Florida.[24]

## D. WIRELESS

The wireless industry continued to grow in 2006, some of which was fueled by an increase in the growth of services and applications available through hand-held devices via wireless broadband. The penetration of wireless telephones has attained a level where growth has slowed down. However, the industry seeks to spur new growth and increased revenue as a result of the expanded services available via wireless Internet. For example, many handsets now offer expanded capability for use as music and video players, text messaging, e-mail, and web browsing. Motorola, Palm, Nokia, Sony-Ericsson, and a number of other manufacturers are offering hand-held devices capable of multiple functions via wireless Internet services. The substitution of wireless for wireline service continues to grow[25] in popularity as wireless networks become more reliable and the public becomes more accepting of wireless technology in general.

## E. VOICE OVER INTERNET PROTOCOL (VOIP)

Last year's report contained a discussion of VoIP as a newer technology. This year, carriers are increasingly employing VoIP technology to deliver voice services. Even traditional wireline networks are transitioning to be more IP-based, incorporating technology to expand the versatility and capabilities of the network.

Innovators such as Vonage, Lingo, and Skype were among the first to market voice services using an exclusively data-based platform riding the public Internet. Cable companies and traditional wireline companies are now both offering voice service via VoIP technology. When service providers own the network over which VoIP is carried, the providers have a much greater ability to manage the network and address such issues as network congestion and outages than those providers that depend exclusively on the networks of others. Cable companies that offer IP-based voice services, for example, have the ability to address and resolve network issues, while "over-the-top"[26] carriers, such as Lingo, do not. The report will differentiate between these differing types of providers where appropriate.

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[24] (2006, July 31). Cleartel Communications to Acquire Supra Telecom. *TMCnet News.* Retrieved September 7, 2006, from http://www.tmcnet.com/usubmit/2006/07/31/1754866.htm

[25] Stephen J. Blumberg and Julian V. Luke. (2006). *Wireless Substitution: Preliminary Data from the 2005 National Health Interview Survey.* National Center for Health Statistics. Retrieved May 15, 2006, from http://www.cdc.gov/nchs/products/pubs/pubd/hestats/wireless/wireless2005.htm

[26] FCC 05-183. WC Docket No. 05-65, In the Matter of SBC Communications, Inc. and AT&T Corp. Applications for Approval of Transfer of Control. *Memorandum Opinion and Order*. Released November 17, 2005. ¶86.

### 1. Over-the-top Providers

The FCC defines "over-the-top" VoIP providers as those that require end-users to obtain broadband service from a third party provider. The recent Wall Street experience of Vonage, in particular, indicates that investors have reservations regarding the long-term viability of companies relying on the public Internet as a delivery platform. Recent analysis indicates that Vonage is the leader of the so-called over-the-top VoIP providers by a wide margin. Vonage has an estimated market share of 53.9% among this type of provider, with Verizon VoiceWing and AT&T CallVantage services a distant second with 5.5% market share each.[27] Vonage had approximately 2.9 million subscribers worldwide as of June 2006.[28] However, a Vonage initial public offering hoping to garner in the $20 per share range opened somewhat weaker at $17 a share and has consistently traded below $10 per share since mid-July 2006. Market analysts cite Vonage's lack of proprietary ownership of its underlying technology, its inability to differentiate its product offerings as others enter the market, and its dependence on other companies to provide broadband access and network carrier services.[29] Finally, the company has admitted that its churn rate, the rate at which customers discontinue service, has reached 2% per month or 24% annually.[30] In spite of these concerns, Vonage remains a significant factor with its 2.9 million customer base, but issues such as those outlined here appear to be serious obstacles to the long-term viability of Vonage and other over-the-top VoIP providers.

### 2. Cable VoIP

A major trend in the VoIP world is the accelerating growth of voice services, particularly VoIP services, provided by traditional cable television companies. Cable providers have taken advantage of their broadband platforms to launch VoIP services to compete with traditional ILEC providers. VoIP services began to appear as an adjunct to cable broadband offerings in the second half of 2005, and the push intensified in 2006 as more cable franchise areas began to offer voice communications. Comcast, Time Warner Cable, and Cablevision lead the way nationally. Comcast, Bright House Networks, Cox Communications, Knology, and Time Warner Cable are cable providers deploying VoIP in Florida. The cable industry has pushed to bundle voice, data, and video services together in a single offering for consumers in anticipation of traditional telecommunications providers entering video markets. At this stage, cable providers have made greater gains in the communications market nationwide than the traditional telecommunication companies have made in entering the video service markets.[31]

Verizon has led the charge of traditional telecommunications companies entering the video service market and for good reason. Verizon service territories nationwide tend to be more uniformly and densely populated than those of AT&T and Qwest, hence more vulnerable to triple-play offerings by cable companies that bundle voice, video, and data offerings together.[32]

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[27] Sandra Gittlen. (2006, July 26). Vonage: From darling to disaster. *Computerworld – MacCentral*. Retrieved July 28, 2006, from http://www.computerworld.com/action/article.do?command=viewArticleBasic&articleId=9002004&source=rss_news10

[28] Ibid.

[29] Ibid.

[30] Ibid.

[31] U.S. Telecom, Uncertainty Is Calling. (2006, June 13). Standard & Poor's, 4-5.

[32] Frank G. Louthian., IV. (2006, July 5). Reassessment of Access Lines and Wireline Carriers. Raymond James & Associates, Inc, Equity Research, 1.

## F. BROADBAND

Broadband subscribership continues to grow more slowly as penetration surpasses 60% of Internet subscribership. Broadband providers are also looking to expand available bandwidth transmission capacity in anticipation of an increased demand for video content via the Internet. In order to provide seamless full screen, high resolution, streaming video, broadband providers must have the infrastructure and last-mile facilities to deliver such content reliably. Thus, many providers, including traditional telecommunications and cable providers, are continually upgrading their networks to make greater bandwidth available to consumers.

## G. MULTICHANNEL VIDEO PROGRAMMING

The traditional telecommunications companies, AT&T, Qwest, BellSouth, and Verizon, have continued their strategy to enter the multichannel video programming distribution business (hereafter referred to as video services) in direct competition with cable and satellite video services. The traditional companies, in varying degrees, have made extensive network investments, including a push to extend fiber optic cable deeper into their networks, in order to position themselves to provide video services. In addition, the large ILECs have also sought regulatory relief from the local franchising of video services through legislative change at the state and federal levels. At the same time, these companies have been gaining incremental authority through franchising agreements obtained at the local level.

Verizon has made significant investment in Florida to bring fiber to the customer premises. As a result, Verizon is now offering video services in seven local franchising areas within its existing telecommunications service territory. To date, BellSouth and Embarq are not providing video services directly over their own networks in Florida, but each has partnered with satellite providers to offer a bundled package of communications services with video services, consolidated on a single bill.

The traditional telephone powers are currently seeking passage of federal legislation that will provide for a national video franchising framework. However, the Senate version of the legislation contains several other contentious issues, including net neutrality and preemption of state authority relating to wireless service. At this time, determining the likely outcome of those efforts is impossible since the controversial issues remain with little time for debate as a result of the election year recess. Some Congressional observers have suggested that a more streamlined, less controversial, version of a video franchising bill may emerge in the remaining days of the legislative session.

In an effort to hedge their efforts at the national level, the ILECs have also sought video franchise reform at the state level. In the 2006 session of the Florida Legislature, bills were introduced in both the House and the Senate that would have provided for local video franchising reform. However, differences between affected parties prevented passage of a unified reform bill.

## H. TRIPLE-PLAY

Each of the preceding sections has discussed a discrete component of what is commonly referred to by industry insiders as the "triple-play." The triple-play refers to the packaging of

three services together to give consumers one-stop shopping for their communications, data, and video needs. The technological evolution of networks has facilitated bundling of services because all three services can ride the same transmission medium as broadband service. While cable providers have more widespread deployment of video services, traditional telecommunications providers have an advantage in the voice market. Cable also has a slight lead currently in national broadband subscribers at approximately 54% of the broadband market, but ILEC Digital Subscriber Line (DSL) service is steadily closing the gap, and industry analysts expect a 50/50 split by year-end 2007.[33] Cable industry analysts suggest that the more services a residential consumer subscribes to from a single provider, the less likely it is that the consumer will switch providers. Thus, being the first provider in a particular market to offer a bundle of voice, data and video services is important to each industry participant in order to retain customers and increase revenue per household.

## I. NETWORKING TECHNOLOGY

Because IP-based networks make more efficient use of network infrastructure and provide greater redundancy at lower cost, most network operators, including traditional phone companies, have transitioned or are transitioning to IP networks for delivery of voice and other services. While traditional wireline carriers still have extensive circuit switched networks, the portion of voice traffic handled using IP has grown for all providers.

Not only have IP networks provided an alternative transmission medium for voice and data, but another sometimes overlooked transformation has taken place among network equipment makers. Switching hardware for traditional wireline networks has long been a major source of ongoing expense and maintenance for wireline companies. However, in recent years, the advent of digital networking has also made it possible to use software-based switching processes or softswitches. The use of softswitch technology greatly reduces the initial cost and ongoing maintenance compared to traditional switching hardware.

As of 2005, softswitch port deployment was approximately 55% of all new end office switch deployment.[34] This percentage is a strong indication that IP-based voice services are now squarely in the mainstream of network technology. According to New Paradigm Resources Group, Inc., softswitch deployments, especially end office deployments, are rapidly increasing in both the size and number of networks in which they are being installed.[35] Softswitch technology provides carriers the ability to achieve greater operational efficiencies and the ability to deliver more advanced services more rapidly to subscribers, regardless of how the end user accesses the network.[36]

The reduction in the cost of softswitch technology also makes it much less capital intensive for CLECs to migrate traffic to their own switching facilities. Those CLECs that have managed to survive the transition away from strictly leasing or reselling ILEC facilities now have a reasonably affordable alternative to traditional wireline switching equipment. Terry

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[33] Aryeh B. Bourkoff. (2006, May 24). 1Q06 HSD/VoIP Review & Outlook: Broadband Picking up the Pace. USB Investment Research Telecommunications and Cable Services, 2.
[34] A Softswitching Update. *Competitive Telecom Advisor*. (2006, May 24). New Paradigm Resources Group, Inc.
[35] Ibid.
[36] Ibid.

Barnich, a Chicago-based telecommunications consultant for competitive carriers states, "Today you can become a facilities-based carrier for less than one-tenth what it cost a few years ago."[37] A softswitch that handles IP-based telephony costs on the order of $350,000 versus the $25 million that a traditional phone switch would command five years ago.[38] This is good news for those CLECs looking to cut costs or invest in their own networks.

## J. REGULATORY FACTORS

In 2005, the FCC released its triennial review remand order (TRRO) which, among other things, established a transition period after which the ILECs would no longer be required to unbundle local switching services at wholesale prices based on the total element long-run incremental cost (TELRIC) methodology. This transition period ended in March 2006. This decision effectively eliminated the combination of unbundled network elements that was commonly referred to as UNE-P and, in its place, ILECs now make available to CLECs essentially the same service but at higher market-based rates, often referred to as the "local platform." The elimination of UNE-P at TELRIC-based rates was predicted as a death knell for many CLECs whose business models were based solely on leasing unbundled network elements. Many believed that market-based rates for local platform service would be too costly to provide sufficient margin to these CLECs to continue to operate. Since last year's analysis included only two months of post UNE-P data, it was difficult to determine what, if any, impact could be attributed to that decision. This year's report reflects a full twelve months of that impact.

In November 2005, BellSouth, Sprint (now Embarq), and Verizon were each able to implement local rate increases and switched network access charge reductions resulting from FPSC approval of the companies' petitions to reduce intrastate switched network access charges to parity with interstate rates in effect as of January 1, 2003.[39] The FPSC approved the petitions in December 2003, but its decision was challenged in the Florida Supreme Court by the Attorney General, the Office of Public Counsel (OPC), and the American Association of Retired Persons (AARP). As a result of the challenge, the FPSC order was stayed pending the Court's decision. In July 2005, the Court upheld the FPSC's decision in its entirety, and the companies were able to initiate implementation of the decision in November 2005. The stated goal of the legislation to permit the rebalancing of local rates and switched network access charges was to enhance the competitive market for communications services. This reporting period is the first for which data will be available to assess any impact that may have resulted from the approval of the companies' petitions. Discussion of the impact of these rate changes is addressed in Chapter III.

Last year's report also noted the FCC's decision to impose E911 and Communications Assistance Law Enforcement Act (CALEA) requirements on over-the-top VoIP service and cable VoIP providers, thus imposing costs that did not previously exist on this class of carrier. On June 27, 2006, the FCC released a Report and Order and Further Notice of Proposed Rulemaking in the matter of Universal Service Contribution Methodology which required

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[37] Van, John. (2006, May 9). Hanging Up on Leased Lines. *Chicago Tribune*. Retrieved May 9, 2006, from http://www.chicagotribune.com/business/chi-0605090048may09,1,7735250.story?coll=chi-business-hed

[38] Ibid.

[39] The petitions were filed pursuant to Section 364.164, Florida Statutes.

interconnected VoIP providers[40] to pay into the universal service fund (USF).[41] This requirement constitutes an administrative cost imposed on VoIP providers that was not previously required, and, in all likelihood, these costs will be passed on to the consumers of these services. This additional cost will no doubt impact the ability of such providers to compete since one of the cost advantages previously enjoyed by VoIP providers was the fact that many of them did not collect USF contributions (and providers did not pay into the USF), and consequently, customers received a price benefit when subscribing to the services of those providers.

The FCC determination to require VoIP providers to provide 911/E911 service did not impose any surcharges or fees to be collected from VoIP providers or their customers in order to pay for the cost of implementation or any ongoing costs to provide the service. In Florida, the 911/E911 emergency telephone system is administered by the Department of Management Services and funding is generally provided through assessment by county governing boards on telephone subscribers. VoIP providers are not currently defined by statute as telephone companies and are not subject to these 911/E911 surcharges. VoIP providers continue to enjoy the benefit of not being required to pay federal, state, and local taxes and other obligations, such as intercarrier compensation, Telephone Relay surcharges, and 911/E911 surcharges, currently imposed on wireline and wireless service providers. However, the FCC, Congress, and states continue to evaluate whether it is appropriate to impose these obligations on VoIP service providers.

[40] As noted in last year's report, Florida cable providers Bright House, Comcast, and Cox have been voluntarily contributing to the universal service fund. Interconnected VoIP providers are those that originate or terminate traffic to the public switched telephone network (PSTN).
[41] FCC 06-94. WC Docket No. 06-122, In the Matter of Universal Service Contribution Methodology. *Report and Order and Notice of Proposed Rulemaking*. Released June 27, 2006.

# CHAPTER III: STATUS OF LOCAL COMPETITION IN FLORIDA

## A. FACTORS INFLUENCING WIRELINE COMPETITION IN FLORIDA

Traditional wireline access lines (ILEC and CLEC) declined from approximately 12 million in 2001 to 11 million in 2006, continuing a downward trend that began in 2001. The decline has occurred each year except for a slight gain in 2004. Residential access lines declined by approximately 1.6 million since 2001. A decline of almost 600,000 residential lines occurred in the current reporting period. Business access lines increased by approximately 547,000 since 2001. An increase of more than 35,000 lines occurred during the current reporting period. This increase has also been a consistent trend since 2002.

Primary reasons for the decline in residential access lines include the substitution of wireless and VoIP services for traditional wirelines and turmoil in the CLEC residential market as a result of FCC decisions embodied in the Triennial Review Order (TRO) and Triennial Review Remand Order (TRRO). Merger activity may also be a contributing factor. Two former independent CLECs, AT&T and MCI, represented a significant portion of the CLEC market. While their CLEC operations continue, it is under the stewardship of the new AT&T and Verizon, each major ILECs and former competitors.

Various estimates place wireless-only households at 8-10% of total households in 2005; these percentages are expected to increase.[42] An increasing number of wireless-only households might appear to be worrisome for the ILECs. However, the two largest wireless providers, Cingular and Verizon Wireless, are owned by ILECs. AT&T and BellSouth (merger pending) jointly own Cingular; Verizon and Vodafone jointly own Verizon Wireless. For BellSouth and Verizon, at least, a decline or lack of growth in access lines or revenue that is a result of wireless substitution may be more a redistribution of access lines and revenue between the wireline and wireless affiliates than a net loss of either lines or revenues.

As addressed more thoroughly in Chapter IV, a reasonable estimate of Florida VoIP subscribers is approximately 575,000. This estimated number surpasses the 453,039 reported wireline CLEC residential access lines in Florida. While this estimate likely includes an unknown number of VoIP customers who may still retain their traditional landlines, the number shows the potential of VoIP to displace traditional wirelines.

While the traditional ILECs have endured competitive pressures from a variety of sources, the CLECs have also faced considerable challenges in recent years. These challenges have occurred primarily in the residential market. AT&T and MCI, two of the largest CLECs, were acquired by two of the largest ILECs, SBC and Verizon, respectively. Additionally, the FCC's elimination of mass market switching as a UNE forced CLECs to find new provisioning methods for 75% of their residential lines and 17% of their business lines.

Whether the CLEC residential market will recover from the cumulative effects of these challenges is unclear. Table 1 represents a distribution of the number of CLECs by ranges of residential access lines. As revealed by the table, there are only five CLECs serving greater than

[42] See Chapter IV, Section A, for a complete discussion of wireless.

20,000 residential access lines, representing approximately 69% of the entire CLEC residential market. Only one CLEC serves between 10,000 and 20,000 residential access lines, and in combination with the top five residential providers, these six constitute 71% of the entire CLEC residential market. The remaining 135 CLECs represent only 29% of the residential CLEC market. Surprisingly, 97 of those CLECs serve fewer than 1000 residential access lines each.

Several of the larger wireline CLECs in Florida, including AT&T (CLEC operation) and MCI Metro d/b/a Verizon Access, are no longer seeking new residential customers. In addition, Supra, one of Florida's largest CLECs, emerged from Chapter 11 bankruptcy in 2005 when it was purchased by FDN and H.I.G. Capital. The sale of Supra to Cleartel is expected to be complete in 2006. At best, Supra's future business plan regarding residential customers is unclear. Another CLEC among the wireline access line leaders in Florida is Comcast, which is known to be transitioning its circuit switched residential customers to VoIP-based service. Competition by CLECs in the residential wireline market appears to be diminishing as a result of intermodal competition and regulatory decisions that have altered CLEC business plans.

**Table 1 Summary of CLEC Residential Access Line Providers**

| Number of Access Lines | Number of Providers | % of Total CLEC Res Access Lines |
|---|---|---|
| 20,000 + | 5 | 69% |
| 10,000-20,000 | 1 | 2% |
| 1,000-10,000 | 38 | 24% |
| Less than 1,000 | 97 | 5% |

*Source: Responses to 2003-2006 FPSC data requests.*

There is also a segment of the market served by CLECs that provide only prepaid services. CLECs that provide only prepaid residential wireline telephone service account for 38 of the 135 CLECs with less than 10,000 access lines.[43] The 38 prepaid carriers serve 31% of the access lines of those carriers below 10,000 lines and 9% of total residential CLEC access lines. Many consumers would not view prepaid providers as a long-term choice to meet their communication needs.

Finally, in November 2005, BellSouth, Embarq, and Verizon implemented the first phase of rate changes associated with the rate rebalancing petitions approved by the Commission in December 2003, pursuant to Section 364.164, Florida Statutes. The changes resulted in increased rates for basic local service and single-line business customers and decreases in intrastate switched network access charges. The FPSC approved the petitions with the expectation that increasing basic local service rates for those carriers would provide incentive for more competitors to enter the market. At the time of the Commission's decisions approving the petitions, it was believed that the rate changes would primarily benefit wireline competitors. At this time it is difficult to determine whether or not competitive entry has been enhanced by the approval of the petitions. However, whatever positive impact may be occurring has been masked by factors such as those discussed in the preceding analysis. As part of the rebalancing

[43] One of the 39 certificated prepaid CLECs did not report any subscribers as of May 31, 2006.

transition, two rate changes remain for BellSouth and Verizon, and three for Embarq. The first of the remaining changes may occur no sooner than November 2006 and the second no sooner than November 2007. Embarq will implement three more changes, the final change occurring no sooner than November 2008.

The picture is somewhat brighter for ILECs regarding business access lines. Only Verizon among the ILECs experienced a decline in business access lines. CLECs experienced a 3% decline in business access lines. The reason for the decline of CLEC business access lines is not readily apparent but may be partially attributable to the FCC decision to eliminate mass market local switching as a UNE. Approximately 17% of CLEC business access lines were provisioned via UNE-P in 2005. In 2006, the percent of business access lines provisioned by UNE-P's substitute, local platform, was down to 14%.

The remainder of this chapter presents the analysis of the data in the following sequence:

- Section B describes Florida's competitive local wireline market, including CLEC data by ILEC territory. In past years, the CLECs were asked to provide their access lines by each ILEC exchange. Because a CLEC's business plan may have had no correlation to an ILEC's exchanges, asking for data by exchange created additional work for the CLECs. As the competitive local market has evolved in Florida, it became apparent that CLEC access line data by ILEC territory (for example, BellSouth's territory) may be more meaningful than CLEC data by ILEC exchange. For 2006, CLECs were asked to provide their access lines by ILEC territory, not exchange. CLECs were asked, however, to indicate in which exchanges they provided residential or business service.

- Section C examines Florida access line trends on a more disaggregated basis, including the effects of the elimination of UNE-P, and gives separate analyses of residential and business access lines.

- Section D provides an analysis of the access line trends of rural ILECs.

## B. WIRELINE MARKET SHARE AND ACCESS LINES

### 1. CLEC Market Share

#### *a. Florida*

Calculations based on responses to the Commission's data request indicate the following CLEC Florida market share information as of May 31, 2006:

- CLEC overall market share is 17%, a decrease from 18% last year.

- CLEC residential market share is 7%, a decrease from 9% last year.

- CLEC business market share is 33%, a decrease from 34% last year.

Figure 1 provides the overall CLEC market share percentages for 2002 through 2006.[44] Figure 2 displays the CLEC residential and business market shares for the same period.

**Figure 1**

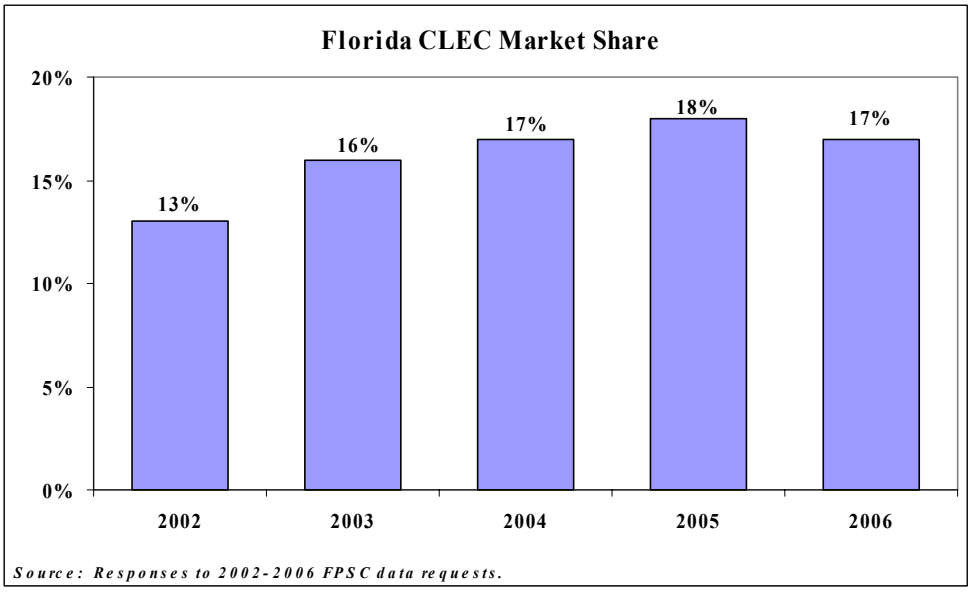
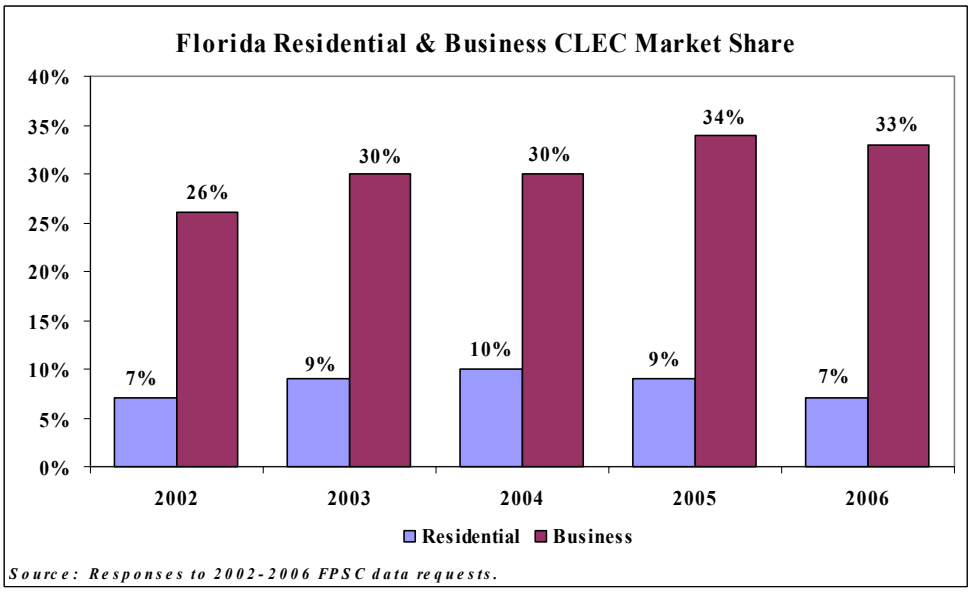


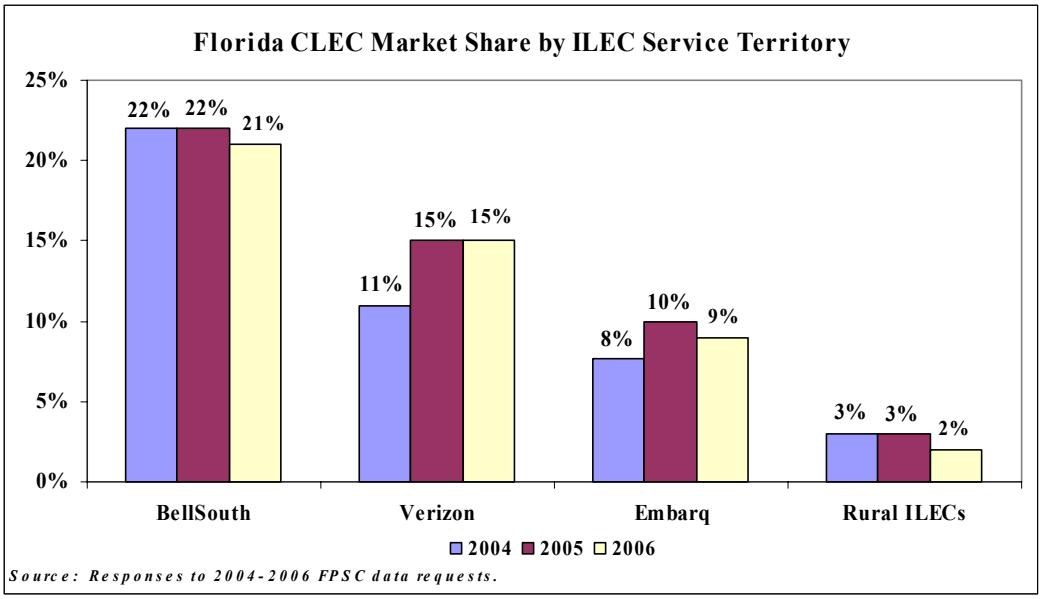

**Figure 2**




[44] Data was reported as of June 30 for 2002 and 2003. Beginning in 2004, data is reported as of May 31.

Figure 3 displays the CLEC market share within the service territories of BellSouth, Verizon, Embarq, and the combined rural ILECs for 2004-2006. CLEC market share decreased for all in 2006, except in Verizon's territory, where the CLEC market share remained the same.

**Figure 3**




### *b. National*

According to the FCC's most recent report on local competition, the nationwide CLEC market share was 17% as of December 31, 2005. The FCC reports Florida's CLEC market share at 16%, which is one point below what the Commission reports.[45] In previous reports, the Commission offered two reasons for the disparity: first, a difference in timing, and second, the FCC reporting requirement excluded ILECs and CLECs with fewer than 10,000 lines. Beginning with the 2005 data, the FCC extended its reporting requirement to all ILECs and CLECs, not just those with at least 10,000 lines. Theoretically, the new requirement should have eliminated one of the differences between the FCC's results and the FPSC's results; however, some CLECs and one ILEC reported to the FPSC that the FCC's reporting requirement did not apply to them.[46] Therefore, in addition to the timing issue, some of the discrepancy between the FCC's and the Commission's CLEC market share percentages continues to be caused by carriers not reporting their lines to the FCC.

## 2. Access Line Overview

Based on responses to the FPSC's data request, local exchange companies were serving approximately 11 million lines in Florida as of May 31, 2006, a decline of one million lines from June 30, 2001. As Figure 4 illustrates, the number of residential lines has declined every year

[45] Local Telephone Competition: Status as of December 31, 2005. (2006, July). FCC. Table 7. Retrieved September 20, 2006, from http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-266595A1.pdf

[46] ITS Telecommunications Systems, Inc. responded to the FPSC data request that it "Was not required to file in 2005."

since 2001, while the number of business lines has increased or held steady during the same time period.

**Figure 4**

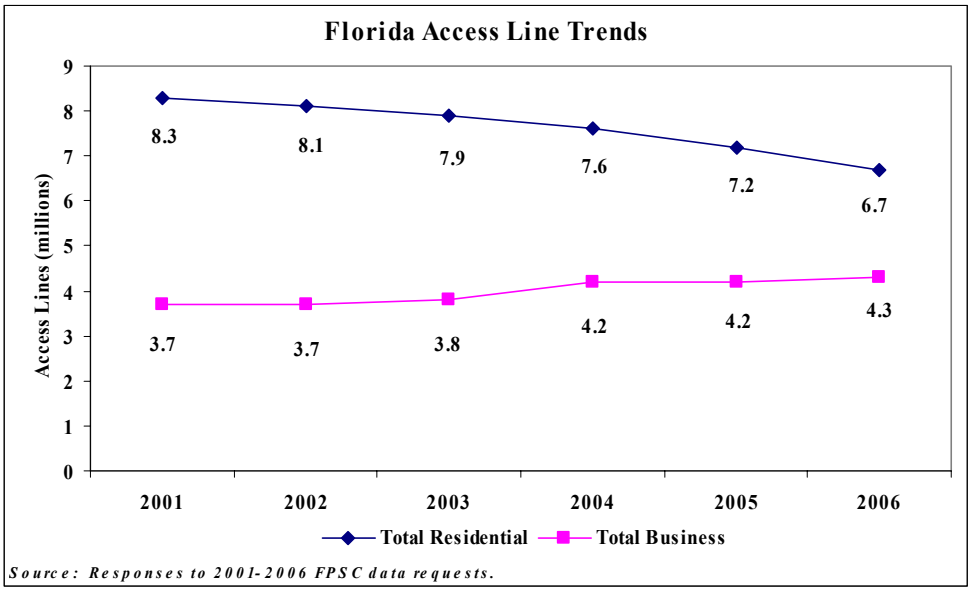



Table 2 displays the residential and business access line counts for ILECs and CLECs from 2003 to 2006. Between 2003 and 2006:

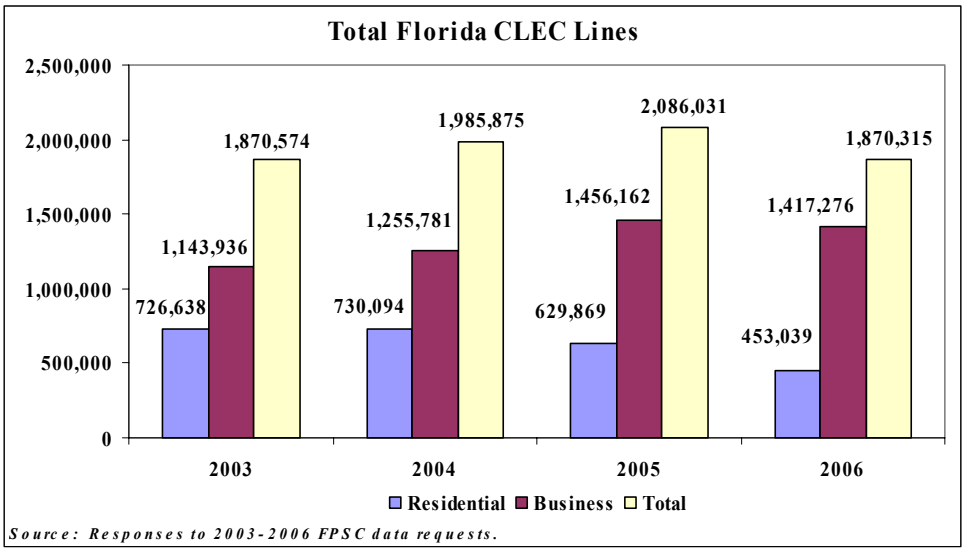
- Total access lines in Florida declined 7%.
- Total ILEC access lines decreased by 8%, reflecting a 14% decrease in residential lines and a 7% increase in business lines. The number of residential lines has declined each year since 2003.
- The number of CLEC access lines remained approximately the same. The composition of the lines (residential or business) changed between 2003 and 2006. In 2003, residential lines were 39% of the CLEC total. By 2006, residential lines had declined to 24% of the CLEC total. Business lines increased from 61% of the CLEC total in 2003 to 76% in 2006.
- CLEC residential lines declined by 273,599 between 2003 and 2006, with the largest decline, 176,830, occurring between 2005 and 2006.

**Table 2 Florida Access Line Comparison**

| | 2003 | | | 2004 | | | 2005 | | | 2006 | | | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Res | Bus | Total | Res | Bus | Total | Res | Bus | Total | Res | Bus | Total | from 2003 |
| ILECs | 7,203,749 | 2,688,870 | 9,892,619 | 6,898,792 | 2,925,322 | 9,824,114 | 6,641,069 | 2,789,512 | 9,430,581 | 6,218,002 | 2,863,989 | 9,081,991 | <8%> |
| CLECs | 726,638 | 1,143,936 | 1,870,574 | 730,094 | 1,255,781 | 1,985,875 | 629,869 | 1,456,162 | 2,086,031 | 453,039 | 1,417,276 | 1,870,315 | 0% |
| Total | 7,930,387 | 3,832,806 | 11,763,193 | 7,628,886 | 4,181,103 | 11,809,989 | 7,270,938 | 4,245,674 | 11,516,612 | 6,671,041 | 4,281,265 | 10,952,306 | <7%> |

*Source: Responses to 2003-2006 FPSC data requests.*

**Figure 5**




### 3. CLEC Market Penetration by ILEC Territory

Table 3 provides a breakdown of ILEC access lines for the three largest ILECs and a combined access line count for the rural ILECs (Frontier, GT Com, ITS, NEFCOM, Smart City, TDS/Quincy, and Windstream). The rural ILECs' lines are combined to preserve the confidentiality of the CLEC lines.

CLECs have their highest penetration rates in the business market, with a 37% share in Verizon's territory, followed by a 36% share in BellSouth's territory, and a 22% share in Embarq's territory. CLECs hold a 4% share of the business market in the rural ILECs' territories. CLECs have 11% of the residential market in BellSouth's territory and 2% in each of Embarq's, Verizon's, and the rural ILECs' territories.

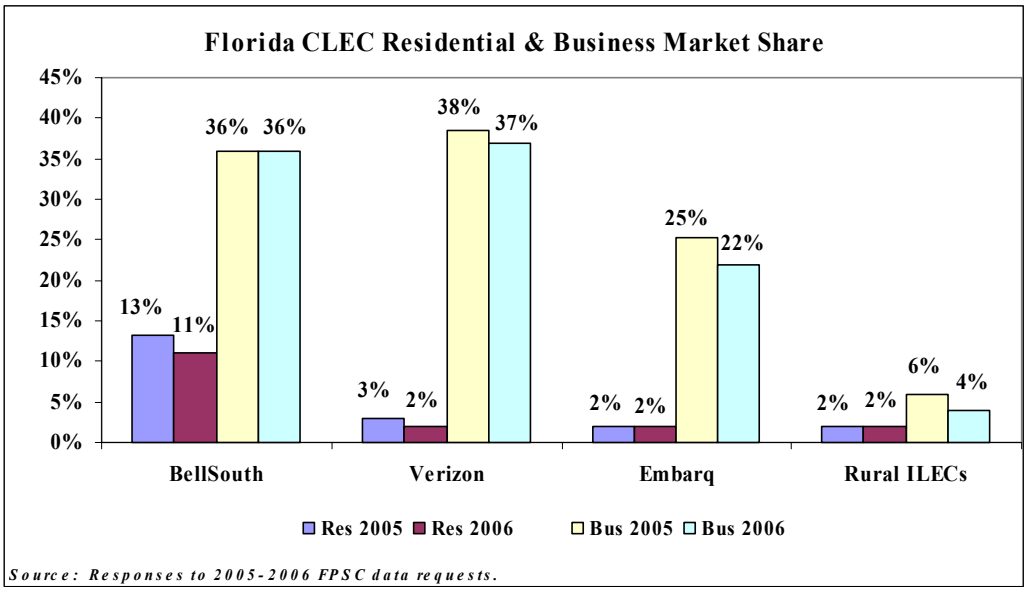
**Table 3 2006 Florida CLEC Market Penetration by ILEC Service Territory**

| | ILEC | | | CLEC | | | Total | | | CLEC Share | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ILEC | Res | Bus | Total | Res | Bus | Total | Res | Bus | Total | Res | Bus | Total |
| BellSouth | 3,437,302 | 1,738,522 | 5,175,824 | 403,719 | 970,893 | 1,374,612 | 3,841,021 | 2,709,415 | 6,550,436 | 11% | 36% | 21% |
| Verizon | 1,325,819 | 502,287 | 1,828,106 | 22,548 | 289,740 | 312,288 | 1,348,367 | 792,027 | 2,140,394 | 2% | 37% | 15% |
| Embarq | 1,321,142 | 559,809 | 1,880,951 | 24,644 | 154,329 | 178,973 | 1,345,786 | 714,138 | 2,059,924 | 2% | 22% | 9% |
| Rural ILECs | 133,739 | 63,371 | 197,110 | 2,128 | 2,314 | 4,442 | 135,867 | 65,685 | 201,552 | 2% | 4% | 2% |
| Grand Total | 6,218,002 | 2,863,989 | 9,081,991 | 453,039 | 1,417,276 | 1,870,315 | 6,671,041 | 4,281,265 | 10,952,306 | 7% | 33% | 17% |

*Source: Responses to 2006 FPSC data request.*

Figure 6 displays the CLEC residential and business market share by ILEC for 2005 and 2006. Residential market shares either declined or remained the same. Business market shares declined except for BellSouth, which remained the same.

**Figure 6**




## 4. Competitive Presence by Exchange

Table 4 displays the number of CLECs providing service on an exchange basis. Of the 277 exchanges in Florida in 2006, only one exchange is without a CLEC provider. Three exchanges have one CLEC provider, 14 exchanges have two CLEC providers, and 259 exchanges have three or more CLEC providers.

The number of exchanges without a residential CLEC provider increased from 16 to 33 between 2005 and 2006. The number of exchanges without a business CLEC provider dropped from 48 to 1 between 2005 and 2006. Overall, 94% of the exchanges in Florida have three or more CLEC providers.

**Table 4 Summary of Florida Exchanges with & without CLEC Providers**

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| Exchanges with one CLEC provider | 13 | 17 | 3 |
| Exchanges with two CLEC providers | 3 | 6 | 14 |
| Exchanges with three or more CLEC providers | 248 | 246 | 259 |
| Exchanges without a CLEC provider | 13 | 8 | 1 |
| Exchanges without a residential CLEC provider | 17 | 16 | 33 |
| Exchanges without a business CLEC provider | 56 | 48 | 1 |
| Total exchanges in Florida | 277 | 277 | 277 |

*Source: Responses to 2004-2006 FPSC data requests.*

Table 5 lists the ten Florida exchanges with the most CLEC providers, all in BellSouth's territory. Verizon's Tampa exchange and Embarq's Tallahassee exchange are listed for comparison. The biggest percentage decline from 2005 to 2006 in residential CLEC providers

occurred in the North Dade exchange at 44%; however, when the Tampa and Tallahassee exchanges are included, the Tallahassee exchange experienced a slightly larger decline of 45%. All of the listed business exchanges saw an increase in CLEC providers. The largest percentage increase in the top ten business exchanges was Pensacola at 53%, with the smallest in Miami at 15%. When the Tampa and Tallahassee exchanges are included, Tallahassee had the largest percentage increase in CLEC business providers at 60%. Overall, however, there appears to be a net reduction in CLEC providers in every exchange except Pensacola, caused by a decrease in residential providers.

**Table 5 Florida Exchanges with the Most CLEC Providers**

| Exchange | Residential | | Business | | Total CLECs | |
|---|---|---|---|---|---|---|
| | (2005) | (2006) | (2005) | (2006) | (2005) | (2006) |
| Miami | 91 | 68 | 84 | 97 | 115 | 104 |
| West Palm Beach | 87 | 59 | 73 | 92 | 111 | 104 |
| Fort Lauderdale | 87 | 69 | 74 | 92 | 110 | 102 |
| Orlando | 80 | 55 | 64 | 91 | 110 | 101 |
| Hollywood | 83 | 60 | 65 | 87 | 110 | 99 |
| Jacksonville | 79 | 56 | 62 | 83 | 103 | 97 |
| Coral Springs | 83 | 53 | 63 | 85 | 103 | 90 |
| North Dade | 78 | 44 | 57 | 76 | 99 | 85 |
| Pensacola | 60 | 35 | 43 | 66 | 78 | 78 |
| Perrine | 70 | 44 | 51 | 71 | 89 | 80 |
| Tampa (Verizon) | 40 | 35 | 36 | 55 | 60 | 57 |
| Tallahassee (Embarq) | 44 | 24 | 30 | 48 | 54 | 53 |

*Source: Responses to 2005-2006 FPSC data requests.*

Table 6 lists the number of CLECs in the ten largest exchanges. Of these ten exchanges, six are in BellSouth's territory, three in Verizon's territory, and one in Embarq's territory. None of the BellSouth exchanges in Table 6 has fewer than 97 CLECs providing service. The number of CLECs in Verizon's exchanges is between 50 and 57, and Embarq's exchange has 53 CLECs.

| Table 6 CLEC Providers in the Ten Largest Exchanges | | | |
|---|---|---|---|
| | Exchange | ILEC | Total # of CLECs |
| 1 | Miami | BellSouth | 104 |
| 2 | Tampa | Verizon | 57 |
| 3 | Fort Lauderdale | BellSouth | 102 |
| 4 | Jacksonville | BellSouth | 97 |
| 5 | West Palm Beach | BellSouth | 104 |
| 6 | Orlando | BellSouth | 101 |
| 7 | Hollywood | BellSouth | 99 |
| 8 | St. Petersburg | Verizon | 50 |
| 9 | Clearwater | Verizon | 53 |
| 10 | Tallahassee | Embarq | 53 |

*Source: Responses to 2006 FPSC data request.*

## C. COMPETITIVE MARKET TRENDS

This section discusses how the TRRO affected CLEC provisioning methods and provides separate analyses of residential and business access lines.

### 1. The TRRO's Effects on Provisioning

The FCC's Triennial Review Remand Order (TRRO) provided for the transition away from UNE-P to be completed by March 11, 2006. According to the CLEC responses to the FPSC's data request, there were 649,107 CLEC access lines affected by the TRRO. CLECs reported that they negotiated commercial agreements with the ILECs for an UNE-P replacement. The replacement, purchased at a commercial rate, is called the local platform and accounted for 320,553 of those lines. CLECs reported that they migrated 150,038 lines to a different provisioning method, such as lines served by CLEC switches (CLEC switched lines) or resale. CLECs also reported that 82,932 lines are no longer being served by them. As of May 31, 2006, 3,864 lines were not yet transitioned.[47] In those cases, there may not have been sufficient time to transition all of a CLEC's UNE-P lines before the March 11, 2006 deadline, making it necessary for the CLEC to come to an agreement with the ILEC for an extended transition period.

Figure 7 displays the provisioning methods CLECs used for residential lines in 2005 and 2006. UNE-P was used to provision 75% of residential access lines in 2005. In 2006, after the implementation of the TRRO, 44% of residential lines were provisioned using the local platform. CLEC switched lines grew from 15% to 33% between 2005 and 2006 while resale lines grew from 10% to 23%. The growth in CLEC switched lines is likely a result of two factors: CLECs installing their own switches and CLECs purchasing lines and switching services from other CLECs.

[47] The numbers were gathered from CLEC responses to the 2006 FPSC data request.

**Figure 7**

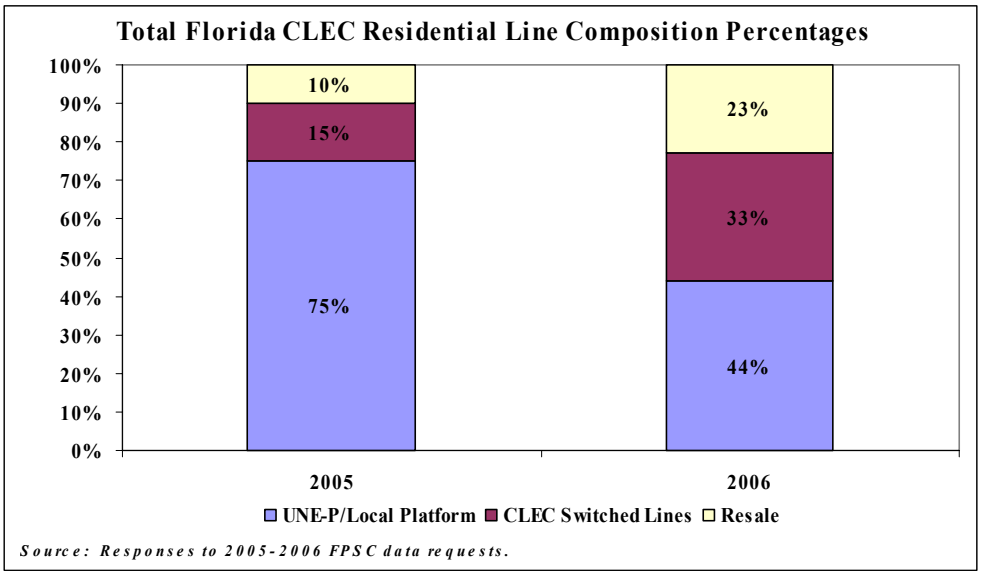



Figure 8 displays the access lines underlying Figure 7, highlighting the dramatic change in provisioning after UNE-P was eliminated as well as the overall decline in residential access lines.

**Figure 8**

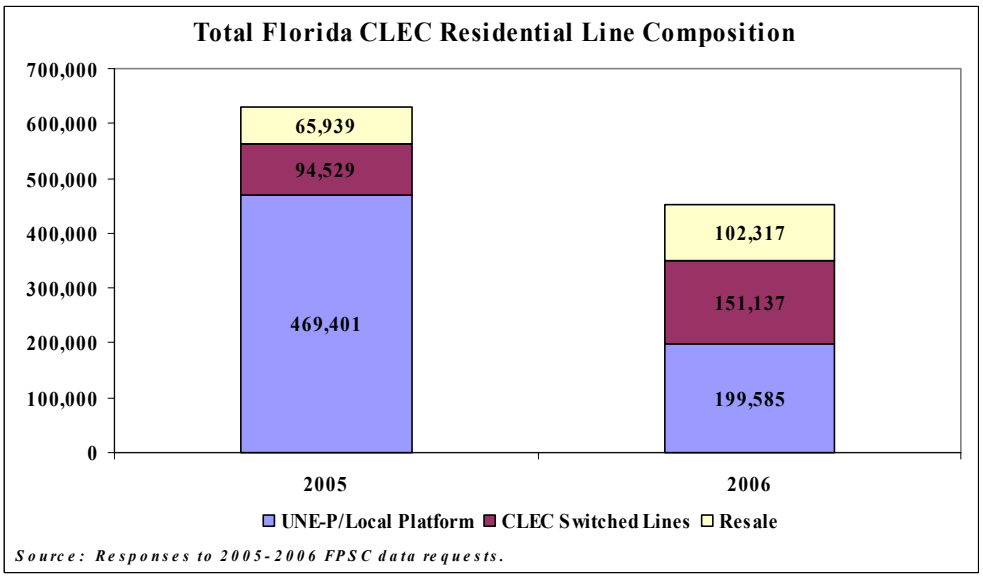
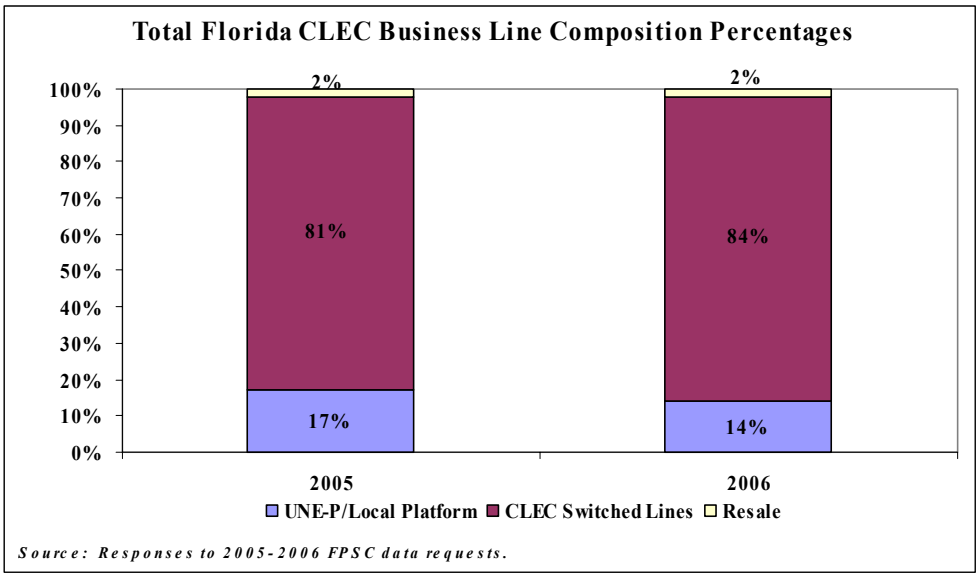



Figure 9 displays the provisioning methods used for CLEC business customers in 2005 and 2006. In 2005, the vast majority of business lines, 81%, were CLEC switched lines. UNE-P lines at 17% and resale lines at 2% made up the remainder. After the TRRO was implemented, CLEC switched lines increased to 84%, while local platform (UNE-P in 2005) lines decreased to 14% and resale remained the same.

**Figure 9**




## 2. Residential Access Line Trends

Figure 10 displays the annual percentage changes for Florida's residential market from 2004 to 2006. Total residential lines declined 8% in 2006 compared to a 5% decline in the previous year.

**Figure 10**

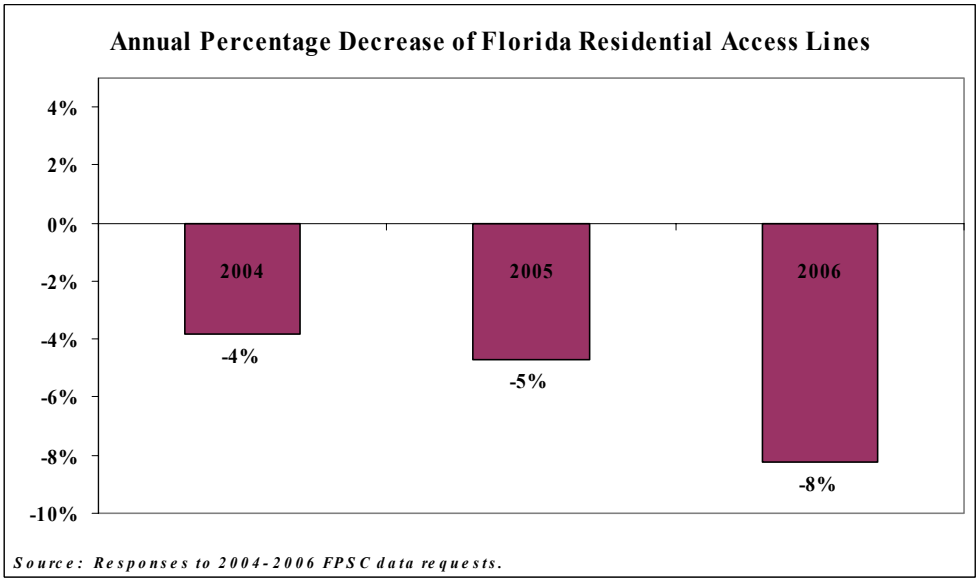



Figure 11 is a disaggregated version of Figure 10. It displays the residential access lines trends separately for BellSouth, Verizon, Embarq, the rural ILECs, and the CLECs, showing that all ILECs experienced a decline in access lines from 2005 to 2006.

**Figure 11**

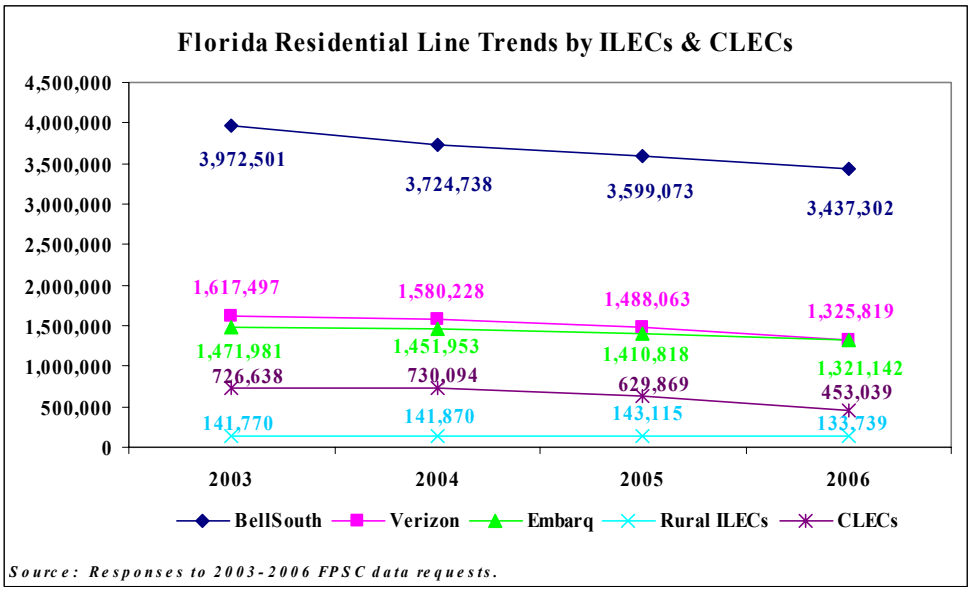
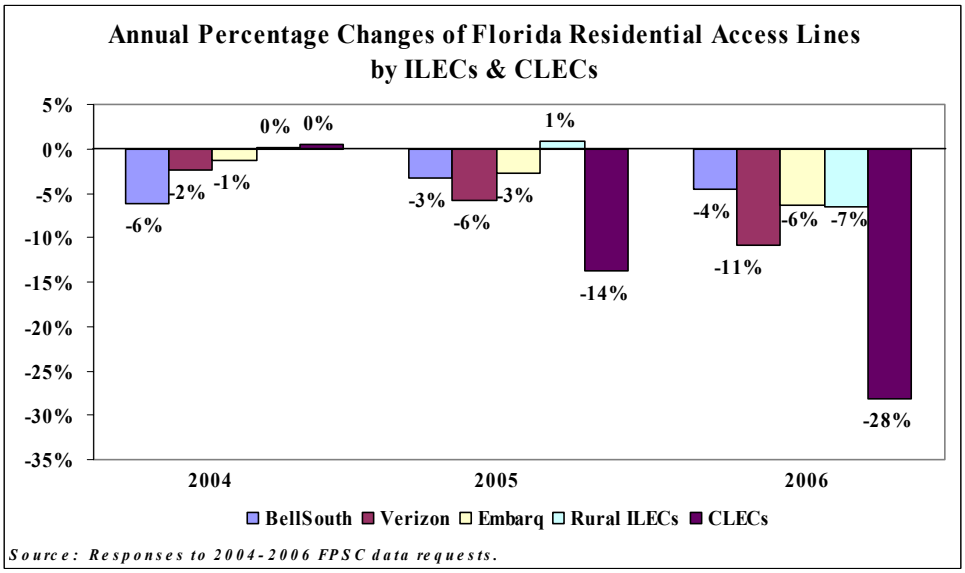



Figure 12 presents the annual percentage changes of residential lines for the ILECs and CLECs. Residential access lines declined across all carriers at a greater rate in 2006 than in the previous period; CLECs experienced a 28% decline in 2006, a doubling from 2005.

**Figure 12**



### 3. Business Access Line Trends

Figure 13 displays the growth rates of Florida's business access lines, which increased 1% in 2006.

**Figure 13**

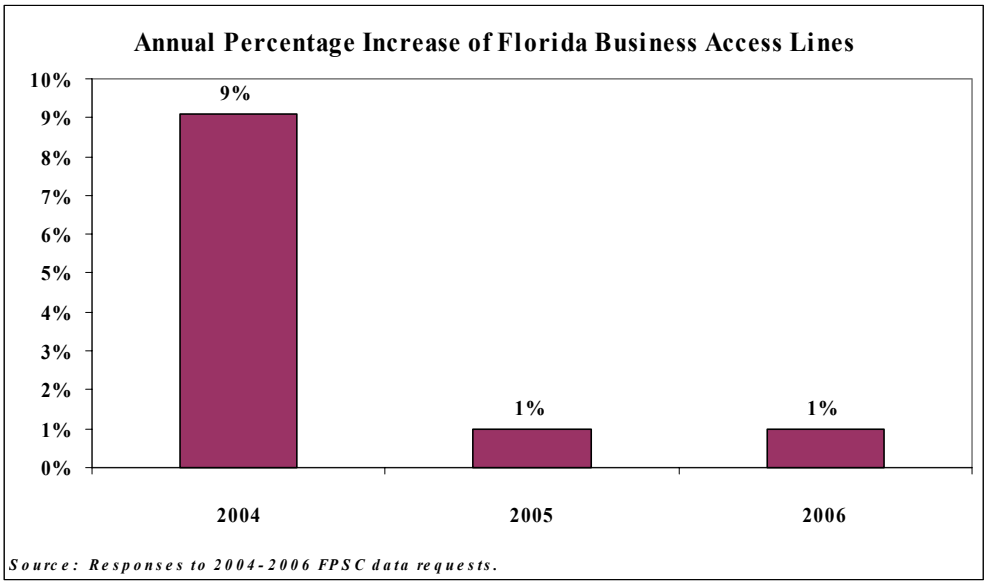



Figure 14 displays the business line trends for BellSouth, Verizon, Embarq, the rural ILECs, and CLECs. BellSouth, Embarq, and the rural ILECs have experienced an increase in business access lines between 2005 and 2006; Verizon and the CLECs experienced a decrease in business access lines during this period.

**Figure 14**

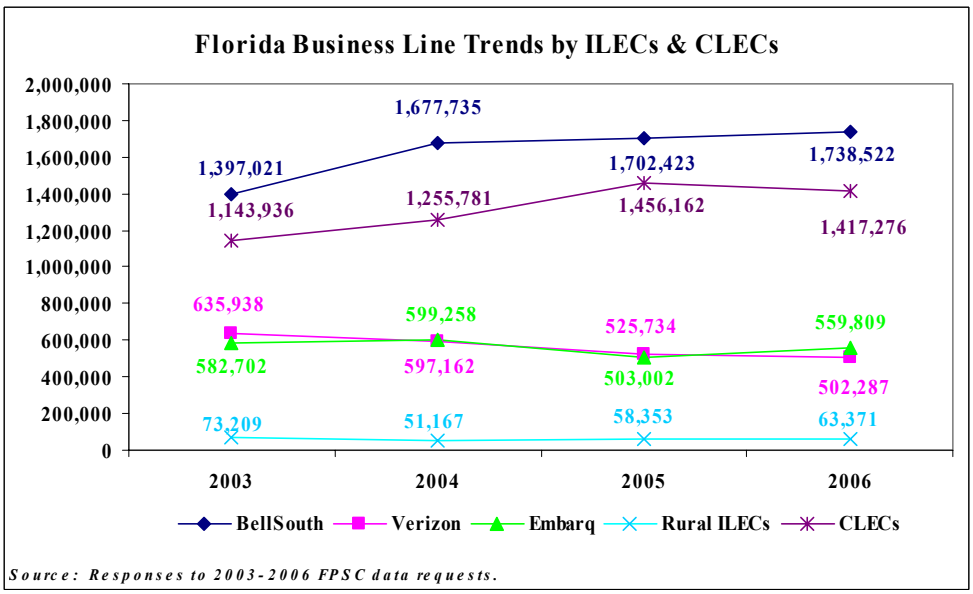
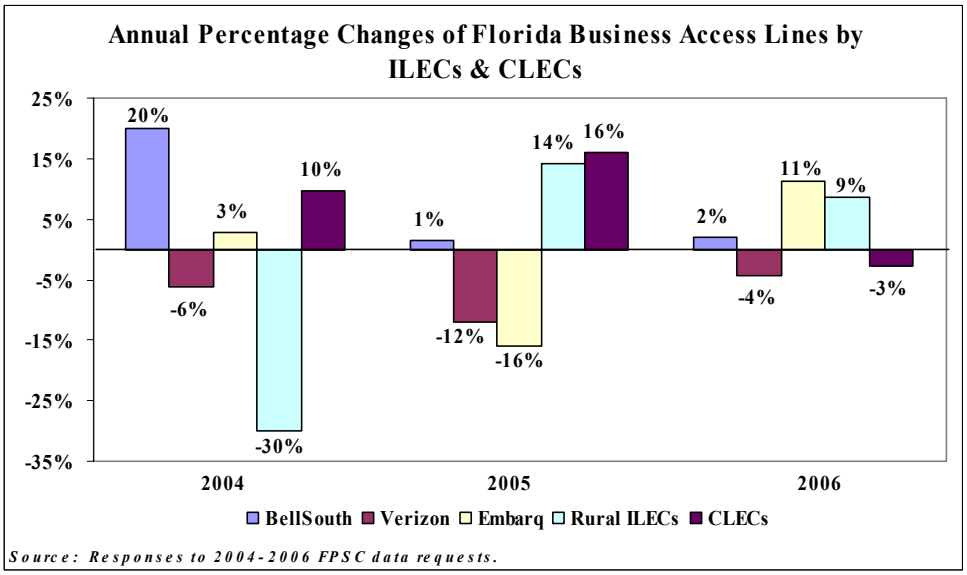


Figure 15 displays the annual percentage changes for business lines for ILECs and CLECs.

**Figure 15**




## D. RURAL ACCESS LINE TRENDS

Historically, rural carriers have been largely insulated from the competitive pressures experienced by carriers serving more developed areas. This result is primarily attributable to the relatively high costs of serving sparsely populated areas and the exemption from unbundling and wholesale discount provisions extended to rural carriers in the 1996 Act.[48] Since most competition was anticipated to occur in the largest companies' territories and in their largest exchanges, competitive impacts on Florida's small rural carriers[49] have largely been overshadowed by the results for larger ILECs (for purposes of this section, BellSouth, Embarq, and Verizon are considered the large ILECs). As noted in Chapter II, some industry analysts expect that the relatively stable market in which rural carriers have typically operated may soon be subjected to increased competitive pressures from wireless and cable providers rather than wireline CLECs.

Two of Florida's rural ILECs provided information to the FPSC on competition in their territories. GT Com reported that MediaCom (a cable company certificated as MCC Telephony[50]) began to offer service in seven GT Com exchanges in April 2006.[51] Windstream (formerly known as Alltel) reported that, of its customers lost to competitors since 2002, 93% went to wireless and 7% were lost to "bypass" providers such as cable and VoIP. Although Windstream claimed confidentiality for the number of lines lost, it did state, "The majority

[48] Section 251(f)(1) of the 1996 Act provides for an exemption to rural carriers to provide, among other things, unbundled access, resale at wholesale rates, and collocation to competitors. This section is commonly referred to as the rural exemption.
[49] These rural carriers include Frontier, GT COM, ITS, NEFCOM, Smart City, TDS/Quincy, and Windstream (formerly known as Alltel).
[50] MCC Telephony offers VoIP service.
[51] GT Com's response to the FPSC's 2006 ILEC data request questionnaire, page 3.

increase in line loss we are now seeing is due to wireline competition from carriers such as Cox Florida and Level 3 Communications."[52]

Intuitively, the large ILECs in Florida are viewed by most observers as being substantially different from their rural counterparts. In many contexts this belief is warranted, since these three large companies account for 81% of all wireline access lines (ILEC and CLEC) in the state, while the rural ILECs account for less than 2%. However, there are many areas served by these larger ILECs, i.e., nonurban areas that are comparable in character to those served by rural carriers. For comparison purposes, a subset of exchanges served by BellSouth, Embarq, and Verizon (referred to as comparable exchanges) was selected. The subset was determined based on the total number of access lines served in the exchange in 2006. A large ILEC exchange was considered comparable if the number of access lines served was no greater than the number served by the largest rural carrier exchange.[53]

### *a. Residential Access Lines*

Figure 12, Annual Percentage Changes of Florida Residential Access Lines by ILECs & CLECs, shows that residential access lines for rural carriers remained relatively flat with slight increases from 2003 through 2005, followed by a slight decline in 2006. Residential lines for the comparable exchanges of the large ILECs also declined. In 2006:

- Total residential access lines declined overall for rural carriers by approximately 7%, or about 10,000 access lines compared to the relative stability in previous years. For the comparable exchanges, the decline was smaller at 4.5%.

- Residential access lines declined in approximately 89% of all exchanges served by rural carriers (a total of 54 exchanges). For the comparable exchanges, residential access lines declined in approximately 85% of their 120 exchanges.

An analysis of the number of residential wireline CLEC providers in rural service areas and in the comparable exchanges of the large ILECs yields these results:

- Rural carriers experienced a decrease in the number of residential wireline CLEC providers in 80% of their exchanges. A decline occurred in 77.5% of the comparable exchanges.

- 43% of rural carrier exchanges had no wireline CLECs offering residential service. At least one residential wireline CLEC provider existed in each of the comparable exchanges of the large ILECs.

- The average number of residential wireline CLECs per rural exchange is 0.7 for 2006 compared to 2.7 per exchange for 2005. The average number of residential wireline CLECs per comparable ILEC exchange is 10.5 compared to 15.3 in 2005.

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[52] Windstream's (Alltel's) response to the FPSC's 2006 ILEC data request questionnaire, page 3.

[53] Some individual BellSouth, Embarq, and Verizon exchanges of comparable access line counts may not be comparable in a general sense to those of rural carriers. However, no attempt to screen the data based on density or other criteria was made since the inferences are of a general rather than an exchange-specific nature.

In light of the nearly 7% overall decline in rural carrier residential access lines, a significant reduction in the number of wireline CLECs offering service in these areas is also noteworthy. The increase in residential access line loss, coupled with the decrease in wireline CLEC providers, points to wireless and VoIP-based providers as the most likely beneficiaries of the drop in rural ILEC access lines.

The results for the comparable exchanges suggest some distinct differences between the service areas of rural carriers and comparable territories of their larger counterparts. Forty-three percent of rural exchanges did not have a residential CLEC provider, while comparable exchanges of BellSouth, Embarq, and Verizon had at least one competitive wireline provider in every comparable exchange. There is also a significant difference in the number of residential wireline CLECs per exchange for the two types of carriers. The larger carriers attract, on average, nearly ten more competitors than rural carriers, even in comparably sized exchanges. This result can be attributed, at least in part, to the requirement contained in the 1996 Act that large ILECs must provide resold services at wholesale prices and must lease unbundled network elements to competitors, obligations not imposed on rural carriers.[54]

### *b. Business Access Lines*

As reflected in Figure 15, Annual Percentage Changes of Florida Business Access Lines by ILECs and CLECs, business access lines for rural carriers have fluctuated, dropping significantly from 2003 to 2004,[55] then increasing in 2005 and 2006. The results for the analysis of rural business access lines and for business access lines in the comparable large ILEC exchanges show some interesting trends.

- Total business access lines increased by nearly 9% or approximately 5,000 lines across all rural carrier exchanges in 2006. The increase was approximately the same for comparable exchanges.

- Business access lines increased in approximately 69% of all exchanges served by rural carriers. For the comparable exchanges, the increase was approximately 76%.

As in the case of residential access line declines, the business access line increases for both rural ILECs and comparable exchanges served by large ILECs are significant and broad enough in scope to be considered noteworthy. The percentage increase is nearly the same, and the scope of the gains is somewhat higher for comparable exchanges served by large ILECs.

An analysis of the number of business wireline CLEC providers in rural carrier service areas and in the comparable exchanges yields these results:

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[54] Section 251(f)(1) & (2) of the 1996 Act exempts rural carriers from the provision of, among other things, unbundled access, resale at wholesale rates, and collocation to competitors. This section is commonly referred to as the rural exemption.

[55] A reporting inconsistency in business access lines occurred for at least one rural ILEC in 2004 and subsequent years. These reporting anomalies have been corrected for 2005 and 2006, but records were not readily available to correct the 2004 data. The business access lines reflected in Figure 14 are not accurate for 2004 and understate the total, but it is not possible to determine the magnitude of the error.

- Rural carriers experienced an increase in the number of business wireline CLEC providers in 96% of their exchanges. The large ILECs experienced an increase in the number of wireline CLEC business providers in 93% of their comparable exchanges.

- Not one rural carrier exchange experienced a decrease in the number of business wireline CLEC providers in 2006 (two exchanges report no CLEC providers) compared to 2005 (when 35% of rural exchanges reported no wireline CLEC offering business services). Every comparable large ILEC exchange had at least one wireline CLEC business provider, and only four comparable exchanges had fewer than three.

- The average number of CLEC providers per rural carrier exchange is 3.1. For the comparable ILEC exchanges, the average number is 17.7 per exchange.

At the same time that business access lines have increased for both rural carriers and in comparably sized exchanges of BellSouth, Embarq and Verizon, the number of wireline CLEC providers competing for business access lines has also increased. While this trend is true for all of the ILECs, the average number of such providers per exchange is substantially greater for the three large ILECs, even in exchanges that are comparable in size to those of the rural carriers. This result again suggests that the provisions of the 1996 Act that require BellSouth, Embarq, and Verizon to offer wholesale discounts and unbundling of network elements to competitors have made it more likely that competitors will enter the serving areas of these large ILECs, not only in high density service areas, but also in the service areas more comparable to those typically served by rural carriers.

### *c. Summary*

The analysis of Florida rural access line data confirms that rural carriers are indeed facing greater competitive pressure than ever before as indicated by a 7% decline in residential access lines across all rural carriers. In addition, the analysis suggests that these pressures are coming primarily from nontraditional, nonwireline competitors. Since there are no residential wireline competitors in more than 40% of the exchanges served by rural carriers and residential access line declines occurred in 89% of exchanges served by rural carriers, it is likely that wireless and VoIP service providers are responsible for a portion of the access line decline.

The data also suggest that the territories served by rural carriers have different characteristics than those comparably sized exchanges served by the three large ILECs, BellSouth, Embarq, and Verizon. In particular, the comparable areas served by the large ILECs tend to have more competitors per exchange and more competitors across all comparable exchanges as well.

The analysis also reveals that, in contrast to residential access lines, business access lines for rural carriers have increased by 9%. Business access lines also increased by approximately 9% for comparably sized exchanges served by large ILECs. Surprisingly, the number of competitors for business access lines increased for both rural carriers and large ILECs. However, there is a large difference in the number of competitors serving in rural carrier exchanges vis-à-vis the comparable exchanges of the large ILECs, and that variation is likely explained by the distinction in legal requirements under the 1996 Act.

# CHAPTER IV: WIRELESS, VOIP, CABLE, AND BROADBAND

Preceding chapters have provided an overview of various communication market segments and an in-depth analysis of the wireline telecommunications market in Florida. This chapter takes a closer look at the communications market segments that are not subject to FPSC jurisdiction but are a significant part of today's communications industry. Wireless, VoIP, and broadband markets are addressed separately. In addition, the VoIP analysis is separated into those providers who own network facilities (primarily cable providers) and those that do not (such as Vonage).

Broadband warrants its own section for two reasons. First, Section 706 of the 1996 Act provides that "The Commission [FCC] and each State commission . . . shall encourage the deployment on a reasonable and timely basis of advanced telecommunications capability to all Americans."[56] An assessment of the availability of broadband service in Florida is necessary to determine whether the deployment of such services is proceeding in a timely manner. In addition, broadband is a necessary component of certain types of VoIP service and therefore significant in the FPSC's overall assessment of voice communications services.

## A. WIRELESS

The wireless market continues to expand with increased national subscribership and the development of new technologies. A subscriber, as defined by the FCC is "… a mobile handset, car phone, or other revenue-generating, active voice unit that has a unique telephone number and that can place and receive calls from the public switched network.[57] The latest FCC report states that there were 22.6 million new subscribers in 2005. This number reflects a 3% decline in growth rate when compared with 2004's new subscribers.[58] A report issued by CIBC World Markets (CIBC) states that with wireless penetration already so high, future growth may be more dependent on the overall state of the economy than what has been seen in the past. CIBC also predicts that new subscribership growth will decrease in 2006 as the increasing costs of fuel erode disposable income and the economy begins to slow.[59]

Wireless subscribership increased 12% in 2005.[60] In fact, according to a report released by a wireless working group of the National Association of Utility Regulatory Commissioners (NARUC), wireless subscribership is growing twice as fast as Internet subscribership.[61] Total U.S. subscribership for wireless has reached an all time high of 203,669,128 subscribers,[62] and industry analysts expect that this upward trend will continue. Kagan Research reports that wireless subscribership is expected to grow 48% by 2014, making the national wireless penetration almost 83% of the total U.S. population if predictions hold true.[63] Research also

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[56] 47 U.S.C. §706(a).
[57] FCC Form 477, Instructions for Filing. Retrieved on October 4, 2006, from http://www.fcc.gov.Forms/Form477/477instr.pdf
[58] Local Telephone Competition: Status as of December 31, 2005. (2006, July). FCC. Table 14. Retrieved on July 27, 2006, from http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-266595A1.pdf
[59] CIBC World Markets. (2006, April 18). *1Q06 Communications and Cable Services Preview.* p. 4.
[60] Local Telephone Competition: Status as of December 31, 2005. (2006, July). FCC. p. 3. Retrieved on July 27, 2006, from http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-266595A1.pdf
[61] NARUC Telecommunications Committee Wireless Workgroup. (2006, July). *Mobile Technologies.* p. 13.
[62] Local Telephone Competition: Status as of December 31, 2005. (2006, July). FCC. Table 14. Retrieved on July 27, 2006 from http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-266595A1.pdf
[63] Kagan Research Projects Wireless Subscriber Market to Grow 48% by 2014. (2005, June 16). *Business Wire.* Retrieved July 25, 2005, from

shows that increased revenues coincide with increased subscribership. In 1Q 2005, mobile companies brought in 15% more revenue, a total of $31.9 billion, than in 1Q 2004. Network owners also invested 15% more, a total of $4.7 billion, in their networks.[64]

According to the FCC, the result for Florida is contrary to the national wireless subscribership trend. Florida wireless subscribership decreased 5% in 2005, going from 13,169,278 subscribers at the end of 2004 to 12,521,686 by the end of 2005, a drop of more than 600,000 subscribers.[65] Further analysis of the FCC data indicates that Florida was the only state that experienced a significant decrease in subscribership in 2005. The Commission's best efforts to explain the apparent drop in 2005 have failed to identify an obvious answer. However, it is possible that the FCC 2004 Florida subscribership data, which showed a 21% increase, may have overstated the actual growth for that period. Florida has more likely continued to see an increase in subscribership, and the growth for 2004 was possibly something less than that reported by the FCC. This conclusion is based on our analysis of the Florida E911 subscribership data, which shows a steady increase in subscribership for 2003-2005 instead of a sharp increase in 2004 followed by a decrease in 2005, as shown in the FCC data. In any event, Florida wireless subscribership remains high and a strong substitution option for consumers.

If the FCC data are correct, the decline in Florida wireless subscribership may be partially attributable to increasing fuel costs, the slowing economy, and the severe 2005 hurricane season that affected much of Florida. The FCC also changed the basis of how wireless data is reported from home area code to billing address which may have had an impact. The growing number of VoIP subscribers in Florida and the large population of snowbirds (individuals who spend the winter months or part of the year in Florida) may also be contributing factors. More recent data found in a survey conducted by the University of Florida's Bureau of Economic and Business Research (BEBR) on behalf of the Florida Public Service Commission shows that Florida's wireless penetration reached an all time high of 75% by the end of 2Q 2006 after falling 4% in 4Q 2005 as seen in Figure 16.

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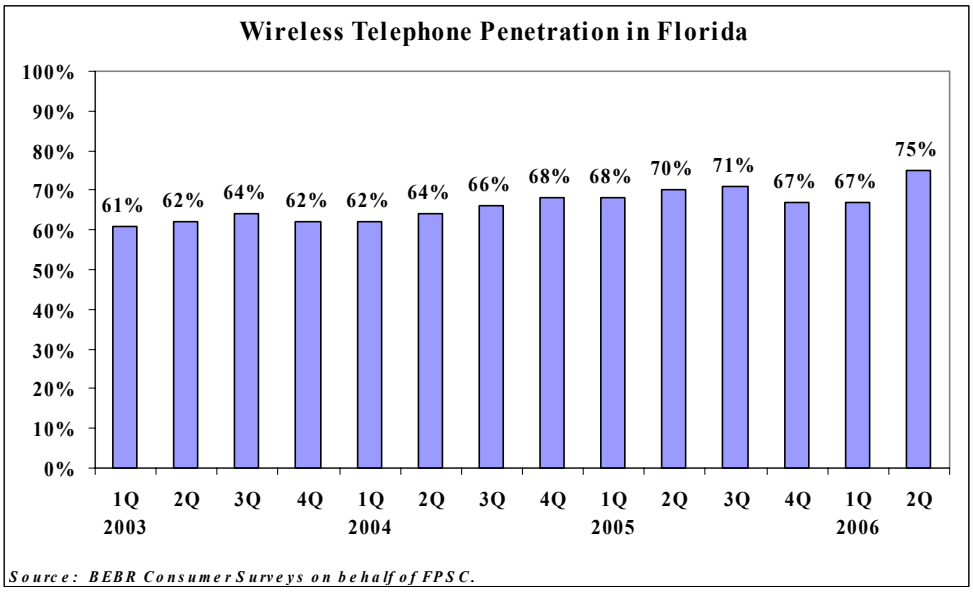
http://www.findarticles.com/p/articles/mi_m0EIN/is_2005_June_16/ai_n13818719

[64] Ed Gubbins. (2006, May 8). Wireline Spending Up in Broadband 'Land Grab.' *Telephony Online.* Retrieved May 15, 2006, from http://telephonyonline.com/home/news/Capex_spending_growth_050806/

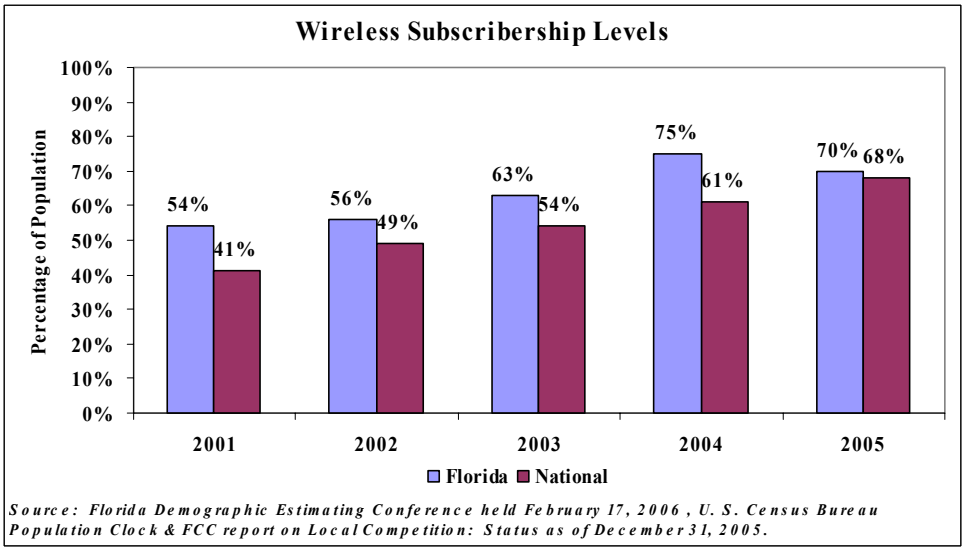
[65] Local Telephone Competition: Status as of December 31, 2005. (2006, July). FCC. Table 14. Retrieved on July 27, 2006, from http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-266595A1.pdf

**Figure 16**




The gap between national subscribership and Florida subscribership has decreased. Florida's wireless penetration rate of 70%[66] continues to surpass the national average of 68%,[67] as seen in Figure 17.

**Figure 17**

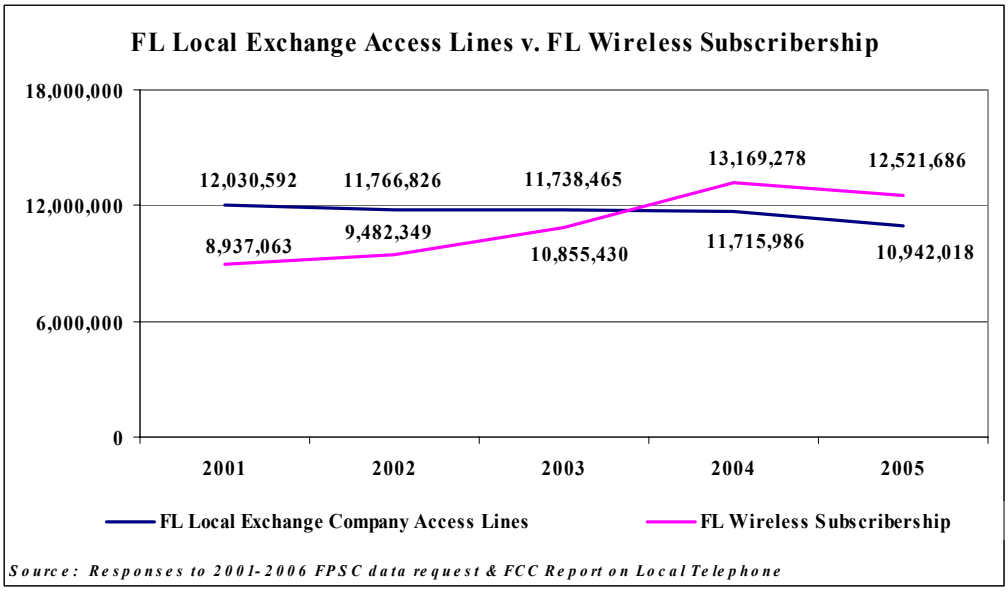



[66] Calculated using Florida population information from the Florida Demographic Estimating Conference held on February 17, 2006, retrieved on July 27, 2006, from http://edr.state.fl.us/conferences/population/fdec0602_tables.pdf and wireless subscribership information from the FCC report on Local Competition: Status as of December 31, 2005, Table 14.

[67] Calculated using Florida population information from the U.S. Census Bureau Population Clock, retrieved on July 27, 2006, from http://www.census.gov/main/www/popclock.html and wireless subscribership information from the FCC report on Local Competition: Status as of December 31, 2005. Table 14.

Wireless subscribership in Florida still remains higher than the number of local exchange wireline access lines in Florida. As seen in Figure 18, local exchange company access lines in Florida have declined 4% since the end of 2004.[68]

**Figure 18**




Some experts attribute portions of the local exchange access line loss to consumers relying on wireless telephones for their primary voice service. According to a recent report from the Centers for Disease Control, one out of ten homes in the U.S. did not have wireline telephones in the last two quarters of 2005. Demographics show that adults below age 25, Hispanics, and adults living in poverty are more likely to use only wireless telephones. Men, at 8.6%, are also more likely to be living in households that have dropped wireline service than women at 7%.[69]

Wireless substitution has been increasing in the last few years. Estimates show that in 2003, only 4% of U.S. households had given up their wireline telephone in favor of wireless service.[70] The Wall Street Journal reported that Forrester Research showed that number doubled to 8% in 2005.[71] Research shows that this trend is likely to continue. Almost 20% of respondents to an In-Stat survey indicated that they will eventually drop their landline telephones.[72]

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[68] Local Telephone Competition: Status as of December 31, 2005. (2006, July). FCC. Table 7. Retrieved on July, 27, 2006, from http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-266595A1.pdf

[69] Stephen J. Blumberg, and Julian V. Luke. (2006). Wireless Substitution: Preliminary Data from the 2005 National Health Interview Survey. National Center for Health Statistics (Centers for Disease Control). Retrieved May 15, 2006, from http://www.cdc.gov/nchs/products/pubs/pubd/hestats/wireless/wireless2005.htm

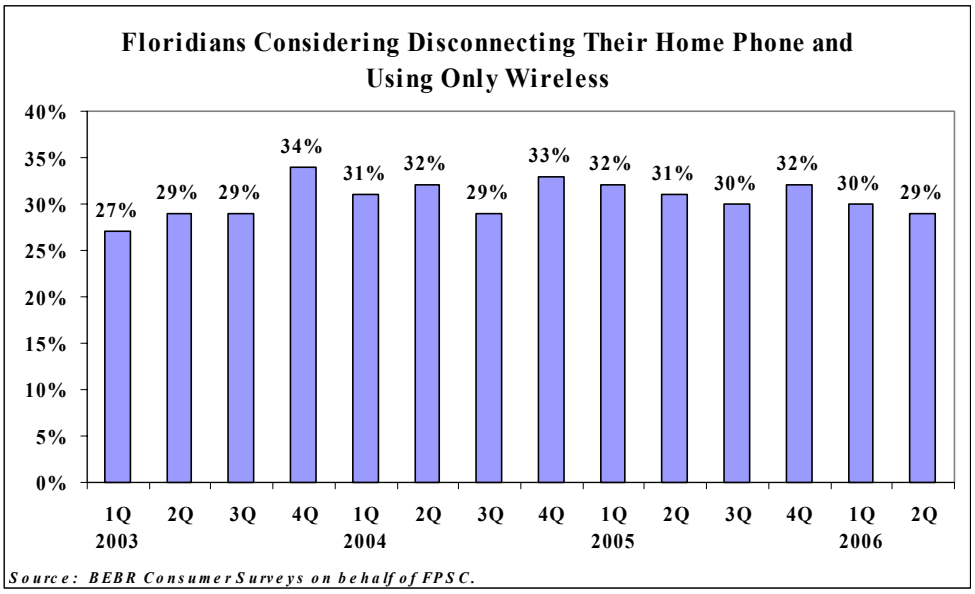
[70] Li Yuan. (2006, March 31). More U.S. Households Are Ditching Landline Phones for Wireless. *The Wall Street Journal Online.* Retrieved April 10, 2006, from http://online.wsj.com/public/article/SB114377382543813195-56i_ChIxpQGzRv8PcpbFYZ_WlJw_20070331.html?mod=rss_free

[71] Ibid.

[72] Cheryl Cadden. (2006, February 6). Survey Shows that Wireline Erosion Will Accelerate; 20% of Households Plan to Cancel or Not Use Wireline Services. In-Stat Press Release. Retrieved May 15, 2006, at http://www.instat.com/press.asp?Sku=IN0502207IA&ID=1576

Some Floridians also view wireless service as a viable substitute for wireline service. As shown in Figure 19, 29% of Floridians are considering disconnecting their home telephones in favor of wireless telephones according to the BEBR survey. The survey also indicated that, of that 29%, 73% say they are considering going wireless only to save money, 41% think it will be more convenient, and another 16% do not like the local telephone company providing service in their areas.

**Figure 19**




With fairly high overall penetration rates, wireless companies are looking at new market segments in order to obtain new customers. A new wave of technology targets parents of young children and teenagers. Companies have developed child-friendly telephones and parental options that enable parents to gain a tighter grasp on how their children use their wireless telephones. Disney Mobile, available as of June 2006, allows parents to set limits on the usage of minutes and text messaging, determine at what times the phones can be used and what numbers can be dialed from the telephones, and even monitor their child's location by entering a code into their own telephones or by pulling up a map on the Internet.[73]

Wireless broadband networks are becoming more sophisticated and utilizing new technologies such as Evolution Data Optimized (EVDO),[74] which does not require Wi-Fi hotspots; Ultra wideband (UWB), which is able to carry large amounts of data with little power over a short distance; and 3G technology (third generation), which allows for high quality fast data and voice transfers.[75] Some wireless telephones have now been integrated with cameras, personal digital assistants (PDAs), MP3 players, and even televisions and personal computers. These telephones, aptly named "smartphones," are increasing in popularity and are expected to be the majority of telephones sold within a few years. In fact, this increase in popularity resulted

[73] Laura M. Holson. (2006, April 5). Disney Phone Service Has Parents in Mind. *The New York Times Online.* Retrieved May 15, 2006, from http://www.nytimes.com/2006/04/05/business/media/05disney.html?ex=1147838400&en=433dbf33b908e5e3&ei=5070
[74] EVDO provides approximately 500 kilobits per second (kbps) of download capacity.
[75] NARUC Telecommunications Committee Wireless Workgroup. (2006, July). *Mobile Technologies.* pp. 4, 6.

in a 100% increase in shipments of smartphones from the 2Q 2004 to the 2Q 2005 when 12 million smartphones were shipped.[76]

Wireless companies are taking advantage of technology and joining forces with other companies to offer their customers more options. Companies such as Sprint Nextel and Cingular are offering a variety of services, such as music and video downloads, through partnering with companies like Berkeley's MobiTV[77] and Sirius Satellite Radio[78] and utilizing the wireless companies' own high-speed networks. Other companies such as Verizon, which broadcasts video programming through its own VCast network, have also developed their own applications to utilize technological advances.[79] Mergers are also a factor in the wireless competitive market. Cingular, the largest wireless provider in the U.S. with more than 54 million subscribers, will soon be taking a new name.[80] The merging of BellSouth and AT&T, currently joint owners of Cingular, will officially brand the service as AT&T Wireless. The companies believe that the merger will allow for more effective marketing and service provisions. [81]

Convergence of television, computers, and wireless devices is not the only way to offer a total media package. Many companies are bundling their wireless services with traditional voice, Internet, and video services. The three largest ILECs serving Florida consumers, BellSouth,[82] Embarq,[83] and Verizon,[84] all currently offer self-provisioned traditional voice, Internet service, and wireless service paired with video service from companies such as Dish and DIRECTV satellite video service. Bundling traditional services with wireless services may be one way to encourage the use of both services in complementary ways rather than substituting one for another.

## B. VoIP

Market share data for these companies are limited because many of these companies are not certificated by the FPSC and VoIP is an unregulated service in Florida. The following market analysis addresses some nationally available data and some limited Florida-specific data. In addition, the analysis addresses cable providers separately from over-the-top providers such as Lingo and Packet8.

### 1. National Market Analysis

Recent research by TeleGeography, a market research and consulting company specializing in the communications industry, estimates total U.S. VoIP subscribership as high as

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[76] Smartphone. (2006). Wikipedia.com. Retrieved July 25, 2006, from http://en/wikipedia.org/wiki/Smartphone
[77] Jessie Seyfer. (2005, October 1). Television Coming to Cell Phones. *Mercury News.* Retrieved July 25, 2006, from http://www.newswatch.in/?p=1851
[78] Dawn Kawamoto. (2005, June 14). Sprint Gets Sirius About Music. *News.com.* Retrieved July 25, 2006, from http://news.com.com/Sprint+gets+Sirius+about+music/2100-1037_3-5746113.html
[79] Jessie Seyfer. (2005, October 1). Television Coming to Cell Phones. *Mercury News.* Retrieved July 25, 2006, from http://www.newswatch.in/?p=1851
[80] Tom Van Riper. (2006, June 6). Ma Bell's Coming Back. *Forbes.com.* Retrieved June 6, 2006, from http://www.forbes.com/2006/06/05/att-cingular-brand-cx_tvr_0606cingular_print.html
[81] AT&T, BellSouth to Merge. (2006, March 5). BellSouth Press Release. Retrieved on July 12, 2006, from http://bellsouth.mediaroom.com/index.php?s=press_release&item=2827&printable
[82] BellSouth Home Page. (2006). Retrieved July 28, 2006, from http://bellsouth.com/
[83] Products and Services: Entertainment. (2006). Retrieved July 28, 2006, from http://embarq.com/residential/entertainment/index.html
[84] TV That's Worth Watching. (2006). Retrieved July 28, 2006, from http://www22.verizon.com/Foryourhome/sas/sas_TVEnter_Bridge.aspx

6.9 million in the U.S. through the 2Q 2006.[85] The report combines so called over-the-top providers with facilities-based providers, such as cable companies. TeleGeography research estimates a 153% annual increase in VoIP subscribers from June 2005 through June 2006. The study cites the following four companies as the leaders in VoIP subscribership:

- Vonage Holding Corporation 1.8 million subscribers
- Time Warner Cable 1.6 million subscribers
- Cablevision Systems Corp. 987, 500 subscribers
- Comcast Corp. 721,000 subscribers[86]

### *a. Over-the-top VoIP*

Telephia, a San Francisco-based market research and performance management company, estimated that over-the-top VoIP subscribership had increased to 2.9 million in the U.S. in 2Q 2006.[87] The estimate excluded cable providers that typically do not market their service as VoIP and also excluded providers offering free or pay-per-call services (e.g., Skype). Telephia lists the following providers in order of their estimated U.S. market share:

- Vonage 53.9%
- Verizon VoiceWing 5.5%
- AT&T CallVantage (SBC) 5.5%
- SunRocket 4.0%
- Lingo 2.6%

### *b. Cable VoIP*

In-Stat, another market research company, estimates that U.S. VoIP-based cable telephony subscribership will reach 4.4 million by the end of 2006.[88] The largest U.S. cable operators recently reported strong gains in VoIP subscribers:

- Comcast Corporation added 307,000 VoIP customers in 2Q 2006.[89] VoIP service is now offered to 60% of Comcast's national coverage area, with 80% availability estimated by the end of 2006.

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[85] Robert Poe. (2006, February 28). Time Warner Cable Again Leads U.S. VoIP Explosion. VoIP-Magazine.com. Retrieved August 15, 2006, from http://www.voip-magazine.com/content/view/2084 (user registration required).
[86] Ibid.
[87] Telephia Reports 4.1 Percent of Online U.S. Households Subscribe to a VoIP Telephone Service, Up from 3.1 Percent in Q1 2006. (2006, July 21). Telephia Press Release. Retrieved August 30, 2006 from http://telephia.com/documents/VoIP_Press_Release_Top_Providers_v9_FINAL_7_20_06.pdf
[88] Cable Telephony Service Revenues to Hit $10 Billion by 2009. (2006, February 8) In-Stat Press Release. Retrieved August 30, 2006 from http://www.instat.com/press.asp?ID=1580&sku=IN0502142MB

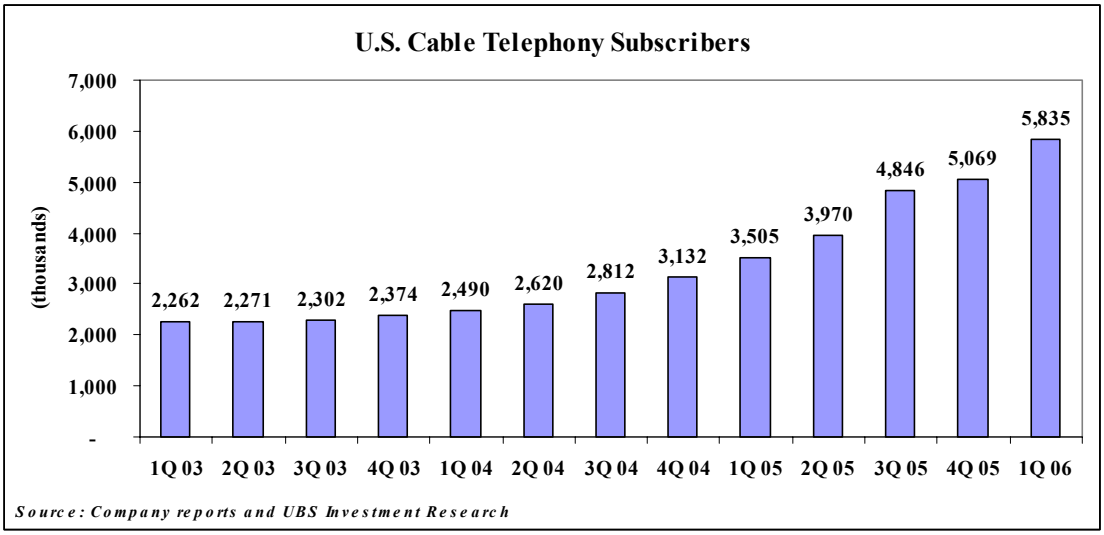
- Time Warner added 234,000 VoIP subscribers nationally in 2Q 2006 for a total of 1.6 million phone customers.[90]

- Charter Communications added 65,500 VoIP subscribers in 2Q 2006 for a total of 257,600 phone customers.[91]

- Cablevision Systems Corp., which does not have subscribers in Florida, is the second largest cable VoIP provider in the nation with an estimated one million subscribers.

Figure 20 represents the increasing subscriber additions for cable VoIP providers throughout the U.S. as reported by UBS Investment Research. Figure 20 includes cable VoIP subscribers as well as the circuit-switched telephony subscribers obtained by cable companies before VoIP service was implemented. The cable telephony subscriber totals are therefore higher than other VoIP-specific estimates contained herein. UBS reports that cable accounted for 75% of the overall VoIP market in the 1Q 2006, while independent VoIP providers accounted for the remainder.[92]

**Figure 20**




The estimates of TeleGeography, Telephia, and In-Stat seem to be reasonably close. TeleGeography's estimated total IP-based U.S. market of 6.9 million, net of Telephia's estimated total of 2.9 million over-the-top subscribers, results in a nationwide estimate of approximately 4 million cable VoIP subscribers as of 2Q 2006. That estimate is consistent with In-Stat's projected cable VoIP market of 4.4 million subscribers at year end 2006 and perhaps underestimates potential growth rates in light of the actual growth indicated by the large cable

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[89] Comcast Reports Second Quarter 2006 Results. (2006, July 27). Comcast Corporation 2Q 2006 Earnings Release. Retrieved August 22, 2006, from http://phx.corporate-ir.net/phoenix.zhtml?c=118591&p=irol-newsArticle&ID=888266&highlight=

[90] Time Warner Inc. Reports Second Quarter 2006 Results. (2006, August 2). Time Warner Inc. 2Q 2006 Earnings Release. Retrieved August 22, 2006, from http://ir.timewarner.com/downloads/2Q06release080206.pdf

[91] Charter Reports Second-Quarter 2006 Financial and Operating Results. (2006, August 8). Retrieved August 22, 2006, from http://phx.corporate-ir.net/phoenix.zhtml?c=112298&p=irol-newsArticle&ID=893335&highlight=

[92] Aryeh B. Bourkoff and John C. Hodulik. (2006, May 24). 1Q06 HSD/VoIP Review & Outlook: Broadband Picking up the Pace. UBS Investment Research, Telecommunications and Cable Services. Table 7.

VoIP providers for 1Q and 2Q 2006. Regardless of the relative reliability of the estimated national values, both segments of the VoIP market are clearly making substantial gains.

### 2. Florida Market

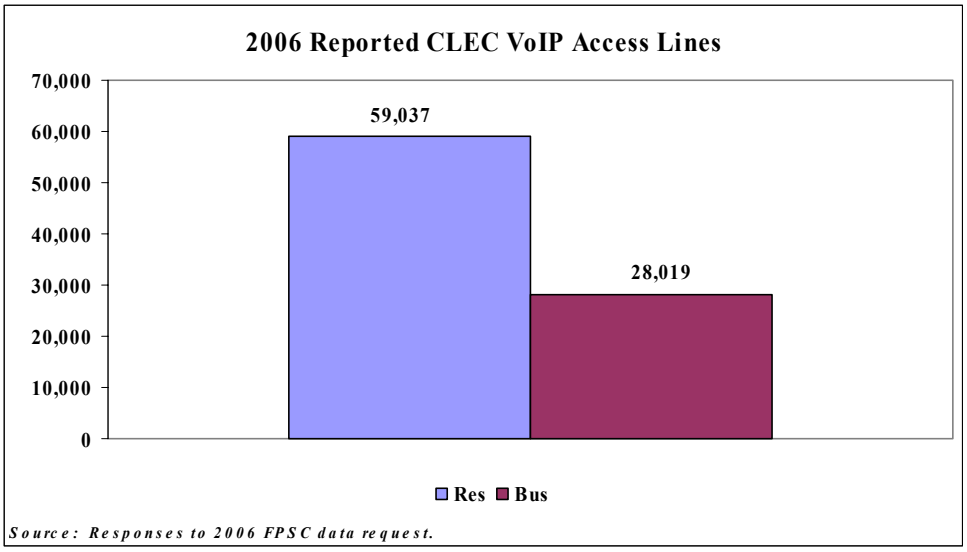
#### *a. Over-the-top*

Over-the-top providers, such as Vonage, SunRocket and Lingo, are not certificated providers in Florida and have not historically received the data request. In addition, several certificated VoIP providers in Florida have refused to divulge the requested information based on the FPSC's lack of jurisdiction over VoIP-based service. The Commission did contact Vonage regarding their Florida subscribership since they are reported to be the largest over-the-top VoIP provider. Vonage graciously responded to the request reporting 148,936 subscribers with Florida billing addresses as of September 1, 2006. By applying Telephia's national over-the-top market share for Vonage of 53.9% to the number of Florida subscribers for Vonage results in an estimated 275,000 over-the-top VoIP subscribers in Florida.

#### *b. Cable and CLEC providers*

In response to the 2006 FPSC Competition Report Data Request, 32 certificated CLECs and no ILECs reported VoIP line counts to the FPSC. Figure 21 displays CLEC VoIP lines for residential and business customers for the state. These lines represent only those providers that responded to and completed the request for subscriber data.

**Figure 21**




Other CLECs and two ILECs that offer VoIP, or whose affiliates offer VoIP but did not report access line counts, responded in the following manner to the data request:

- Bright House Network Information Services LLC, reported that its "intent . . . is the transport of its affiliate, Bright House Networks, LLC's, VoIP service."[93] Bright House Networks, LLC is not a certificated CLEC; however, according to a May 2006 press release, Bright House Networks has 225,000 Florida subscribers that use its VoIP service, Digital Phone.[94]

- FDN stated that it offers VoIP services to residential and business end users. FDN did not include the number of lines because "VoIP is a nonregulated service; therefore FDN respectfully declines to submit the requested information."[95]

- BellSouth (ILEC) indicated in its response that it does not provide VoIP service. According to BellSouth's Web site, however, BellSouth Long Distance offers VoIP through its BellSouth Digital Phone Service.[96]

- Verizon (ILEC), in its response to the Commission ILEC data request, stated that "VoIP service (VoiceWing) is provided by an affiliate, Verizon Long Distance."[97]

The 87,056 VoIP lines reported to the FPSC in response to its 2006 data request represent only a fraction of the lines being served in Florida via VoIP. We can estimate through publicly available information and responses to the 2006 FPSC data request that there are approximately 300,000 VoIP subscribers served by cable providers and other certificated CLECs. This number is likely to be higher because several CLEC providers refused to provide VoIP information to the Commission.

Between the 300,000 estimated cable and CLEC VoIP subscribers and the estimated 275,000 over-the-top VoIP subscribers in Florida, it seems likely that there are more than 575,000 total VoIP subscribers in Florida. Some portions of those subscribers are also likely to have substituted this type of service for traditional wireline service.

## C. BROADBAND

Broadband Internet service and related applications continue to become more integral to American life. Broadband coverage is expanding, with publicly reporting DSL carriers in Florida showing 85% or higher availability levels.[98] Download speeds are increasing on an incremental basis in most areas and at a faster pace in areas with intense competition. Internet content and applications are rapidly adapting to the capabilities of broadband, as evidenced by the proliferation of mainstream and personalized video offerings. All signs continue to point to a broadband market still in the growth phase.

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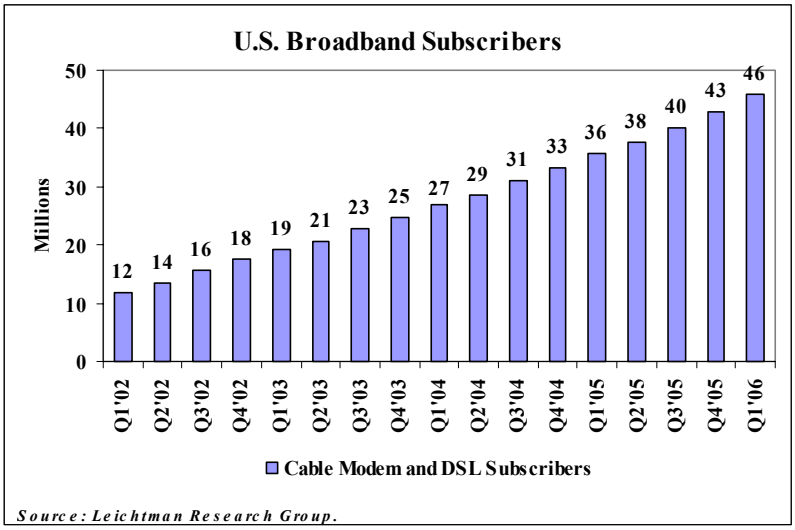
[93] Bright House Network Information Services, LLC (Florida)'s response to the FPSC's 2006 CLEC questionnaire, page 1.
[94] More Than 225,000 Florida Families Switch to Bright House Networks Digital Phone. (2006, May 2). Bright House Press Release. Retrieved August 14, 2006, from http://www.mybrighthouse.com/about_us/press_releases/pr1.aspx
[95] FDN's response to the 2006 CLEC questionnaire, page 3 and Table 3.
[96] Ask BellSouth: What BellSouth Consumer and Small Business VoIP services are currently available? (2006). Retrieved August 22, 2006, from http://faq.bellsouth.com/bellsouth/index?page=show_faq&id=001dec8701031as251bf0078fa
[97] Verizon's response to the 2006 ILEC data request, questionnaire, page 2.
[98] Company data provided in response to FPSC data request. BellSouth response #7, July 14, 2006. Embarq response #7, July 17, 2006. GT Com response #7, July 14, 2006. ITS Telecom response #7, July 11, 2006. Smart City response # 7, July 12, 2006.

## 1. Nationwide Trends in the Broadband Market

The broadband expansion continues at a remarkably steady pace. By 1Q 2006, there were approximately 46 million cable modem and DSL subscribers in the United States, as shown in Figure 22.[99] Ten million broadband subscribers were added from 1Q 2005 to 1Q 2006, a record increase for a 12 month time frame.

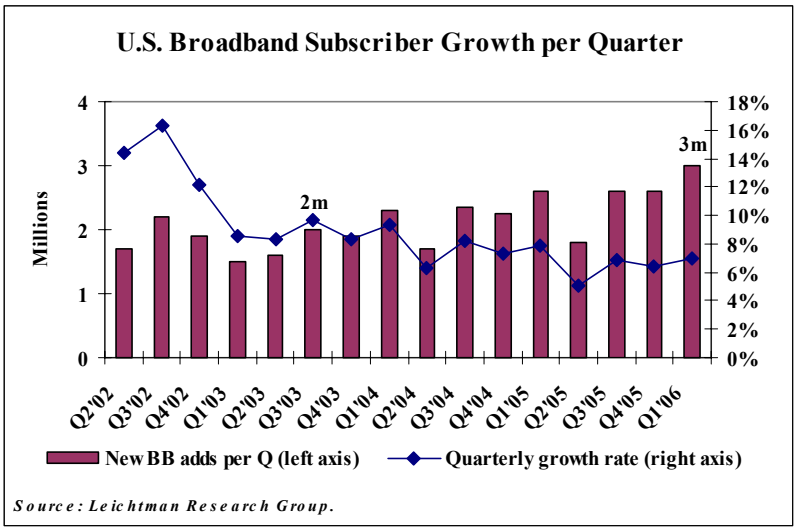
**Figure 22**




The record quarterly subscriber increases create a consistent growth rate for the broadband market. As seen in Figure 23, the United States broadband subscriber base has achieved quarterly growth rates in the 6-8% range for the past two years, substantially outpacing earlier estimates of a slowdown. In the 1Q 2006, new broadband subscribers per quarter reached the three million mark for the first time.

[99] Bruce Leichtman. (2006, May 15). Over 3 Million Add Broadband in the First Quarter of 2006. Leichtman Research Group Press Release. Retrieved July 13, 2006, from http://www.leichtmanresearch.com/press/051506release.html

**Figure 23**




While national broadband deployment and adoption continues to advance, it is important to take a specific look at the status of broadband deployment in rural areas. Rural communities face additional challenges in obtaining broadband services due to lower population densities, greater coverage areas, technological limitations, and fewer competitors than more heavily populated regions. While rural broadband availability and adoption rates trail national averages, continual advancement is seen in rural areas.

An overview of rural broadband advancements and challenges is available from recent reports detailing the status of rural telecommunications providers. The National Exchange Carriers Association (NECA) recently reported on the progress of the 1,120 rural telephone companies that participate in its Traffic Sensitive pool. The rural nature of these companies is illustrated by the fact that they provide service to less than 4% of U.S. access lines while covering almost 40% of the U.S. land mass.[100] The number of companies offering DSL advanced from 151 in 1999 to 1,044 in 2006, and the number of DSL lines over this same period advanced from 20,000 to 630,000.[101] While such growth is encouraging, the challenge remains to expand broadband service to the full 6.6 million access lines covered by these rural companies.[102]

The National Telecommunications Cooperative Association (NTCA) consists of approximately 570 local exchange carriers that provide service in primarily rural areas.[103] NTCA conducts an annual survey to determine the broadband deployment rates of its member companies. Of survey respondents, 100% reported providing broadband service to some part of their customer base, up from 58% in 2000.[104] While all respondents reported providing broadband service, the report did not detail the extent to which broadband service was available

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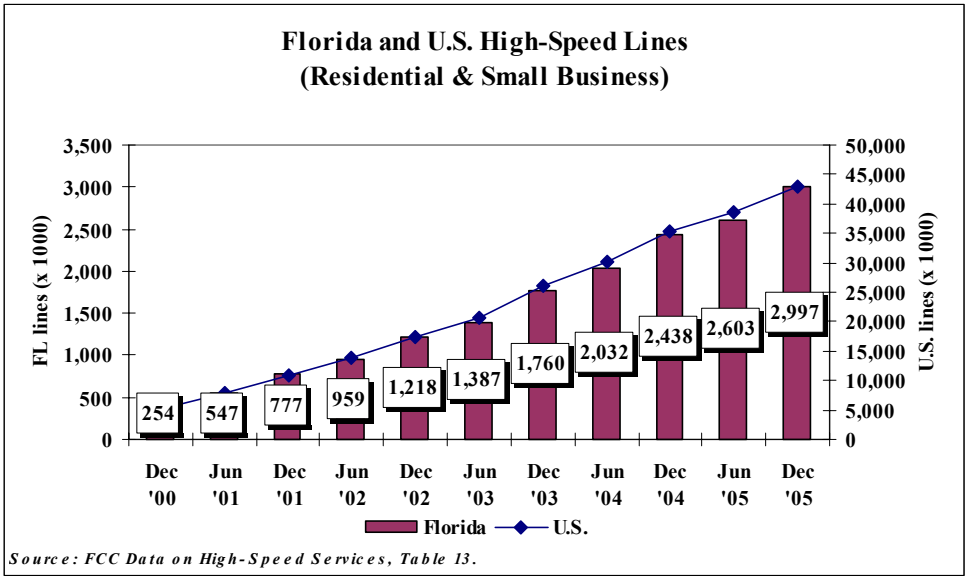
[100] NECA Technology Planning and Implementation Group. (2006, September 18). Trends 2006 Making Progress with Broadband. NECA. p.7. Retrieved September 25, 2006, from http://www.neca.org/media/trends_brochure_website.pdf
[101] Ibid. p. 20.
[102] Ibid. p. 15.
[103] Rick Schadelbauer and Scott Reiter. (2006, August). 2006 Broadband/Internet Availability Survey Report. NTCA. p.5. Retrieved September 25, 2006, from http://www.ntca.org/content_documents/2006%20NTCA%20Broadband%20Survey%20Report.pdf
[104] Ibid. p. 3.

within each serving area. It was noted that the consumer adoption rate of broadband service was low among customers in areas with broadband availability. For instance, 19% of customers adopted 56 kbps dial-up service, 15% adopted 200-500 kbps broadband service, and only 6% adopted 1 Mbps broadband service.[105] One factor for the low adoption rates may actually have positive implications for consumers. Competition among broadband providers is growing in these rural areas. The typical NTCA company reported competition from three national ISPs (dial-up), two electric utilities, and one cable company.[106]

### 2. The Florida Broadband Market

The most recent FCC broadband report, High Speed Services for Internet Access, shows that the number of residential and small business high-speed data lines in Florida grew by 23% over the 12 months ending December 31, 2005.[107] This growth slightly exceeded the overall U.S. growth rate of 22%. Florida has accounted for approximately 7% of all U.S. broadband lines in each of the past four years. According to the FCC's results as of December 31, 2005, Florida moved up to third nationally in terms of states with the most residential and small business high-speed lines. Florida's line count was lower only than those of California and New York, and slightly higher than that of Texas. The FCC statistics in Figure 24 show that Florida's broadband line count reached approximately 3 million as of December 31, 2005, up from 2.4 million the prior year.

**Figure 24**




The overall base of Internet subscribers is growing much more slowly than the subset of broadband Internet subscribers, as shown clearly in the monthly consumer surveys conducted on

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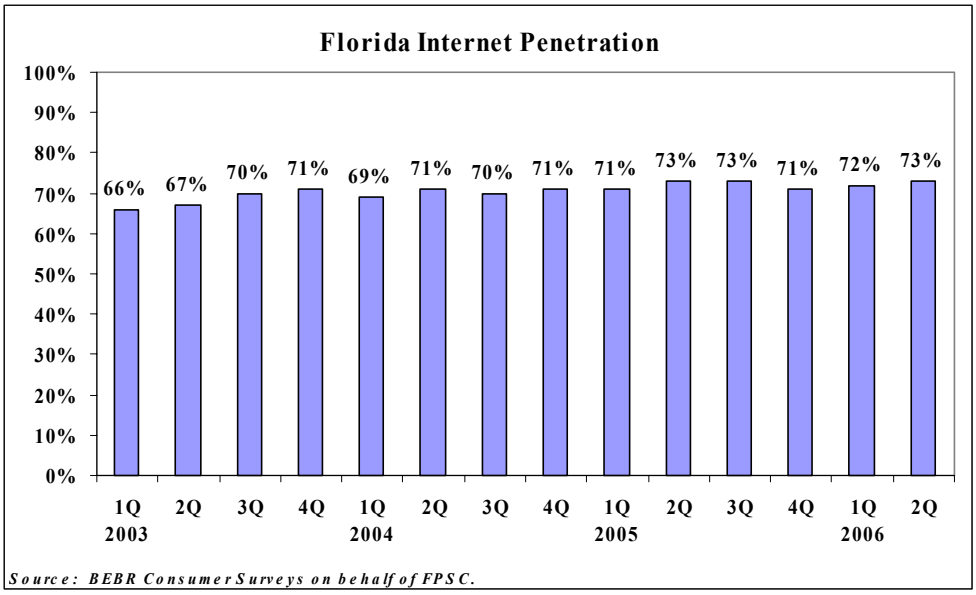
[105] Ibid. p. 8.
[106] Ibid. p. 9.
[107] High Speed Services for Internet Access: Status as of December 31, 2005. (2006, July). FCC. Table 13. Retrieved September 20, 2006, from http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-266596A1.pdf Growth rates are based on comparisons with previous year data: FCC. (2005, July). High Speed Services for Internet Access: Status as of December 31, 2004. Table 11. Retrieved September 20, 2006, from http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/hspd0705.pdf

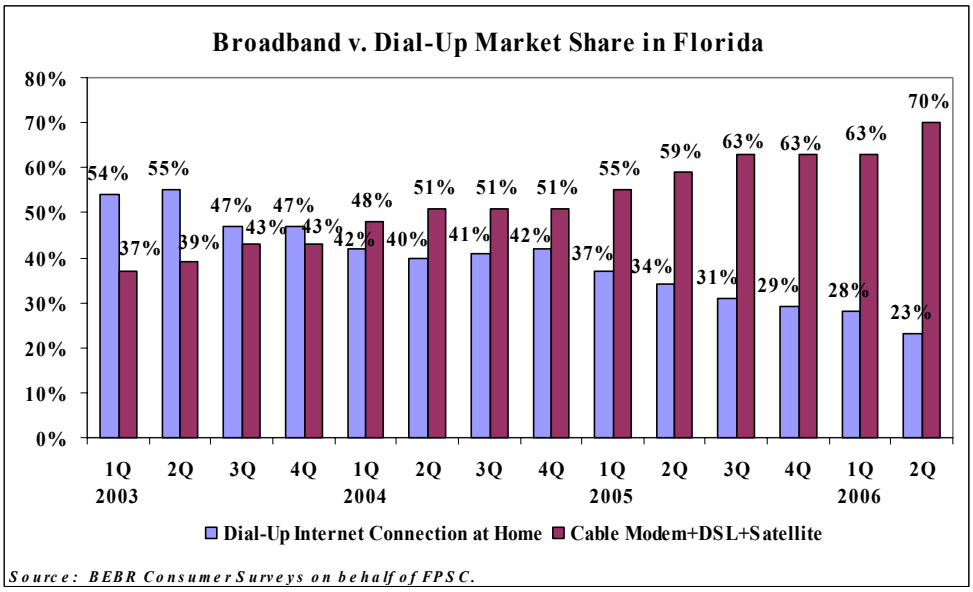
behalf of the FPSC by the Bureau of Economic and Business Research at the University of Florida. Figure 25 shows that Internet penetration of Florida households seems to have leveled off at 71-73% for the last seven quarters.

**Figure 25**




The recent stability shown in the Internet penetration rate belies the rapid shift from dial-up to broadband taking place in Florida and nationwide. Internet subscribers utilizing dial-up connections are continuing to switch over to broadband in high volumes. The consumer survey results presented in Figure 26 show just how dramatically this transition is occurring. As of the 2Q 2006, approximately 70% of Florida Internet subscribers had adopted broadband access, while 23% used dial-up services. This trend contrasts with dial-up being the predominant method of access as recently as 4Q 2003.

**Figure 26**




Broadband availability is also increasing. This increase is confirmed by FCC statistics which show that high-speed DSL connections were available to 78% of the households within ILEC service territories and that high-speed cable modem service was available to 93% of the households within cable system service territories nationwide.[108] The corresponding Florida statistics were higher, with 86% DSL availability and 97% cable modem availability. Only one state, New Jersey, had a higher percentage of DSL availability within ILEC service territories with 88% DSL coverage.

More recent DSL availability levels have been provided by Florida's ILECs for the period ending May 31, 2006. According to company filings, ILEC broadband service is available to the following percentage of residential households: BellSouth 89%, Embarq 85%, GT Com 90%, ITS Telecom 96%, and Smart City 100%. Windstream, Frontier, Northeast Florida Telephone Company (NEFCOM), TDS, and Verizon filed their broadband availability data confidentially.

### 3. Emerging Broadband Technologies

Progress continues in the development of new broadband technologies, which are seeking to challenge the dominant position of cable modem and DSL services. While market share of the broadband market remains small for these emerging technologies, technological and competitive advancements may lead to continued development of alternative markets and applications.

#### *a. Wireless Broadband*

The rate of technological development for wireless devices and applications remains robust. The flexibility of wireless access seems to be a key demand driver as wireless broadband

[108] High Speed Services for Internet Access: Status as of December 31, 2005. (2006, July). FCC. Table 14. Retrieved September 20, 2006, from http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-266596A1.pdf

access becomes increasingly useful for many segments of the population. Whether it is 3G wireless for mobile professionals, Wi-Fi access for students, or fixed wireless and satellite for alternative broadband links to the home, the wireless broadband segment seems to be addressing new ways of accessing Internet applications and information. While wireless broadband is a convenient alternative for many, availability of such services is typically more limited than traditional broadband methods, and pricing is generally higher.

### i. 3G Wireless

3G wireless service combines the functionality of broadband access with the widespread coverage of participating mobile phone networks. A 3G-enabled mobile telephone or laptop can access the Internet at broadband speeds while customers travel within the broadband coverage area of their mobile provider.

Sprint Nextel and Verizon Wireless each use the wireless broadband standard known as EVDO (Evolution Data Optimized), which provides downloads of approximately 500 kilobits per second (kbps). Sprint Nextel and Verizon each provide EVDO service over an area covering approximately one-half the U.S. population, with service more prevalent in densely populated urban areas. Verizon Wireless lists 3G availability in the following Florida cities: Clearwater, Coral Springs, Fort Lauderdale, Hialeah, Hollywood, Jacksonville, Miami, Miramar, Orlando, Pembroke Pines, Port St. Lucie, St. Petersburg, Tallahassee, and Tampa.[109] In September 2006, Verizon Wireless announced an expansion of 3G availability to Naples, Bradenton, Lakeland, and Saint Augustine.[110]

In August, Sprint Nextel announced an accelerated transition to the next generation of EVDO service known as Revolution A.[111] The transition to Revolution A would result in an increase in download speeds to the range of 450-800 kbps and an increase in upload speeds to the range of 300-400 kbps.

Cingular also provides a 3G network, with wireless broadband downloads in the range of 400-700 kbps.[112] Service is currently available in 15 states and Washington D.C., but not available in Florida markets at this time.[113]

### ii. Wi-Fi

Wi-Fi Internet access has typically developed as a wireless extension of a wireline broadband connection. Broadband subscribers extend cable modem or DSL access throughout the home using Wi-Fi routers. Locations as varied as airports, universities, coffee shops, and city parks provide free or fee-based Internet access through Wi-Fi zones known as hotspots.

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[109] Broadband Access Coverage Area. Retrieved August 8, 2006 from http://www.verizonwireless.com/b2c/mobileoptions/broadband/coverageearea.jsp

[110] Chuck Hamby. (2006, September 26). Verizon Wireless Expands Broadband Wireless Network Across Florida With Launches in Naples, Bradenton, Lakeland, Saint Augustine. Verizon Wireless Press Release. Retrieved September 26, 2006, from http://news.vzw.com/news/2006/09/pr2006-09-26b.html

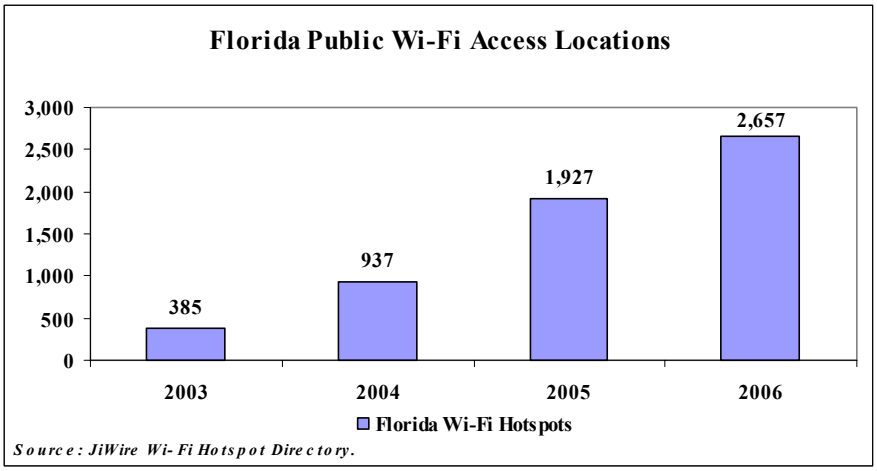
[111] Scott Sloat. (2006, August 3). Sprint Accelerates EVDO Revision A Mobile Broadband Upgrade. Sprint Press Release. Retrieved August 8, 2006, from http://www2.sprint.com/mr/news

[112] Marguerite Reardon. (2005, December 6). Cingular Launches 3G Network. CNET News.com. Retrieved August 7, 2006, from http://news.com.com/Cingular+launches+3G+network/2100-1039_3-5984005.html

[113] BroadbandConnect Coverage. (2006). Retrieved August 8, 2006, from http://www.cingular.com/business/3G_cov_maps_pop

The number of Wi-Fi access points, or hotspots, continues to grow steadily. The total number of U.S. hotspots now exceeds 40,000.[114] In Florida, the number of Wi-Fi hotspots has grown to more than 2,600, as presented in Figure 27.[115]

**Figure 27**




Another key trend in the Wi-Fi market is the increasing popularity of municipal wireless broadband networks. Cities across the country have expressed interest in providing wireless Internet access to their residents. Business models, technology deployments, and pricing details vary widely. An important aspect of such municipal networks is that wireless Internet access would be available to a broader user base, providing an alternative to cable modem or DSL broadband services. Broadband downloads are typically slower for municipal wireless projects in comparison with wireline broadband, but pricing is generally more affordable.

Some of the largest municipal wireless projects have been implemented or planned in Tempe, AZ; Philadelphia, PA; Anaheim, CA; and San Francisco, CA. In Florida, Dunedin and St. Cloud have been among the first to implement Wi-Fi networks throughout much of their cities.[116] St. Petersburg is also planning a wireless network and currently reviewing alternative proposals from those bidding to provide the infrastructure.

### iii. Fixed Wireless

The term fixed wireless encompasses a broad array of wireless technologies, but it generally allows for wireless data transmissions from a fixed transmitter to multiple recipients within a diameter of several miles. Download capacity can vary widely, but is typically offered in the range of 1.5 megabits per second (Mbps), which is less than the average wireline broadband services but greater than the more mobile 3G wireless services. Fixed wireless is another option for providers to effectively reach populations that may not have sufficient wireline broadband services. The lines between fixed and mobile wireless are becoming less

[114] Wi-Fi Hotspot Directory. (2006). Retrieved August 8, 2006, from http://www.jiwire.com/hot-spot-directory-browse-by-state.htm?country_id=1&provider_id=0
[115] Ibid.
[116] Carrie Weimar. (2006, April 26). City plans fee-based wireless network. *St. Petersburg Times.* Retrieved August 8, 2006, from http://www.sptimes.com/2006/04/26/news_pf/Southpinellas/City_plans_fee_based_.shtml

defined as new technologies emerge with the transmission characteristics of fixed wireless, but also with increasing abilities to reach portable or fully mobile end-user devices.

WiMAX is an emerging wireless broadband standard that continues to see strong momentum. Sprint Nextel Corp. recently announced that it would invest up to $3 billion in the mobile version of WiMAX technology over the next two years for its next generation wireless broadband network.[117] According to company plans, the service would provide download speeds of two to four Mbps and be available to approximately 100 million consumers within two years.[118]

BellSouth has deployed fixed wireless services using pre-WiMAX technology to serve customers in several cities, including Palatka and DeLand, Florida. The company plans to expand service to additional cities in 3Q 2006, including Melbourne, Florida.[119] BellSouth also announced plans to conduct lab trials of mobile WiMAX equipment in the 3Q 2006.[120]

Clearwire Corporation is providing wireless broadband Internet services in Florida using WiMAX technology. Customers receive service via a wireless modem that plugs in to the computer and allows for 1.5 Mbps downloads and 256 kbps uploads.[121] The wireless modem is portable, allowing customers to have wireless Internet access throughout the home and even as widely as throughout a metropolitan coverage area.[122] Clearwire began operations in Jacksonville, Florida in August 2004, and now provides service in 27 metropolitan areas throughout the U.S., Europe, and Mexico.[123] The company had 88,000 U.S. subscribers as of March 31, 2006.[124] In addition to Jacksonville, Clearwire's wireless broadband is available in Daytona Beach, Florida.

### iv. Satellite

For many consumers in rural areas, satellite is the only means of obtaining broadband Internet service. According to the FCC, the broadband satellite industry represents less than one percent of the 50 million high-speed connections[125] in the United States.[126] This market has, however, seen a 13% increase in high-speed connections from June 2005 to December 2005.[127] 75% of those connections are used to serve residential customers.[128] Yet, broadband service

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[117] John Polivka. (2006, August 8). Sprint Nextel Announces 4G Wireless Broadband Initiative with Intel, Motorola and Samsung. Sprint Nextel Corp. Press Release. Retrieved August 10, 2006, from http://www2.sprint.com/mr/news_dtl.do?id=12960

[118] Amol Sharma and Don Clark. (2006, August 9). Sprint to Spend Up to $3 Billion To Build Network Using WiMax. *Wall Street Journal,* August 9, 2006, p. B2.

[119] Nadine Randall. (2006, June 28). BellSouth Expands Wireless Broadband Service Into Five New Markets. BellSouth Press Release. Retrieved August 9, 2006, from http://bellsouth.mediaroom.com/index.php?s=press_releases&item=2883

[120] Nadine Randall. (2006, June 27). BellSouth Selects Alcatel for WiMAX Trial. BellSouth Press Release. Retrieved June 27, 2006, from http://bellsouth.mediaroom.com/index.php?s=press_releases&item=2882

[121] About Clearwire. (2006). Retrieved August 28, 2006, from http://www.clearwire.com/company/facts.php

[122] The service is portable in that the wireless modem can be used at various locations, but not mobile, which would enable the ability to access the Internet while in transit. Future WiMAX deployments look to incorporate mobility. 3G service offers a current example of mobile broadband technology.

[123] Teresa Fausti-Blatt. (2006, July 5). Clearwire Secures $900M in Financing Round Led by Intel Capital and Announces the Sale of NextNet Wireless to Motorola. Clearwire Press Release. Retrieved August 28, 2006, from http://www.clearwire.com/company/news/07_05_06.php

[124] About Clearwire. (2006). Retrieved August 28, 2006 from http://www.clearwire.com/company/facts.php

[125] The FCC defines "High-Speed Services" as those connections capable of providing over 200 kbps in at least one direction.

[126] High-Speed Services for Internet Access: Status as of December 31, 2005. (2006, July). FCC. Retrieved September 20, 2006, from http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-266596A1.pdf

[127] Ibid. Page 6, Table 1.

[128] Ibid. Page 6, Tables 1 and 3.

providers desiring to supply Internet service via satellite continue to struggle. Specifically, the high cost and complexity of such service, combined with download and upload speeds slower than those of landline broadband providers, create a difficult business model for satellite broadband providers. In terms of theoretical peak performance, both cable modem service and DSL run faster than satellite broadband services.

Three broadband satellite companies predominantly provide residential service in the United States. One of the earliest providers of satellite broadband was DIRECWAY, a joint venture between Hughes Communications and the DIRECTV Group. In January 2006, Hughes Communications completed the purchase of the remaining 50% of Hughes Network Systems from the DIRECTV Group. In March 2006, the DIRECWAY brand name was replaced with the HughesNet brand name.[129] HughesNet is capable of download speeds up to one Mbps and upload speeds up to 200 kbps.[130]

StarBand provides two-way satellite Internet service throughout the United States, Canada, Puerto Rico, the U.S. Virgin Islands, and several Caribbean and Central American countries. StarBand was founded in 2000 and was merged into the operations of Spacenet Inc in 2005. StarBand is capable of download speeds up to one Mbps and upload speeds up to 256 kbps.[131]

The newest satellite broadband provider is WildBlue Communications which announced the launch of broadband Internet services via satellite in June 2005.[132] This June, WildBlue Communications announced that it has signed five-year wholesale distribution agreements with DIRECTV and EchoStar Communications. As part of these agreements, WildBlue is the only satellite-based Internet solution that DIRECTV and EchoStar will offer to their respective customers for the next five years. DIRECTV and EchoStar currently offer digital television entertainment via satellite to a combined total of more than 27 million customers nationwide.[133] WildBlue is capable of download speeds up to 1.5 Mbps and upload speeds up to 256 kbps.[134] By way of comparison, cable technology supports approximately 30 Mbps of bandwidth, whereas most forms of DSL cannot reach ten Mbps.[135]

### *b. Fiber*

Fiber deployment is increasing throughout the United States and Florida. The increased demand for high bandwidth broadband applications and the trend toward bundling of multiple services are key drivers in the increased usage of fiber networks.

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[129] HughesNET: Frequently Asked Questions. Retrieved August 7, 2006 from http://www.elitesat.com/faq/

[130] HughesNET: Frequently Asked Questions. Retrieved August 7, 2006 from http://go.gethughesnet.com/HUGHES/Rooms/DisplayPages/LayoutInitial?Container=com.webridge.entity.Entity%5BOID%5BA88DE5C756665B4FA1951234C6C9B659%5D%5D

[131] StarBand: Services. Retrieved September 27, 2006, from http://www.starband.com/services/

[132] WildBlue Announces Service to Roll Out the First Week of June. (2005, May 19). WildBlue Press Release. Retrieved August 7, 2006 from http://www.wildblue.com/company/pressReleases.jsp

[133] WildBlue Signs Wholesale Distribution Agreement with DirecTV and EchoStar. (2006, June 9). WildBlue Press Release. Retrieved August 7, 2006, from http://www.wildblue.com/company/doPressReleaseDetailsAction.do?pressReleaseID=31

[134] WildBlue Questions and Answers. Retrieved August 7, 2006 from http://www.wildblue.com/aboutWildblue/qaa.jsp#1_9

[135] About: Computing and Technology. DSL vs Cable - Broadband Internet Speed Comparison. (2006). Retrieved September 8, 2006, from http://compnetworking.about.com/od/dslvscablemodem/a/speedcompare.htm

Verizon's fiber-to-the-premises (FTTP) network connects fiber optic lines directly to the home or business, replacing the traditional last mile copper connections. Verizon refers to its fiber network to the customer premises as FiOS. In Florida, FiOS is completed or under construction in 26 out of 98 Verizon wire centers.[136] Of these FiOS wire centers, 11 also have FiOS TV available.[137]

BellSouth is deploying fiber-to-the-curb (FTTC), extending the fiber network to optical network units (ONU) located within a neighborhood.[138] Each ONU typically serves 8-12 homes. The remaining loop from the ONU to the home is a traditional copper line, which may be as long as 500 feet but averages a length of 200 feet. The relatively short copper loop allows for higher bandwidth forms of DSL, a situation which BellSouth believes will allow for future high-speed applications such as video.

BellSouth reported approximately 372,000 residential Florida subscribers with FTTC-based broadband service in 2006.[139] This number represents approximately 39% of all BellSouth Florida broadband lines in service.

### *c. Broadband Over Power Lines*

Broadband over Power Lines (BPL) is a last mile technology that takes advantage of medium and low voltage line capacities to deliver broadband Internet connectivity over electric power lines. Part of BPL's appeal is its potential to bring broadband services to underserved rural areas. In areas where other broadband types are more widely available, proponents of the technology believe that BPL will bring about more competition in the broadband market and could lead to lower prices.

Several utilities that offer electric service in Florida have been involved in BPL trials or offerings. Progress Energy[140] and Southern Company[141] have concluded BPL trials outside of Florida. Within Florida, Florida Power & Light[142] and the West Florida Electric Cooperative successfully completed separate trials of BPL.[143] JEA also has limited deployment of BPL in the Springfield community of Jacksonville. JEA partnered with Nemours Children's Clinic to deliver pediatric remote home monitoring services over BPL for children who have asthma. The JEA grant project was scheduled to start in October 2004 and end in December 2006.[144] Delays

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[136] Verizon's response to the FPSC's 2006 ILEC data request questionnaire, page 3. The wire centers included are: University (New Tampa), Wesley Chapel, Keystone, Brandon, Carrollwood, Alafia, Beach Park, Siesta Key, Wallcraft, Temple Terrace, Lutz, Oldsmar, Hyde Park, Sarasota Northside, Sarasota Southside, St. Armands, Sarasota Springs, Bradenton Bay, Bradenton, Seven Springs, Tarpon Springs, St. George, Land O' Lakes, Sulphur Springs, Tampa East, and Seminole Heights.

[137] Verizon's response to the FPSC's 2006 ILEC data request questionnaire, page 3. Wire centers with FiOS TV availability: Temple Terrace, University, Wesley Chapel, Keystone, Brandon, Carrollwood, Alafia, Beach Park, Wallcraft, Hyde Park, and the Manatee county portion of Sarasota Northside, and Bradenton Bay.

[138] BellSouth Community Technologies. (2006). Refer to the link entitled, "Click to see a diagram of our proven and reliable Deep Fiber network." Retrieved August 10, 2006, from http://contact.bellsouth.com/bct/newconstruction.asp#

[139] BellSouth's response to the FPSC's 2006 ILEC data request questionnaire, page 3.

[140] North Carolina Utility Ending BPL Field Trial. (2004, August 6). The National Association for Amateur Radio. Retrieved July 26, 2006, from http://www.arrl.org/news/stories/2004/08/06/2/?nc=1

[141] Southern Telecom and Main.net Announce Successful Demonstration of Broadband Over Power Lines. (2003, December). Southern Company Press Release. Retrieved July 25, 2006, from http://www.powerline-plc.com/newsreleases/SouthernTelecom.pdf

[142] Kristi Swartz. (2005, February 28). Power lines may be next connection to Internet. *Palm Beach Post.* Retrieved July 25, 2006, from http://www.newmillenniumresearch.org/news/palmbeachpost022805.pdf

[143] Powerline Telco completes NRECA BPL trial. (2006, April 4). *BPL Today*. Retrieved July 25, 2006, from http://www.powerlinetelco.net/bp060404.pdf

[144] Technology Opportunities Program: Program Grant Information. (2004, October 1). Retrieved July 25, 2006, from

in constructing the network, however, have hampered the project. According to JEA personnel, the project is rescheduled to end in December 2007.[145]

Prior to JEA's BPL deployment, JEA was studying the feasibility of using BPL as an additional tool for managing its infrastructure. However, the company stated that the desire to become a BPL provider would likely be driven by demand for broadband services by its customers.[146] Specific examples of how BPL could aid in managing an electric utility include automatic meter reading, voltage control, supervisory control and data acquisition, equipment monitoring, energy management, remote connect and disconnect, power outage notification, and collecting detailed power usage information (such as time-of-day power demand).

While BPL has potential as a third wired broadband network to the home, cable modem and DSL still lead the market in terms of deployment and number of subscribers. Currently, Florida companies have not elected to provide broadband services commercially. This hesitation may suggest an unwillingness of a traditionally risk averse industry to accept the risk of a competitive business venture, such as broadband service, rather than any insurmountable technical constraints. In addition, the broadband market may be priced at levels that BPL providers cannot currently match.

#### *d. Broadband in Natural Gas Pipeline*

Currently under development is a technology that would utilize ultra wideband (UWB) wireless signals to transmit data through natural gas pipelines. This technology is being developed by Nethercomm, a California-based company.[147] According to Nethercomm, the company will be able to offer 100 Mbps service to every home that is served by a natural gas pipeline upgraded with ultra wideband technology.[148] Placing the wireless signals within a natural gas pipeline eliminates the common broadband problem of sharing the spectrum because the pipeline is in an isolated environment. A report by West Technology Research Solutions noted that this technology could provide voice, video, and data services to 18 million households by 2010.[149] The report also notes that natural-gas lines reach more than 70% of residences and more than 35% of business in the U.S. The cost to deploy such a network is comparable to DSL technology, according to the report; however, no field tests have been conducted using this technology.

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http://ntiaotiant2.ntia.doc.gov/top/awards/details.cfm?oeam=126004001

[145] Telephone interview with Sabina Price-Jones, Jacksonville Electric Authority Project Manager for Broadband over Power Line. August 28, 2006.

[146] Tony Quesada. (2004, September 17). JEA exploring broadband over power line technology. *The Business Journal of Jacksonville*. Retrieved July 25, 2006, from http://www.bizjournals.com/industries/high_tech/internet/2004/09/20/jacksonville_story4.html

[147] Kelvin T. Erickson, et. al. (2005, March 14). Pipelines as Communication Network Links. Proof-of-Principle. University of Missouri-Rolla. Retrieved August 22, 2006, from http://www.nethercomm.com/proof.pdf

[148] Ultra Wideband Technology. Retrieved August 22, 2006, from http://www.nethercomm.com/uwb.pdf

[149] Lynn Stanton. ( 2005, November 7). 18M Homes to Receive Broadband Over Gas Lines by 2010, Report Says. *TR Daily*. Retrieved August 22, 2006, from http://www.tr.com/tronline/trd/2005/td110705/td110705-02.htm

# CHAPTER V: DISCUSSION OF CHAPTER 364, F.S., REQUIREMENTS

## A. INTRODUCTION

Section 364.386(1), Florida Statutes, requires the Commission to address six points in its evaluation of the status of local wireline telecommunications competition in Florida. The FPSC sent data requests to all CLECs and ILECs certificated as of May 31, 2006, designed to address these and other points. The CLEC data request consisted of three parts. The first part was a questionnaire designed to obtain information including the types of service offered, the CLECs' opinions about industry mergers, the amount of money invested during 2005 in networks that directly serve Florida's local service customers, some other quantitative data, and any other comments. The second part was a checklist where each CLEC providing service was asked to mark, by exchange, where it was providing residential or business service. The third part was a series of data tables to be completed by facilities-based CLECs. Local platform and resale information was provided by the ILECs in an effort to reduce the CLECs' reporting burden. This chapter addresses the statutory questions and summarizes the feedback provided by CLECs and ILECs in response to the qualitative questions.

A 1997 amendment to Section 364.161(4), Florida Statutes, mandates that the Commission maintain a file of all CLEC complaints against ILECs regarding timeliness and adequacy of service in the provisioning of UNEs, services for resale, requested repairs, and necessary support services. This information, including the resolution of each complaint, is included in Appendix E.

The Commission recognizes that, for many consumers, wireless and VoIP service options are substitutes for traditional wireline services. However, only wireline telecommunications providers are under the regulatory authority of the Florida Public Service Commission. Thus, the Commission is limited in its ability to gather certain types of information from providers of nonjurisdictional services. This year, a number of CLECs providing VoIP did provide the Commission with information and line counts for their VoIP subscribers. Even with this additional information, the ability to present a complete analysis of the required statutory issues is somewhat compromised. However, through sources available in the public domain, the FPSC has been able to reach what it believes are reasonable conclusions regarding wireless and VoIP service providers and their impact on the analysis of these issues.

The Commission is required to address the following points in its analysis of the status of competition in Florida:

1. The overall impact of local exchange telecommunications competition on the continued availability of universal service.

2. The ability of competitive providers to make functionally equivalent local exchange services available to both residential and business customers at competitive rates, terms, and conditions.

3. The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.

4. The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunications services.

5. What additional services, if any, should be included in the definition of basic local telecommunications services, taking into account advances in technology and market demand.

6. Any other information and recommendations that may be in the public interest.

## B. DISCUSSION OF SIX STATUTORY ISSUES

### 1. The Overall Impact of Local Exchange Telecommunications Competition on the Continued Availability of Universal Service

Universal service is the longstanding concept that a specified set of telecommunications services should be available to all customers at affordable rates.[150] Section 364.025, F.S., provides a number of guidelines designed to maintain universal service objectives with the introduction of competition in the local exchange market. Section 364.025(1), F.S., requires ILECs to furnish basic local exchange telecommunications service within a reasonable time to any person requesting such service within a company's service territory until January 1, 2009. Section 364.025(4), F.S., mandates that, prior to January 1, 2009, "the Legislature shall establish a permanent universal service mechanism upon the effective date of which any interim recovery mechanism for universal service objectives or carrier-of-last-resort obligations imposed on competitive local exchange telecommunications companies shall terminate."

Through year-end 2005, 91.8% of Florida's seven million households[151] subscribed to local telephone service, a rate similar to the national average of 93.1%.[152] This percentage represents a decreasing rate of Florida households that subscribed to local telephone service from 93.4% in 2004 and 94.6% in 2003.[153] By comparison, the penetration rates in other states ranged from a low of 86.8% in Georgia to a high of 97% in Utah.[154]

Income remains a significant factor in predicting telephone subscribership. Nationally, households with annual incomes of less than $5,000 had a penetration rate of 79.4% in 2005. By comparison, households with incomes between $100,000 and $149,999 had a penetration rate of 97.7% in 2005. The number of households receiving Lifeline assistance, an assistance plan that allows for up to a $13.50 credit on monthly telephone charges, increased by 4.9% from 2003 to 2004.[155] From September 2004 through September 2005, Lifeline subscribership in Florida

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[150] Exactly what should constitute that "specified set" of services is hotly debated in the national arena. The list of supported services currently includes voice grade access to the public switched network, local usage, dual tone multi-frequency signaling, single-party service, access to emergency services, access to operator services, access to interexchange services, access to directory assistance, and toll-limitation for qualifying low-income consumers. 47 C.F.R. 54.101.

[151] Florida General Demographic Characteristics: 2005, Data Set: 2005 American Community Survey. (2005). U.S. Census Bureau. Retrieved August 25, 2006, from http://factfinder.census.gov/servlet/ADPTable?_bm=y&-geo_id=04000US12&-context=adp&-ds_name=ACS_2005_EST_G00_&-tree_id=305&-_lang=en&-_caller=geoselect&-format=

[152] Alexander Belinfante. (2005, May 25). Telephone Subscribership in the United States. FCC. Table 3, p. 21. Retrieved August 8, 2006, from http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-265356A1.pdf

[153] Ibid, Table 3, pp. 19-20.

[154] Ibid, p. 1.

[155] Trends in Telephone Service Report. (2005 June). FCC. Retrieved August 9, 2006, from http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/trend605.pdf. The FCC has not yet released its report for 2005.

decreased 9.6%.[156] The FPSC estimates that the participation rate in the Lifeline program was approximately 12% in 2005.[157]

In 2005, telephone penetration for both Florida and the U.S. declined according to data from the FCC.[158] In an attempt to recognize the increasing possibility that survey respondents may be substituting wireless and VoIP services for wireline service, the survey questions were changed in December 2004. The new FCC survey questions focus on the ability to make and to receive calls rather than whether the respondent has a telephone instrument. The old question may have led to an affirmative response if a telephone handset was in the home but was inoperative. In this case, the data would overstate penetration rates. The new questions increase the likelihood that respondents would answer affirmatively if they had the capability to make and receive calls regardless of the technology used to make and receive the calls. Prior to the redesign of the survey questions, it is conceivable that respondents who had discontinued wireline service in favor of wireless or VoIP were not responding positively, so penetration rates through 2004 may be understated.

**Conclusion:** While the FCC survey data reflects a decline in penetration, it is unclear at this time if this information represents a true decline in the availability of telephone service in U.S. households or whether it is a reflection that the survey instrument is not correctly accounting for the substitution of new technologies for wireline telephone service. In any event, assuming that a slight drop in measured telephone penetration rates is cause for alarm would be premature. Clearly, wireless, prepaid telephone services, and VoIP services are providing viable consumer alternatives. The FPSC concludes that local exchange competition has not adversely impacted the continued availability of universal service.

### 2. The Ability of Competitive Providers to Make Functionally Equivalent Local Exchange Service Available to Both Residential and Business Customers at Competitive Rates, Terms, and Conditions

The size of a particular market, as well as subscriber density, are key factors affecting where carriers choose to enter a specific market. As a result, there are generally more competitive carriers offering service in urban areas than in rural areas. These differences are further influenced by the rules imposed under the 1996 Act. For example, the availability of UNEs in a given area may also affect market entry. Section 251(c)(3) of the 1996 Act, as implemented by the FCC, requires that ILECs provide UNEs to requesting carriers at TELRIC prices. Similarly, Section 251(c)(4) requires that ILECs "offer for resale at wholesale rates any telecommunications service that the carrier provides at retail to subscribers who are not telecommunications carriers." However, Section 251(f)(1), known as the rural exemption, provides that the requirements of Section 251(c)(1) through 251 (c)(6) do not apply to a rural telephone company until the rural company receives a bona fide request for interconnection, services, or network elements, and the state commission determines that the request "is not

[156] Number of Customers Subscribing to Lifeline Service and the Effectiveness of Any Procedures to Promote Participation. (2005 December). FPSC. Table 2, p. 6. Lifeline participation rate in Florida as of September 2005 was 139,261 out of 1,122,593 estimated eligible households.
[157] Ibid.
[158] FCC data contained in the Telephone Subscribership in the United States report is developed from the Current Population Surveys conducted by the U.S. Department of Commerce, Bureau of the Census.

unduly economically burdensome, is technically feasible, and is consistent with section 254 (other than subsections (b)(7) and (c)(1)(d) thereof). [159]

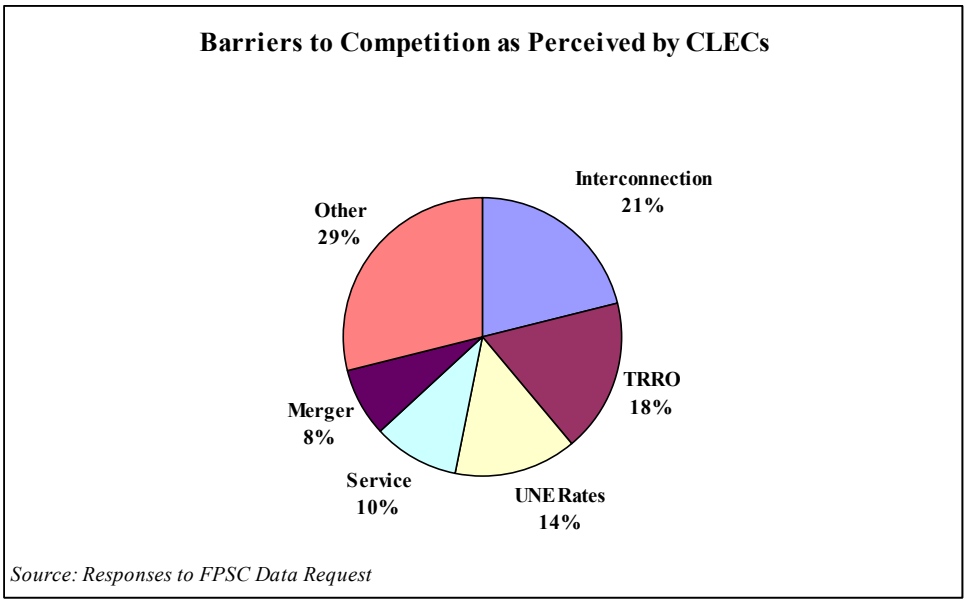
While BellSouth, Verizon, and Embarq are currently required to adhere to the various provisions of Section 251(c), the remaining ILECs in Florida are still exempt because no carrier has petitioned the FPSC to lift a rural ILEC's exemption. As a result, since unbundled network elements and resale of the ILEC's services at a wholesale discount are presently unavailable in Florida rural LECs' service areas, carriers considering entry in a rural study area will face higher costs when compared to entry in a nonrural study area.

Further distinctions exist within these nonrural carriers. Specifically, the unbundled loop rates in Florida for BellSouth, Verizon, and Embarq were geographically deaveraged, as required by FCC rules. The deaveraging reflects differences in providing loop costs. Thus, the price for a UNE loop in BellSouth's UNE zone 1 (e.g., most Miami exchanges) is less than a UNE loop in BellSouth's UNE zone 3 (e.g., Homestead exchange). Consequently, carriers entering into urban areas will face lower costs when compared to entering into more rural areas.

To further evaluate the ability of competitive carriers to provide service, the Commission surveyed the 396 CLECs certificated as of May 31, 2006. Of the 369 respondents, 168 were currently providing service in Florida. CLECs were asked to discuss any perceived barriers to competition in Florida and describe any significant obstacles that might be impeding the growth of local competition in the state. The primary issues identified by the respondents are shown in Figure 28.

[159] These rural carriers are Windstream, GT Com, ITS, SmartCity, Northeast, Frontier, and Quincy.

**Figure 28**




**Interconnection Agreements**–The most frequently reported barrier to entry was interconnection agreements. CLEC allegations included ILEC refusal to negotiate and refusal by ILECs to interconnect to their networks on fair, reasonable, and nondiscriminatory terms.

**TRRO**–The second most commonly listed barrier to entry was issues relating to the TRRO. CLEC allegations included lack of access to new UNE-P lines, lack of ILEC cooperation in negotiating commercial agreements, and increased costs resulting from the TRRO.

**UNE Rates**–UNE pricing was another barrier to entry reported by CLECs. UNE rates was the third most commonly listed barrier to entry identified by CLECs last year and the second most common barrier listed two years ago. CLECs alleged that UNE-P rates were so high that they impede competition.

**Service**–Another barrier to entry cited by CLECs was service problems. This category includes allegations about service from the ILEC to the CLEC and from the ILEC to the CLEC's customers. Issues reported include ILEC delays in processing orders and resolving service issues and ILEC personnel lacking specific knowledge about products.

**Merger**–This year, CLECs identified the recent and pending mergers as an issue affecting competitive entry. CLECs noted that the mergers effectively eliminated two of the largest competitors. As a result, smaller CLECs can no longer rely on AT&T or MCI to arbitrate common issues before regulators and pursue litigation in the courts.

**Other**–CLECs identified several other issues as barriers that did not necessarily fit into one of the major categories previously discussed. These issues included win back programs, ILEC slamming, and access to E911.

Other factors considered in whether competitors are able to offer functionally equivalent local exchange service to both residential and business customers include what services

competitors are offering, whether competitors are investing in facilities in Florida, whether competitors are able to effectively interconnect with ILEC networks to exchange voice traffic, and whether intermodel competitors are present. The following analysis addresses each of these factors.

The Commission asked the CLECs to report services they offer other than local voice. 106 CLECs of the 168 providing service reported offering services other than local voice (excluding VoIP). The most popular other services, in order with the number of providers, are long distance (79), broadband Internet access (46), private line or special access (39), wholesale transport (15), wholesale loops (13), wireless (10), cable television (4), satellite television (2), and paging (1).

The Commission also asked the CLECs to report how much money they invested in their networks that directly serve Florida's local service customers. In order to gather as much information as possible, ranges of dollars were provided so that the CLECs need not report a specific dollar amount. Of the 124 CLECs that responded to this question, 20 claimed confidentiality. However, the vast majority provided public responses:

- 78 CLECs reported investing between $1-$249,999.
- 11 CLECs reported investing between $250,000-$999,999.
- 15 CLECs reported investing between $1-$10 million.

Pursuant to Section 364.161(4), F.S., the Commission handles CLEC complaints filed against ILECs. The number of complaints has generally declined over the past five years, from 81 (filed July 1, 2001 to June 30, 2002) to 19 (filed June 1, 2005 to May 31, 2006). Of those 19, 15 have been resolved this year. By comparison, of the 13 complaints filed with the FPSC during the last reporting cycle (June 1, 2004 to May 31, 2005), six were closed during last year's reporting cycle; five were closed this reporting cycle, and two FPSC orders have been appealed. The complaints generally focused on service related issues. The list of complaints is found in Appendix E.

The Commission received 287 negotiated agreements[160] and two requests for arbitration between June 1, 2005 and May 31, 2006. Since June 1996, the Commission has reviewed and approved 3,922 negotiated interconnection agreements. In addition, CLECs reported the conversion of 320,553 lines formerly purchased as UNE-P through negotiated agreements now purchased through commercial agreements as local platform service. The general ability of competitive providers to enter into negotiated agreements with incumbent carriers is reflected by these statistics.

As part of the FPSC's data collecting efforts, ILECs were asked to provide any comments, suggestions, information, reports, or studies that the ILECs believe to be relevant to topics covered in this report, including intermodal competition. BellSouth, Embarq, Verizon,

[160] This number is tracked internally by the Commission based on filing dates. According to BellSouth, this number includes a substantial number of agreements that were inadvertently not timely filed in the 2004 reporting period and therefore significantly overstates 2005 activity.

and Windstream responded to this request by jointly filing a report.[161] Their report states the following:

- Policy makers should continue to evaluate the role of regulation in light of the changes wrought by convergence and intermodal competition. These changes have eliminated historical market boundaries, brought formerly distinct industry sectors into direct competition with each other, and thus undermined the historical rationales for regulation.

- Three fundamental factors have driven convergence: (1) technological change, which has allowed all kinds of wired and wireless networks to be used for any kind of service, (2) consumer demand for bundled services, and (3) competition among providers seeking gains from improved efficiency and the promise of increased revenues and lower churn rates.

- In areas served by BellSouth: Cable telephony is available to about 50% of cable homes passed; cable modem service (and therefore, VoIP service provided by independent providers such as Vonage or Skype) is available to 99% of cable homes passed, and wireless service is available to virtually all households. In contrast, since 2001, BellSouth residential access lines have declined by about 993,000 lines (or 22%) from 4.4 million to 3.4 million, and since 2000, BellSouth's network usage has experienced a similar decline.

- In areas served by Verizon: Cable telephony is available to 93% of cable homes passed; cable modem service is available to 96% of cable homes passed, and wireless service is available to virtually all households. In contrast, since 2001, Verizon residential access lines have declined by about 355,000 lines (or 21%) from 1.68 million to 1.33 million, and since 2000, Verizon's network usage has also experienced a decline.

- In areas served by Embarq: Cable telephony is available to about 69% of cable homes passed; cable modem service is available to 99% of cable homes passed, and wireless is available to virtually all households. In contrast, since 2001, Embarq residential access lines have declined by about 213,000 lines (or 14%) from 1.53 million to 1.32 million, and since 2000, Embarq's network usage has experienced a decline.

- In areas served by Windstream: Cable telephony is available to a small but growing percent of cable homes passed; cable modem service is available to 70% of cable homes passed (a figure that is also growing), and wireless is available to virtually all households. In contrast, since 2001, Windstream residential access lines have declined by about 4,700 lines (or 6%) from about 75,300 to about 70,600, and its

[161] William E. Taylor, et. al. (2006, July). *Intermodal Competition in Florida Telecommunications*. NERA Economic Consulting. Prepared for BellSouth, Embarq, Verizon, Windstream Communications.

network usage, while not in actual decline, has experienced a substantial reduction in its growth rate since 2000, compared to that seen in the 1995 to 2000 period.[162]

**Conclusion:** Wireless and, to a lesser extent, VoIP services have become a significant portion of the voice communications market. Historically, the Commission has not addressed barriers to entry that may be impacting wireless and VoIP providers. However, evidence suggests that these intermodal competitors are successfully providing competitive alternatives to both residential and business subscribers. In addition, CLECs are investing in facilities in Florida, are providing a range of service options, and do not appear to have insurmountable obstacles relating to interconnection issues. Therefore, the Commission concludes that competitors are providing functionally equivalent service to both residential and business customers.

### 3. The Ability of Customers to Obtain Functionally Equivalent Services at Comparable Rates, Terms, and Conditions

In an environment of emerging intermodal competition for voice service, analysis of this statutory issue is more complex than in previous years. Customers may obtain functionally equivalent services via wireline telephony, wireless telephony, VoIP, or cable telephony. This issue is analyzed primarily with respect to the provision of wireline telecommunications by ILECs and CLECs, the companies subject to Commission jurisdiction.

As of May 31, 2006, 168 CLECs were providing local telecommunications service in Florida in some capacity. Appendix B lists the responding CLECs, the class of customer each CLEC serves, and the methods by which each CLEC provides service. CLECs can offer service through resale of an ILEC's or CLEC wholesaler's products, by using its own facilities, unbundled network elements (UNEs) leased from an ILEC, or through a combination of two or more methods.

Of the 277 exchanges in Florida, only one exchange has no CLEC offering service, compared to eight exchanges without a CLEC offering service last year. There are, however, 23 exchanges where CLECs have offered service but have captured no lines. Table 7 lists the selected exchanges, the incumbent carrier serving that exchange, the total number of lines in that exchange, and the total number of CLECs offering service in that exchange for 2005 and 2006. These exchanges were arbitrarily selected based on the relative number of lines. The numbers show that CLECs continue to target areas with large concentrations of customers.

[162] William E. Taylor, et. al. (2006, July). *Intermodal Competition in Florida Telecommunications*. NERA Economic Consulting. Prepared for BellSouth, Embarq, Verizon, Windstream Communications.

| Table 7 CLEC Providers by Florida Exchange | | | | | |
|---|---|---|---|---|---|
| **Exchange** | **ILEC** | **Total Number of Resale and Local Platform Lines (ILEC & CLEC)[163]** | | **Number of CLECs Offering Services** | |
| | | 2005 | 2006 | 2005 | 2006 |
| Jasper | Rural ILEC | 3,431 | 3,388 | 4 | 2 |
| Callahan | Rural ILEC | 6,929 | 6,707 | 6 | 4 |
| Quincy | Rural ILEC | 11,896 | 12,232 | 3 | 5 |
| Baker | Embarq | 2,968 | 2,972 | 14 | 13 |
| Crawfordville | Embarq | 8,020 | 8,239 | 15 | 16 |
| Crestview | Embarq | 18,643 | 16,888 | 30 | 29 |
| Leesburg | Embarq | 33,556 | 34,178 | 49 | 46 |
| Ocala | Embarq | 99,517 | 98,220 | 54 | 50 |
| Tallahassee | Embarq | 179,149 | 183,291 | 54 | 58 |
| Myakka | Verizon | 4,028 | 3,049 | 9 | 8 |
| Mulberry | Verizon | 6,795 | 6,289 | 26 | 27 |
| Bartow | Verizon | 15,665 | 15,043 | 29 | 35 |
| Zephyrhills | Verizon | 29,783 | 26,911 | 36 | 36 |
| Lakeland | Verizon | 116,089 | 106,751 | 42 | 51 |
| St. Petersburg | Verizon | 260,202 | 226,494 | 50 | 52 |
| Tampa | Verizon | 628,487 | 557,992 | 60 | 60 |
| Jay | BellSouth | 2,900 | 2,829 | 27 | 20 |
| Chipley | BellSouth | 7,293 | 7,050 | 39 | 37 |
| Gulf Breeze | BellSouth | 16,642 | 15,472 | 42 | 43 |
| Titusville | BellSouth | 34,577 | 32,087 | 59 | 64 |

[163] CLEC lines include resale and local platform lines but not facilities-based lines.

| Table 7 CLEC Providers by Florida Exchange | | | | | |
|---|---|---|---|---|---|
| **Exchange** | **ILEC** | **Total Number of Resale and Local Platform Lines (ILEC & CLEC)[163]** | | **Number of CLECs Offering Services** | |
| | | 2005 | 2006 | 2005 | 2006 |
| Gainesville | BellSouth | 117,207 | 100,587 | 74 | 76 |
| Orlando | BellSouth | 385,552 | 346,507 | 110 | 105 |
| Miami | BellSouth | 1,024,899 | 9,61,179 | 115 | 110 |
| *Source: Responses to FPSC Data Request* | | | | | |

Customers must also be able to obtain functionally equivalent services at rates comparable to that of the ILEC in order for meaningful competition to occur.[164] Table 8 shows that customers appear to have access to services at a variety of rates as competitors have developed pricing strategies to gain customers. Strategies may include overall discounts and matching an ILEC's price. Other carriers have adopted a strategy of bundling basic local service with discounted toll service or vertical features (call waiting, caller ID, etc.) to compete with ILECs. For example, one of Florida's largest residential CLECs, Supra Telecommunications, has grandfathered its rates for basic local service for its existing customers, but continues to offer basic local service bundled with discount toll services.[165]

| Table 8 Local Rates for Selected Florida CLECs and ILECs as of May 31, 2006* | | | | | |
|---|---|---|---|---|---|
| **CLEC Rates** | | | **ILEC Rates** | | |
| CLEC | Residential | Business | ILEC | Residential | Business |
| Access Point | $6.30-$9.19 | $17.09-$25.12 | BellSouth | $8.98-$12.45 | $22.78-$30.20 |
| American Fiber Networks | $12.00 | $30.00 | Verizon | $12.80-$13.90 | $27.55-$31.00 |
| Cleartel Communications | $7.41-$11.81 | $19.46-$29.90 | BellSouth | $8.98-$12.45 | $22.78-$30.20 |
| | | | Embarq | $11.45-$14.60 | $21.05-$28.35 |
| | | | Verizon | $12.80-$13.90 | $27.55-$31.00 |

[164] The report's analysis is primarily focused on wireline telecommunications issues. Customers may obtain what they consider functionally equivalent service via other platforms.

[165] Supra Telecommunications filed with the FPSC a price list that specified that its "basic service" was not available for new purchases and is available on a grandfathered basis to existing customers. Supra Telecommunications, Florida Price List No. 3, Original Sheet 256. Issued October 18, 2005. Effective: October 19, 2005.

| Table 8 Local Rates for Selected Florida CLECs and ILECs as of May 31, 2006* | | | | | |
|---|---|---|---|---|---|
| **CLEC Rates** | | | **ILEC Rates** | | |
| Knology of Florida | $10.76-$12.50 | $24.50-$29.50 | BellSouth | $8.98-$12.45 | $22.78-$30.20 |
| | | | Verizon | $12.80-$13.90 | $27.55-$31.00 |
| Orlando Telephone Company | $11.50 | $25.00 | BellSouth | $8.98-$12.45 | $22.78-$30.20 |
| | | | Embarq | $11.45-$14.60 | $21.05-$28.35 |
| * Rates shown are for the lowest and highest rate groups for basic local service.<br>*Source: Tariffs and price lists filed with the FPSC.* | | | | | |

The Commission asked the ILECs and CLECs for information on their bundled service offerings, including whether they offered bundles, what percentage of customers were able to purchase bundles, and what percentage of customers actually purchased bundled services (take rate). All ILECs and 128 CLECs reported offering bundled service. Below is a summary of their responses:

- All ILECs reported offering bundles to residential customers. Embarq reported that 99.5% of its residential customers can purchase bundles; all the other ILECs reported 100% of its residential customers can purchase bundles. Frontier, TDS/Quincy, Verizon, and Windstream claimed confidentiality for their take rates. Public take rates are 43% (BellSouth), 36.3% (Embarq), 21% (GT Com), 7% (Smart City), 4% (ITS), and 0.6% for NEFCOM (NEFCOM began offering bundles on 5/15/06).

- Five ILECs, BellSouth, Embarq, Frontier, TDS/Quincy, and Verizon, reported that they offer bundles to business customers. For all but Embarq, bundles are available to 100% of customers. Embarq reported that 70% of its business customers can purchase local, vertical services (i.e., voicemail, caller ID, call forwarding, etc.) and broadband while 100% of business customers can purchase local, vertical services, and long distance. The only publicly reported take rates are 10% for Embarq and 7% for BellSouth.

- CLECs reported offering bundled service offerings to residential customers. Eight out of 104 CLECs reported that not all of their residential customers are able to purchase bundles.

- CLECs reported offering bundled service offerings to business customers. Eight out of 88 CLECs reported that bundled services are not available to all of their business customers.

Prepaid telephone service continues to be a pricing strategy offered by CLECs to consumers with poor credit histories or to those disconnected due to repeated late payment or

nonpayment. This service gives customers local calling and 911 access in exchange for a prepaid monthly fee, but customers must agree to block long-distance, 900 numbers, and directory assistance calls. CLEC price lists indicate that prices for prepaid service range from approximately $9.19 to $59.95 per month for residential customers, and from $21.93 to $89.95 per month for business customers. Telephone companies providing only prepaid telephone services account for 39 of the 168 companies providing local service in Florida and serve approximately 9% of CLEC residential access lines.

Wireless and VoIP communications services are alternatives to wireline telecommunications services that are growing in popularity. The attractiveness of these alternatives is based on price as well as convenience and the availability of unique features. Although obtaining detailed information regarding the penetration levels of these services in Florida is difficult, it appears that a growing number of Florida households may have substituted wireless service and, to a lesser degree, VoIP services for wireline services. This point is evident by the fact that total residential access lines for Florida ILECs have steadily declined since the 2002 report despite the continuing increase in the number of Florida households.[166]

The FCC reports that the annual average penetration rate for telephone service has continued to decrease by approximately 2% nationwide from 2002 to 2005.[167] Data for 2006 is currently not available. By comparison, wireless only households have grown to about 8.4% of total households nationwide; therefore, Florida is also likely experiencing this phenomenon.[168] In fact, given that a significant portion of Florida households are transient in nature, either seasonal visitors with second homes or college students, the percentage of Florida households with wireless only service may be higher than the national estimates.

**Conclusion:** Based on the preceding analysis, many Florida consumers are finding communication alternatives to wireline services; consequently, the Commission concludes that Florida customers are able to obtain functionally equivalent services at comparable rates, terms, and conditions.

### 4. The Overall Impact of Price Regulation on the Maintenance of Reasonably Affordable and Reliable High-Quality Telecommunications Services

In 2003, the Governor signed into law the Tele-Competition Innovation and Infrastructure Enhancement Act of 2003 (the 2003 Act). The law is designed to provide further impetus for the development of a more competitive communications market in Florida, most notably impacting the ILECs and IXCs.

Pursuant to Section 364.164, F.S., Competitive Market Enhancement, the Commission approved petitions of BellSouth, Embarq, and Verizon and issued its order approving the petitions on December 24, 2003. On July 7, 2005, the Florida Supreme Court rejected appeals

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[166] Annual Estimates of Population for the United States and Puerto Rico: April 1, 2000 to July 1, 2004. Table 1. (2004, December 24). Population Division, U.S. Census Bureau. (NSTEST2004-01).

[167] Alexander Belinfante. (2005, May 25). Telephone Subscribership in the United States. FCC. Table 3, pp. 18-21. Retrieved August 8, 2006, from http://hraunfoss.fcc.gov/edocs_public/attachmatch/DOC-265356A1.pdf

[168] Stephen J. Blumberg and Julian V. Luke. (2006, May 12). Wireless Substitution: Preliminary Data from the 2005 National Health Interview Survey. U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, National Center for Health Statistics. Retrieved August 14, 2006, from http://www.cdc.gov/nchs/products/pubs/pubd/hestats/wireless/wireless2005.htm

by the Office of Public Counsel, the Attorney General, and AARP and affirmed the Commission's Order.

The Florida Supreme Court's decision allowed BellSouth, Embarq, and Verizon to proceed with reducing switched network access charges and increasing basic local service rates as specified in the Order. BellSouth, Embarq, and Verizon filed notice to initiate the rate changes on September 16, 2005, with an effective date of November 1, 2005.

Section 364.051, F.S., provides that a price cap ILEC may adjust its basic local service revenues once in a 12-month period by an amount not to exceed the change in inflation less one percent. In contrast, the price increase for any nonbasic service category shall not exceed 6 percent within a 12-month period until there is another provider providing local telecommunications service in an exchange area. At that time, the prices for any nonbasic service category may be increased in an amount not to exceed 20 percent within a 12-month period. The following ILECs filed notices of rate changes for basic and nonbasic exchange services between June 1, 2005 and May 31, 2006, pursuant to the provisions of Sections 364.164 and 364.051, F.S.:

- ITS increased basic residential and business service rates and nonbasic business service rates by 1.42%, pursuant to Section 364.051, F.S.

- Verizon increased basic residential service rates by 1.82%–4.86%, pursuant to Section 364.051, F.S, and by a uniform $1.58 (13.06%–14.77%), pursuant to Section 364.164, F.S. Together, the increases range from $1.80 to $2.10, for a combined percentage increase of 14.88%–19.63%.

- Verizon increased basic business service rates by 0.16%–1.51%, pursuant to Section 364.051, F.S., and by 0%–10.04%, pursuant to Section 364.164, F.S. Together, the increases range from $.46 to $2.55, for a combined percentage increase of 1.51%–10.20%.

- BellSouth increased basic residential service rates by a uniform $1.13 (9.98%–14.39%) and basic business service rates by $.26 to $2.23 (.88%–10.85%), pursuant to Section 364.164, F.S.

- Embarq increased basic residential service rates by a uniform $2.25 (18.22%–24.46%) and basic business services rates by a uniform $2.70 (10.53%–14.71%), pursuant to Section 364.164, F.S.

- Embarq implemented a Storm Cost Recovery Charge of $.85 per access line (residential and business) for the period October 6, 2005–October 5, 2007, per the Commission's ruling in Docket No. 050374-TL.

- GT Com increased basic residential and business service rates and nonbasic business service rates by 2.35%, pursuant to Section 364.051, F.S.

- TDS/Quincy increased basic residential service rates by 1.93% ($.25), pursuant to Section 364.051, F.S.

**Conclusion:** The FPSC believes these rate increases have had a negligible impact on the overall affordability of high-quality telephone service. While the percentage of households with telephone service in Florida has shown a slight decline, the amount of decline does not appear to be significant. Furthermore, the national average telephone subscribership rate also shows a similar decline.

### 5. What Additional Services, if any, Should be Included in the Definition of Basic Local Telecommunications Services, Taking into Account Advances in Technology and Market Demand

For ILECs, Section 364.02(1), F.S., defines basic local service as follows:

> "Basic local telecommunication service" means voice-grade, flat-rate residential and flat-rate single line business local exchange services which provide dial tone, local usage necessary to place unlimited calls within a local exchange area, dual tone multi-frequency dialing, and access to the following: emergency services such as "911," all locally available interexchange companies, directory assistance, operator services, relay services, and an alphabetical directory listing. For a local exchange company, such terms shall include any extended area service routes, and extended calling service in existence or ordered by the commission on or before July 1, 1995.

According to Section 364.337(2), F.S., the basic local telecommunications service provided by a CLEC must include access to operator services, "911" services at a level equivalent to that of the ILEC serving that area, and relay services for the hearing impaired. CLECs must also provide a flat-rate pricing option for basic local telecommunications. The statute states that "mandatory measured service for basic local telecommunications services shall not be imposed."

With regard to wireless and VoIP services, the FCC has required providers of these services that interconnect to the public switched telecommunications network to provide E911 and 911 services. The FCC has a pending proceeding to consider additional regulatory requirements for VoIP providers. While these services do provide the same or similar functionality to traditional wireline service, they do not currently fall within the statutory definition of basic local telecommunications service. Wireless or commercial mobile radio service providers are expressly exempted from the statutory definition of a telecommunications company, and VoIP is expressly excluded from the statutory definition of service.

**Conclusion:** No evidence suggests a need to recommend additions or deletions to the definition of basic local service.

### 6. Any Other Information and Recommendations That May be in the Public Interest

**Conclusion:** There are no recommendations at this time.

# CHAPTER VI: STATE ACTIVITIES

## A. PETITION BY ALLTEL FLORIDA, INC., TO REDUCE INTRASTATE SWITCHED ACCESS RATES IN A REVENUE-NEUTRAL MANNER

Section 364.164, Florida Statutes, was enacted through the 2003 Tele-Competition Innovation and Infrastructure Enhancement Act and was designed to further the goal of increasing competition in the local telephone market by permitting price regulated local exchange companies to petition the FPSC for revenue-neutral rate adjustments. On September 29, 2005, Alltel Florida, Inc. (Alltel is now Windstream) filed a petition in which the company requested to reduce its intrastate switched access rates and increase its basic local service rates, in three increments over two years, on a revenue-neutral basis. For residential customers, Alltel proposed increases to residential basic local service rates of approximately $2.11 per increment; for single-line business customers, Alltel proposed an increase of approximately $1.47 per increment.

In the case of small local exchange companies such as Alltel, "parity" is defined by statute as $.08 per minute. A hearing to consider Alltel's petition was held on December 1, 2005. Customer hearings were noticed for November 28, 2005, but no customers attended. Alltel and the Office of Public Counsel, the only parties to the case, filed post-hearing briefs on December 6, 2006.

At a Special Agenda Conference held on December 12, 2005, the FPSC voted to deny Alltel's petition.[169] While recognizing that Alltel's residential basic rates might be artificially low, the FPSC found that competing cable, wireless and VoIP providers were not significantly affected by the current distortions in Alltel's pricing. Thus, rebalancing rates would provide negligible benefits in terms of making the local exchange market more attractive and inducing market entry. In addition, the FPSC found that Alltel's proposed reductions in intrastate switched access charges would result in a rate lower than $.08 per minute in less than two years.

## B. 2005 HURRICANE SEASON AND STORM DAMAGE RECOVERY

On July 10, 2005, Hurricane Dennis, a Category 3 hurricane with winds between 111-130 miles per hour, made landfall on Santa Rosa Island, Florida. Thereafter, the storm moved across the Florida Panhandle bringing tropical storm-force winds to a large part of Northwest Florida. In addition to torrential rain, GTC, Inc. d/b/a GT Com, stated that the storm surge associated with Hurricane Dennis damaged their network. GT Com serves 46,861 lines in 17 exchanges throughout the panhandle area of North Florida.[170]

On March 31, 2006, GT Com filed a petition for approval of storm recovery costs associated with costs of repairing its lines, plants, and facilities damaged by Hurricane Dennis in

[169] FPSC Order No. PSC-06-0036-FOF-TL. Docket No. 050693-TL, Petition to Reduce Intrastate Switched Access Rates in a Revenue-Neutral Manner Pursuant to 364.164, F.S. by Alltel Florida, Inc. Issued January 10, 2006.

[170] These exchanges include Alligator Point, Altha, Apalachicola, Blountstown, Bristol, Carrabelle/Dog Island, Chattahoochee, Eastpoint/St. George, Hosford, Keaton Beach, Laurel Hill, Mexico Beach, Paxton, Perry, Port St. Joe, Tyndall Air Force Base, and Wewahitchka.

2005.[171] GT Com initiated the petition pursuant to Section 364.051(4)(b), F.S., which provides that any damage occurring to its lines, plants, or facilities as a result of a named tropical storm occurring after June 1, 2005, constitutes a compelling showing of changed circumstances, and costs may be recoverable through guidelines established in the statute.

The statute, which was signed into law June 2, 2005, provides that the FPSC shall verify the petitioner's intrastate costs and expenses and determine whether the intrastate costs and expenses are reasonable under the circumstances for the named tropical system. Any charge approved by the Commission cannot exceed $0.50 per month per customer line for a period of not more than 12 months. The FPSC may order the company to recover the charge from its basic local service customers, nonbasic customers, and, if appropriate, its wholesale loop unbundled network element customers. At the end of the collection period, the FPSC must verify that the collected amount did not exceed the amount authorized by the Order and, if excess collections are found, order the company to refund that amount. Because GT Com has fewer than one million access lines, the company was not required to meet a minimum damage threshold in order to qualify to file a petition for storm cost recovery.

In its petition, GT Com claimed that it incurred a total of $444,192 in costs related to Hurricane Dennis. Of that amount, GT Com apportioned $312,693 to intrastate costs, exclusive of carrying costs and taxes. GT Com requested recovery of storm costs of $281,166, or $0.50 per access line per month for one year, the maximum recovery allowed under Florida law. On July 18, 2006, the Commissioners reduced that amount to $4,950, after identifying several cost categories requiring adjustments and amounts to be recovered from the federal universal service fund. The Commission-approved recovery amount may be assessed as a one-time surcharge of $0.11 per access line.[172] On September 5, 2006, GT Com appealed the Commission's decision to the Supreme Court of Florida.

On September 1, 2006, BellSouth Telecommunications, Inc. filed a petition with the FPSC for recovery of storm costs incurred in 2005.[173] BellSouth has requested $32.3 million to be recovered through its customers via a $0.50 per month surcharge over 12 months. The petition is required by statute to be completed within 120 days.

On September 25, 2006, Embarq Florida, Inc. also petitioned the Commission to recover 2005 tropical system related costs and expenses.[174]

## C. INCUMBENT LOCAL EXCHANGE COMPANY SERVICE QUALITY

ILECs are required by rule to consistently meet standards established to ensure their customers receive a high quality of service. FPSC standards, for example, require a company to restore interrupted service within 24 hours in 95% of the instances reported within exchanges that have 50,000 access lines or more for each month. For exchanges with fewer than 50,000

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[171] Docket No. 060300-TL, Petition for recovery of intrastate costs and expenses relating to repair, restoration and replacement of facilities damaged by Hurricane Dennis, by GTC Inc., d/b/a GT Com.
[172] FPSC Order No. PSC-06-0681-FOF-TL. Docket No. 060300-TL, Petition for recovery of intrastate costs and expenses relating to repair, restoration and replacement of facilities damaged by Hurricane Dennis, by GTC Inc., d/b/a GT Com. Issued August 7, 2006.
[173] Docket No. 060598-TL, Petition to recover 2005 tropical system related costs and expenses, by BellSouth Telecommunications , Inc.
[174] Docket No. 060644-TL, Petition to recover 2005 tropical system expenses related costs and expenses, by Embarq Florida, Inc.

access lines, companies are required to restore interrupted service within 24 hours in 95% of the instances for each quarter. FPSC standards also require an ILEC to install service in three working days from the receipt of an application 90% of the time. The companies must meet standards and report results monthly for exchanges with 50,000 access lines or more, while results for smaller exchanges are reported on a quarterly basis.

The ILECs have an option to adopt a Service Guarantee Program (SGP). A SGP is an agreement between the ILEC and the Commission that, in the event that an ILEC fails to meet a particular standard, i.e., service restoration, the ILEC agrees to credit each customer's bill a specific dollar amount. In other situations, the ILEC may agree to credit a community fund when a direct credit to a customer would be impractical. The FPSC conducts field evaluations of ILECs to verify compliance with its service standards and SGPs. All ILECs are required to file quarterly reports to the FPSC indicating their respective service quality performance results. The companies that adopted a SGP are also required to report to the Commission, on a quarterly basis, their performance results under the SGP. Currently, Embarq and BellSouth are subject to SGPs.

### 1. Embarq

The Commission approved a SGP for Embarq that became effective October 19, 2005.[175] The SGP provides automatic credits to residential customers for service outages exceeding 24 hours and automatic credits for missed installation commitment dates of greater than three days. From July 2005 through June 2006, Embarq credited its customers $354,650 for missing the service installation commitments and $826,165 for not restoring service outages within 24 hours.

Embarq's answer time standard in the SGP is an average speed of answer less than or equal to 50 seconds. The SGP provides that answer time will be measured as a monthly average speed of answer. For missing its answer time standard, the program requires Embarq to contribute to a community fund used to promote Lifeline service. Embarq credits the community fund each month when its monthly average answer speed exceeds the standard. Embarq pays the following amounts into its community fund depending on the lateness of their response:

- Embarq pays $2,000 if the average speed of answer for the month is greater than 50 seconds and less than or equal to 60 seconds.
- If the average speed of answer is between 60 seconds and 70 seconds, Embarq pays $5,000.
- If the average speed of answer is greater than 70 seconds, Embarq pays $7,000.

Embarq paid $17,000 to the community fund for the period of July 2005 through June 2006 for failure to meet answer speed standards.

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[175] FPSC Order No. PSC-05-0918-PAA-TL. Docket No. 050490-TL, Petition for approval of Service Guarantee Program, with relief from requirements of Rules 25-4.066(2), 25-4.070(3)(a), 25-4.073(1)(a), and 25-4.110(6), F.A.C., by Sprint-Florida, Incorporated. Issued September 19, 2005.

### 2. BellSouth

The FPSC also approved a SGP for BellSouth that became effective May 20, 2005.[176] BellSouth provides automatic credits to residential customers for service outages exceeding 24 hours and automatic credits for missing service installation commitment dates greater than three days. During the period of July 2005 through June 2006, BellSouth paid its customers $238,050 for missed installation commitments and $2,074,397 for not repairing out-of-service trouble reports within 24 hours.

The answer time standard states that at least 90% of the calls to business office and repair office shall be answered within 55 seconds of the end user electing to be transferred to a live attendant. BellSouth credits the community fund when monthly average answer times fall outside the standard. The amounts of credits increase as the percentage standard violations increase as follows:

- BellSouth pays $2,000 to its community fund if the company's average answer time meets the standard less than 90% but greater than or equal to 80% of the time.
- If the answer time meets the standard less than 80% but greater than or equal to 70% of the time, BellSouth pays $5,000 into the community fund.
- If the answer time meets the standard less than 70% of the time, BellSouth will pay $7,000 into the community fund.

BellSouth paid $2,000 to its community fund for answer time standards violations for the period July 2005 through June 2006.

## D. LIFELINE AND LINK-UP SERVICE FOR LOW-INCOME CONSUMERS

The FPSC continues to support the original intent of the Lifeline and Link-Up programs which help low-income households obtain and maintain basic telephone service. The FPSC is actively engaged with the FCC, the Universal Service Administrative Company (USAC), and the Federal-State Joint Board on Universal Service (Joint Board) regarding national policies relating to the Lifeline and Link-Up programs. The FPSC, in coordination with various public, private, and telecommunications industry participants, is implementing strategies to improve the Lifeline and Link-Up programs in the state of Florida. In addition, the FPSC is monitoring the results of these initiatives to determine their effectiveness.

### 1. Adoption of National School Lunch Program and Income-Based Criteria for Lifeline and Link-Up Programs

In February 2005, the FPSC approved settlement agreement proposals filed by BellSouth, Embarq Florida, Inc., and Verizon implementing a simplified Lifeline and Link-Up certification

[176] FPSC Order No. PSC-05-0440-PAA-TL. Docket No. 050095-TL, Petition for extension of modification of existing Service Guarantee Program and for limited Waiver of Rules 25-4.070(3)(a) and 25-4.073(1)(d), F.A.C., by BellSouth Telecommunications, Inc. Issued April 25, 2005.

process.[177] The new process allows eligible Lifeline and Link-Up customers to enroll in the programs by simply signing a document certifying, under penalty of perjury, that the customer participates in one of the Florida Lifeline and Link-Up qualifying programs and also identifies the qualifying program. The settlements also provided that the companies and the Commission would revisit the National School Lunch Program (NSLP)-Free Lunch and the 135% of the Federal Poverty Guidelines income threshold as eligibility criteria at the conclusion of a one-year trial period for streamlined Lifeline certification.

After a one-year trial period, no complaints or evidence of fraud were communicated to the Commission by BellSouth, Embarq, or Verizon regarding the implementation of the simplified certification process. On September 1, 2006, the Commission issued its Final Order to expand the simplified certification process and add the NSLP–Free Lunch as an eligibility criterion for all ETCs.[178] As a result of a court decision affirming the FPSC's Order in the rate rebalancing petition cases for BellSouth, Sprint, and Embarq, these companies also agreed to implement the 135% of the Federal Poverty Guidelines income threshold as a Lifeline eligibility criterion.

### 2. Lifeline Rules

As a result of legislation passed by the 2005 Florida Legislature and signed into law by the Governor on June 13, 2006, the FPSC is required to adopt rules to reflect the provisions of Section 364.10, F.S., relating to Lifeline and Link-Up service. FPSC staff drafted Rule 25-4.0665, Lifeline Service, which would implement the procedural requirements for Florida ETCs with respect to Lifeline service as set forth in Section 364.10, F.S. The proposed rule would require an ETC to provide its Lifeline customers a 60-day written notice prior to the termination of Lifeline service. The rule further provides that if a customer's Lifeline service is terminated and the customer subsequently presents proof of Lifeline eligibility, the ETC shall reinstate the customer's Lifeline service as soon as practicable, but no later than 60 days following receipt of proof of eligibility. The draft rule also prohibits an ETC from imposing verification requirements on a customer who is certified by the Office of Public Counsel under the income eligibility criterion. A staff workshop on the draft rule was conducted on June 21, 2006. Staff is developing a recommendation on the draft rule to present to the Commission.

A second draft rule was also developed to codify Florida's Lifeline Plan, clarify the Lifeline responsibilities of all Florida ETCs, establish procedures to expedite the enrollment process, and prohibit actions that would thwart customer participation in Lifeline. A workshop will be conducted on the draft rule in the near future.

### 3. Lifeline and Link-Up Action Plan

At the February 27, 2006, Internal Affairs, the FPSC approved an action plan to improve the success of the Lifeline and Link-Up programs. A Lifeline and Link-Up workshop was held

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[177] FPSC Order No. PSC-05-0153-AS-TL. Docket No. 040604-TL, Adoption of the National School Lunch Program and an income-based criterion at 135% of the Federal Poverty Guidelines as eligibility criteria for the Lifeline and Link-up programs. Issued February 8, 2005.
[178] FPSC Order. No. PSC-06-0745-CO-TL. Docket No. 040604-TL, Adoption of the National School Lunch Program and an income-based criterion at 135% of the Federal Poverty Guidelines as eligibility criteria for the Lifeline and Link-up programs. Issued September 1, 2006.

on April 11, 2006 to evaluate the impact of current efforts and explore adoption of new initiatives. Input was received during the workshop and incorporated into the action plan.

Implementation of the action plan has been ongoing throughout 2006. Key elements of the action plan include the following:

- Commissioner Lifeline educational segments in English and Spanish for WFSU-TV and radio public service announcements (PSAs) in English and Spanish.
- FPSC telephone "on-hold message" plays a short PSA about Lifeline.
- Commissioner Carter's monthly columns on utility topics distributed to more than 642 media outlets including newspapers, churches, and area community action agencies.
- Lifeline Training
  - Conducted Link-Up and Lifeline training sessions for FPSC staff and outside organizations, including agency and community partners.
  - Displayed educational material at community events.
- Back-to-School Lifeline Project
  - Worked with ILECs, OPC, and Linking Solutions on the 2006-2007 Back-to-School Lifeline Project. This project included the development of a new Lifeline Back-to-School brochure, which includes information and Lifeline applications in both English and Spanish.
  - Completed development of a new joint Lifeline application that represents all ten ILECs and allows customers to self-certify that they participate in an eligible program. The joint application is expected to help streamline the application process.

## E. ELIGIBLE TELECOMMUNICATIONS CARRIERS

FCC rules allow state commissions, upon their own motion or upon request, to designate a common carrier that meets certain requirements as an Eligible Telecommunications Carrier (ETC). A carrier that is granted ETC status is eligible to receive federal universal service support pursuant to FCC rules.[179] To qualify as an ETC, a common carrier must offer services that are supported by federal universal service support mechanisms either using its own facilities or using a combination of its own facilities and another carrier's resold service. Additionally, the carrier must advertise the availability of such services and charges utilizing a medium of general distribution.

[179] 47 C.F.R. Part 54 – Universal Service.

The state commission may, as long as the request is consistent with the public interest, convenience, and necessity, designate one or more common carriers as ETCs for a service area. All ILECs in Florida have been designated as ETCs by the Florida Public Service Commission.[180] The FPSC has also designated six wireline CLECs in Florida as ETCs.[181]

The FPSC has determined that it does not have the authority to grant ETC status to wireless telecommunications providers.[182] Sprint PCS, Nextel Partners, and Alltel Wireless are wireless carriers that have been granted ETC designation in nonrural areas of Florida by the FCC. AT&T Wireless, Tracfone, Southern Line, and Alltel Wireless (for rural areas) have petitions pending at the FCC for ETC status in Florida.

Although the FPSC issued a Declaratory Statement determining that it does not have authority under Florida law to grant ETC status to wireless providers, on August 30, 2006, Alltel Wireless filed two petitions with the FPSC to revisit the issue in two separate service areas. Alltel Wireless contends that because of legislative changes enacted in 2005, the FPSC now has the statutory authority to grant ETC status to wireless carriers in Florida. A timetable for a FPSC determination in these petitions has not yet been established.

## F. TRANSIT TRAFFIC DOCKETS[183]

Transit traffic originates on the network of one carrier, transits over a second carrier's network, and then terminates on the network of a third carrier. On January 27, 2005, BellSouth filed a new tariff, General Subscriber Services Tariff Section A.16.1, Transit Traffic Service, which sets forth certain rates, terms, and conditions that apply when carriers receive transit service from BellSouth and have not otherwise entered into an agreement with BellSouth. BellSouth's Transit Tariff does not apply to a party with whom BellSouth has an existing contractual relationship because the tariff is a default in the absence of an existing contractual agreement.

On February 11, 2005, a joint petition objecting to and requesting suspension and cancellation of BellSouth's Transit tariff was filed by Florida's rural ILECs, known as the Joint Petitioners.[184] On February 17, 2005, AT&T Communications of the Southern States, LLC (AT&T) also filed a petition and complaint for suspension and cancellation of the same tariff filed by BellSouth.

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[180] The incumbent local exchange companies were designated as ETCs for purposes of the federal universal service program through Order No. PSC-97-1262-FOF-TP, issued October 14, 1997.

[181] Knology of Florida, Inc., Order No. PSC-05-0324-PAA-TX, issued March 21, 2005; Budget Phone, Inc., Order No. PSC-05-1255-PAA-TX, issued December 27, 2005; Ganoco, d/b/a American Dial Tone, Order No. PSC-06-0298-PAA-TX, issued April 14, 2006; Nexux Communications, Inc. d/b/a Nexus Communications TSI, Inc., Order No. PSC-06-0350—PAA-TX, issued April 25, 2006; Vilaire Communications, Inc., Order No. PSC-06-0436-PAA-TX, issued May 22, 2006; and Midwestern Telecommunications, Inc., Order No. PSC-06-0750-PAA-TX, issued September 5, 2006.

[182]FPSC Order No. PSC-03-1063-DS-TP. Docket No. 030346-TP, Petition for declaratory statement that NCPR, Inc. d/b/a Nextel Partners, commercial mobile radio service provider in Florida, is not subject to jurisdiction of Florida Public Service Commission for purposes of designation as "eligible telecommunications carrier," and Petition for declaratory statement that Alltel Communications, Inc., commercial mobile radio service provider in Florida, is not subject to jurisdiction of Florida Public Service Commission for purposes of designation as "eligible telecommunications carrier." Issued September 23, 2003.

[183] Docket Nos. 050119-TP, 050125-TP, and 050570-TP.

[184] TDS Telecom d/b/a TDS Telecom/Quincy Telephone, Alltel Florida Inc., Northeast Florida Telephone Company d/b/a NEFCOM, GTC, Inc. d/b/a GT Com, Smart City Telecom, ITS Telecommunications Systems Inc., and Frontier Communications of the South, LLC (Joint Petitioners).

On August 26, 2005, the Joint Petitioners filed another petition requesting that the Commission initiate a generic docket to ensure that all issues raised by BellSouth's Transit Tariff are identified and addressed. In addition, the Joint Petitioners asked that the Commission's decisions with respect to BellSouth's Transit Service be based on a complete record, which includes the input and positions of all substantially affected telecommunications companies and third-party providers. BellSouth's response to this petition was filed on September 19, 2005.

At its October 18, 2005 Agenda Conference, the Commission denied staff's recommendations that the Commission grant the petition for a generic proceeding and expand the investigation to include Embarq and Verizon. The Commission concluded that it was not necessary to initiate a generic transit traffic docket. In addition, the Commission noted that the Joint Petitioners' and AT&T's proceedings should move forward with parties being mindful that all appropriate issues raised should be addressed so that the Commission would be presented with a complete record.

A hearing was held on March 29-30, 2006. Several parties, including many wireless carriers, intervened in these dockets. At its August 29, 2006 Agenda Conference, the Commission addressed the 18 outstanding issues and concluded:

- BellSouth's Transit tariff is not the appropriate mechanism to address its transit service offering, and the tariff should be cancelled.

- The originating carrier is responsible for entering into an arrangement with BellSouth for transit service, and, as the cost causer, the originating carrier is responsible for compensating BellSouth for its transit service. The parties are to negotiate the appropriate rate for the service.

- The various transit relationships should be governed by bilateral interconnection arrangements.

- Undertaking any action at this time to allow the small LECs to recover the costs incurred or associated with BellSouth's provision of transit service is an issue that is not ripe for consideration and a determination at this time is premature.

- These dockets should remain open to allow parties in this proceeding who do not have transit arrangements in place additional time to establish those transit arrangements prior to cancellation of the tariff. The tariff is to be cancelled on the 71st day after the issuance of the Final Order.

- BellSouth is required to issue a partial refund, including interest, to those parties who paid under BellSouth's tariff during the period beginning February 11, 2005, and ending upon cancellation of the tariff. [185]

[185] The list provided is a summary of the Commission's findings; to review all the findings, refer to Order No. PSC-06-0776-FOF-TP, issued September 18, 2006.

- BellSouth is prohibited from blocking any transit traffic during the pendency of negotiations and any arbitrations under Florida law to establish transit arrangements.

The Commission's findings are subject to reconsideration and appeal until this period has expired by publication date.

## G. WHOLESALE PERFORMANCE MEASUREMENT PLANS

The Commission developed wholesale performance measurement plans for the ongoing evaluation of service ILECs provide to CLECs. The performance measurement plans provide a standard against which the Commission can measure performance over time to detect and correct any degradation of service provided to CLECs. The Commission adopted performance measurements for BellSouth in August 2001, for Embarq (formerly Sprint) in January 2003, and for Verizon in June 2003. Commission staff captures the performance measurement data monthly from each ILEC and applies trending analysis. Staff also reviews each ILEC's performance measurement plan at recurring intervals.

For BellSouth, the Commission adopted a Performance Assessment Plan comprised of a Service Quality Measurement Plan (SQM) and a Self-Effectuating Enforcement Mechanism (SEEM) Administrative Plan. The SQM is a detailed description of BellSouth's wholesale performance measurements. BellSouth's current SQM Plan was revised on October 1, 2005, and consists of 50 measurements. The SEEM Plan includes key SQM measures to which remedy payments are applied if BellSouth fails to meet the performance standards approved by this Commission. BellSouth's SEEM Plan includes 35 measures. From June 2005 to May 2006, BellSouth paid more than $4.8 million in SEEM remedies to CLECs and to the State of Florida.

Embarq's Performance Measure Plan was adopted in 2003 and revised in January 2004. The plan contains 44 measures to ascertain if the ILEC is providing nondiscriminatory service to CLECs. In addition to reporting monthly performance results, Embarq prepares a monthly root cause analysis report of measurements that have not met established standards for three consecutive months, highlighting problematic performance measures, proposing remedial actions, and establishing a timeline for each correction. Between June 2005 and May 2006, Embarq's monthly compliance with established standards has ranged from 88.43% to 93.65%.

Verizon's Performance Measure Plan, adopted in June 2003, contains over 40 measures. Under this plan, Verizon furnishes monthly performance reports to the Commission for review and assessment. Between June 2005 and May 2006, Verizon's compliance with approved standards ranged between 88.17% and 90.88%.

## H. RECENT CHANGES IN THE LAW

### 1. Committee Substitute (CS)/CS/SB 142

The 2006 Florida Legislature passed several significant changes to laws relating to telecommunications markets and regulatory oversight in Florida. A single bill, CS/CS/SB 142, incorporated changes to ILECs' carrier-of-last-resort (COLR) obligations related to both business and residential multitenant environments, including single-family residential developments. In addition, the bill modified provisions applicable to ILECs that reach parity

under the rate rebalancing provision of Section 364.164, F.S. Finally, the bill eliminated tariffing requirements and shortened notice requirements for nonbasic services of price-cap regulated ILECs.

#### *a. Carrier-of-Last-Resort (COLR) Obligation in a Multitenant Environment*

Under the bill, an ILEC otherwise obligated to serve as a COLR may be relieved of its obligation to provide basic local telecommunications service to any customers in a multitenant business or residential property (including, but not limited to, apartments, condominiums, subdivisions, office buildings, or office parks) under certain conditions. An ILEC is no longer obligated as a COLR for multitenant business or residential properties when the owner or developer:

1. Permits only one communications service provider to install its communications service-related facilities or equipment during the construction phase of the project;

2. Accepts or agrees to accept incentives or rewards from a communications service provider that are contingent upon the provision of any or all communications services by one or more communications service providers to the exclusion of the ILEC;

3. Collects from the occupants or residents of the property charges for the provision of any communications service, provided by a communications service provider other than the ILEC, to the occupants or residents in any manner, including, but not limited to, collection through rent, fees, or dues; or

4. Enters into an agreement with a communications service provider that grants incentives or rewards to such owner or developer contingent upon restriction or limitation of the ILEC's access to the property.

In addition, an ILEC that is not automatically relieved of its COLR obligation by any of the aforementioned criteria may seek a waiver of its COLR obligation from the FPSC for good cause shown based on the facts and circumstances of provision of service to the multitenant business or residential property.

#### *b. Publication and Notice of Rates, Terms, and Conditions of Nonbasic Service*

CS/CS/SB 142 also modified previously existing requirements for price-cap regulated ILECs.[186] Based on the new law, these companies shall, at their individual option, maintain tariffs with the Commission or otherwise publicly publish rates, terms, and conditions, and may set or change, on a one day notice, the rate for each of its nonbasic services. Previously, the companies were required to maintain tariffs with the Commission and provide 15 days' notice of any changes to those tariffs. In addition, the Commission may establish guidelines for

[186] All Florida ILECS with the exception of Frontier are currently price-cap regulated.

publishing rates, terms, and conditions, but may not require more information than would have been necessary with a tariff filing.[187]

### *c. Changes to Section 364.164, Florida Statutes, Competitive Market Enhancement*

The new law also repeals language that would have allowed ILECs that rebalanced rates pursuant to Section 364.164, Florida Statutes, to elect to have their basic local telecommunications service be subject to the same regulatory treatment as nonbasic services. This option would have been available to ILECs when the transition of intrastate switched network access rates to parity with interstate switched access rates was complete. Repeal of this provision eliminates the possibility of future annual increases to basic local service rates that could have ranged from 6%-20% in some areas without FPSC review.

Finally, the new law adds criteria that ILECs must meet in order to have regulatory treatment of their retail services at a level no greater than that imposed on CLECs. The ILECs must demonstrate that the competition faced by the company is sufficient and sustainable to allow such competition to supplant regulation by the FPSC.

[187] The FPSC opened Docket No. 060499-TL, Implementation of Statutory Option for Price-Regulated Local Exchange Telecommunications Companies to Publicly Publish Rates, Terms, and Conditions for Nonbasic Services, pursuant to Section 364.051(5)(a), F.S.

# CHAPTER VII: FEDERAL ACTIVITIES

## A. TRO/TRRO IMPLEMENTATION DOCKETS

On August 21, 2003, the FCC released its Triennial Review Order (TRO) which contained revised unbundling rules and responded to the D.C. Circuit Court of Appeals' 2002 remand decision. On March 2, 2004, the D.C. Circuit Court of Appeals released its decision, which vacated and remanded certain provisions of the TRO. In particular, the D.C. Circuit held that the FCC's delegation of authority to state commissions to make impairment findings was unlawful and further found that the national findings of impairment for mass market switching and high-capacity transport were improper.[188]

The FCC released an Order and Notice (Interim Order) on August 20, 2004, requiring ILECs to continue providing unbundled access to mass market local circuit switching, high capacity loops, and dedicated transport until the earlier of the effective date of final FCC unbundling rules or six months after publication of the Interim Order in the Federal Register.[189] On February 4, 2005, the FCC released the Triennial Review Remand Order (TRRO), wherein the FCC's final unbundling rules were adopted with an effective date of March 11, 2005, and a one year transition period.[190]

In response to the various court decisions and FCC Orders, Verizon and BellSouth filed separate petitions with the FPSC. In order to address the petitions, administrative hearings were held. The Verizon hearing was conducted on May 4, 2005.[191] As a result of that proceeding, fully executed interconnection agreement amendments were filed which included rates, terms, and conditions addressing the FCC's revised unbundling rules. The docket was closed May 5, 2006. The BellSouth hearing was conducted on November 2-4, 2005.[192] The proceeding also resulted in the submission of fully executed agreement amendments. However, there are four CLECs that have not executed agreements; the docket remains open to address this, as well as other outstanding matters.

## B. UNIVERSAL SERVICE

### 1. Comprehensive Review of Universal Service Fund Management, Administration, and Oversight

On June 14, 2005, the FCC initiated a comprehensive review of the administration of the universal service fund (USF).[193] The Universal Service Administrative Company, which administers the fund, has disbursed approximately $30.3 billion from the USF since 1997. The FCC recognized that concerns have been raised ranging from mismanagement to intentionally

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[188] 359 F. 3d 554 (D.C. Cir 2004) (known as USTA II).
[189] FCC 04-179. WC Docket No. 04-313, Unbundled Access to Network Elements, and CC Docket No. 01-338, Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers. *Order and NPRM*. Released August 20, 2004.
[190] FCC 04-290. WC Docket No. 04-313, Unbundled Access to Network Elements, and CC Docket No. 01-338, Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers. *Order on Remand*. Released February 2, 2005.
[191] See Docket No. 040156-TP.
[192] See Docket No. 041269-TP.
[193] FCC 05-124. WC Docket No. 05-195, Comprehensive Review of Universal Service Fund Management, Administration, and Oversight. *Further Notice of Proposed Rulemaking*. Released June 14, 2005.

defrauding the program. The FCC sought comment on ways to improve the management, administration, and oversight of the USF.

The FPSC, the Florida Department of State, and the State Library and Archives of Florida (Florida commenters) submitted joint comments in response to the Notice of Proposed Rulemaking on October 18, 2005. The comments addressed issues relating to the schools and libraries program (E-rate program).

These comments recommended that one of the key goals of any universal service program should be the equitable distribution of support. The Florida commenters urged the FCC to focus its review on improving the schools and libraries program by implementing a more cooperative partnership with USAC and the states. This partnership would share responsibility for modifying administrative procedures, developing meaningful goals and measures to assess the impact of E-rate funding, and initiating further measures to eliminate waste, fraud, and abuse.

The comments state that reform and program updates would enhance and strengthen the program structure and alleviate many of the management, oversight, enforcement, and accountability problems described in a recent GAO Report. To implement such changes, the Florida commenters asked that the FCC consider the following revisions to its rules:

- Establish a state-specific funding cap for the schools and libraries program based on poverty and the number of school-age children within a state; and

- Allow states to administer certain aspects of the schools and libraries program.

The FCC has not issued a final Order in this proceeding.

### 2. Review of Rural High-Cost Support

Rural carriers currently receive approximately 75% of the high-cost fund, or about $2.75 billion for 2004. On June 28, 2004, the FCC asked the Joint Board to review the FCC's rules relating to the high-cost universal service support mechanisms for rural carriers and determine the appropriate rural mechanism to succeed the five year plan adopted in the Rural Task Force Order. The Joint Board released a public notice on August 16, 2004 seeking comments from interested parties.

On August 17, 2005, the FCC released a public notice seeking comment on several proposals developed by state Universal Service Joint Board members and staff. This notice became necessary because some state members believed that corresponding issues in the nonrural high-cost mechanism, not originally referred to the Joint Board, needed to be addressed.

The Joint Board released a public notice in this proceeding on August 11, 2006, requesting comments on issues of competitive bidding (i.e., the use of auctions to distribution high-cost universal service support). After the Joint Board's recommended decision is released, the FCC will ask for comments on the Joint Board's recommendation before issuing its order.

### 3. Review of Nonrural High-Cost Support

In late 2005, the FCC released a public notice seeking comment on several issues relating to the high-cost support mechanism for nonrural carriers.[194] This notice was in response to the U.S. Court of Appeals for the Tenth Circuit's remand of the FCC's rules for nonrural carriers. The FCC sought comment on the appropriate design for a new mechanism.

As part of this notice, the FCC sought comment on a proposal by Puerto Rico Telephone Company, Inc. (PRTC) that the FCC adopt a nonrural insular (island) support mechanism. According to PRTC, the penetration rate in Puerto Rico increased from 25% in the 1970s to more than 70% in 1996. PRTC claims, however, that since its high-cost funding began to decline in 2001 pursuant to FCC actions, Puerto Rico's previously growing penetration rate has fallen below 70%.

The FPSC has, for a long time, expressed concerns with the growth of the federal universal service fund. Florida is a net contributor to the program, and the FPSC filed reply comments in opposition to further growth in the high-cost fund. Specifically, the FPSC does not believe the interim high-cost support mechanism sought by PRTC is warranted at this time for several reasons. PRTC failed to show how decreases in high-cost support have negatively affected subscribership. To the extent that the FCC wishes to provide additional high-cost support, the supplemental support mechanism already exists. Furthermore, the creation of a new insular high-cost mechanism for one carrier appears to be inconsistent with how the FCC has addressed similar subscribership issues on federally recognized tribal lands where the FCC expanded Lifeline and Link-Up support, not high-cost support. The FPSC urged the FCC not to address affordability issues through the high-cost mechanism. Finally, the FPSC believes that granting PRTC's petition is premature because issues regarding high-cost support are pending before the Universal Service Joint Board and the FCC. The FCC has not issued an order in this proceeding.

### 4. Changes to USF Assessment

On June 27, 2006, the FCC released its Report and Order and Notice of Proposed Rulemaking relating to the contribution methodology for the universal service fund (USF).[195] Under the existing universal service rules, carriers' contributions are assessed as a percentage of their interstate and international end-user telecommunications revenues. In this Order, the FCC chose to modify, on an interim basis, the current revenue-based system for the assessment and recovery of USF contributions. The modifications will result in the shift of some of the financial burden from long-distance carriers to wireless and VoIP providers. These changes will impact consumers of wireless and VoIP because these providers are likely to pass through their USF contributions to their customers.

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[194] FCC 05-205. CC Docket No. 96-45, WC Docket No. 05-337, In the Matter of Federal-State Joint Board on Universal Service High-Cost Universal Service Support. *Notice of Proposed Rulemaking*. Released December 9, 2005. Retrieved September 20, 2006, from http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-05-205A1.doc

[195] FCC 06-94. WC Docket No. 06-122, Universal Service Contribution Methodology. *Report and Order and Notice of Proposed Rulemaking*. Released June 27, 2006.

The FCC indicated that it is committed to examining more fundamental universal service assessment reform in this proceeding. FCC Chairman Martin has publicly expressed support for revising the assessment mechanism by basing it on telephone numbers instead of revenue. A diverse group of telecommunications industry participants has formed a coalition to urge policymakers to act quickly to adopt such a numbers-based system for collecting universal service funding.[196]

## C. NASUCA TRUTH IN BILLING PETITION TO THE FCC

The National Association of State Utility Consumer Advocates (NASUCA) sought a ruling from the FCC prohibiting telecommunications carriers from imposing monthly line-item charges, surcharges, or other fees on customer bills unless such charges have been expressly mandated by a regulatory agency.

In comments to the FCC on August 5, 2004, the FPSC noted that, over the past several years, the clear policy choice had been for more specificity, not less, on customer bills. Furthermore, the FPSC opined that the NASUCA approach could turn out to be burdensome to the companies (in terms of increased administrative burden, another shift in billing practices, and increased costs) and, at the same time, not beneficial to consumers (due to possible increased costs associated with changes in billing practices and less specificity on bills).

The Commission also supported the following concepts:

- Disclosure of regulatory compliance costs to consumers through line items or surcharges;
- Access for consumers to more detailed information in order to make more informed choices about the services for which they are paying;
- Development of an alternative approach to assessing the validity of line item entries that would examine and document claims presented in the NASUCA petition in a systematic, collaborative manner;
- Development of an approach that would permit the FCC to examine the nature and extent of billing problems to determine what, if any, remedy is appropriate, be it rulemaking or on a case-by-case basis at either the federal or state level; and
- Development of an evidentiary record prior to consideration of additional billing requirements for carriers.

On March 18, 2005, the FCC released its Second Report and Order addressing truth-in-billing issues.[197] In this Order, the FCC denied NASUCA's request concluding that there was no general prohibition against the use of line items on telephone bills under its rules or the Act as

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[196] The new coalition, called the USF by the Numbers Coalition, includes AT&T, BellSouth, Cellular Telecommunications & Internet Association, IDT Corporation, GCI, the National Cable & Telecommunications Associations, USTelecom, and Verizon.

[197] FCC 05-55. CC Docket No. 98-170 and CG Docket No. 04-208, Truth-in-Billing and Billing Format and National Association of State Utility Consumer Advocates' Petition for Declaratory Ruling. *Second Report and Order*. March 18, 2005.

long as the description is not misleading. The FCC did reiterate that it is a misleading practice for carriers to state or imply that a charge is required by the government when it is left to the discretion of the carrier whether or not to separately identify a line item charge and determine its amount. Consumers may be less likely to engage in comparative shopping among service providers if they erroneously believe that certain rates or charges are unavoidable federally-mandated amounts from which individual carriers may not deviate. The Order addressed additional billing issues beyond the NASUCA petition. Specifically, the FCC:

- Held that it is misleading to represent discretionary line item charges in any manner that suggests such line items are taxes or government-mandated charges;
- Clarified that the burden rests upon the carrier to demonstrate that any line item that purports to recover a specific governmental or regulatory program fee conforms to the amount authorized by the government;
- Clarified that state regulations requiring or prohibiting the use of line items for Commercial Mobile Radio Service (CMRS or wireless service) constitute rate regulation and are preempted;
- Required that CMRS carriers be subject to the rules requiring that billing descriptions be brief, clear, non-misleading, and in plain language; and

NASUCA and the Vermont Public Service Board appealed the FCC Truth-in-Billing decision in the 11th U.S. Circuit Court of Appeals (Court). The National Association of Regulatory Utility Commissioners (NARUC) also intervened. In July 2006, a three-judge panel of the 11th Circuit ruled that the FCC exceeded its statutory authority when it preempted states from prohibiting the use of line items on wireless bills and vacated the FCC's Order. The Court concluded, "The scope of federal authority to regulate 'rates' or 'entry' does not include the presentation of line items on cellular wireless bills. This billing practice is a matter of 'other terms and conditions' that Congress intended to be regulable by the states."[198] The FCC has filed a petition with the Court seeking a rehearing of its decision.[199]

## D. INTERCARRIER COMPENSATION REFORM

Intercarrier compensation typically pertains to charges one carrier levies on another carrier–for example, a wireline provider assesses a wireless carrier—to complete a call on the carrier's network. Currently, such charges can vary by call type (local, intrastate long distance, and interstate long distance) and by the type of providers involved (ILEC, CLEC, wireless carrier (CMRS provider), and/or interexchange carrier (IXC)). Accordingly, there can be significantly different charges for use of similar, if not identical, network functionalities. As an example, intrastate access charges typically are much higher than interstate access charge rates. Such

[198] National Association of State Utility Consumer Advocates, et al. v. Federal Communications Commission, et. al. (2006, July 31). Case No. 50-11682, in the U.S. Court of Appeals for the Eleventh Circuit. Retrieved August 21, 2006, from http://www.ca11.uscourts.gov/opinions/ops/200511682.pdf

[199] Petition for Panel Rehearing before the United States Court of Appeals for the Eleventh Circuit. National Association of State Utility Consumer Advocates, et al. v. Federal Communications Commission and United States of America. Nos. 05-11682-DD & 05-12601-DD. September 13, 2006.

disparities can encourage arbitrage, such as misreporting traffic. Attempts have been made over time to rationalize intercarrier compensation mechanisms.

On July 24, 2006, the National Association of Regulatory Utility Commissioners (NARUC) Task Force on Intercarrier Compensation filed with the FCC an industry-sponsored reform proposal known as the "Missoula Plan."[200] This plan takes steps towards unifying rates and rate structures for all types of intercarrier compensation. The Plan's sponsors estimate that total access reductions will be approximately $6 billion. To offset these reductions, the proposal will create various mechanisms that allow carriers to recover those access reductions. The overall impact of these various increases is $6.95 billion.

While this plan may seem similar to the steps Florida has taken to rebalance access charges, this plan would increase the Subscriber Line Charge (SLC) caps[201] and increase the federal universal service fund, as opposed to allowing carriers to raise basic rates in a revenue neutral manner. These increases to the federal universal service fund would effectively require customers in other states to subsidize access reductions in states that have not previously reduced access charges. While an "Early Adopter" fund is proposed to provide support for those states that have already reduced intrastate access rates, under the proposed guidelines Florida would not be eligible to receive support since these reductions were not implemented through an intrastate universal service mechanism.[202]

In addition to the above restructurings, the Plan contains components dealing with interconnection architectures, treatment of phantom traffic, determining responsibility for paying interconnection charges, and treatment of tandem traffic service. Although the FCC put the Missoula Plan out for comment the day after it was filed, it is not anticipated that the FCC will act on the proposal in 2006. The Missoula Plan represents the latest proposal filed with the FCC regarding intercarrier compensation. The FCC has received six other plans prior to this proposal.

## E. CONGRESSIONAL LEGISLATIVE PROPOSALS

National video franchising legislation has been a major issue in both the U.S. Senate and House of Representatives in 2006. The House bill HR 5252 focuses largely on video franchising and passed the House on June 8, 2006. If enacted, the bill would allow for a national video franchising process under FCC authority. An entity could obtain a franchise authorized by the FCC that would be effective 30 days after filing an application. Franchise terms would be for ten years with automatic renewal.

In the Senate, major changes in the franchising process are incorporated in the main telecommunications bill, the Advanced Telecommunications and Opportunities Reform Act (ATOR Act). This Act would allow current franchise authorities to remain in the franchise process, though in a more limited capacity. A standard application form would be created by the

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[200] This plan is supported by AT&T, BellSouth, Cingular Wireless, Commonwealth Telephone Company, Consolidated Communications, Epic Touch, Global Crossing, Iowa Telecom, Level 3 Communications, Madison River Communications, and the Rural Alliance (representing some 336 small rural LECs).

[201] The SLC cap would be raised from $6.50 to $10.00 for most Florida customers over the five-year implementation of the plan. The plan's sponsors estimate that, when fully phased in, these SLC increases will generate roughly $4.7 billion.

[202] This fund is initially set at $200 million per year.

FCC. Negotiations between the franchising authority and the video services applicant would be allowed with respect to the franchise fee percentage and the required number of public, educational, or governmental use channels. The time frame for negotiations would be no more than 90 days, at which time the franchise application would be deemed granted.

Either of the above mentioned Congressional bills would create major changes in terms of the franchising process. At this point, however, the likelihood of passage remains uncertain, with limited time remaining in the 2006 Congressional session. Congressional and state legislative efforts aside, the cable market is experiencing an increased level of competitive activity. Technological advancements in the broadband networks have increased the attractiveness of the video market for a variety of new entrants. Likewise, cable operators have expanded efforts in the voice market. Ideally, such expansion will lead to enhanced choice for consumers in all aspects of communications.

At the state level, at least nine states have implemented a statewide video franchising process.[203] During the 2006 Florida legislative session, HB 1199 proposed that the Department of State would be designated the sole state video franchising authority. HB 1199 passed the Florida House of Representatives, but was not adopted by the Florida Senate.

[203] Sarah Reedy. (2006, June 26) More States Pursue Video-franchising Bills. *Telephony Online.* Retrieved August 15, 2006, from http://telephonyonline.com/mag/telecom_states_pursue_videofranchising/

## APPENDIX A: LIST OF CERTIFICATED CLECS AS OF 5/31/06

**Indicates that the company did not respond to the Commission's data request.

1-800-RECONEX, Inc. d/b/a USTEL
360networks (USA) inc.
A.R.C. Networks, Inc. d/b/a InfoHighway
AboveNet Communications, Inc.
Acceris Management and Acquisition LLC
Access Communications, LLC.
Access Integrated Networks, Inc.
Access Point, Inc.
AccuTel of Texas, Inc.
ACN Communication Services, Inc.
Actel Wireless, Inc.
Advantage Group of Florida Communications, L.L.C.
Aero Communications, LLC
Affordable Phone Services, Inc. d/b/a High Tech Communications
Airespring, Inc.
AirTIME Technologies, Inc.
ALEC, Inc.
ALLTEL Communications, Inc.
ALLTEL Florida, Inc.
Alpha Fiber Inc.
Alpha Phone Inc.
**Alpha Telecom, LLC
Alternative Phone, Inc.
**Alticomm, Inc.
American Fiber Network, Inc.
American Fiber Systems, Inc.
American Phone Services Corp.
American Telecharge, Inc.
Americatel Corporation
AmeriMex Communications Corp.
Andre Trajean Fidel d/b/a Andrex Telecom
ANEW Broadband, Inc. d/b/a INSTANTEL PHONE SERVICE
Arrow Communications, Inc. d/b/a ACI
AT&T Communications of the Southern States, LLC d/b/a AT&T
Atlantic.Net Broadband, Inc.
ATN, Inc. d/b/a AMTEL NETWORK, INC.
Auglink Communications, Inc.
Available Telecom Services, Inc.
Awesome Communications Inc.
Azul Tel, Inc.
Backbone Communications Inc.
**Baldwin County Internet/DSSI Service, L.L.C.
Basic Phone, Inc.
BCN Telecom, Inc.
Beauty Town, Inc. d/b/a Anns Communication
Bellerud Communications, LLC
BellSouth Long Distance, Inc.
BellSouth Telecommunications, Inc.
BellSouth Telecommunications, Inc.
Benchmark Communications, LLC d/b/a Com One
Birch Telecom of the South, Inc. d/b/a Birch Telecom and d/b/a Birch
BLC Management LLC d/b/a Angles Communication Solutions
Blonder Tongue Telephone LLC
Bright House Networks Information Services (Florida), LLC
Broadband Communities of Florida, Inc.
Broadstar Communications, LLC
Broadview Networks, Inc.
Broadwing Communications, LLC
BT Communications Sales LLC
Budget Phone, Inc.
BudgeTel Systems, Inc.
BullsEye Telecom, Inc.
Burno, Inc. d/b/a Citywide-Tel
Business Telecom, Inc. d/b/a BTI
Camarato Distributing, Inc. d/b/a Nex-Phon
Campus Communications Group, Inc.
**CariLink International, Inc.
CAT Communications International, Inc.
CBB Carrier Services, Inc.
Cbeyond Communications, LLC
Centennial Florida Switch Corp.
CI2, Inc.
**Ciera Network Systems, Inc.

## APPENDIX A: LIST OF CERTIFICATED CLECS AS OF 5/31/06

**Indicates that the company did not respond to the Commission's data request.

Cinergy Communications Company
City of Daytona Beach
City of Gainesville, a municipal corporation d/b/a GRUCom
City of Lakeland
City of Ocala
City of Quincy d/b/a netquincy d/b/a netquincy.com d/b/a www.netquincy.com
City of Tallahassee
**Clear Breeze Telecommunications of Florida, Inc.
Cleartel Telecommunications, Inc. d/b/a Now Communications, also d/b/a VeraNet Solutions
CloseCall America, Inc
CM Tel (USA) LLC
**Coastal Telephone Connections, Inc. d/b/a Coastal Connections
Cogent Communications of Florida LHC, Inc.
**Colmena Corp. of Delaware
Comcast Business Communications, LLC
Comcast Phone of Florida, LLC d/b/a Comcast Digital Phone
CommPartners, LLC
Communications Xchange, LLC
Computer Network Technology Corporation
Comtech21, LLC
Conextel, Inc.
Connect Paging, Incorporated d/b/a Get A Phone
Cordia Communications Corp.
CoreTel Florida, Inc. d/b/a CoreTel
Covista, Inc.
Cox Florida Telcom, L.P. d/b/a Cox Communications
Credit Loans, Inc. d/b/a Lone Star State Telephone Co.
CTC Communications Corp.
Custom Network Solutions, Inc.
Cypress Communications Operating Company, LLC
Dedicated Fiber Systems, Inc.
Deland Actel, Inc.
DialEZ Inc.
DialTek, LLC d/b/a DTK Telecommunications, LLC
Dialtone Telecom, LLC
DIECA Communications, Inc. d/b/a Covad Communications Company
Digital Express, Inc.
**Double Link Communications, Inc.
DPI-Teleconnect, L.L.C.
DRS Training & Control Systems, Inc.
DSL Internet Corporation d/b/a DSLi
**DSL Telecom, Inc.
DSLnet Communications, LLC
D-Tel, Inc. d/b/a Amigos Telephonica
E.Com Technologies, LLC d/b/a Firstmile Technologies, LLC
Eagle Communications, Inc. d/b/a Eagle Telco, Inc.
Eagle Telecommunications, Inc.
Easy Telephone Services Company
Economic Telecom, Inc.
**EFFECTEL CORP
Elantic Telecom, Inc.
ElectroNet Intermedia Consulting, Inc.
Electronic Technical Services (E.T.S.)
Embarq Florida, Inc. d/b/a Sprint Florida
Enhanced Communications Network, Inc. d/b/a Asian American Association
EO Telecom of Florida, LLC
Epicus Communications Group, Inc.
Ernest Communications, Inc.
Esodus Communications, Inc. d/b/a Excelink Communications d/b/a Instatone
EveryCall Communications, Inc.
Excel Pager, Cellular, and Home Phone, Inc.
Excel Telecommunications, Inc.
Expedient Carrier Services, LLC
Express Phone Service, Inc.
Fast Phones, Inc. of Alabama
Fiber Media, LLC
FiberLight, LLC
FLATEL, Inc. d/b/a Florida Telephone Company d/b/a Oscatel d/b/a Telephone USA
FlatPhone, Inc d/b/a FlatPhone

## APPENDIX A: LIST OF CERTIFICATED CLECS AS OF 5/31/06

**Indicates that the company did not respond to the Commission's data request.

Florida Digital Network, Inc. d/b/a FDN Communications
Florida Multi-Media Services, Inc. d/b/a Florida Multi Media
Florida Municipal Power Agency
Florida Phone Systems, Inc.
Florida Public Telecommunications Association, Inc.
Florida Telephone Services, LLC
Fonix Telecom, Inc.
Fort Pierce Utilities Authority d/b/a GigaBand Communications
FPL FiberNet, LLC
France Telecom Corporate Solutions L.L.C.
Frontier Communications of America, Inc.
Frontier Communications of the South, Inc.
Ganoco, Inc. d/b/a American Dial Tone
Georgia Public Web, Inc.
Global Connection, Inc of America
Global Crossing Local Services, Inc.
Global Crossing Telemanagement, Inc.
Global NAPS, Inc.
Global Response Corporation
Global Teldata II, LLC
Globalcom Inc. d/b/a GCI Globalcom Inc.
Globaltron Communications Corporation
Grande Communications Networks, Inc.
Granite Telecommunications, LLC
GTC Communications, Inc.
GTC, Inc. d/b/a GT Com
H C Phone Service, LLC
Harbor Communications, LLC
Hayes E-Government Resources, Inc.
Home Town Telephone, LLC
Hotline, Inc. d/b/a Hotline Telephone Service, Inc.
ICG Telecom Group, Inc.
IDS Telcom Corp. d/b/a Cleartel Communications
IDT America, Corp. d/b/a IDT
Image Access, Inc. d/b/a NewPhone, Inc.
Industry Retail Group, Inc.
Intellicall Operator Services, Inc. d/b/a ILD
Intelligence Network Online, Inc.
Intelogistics Corp.
Interactive Services Network, Inc. d/b/a ISN Telcom
InterGlobe Communications, Inc.
InterLink Global, Corp.
**Interlink Telephony, Inc.
International Telnet, Inc.
Inter-Tel NetSolutions, Inc.
Intrado Communications Inc.
ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom d/b/a Grapevine
ITS Telecommunications Systems, Inc.
ITS Telecommunications Systems, Inc.
Jax Telecom Inc.
K. Kessler Inc.
Kenarl Inc. d/b/a Lake Wellington Professional Centre
Kissimmee Utility Authority
KMC Data LLC
KMC Telecom III LLC
KMC Telecom V, Inc.
Knology of Florida, Inc.
Laser Telecom, LLC
LecStar Telecom, Inc.
Level 3 Communications, LLC
Lightyear Network Solutions, LLC
Litestream Holdings, LLC
LMDS Holdings, Inc.
**Local Line America, Inc.
Looking Glass Networks, Inc.
LPGA International Communications, LLC
Madison River Communications, LLC
**Maintrust Telephone Companies, Corp.
Matrix Telecom, Inc.
MCC Telephony of Florida, Inc.
McGraw Communications, Inc.
MCImetro Access Transmission Services LLC d/b/a Verizon Access Transmission Services
McLeodUSA Telecommunications Services, Inc.
Melbourne Venture Group, LLC d/b/a SwiftTel
Meridian TeleSystems, Inc.
MET Communications, Inc.
Metropolitan Telecommunications of Florida, Inc. d/b/a MetTel
Midwestern Telecommunications, Incorporated

## APPENDIX A: LIST OF CERTIFICATED CLECS AS OF 5/31/06

**Indicates that the company did not respond to the Commission's data request.

Momentum Telecom, Inc.
Movie, Television & Graphics Corp. d/b/a M.T.G.
Mpower Communications Corp.
Myatel Corporation
MY-TEL INC.
National Telecom & Broadband Services, LLC
NationsLine Florida, Inc.
Nationwide Computer Systems, Inc. d/b/a Desoto.Net and d/b/a Greenwood.Net
Navigator Telecommunications, LLC
Net One International, Inc.
**NETLINE COMMUNICATIONS CORP.
Network International Solutions, Inc.
Network Multi-Family Security Corporation d/b/a Priority Link
Network Operator Services, Inc.
Network PTS, Inc.
Network Telephone Corporation
NetworkIP, L.L.C.
Neutral Tandem-Florida, LLC
New Access Communications LLC and d/b/a INCOMNET
New Edge Network, Inc. d/b/a New Edge Networks
New Rochelle Telephone Corp.
NextG Networks of NY, Inc. d/b/a NextG Networks East
Nexus Communications, Inc. d/b/a Nexus Communications TSI, Inc.
Nigerian-American Investment Corporation d/b/a NAIC Telecommunications
nii Communications, Ltd.
**North American Telecommunications Corporation
North County Communications Corporation
Northeast Florida Telephone Company d/b/a NEFCOM
NOS Communications, Inc. d/b/a International Plus d/b/a O11 Communications d/b/a The Internet Business Association d/b/a I Vantage Network Solutions
Novus Communications, Inc.
NOW Communications, Inc.
NuStar Communications Corp.
NuVox Communications, Inc.
**OCMC, Inc. d/b/a One Call Communications, Inc., OPTICOM, 1-800-MAX-SAVE, Advanttel, RegionTel, LiveTel, and SuperTel
Oltronics, Inc.
**OneStar Long Distance, Inc.
OnFiber Carrier Services, Inc.
ONS-Telecom, LLC
Optical Telecommunications, Inc.
Orlando Telephone Company, Inc.
**Oronoco Networks, Inc.
Pacific Centrex Services, Inc.
Pac-West Telecomm, Inc.
PaeTec Communications, Inc.
Palm Beach Community College
Payless Telephone Company, Inc.
Pelzer Communications Corporation
**Phone 1 Smart LLC
Phone Club Corporation
Pilgrim Telephone, Inc.
PNG Telecommunications, Inc. d/b/a PowerNet Global Communications d/b/a CrossConnect
Preferred Carrier Services, Inc. d/b/a Telefonos Para Todos and d/b/a Phones For All
Premier Telecom, Inc.
Primus Telecommunications, Inc.
ProfitLab, Inc.
Progress Telecom, LLC
Protection Plus of the Florida Keys, Inc. d/b/a ENGAGE COMMUNICATIONS
Protocall Communications, Inc.
Public Telephone Network, Inc.
Quality Telephone Inc.
QuantumShift Communications, Inc.
Quiet River Communications, LLC
Quincy Telephone Company d/b/a TDS Telecom/Quincy Telephone
Qwest Communications Corporation
Qwest Interprise America, Inc.
Qwik.net ALEC, Inc.
Rebound Enterprises, Inc. d/b/a REI Communications
Re-Connection Connection

## APPENDIX A: LIST OF CERTIFICATED CLECS AS OF 5/31/06

**Indicates that the company did not respond to the Commission's data request.

RedSquare Corporation d/b/a RedSquare Communication Corporation
Reliant Communications, Inc.
ReTel Communications, Inc.
Rightlink USA, Inc.
Ring Connection, Inc.
RNK Telecom, Inc.
Sago Broadband, LLC
Sail Telecom, Inc.
Sandhills Telecommunications Group, Inc. d/b/a SanTel Communications
Saturn Telecommunication Services Inc. d/b/a STS Telecom
SBC Long Distance. LLC d/b/a SBC Long Distance d/b/a AT&T Long Distance
Servi Express Caracol d/b/a Telefonica Express
**ServiSense.com, Inc.
**Seven Bridges Communications, L.L.C.
Shands Teaching Hospital and Clinics, Inc.
SkyWay Telecom, Inc.
Smart City Networks
Smart City Solutions, LLC d/b/a Smart City Communications
Smart City Telecommunications LLC d/b/a Smart City Telecom
Smart Network Solutions Communications Corp
SNC Communications, LLC
Source One Communications, Inc. d/b/a Quick Connects
Southeastern Services, Inc.
Southern Light, LLC
Southern Telcom Network, Inc.
Southern Telecom, Inc. d/b/a Southern Telecom of America, Inc.
Spectrotel, Inc.
Speedy Reconnect, Inc.
Spirited Technologies, Inc. d/b/a Spirited Broadband
Sprint Communications Company Limited Partnership
Sprint Long Distance, Inc.
STS Telecom, LLC
Sun-Tel USA, Inc.
Super-Tel.Com, Inc.
Supra Telecommunications and Information Systems, Inc.
Symtelco, LLC
Synergy Networks, Inc.
Syniverse Technologies, Inc.
T3 Communications, LLC d/b/a Tier 3 Communications d/b/a Naples Telephone and d/b/a Fort Myers Telephone
Talk America Inc.
Talk and Pay, Inc.
Talk For Less, Inc.
Tallahassee Community College
Tallahassee Memorial Telephone Company
Tallahassee Telephone Exchange, Inc.
TCG South Florida
Tel West Communications, LLC
TelCove Investment, LLC
TelCove of Florida, Inc.
TelCove of Jacksonville, Inc.
Tele Circuit Network Corporation
Telecom Connection Corp.
Teledata Solutions, Inc. d/b/a TDSI, INC.
Telepak Networks, Inc.
**Telephone One Inc.
Telephone Systems of Georgia, Inc.
Telrite Corporation
Telscape Communications, Inc.
Telstar Communications, Inc. d/b/a Telstar Prepaid Services
Telsys, Inc.
Tennessee Telephone Service, LLC d/b/a Freedom Communications USA, LLC
Terra Telecommunications Corp.
The Boeing Company
**The Gulas Group, L.L.C.
The Hamilton Telephone Company d/b/a Hamilton Telecommunications
The Other Phone Company, Inc. d/b/a Access One Communications
The Sunshine State Telephone Company, L.L.P. d/b/a Sunshine State Total Communications
The Ultimate Connection, L.C. d/b/a DayStar Communications
Think 12 Corporation d/b/a Hello Depot
Time Warner Telecom of Florida, L.P.

## APPENDIX A: LIST OF CERTIFICATED CLECS AS OF 5/31/06

**Indicates that the company did not respond to the Commission's data request.

Touch 1 Communications, Inc.
TQC Communications, Corp.
Trans National Communications International, Inc.
Transparent Technology Services Corporation d/b/a North Palm Beach Telephone Company
Trinsic Communications, Inc.
Tristar Communications Corp.
TWC Information Services (Florida) LLC d/b/a Time Warner Cable
Twenty Eight Red, Inc. d/b/a Cash America
UCN, Inc.
Unicom Communications, LLC
**United Communications HUB, Inc.
Unitycomm, LLC
**Universal Access, Inc. d/b/a UAI of Florida, Inc.
Universal Beepers Express, Inc. d/b/a Universal Wireless d/b/a Universal Telephone d/b/a Ameri Phone d/b/a Unitel
Universal Telecom, Inc.
US LEC of Florida Inc.
US South Communications, Inc.
US Telesis, Inc.
USA Telephone Inc. d/b/a Choice One Telecom
Utilities Commission, New Smyrna Beach d/b/a New Smyrna Communications
Utility Board of the City of Key West d/b/a Keys Energy Services
Utility USA, Inc. d/b/a Vizon Telecom
VarTec Solutions, Inc.
VarTec Telecom, Inc. d/b/a VarTec Telecom, Inc. and Clear Choice Communications
VBNet, Incorporated
Verizon Avenue Corp. d/b/a Verizon Avenue
Verizon Florida Inc.
Verizon Florida Inc.
Verizon Select Services Inc.
Vertex Communications, Inc. d/b/a Zenith Communications of Florida, Inc.
VGM International, Inc.
Vilaire Communications, Inc.
VOIP Corp
Volo Communications of Florida, Inc. d/b/a Volo Communications Group of Florida, Inc.
Vortex Broadband Communications, Inc.
Vycera Communications, Inc.
Wholesale Carrier Services, Inc.
WilTel Local Network, LLC
Winstar Communications, LLC
Wireless One Network Management, L.P.
**Worldtel Corp.
XFone USA, Inc.
XO Communications Services, Inc.
Xspedius Management Co. of Jacksonville, LLC d/b/a Xspedius Communications
Xspedius Management Co. Switched Services, LLC d/b/a Xspedius Communications
Yipes Enterprise Services, Inc.
YMax Communications Corp.
Zone Telecom, Inc.

| APPENDIX B: CLECS PROVIDING SERVICE | | | |
|---|---|---|---|
| **CLEC** | **Resale** | **Local Platform** | **Switch-Based** |
| 1-800-RECONEX, Inc. d/b/a USTEL | Residential / Business | Residential / Business | |
| Acceris Management and Acquisition LLC | | Residential / Business | |
| Access Communications, LLC. | Residential / Business | Residential / Business | |
| Access Integrated Networks, Inc. | Residential / Business | Residential / Business | |
| Access Point, Inc. | Residential / Business | Residential / Business | |
| ACN Communication Services, Inc. | | Residential / Business | |
| Actel Wireless, Inc. | Residential | | |
| Affordable Phone Services, Inc. d/b/a High Tech Communications | Residential / Business | | |
| ALLTEL Communications, Inc. | Business | | |
| Alternative Phone, Inc. | Residential / Business | Residential / Business | |
| American Fiber Network, Inc. | Residential / Business | | |
| AmeriMex Communications Corp. | Residential / Business | Residential / Business | |
| Andre Trajean Fidel d/b/a Andrex Telecom | Business | Residential / Business | |
| ANEW Broadband, Inc. d/b/a INSTANTEL PHONE SERVICE | Residential / Business | Residential / Business | |
| AT&T Communications of the Southern States, LLC d/b/a AT&T | Residential / Business | Residential / Business | Business |
| Atlantic.Net Broadband, Inc. | Residential / Business | | Residential / Business |
| Auglink Communications, Inc. | Residential / Business | Business | |
| BCN Telecom, Inc. | Residential / Business | Residential / Business | |
| Beauty Town, Inc. d/b/a Anns Communication | Residential | | |
| Bellerud Communications, LLC | Residential / Business | | |
| BellSouth Telecommunications, Inc. CLEC | | | Business |
| Birch Telecom of the South, Inc. d/b/a Birch Telecom and d/b/a Birch | Business | Business | |
| BLC Management LLC d/b/a Angles Communication Solutions | Residential | | |
| Blonder Tongue Telephone LLC | | | Business |
| Broadstar Communications, LLC | | | Residential |
| Broadwing Communications, LLC | Business | | Business |
| Budget Phone, Inc. | Residential | Residential | |
| BudgeTel Systems, Inc. | Residential | | |
| BullsEye Telecom, Inc. | Residential / Business | Residential / Business | |
| Burno, Inc. d/b/a Citywide-Tel | Residential / Business | Residential / Business | |
| Business Telecom, Inc. d/b/a BTI | Residential / Business | Residential / Business | Business |
| CariLink International, Inc. | Business | Residential / Business | |
| CAT Communications International, Inc. | Residential / Business | Business | |
| Cinergy Communications Company | | Business | |
| City of Daytona Beach | Business | Residential / Business | Business |
| CloseCall America, Inc | Business | Residential / Business | |
| Conextel, Inc. | | Residential / Business | |
| Connect Paging, Incorporated d/b/a Get A Phone | Residential | | |
| Custom Network Solutions, Inc. | | | Business |

| APPENDIX B: CLECS PROVIDING SERVICE | | | |
|---|---|---|---|
| **CLEC** | **Resale** | **Local Platform** | **Switch-Based** |
| Cypress Communications Operating Company, LLC | | Business | |
| Deland Actel, Inc. | Residential / Business | Residential / Business | |
| Dialtone Telecom, LLC | Residential / Business | | |
| DIECA Communications, Inc. d/b/a Covad Communications Company | Business | | |
| Digital Express, Inc. | | Residential / Business | |
| DPI-Teleconnect, L.L.C. | Residential | Residential | |
| DSL Internet Corporation d/b/a DSLi | Residential / Business | Residential / Business | Business |
| Eagle Telecommunications, Inc. | Residential / Business | Residential / Business | Business |
| Easy Telephone Services Company | Business | Residential / Business | |
| Economic Telecom, Inc. | | Residential | |
| EO Telecom of Florida, LLC | Residential | | |
| Epicus Communications Group, Inc. | Residential / Business | Residential / Business | |
| Ernest Communications, Inc. | Residential / Business | Residential / Business | |
| Esodus Communications, Inc. d/b/a Excelink Communications d/b/a Instatone | Residential | | |
| EveryCall Communications, Inc. | | Residential | |
| Excel Pager, Cellular, and Home Phone, Inc. | Residential | Residential | |
| Excel Telecommunications, Inc. | | Residential | |
| Express Phone Service, Inc. | Residential | | |
| FLATEL, Inc. d/b/a Florida Telephone Company d/b/a Oscatel d/b/a Telephone USA | Residential / Business | Residential / Business | |
| Florida Digital Network, Inc. d/b/a FDN Communications | Residential / Business | Residential / Business | Residential / Business |
| Florida Multi-Media Services, Inc. d/b/a Florida Multi Media | | | Residential / Business |
| Florida Phone Systems, Inc. | Residential / Business | Residential / Business | |
| Florida Telephone Services, LLC | Residential / Business | Residential / Business | |
| Fonix Telecom, Inc. | Business | Residential / Business | |
| FPL FiberNet, LLC | Business | Business | |
| Ganoco, Inc. d/b/a American Dial Tone | Residential | Residential | |
| Global Connection, Inc of America | Residential | Residential | |
| Global Crossing Telemanagement, Inc. | Business | Residential / Business | |
| GLOBAL DIALTONE | Residential / Business | Business | |
| Granite Telecommunications, LLC | Residential / Business | Residential / Business | |
| Harbor Communications, LLC | Business | | Business |
| Home Town Telephone, LLC | | | Residential / Business |
| IDS Telcom Corp. d/b/a Cleartel Communications | Residential / Business | Residential / Business | Residential / Business |
| IDT America, Corp. d/b/a IDT | | Residential / Business | |
| Image Access, Inc. d/b/a NewPhone, Inc. | Residential | | |
| Interactive Services Network, Inc. d/b/a ISN Telcom | Residential / Business | Residential / Business | Residential / Business |
| ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom d/b/a Grapevine | Residential / Business | Residential / Business | Business |
| KMC Telecom III LLC | Residential / Business | | |

| APPENDIX B: CLECS PROVIDING SERVICE | | | |
|---|---|---|---|
| **CLEC** | **Resale** | **Local Platform** | **Switch-Based** |
| Knology of Florida, Inc. | | | Residential / Business |
| LecStar Telecom, Inc. | Residential / Business | Residential / Business | |
| Lightyear Network Solutions, LLC | | Residential / Business | |
| Matrix Telecom, Inc. | | | Business |
| MCImetro Access Transmission Services LLC d/b/a Verizon Access Transmission Services | Residential / Business | Residential / Business | Business |
| MET Communications, Inc. | Residential | | |
| METRO TELECONNECT | Residential | | |
| Metropolitan Telecommunications of Florida, Inc. d/b/a MetTel | Business | Residential / Business | |
| Momentum Telecom, Inc. | Business | Residential / Business | |
| Myatel Corporation | Residential / Business | | |
| National Telecom & Broadband Services, LLC | Business | Residential / Business | |
| NationsLine Florida, Inc. | Residential | Residential | |
| Navigator Telecommunications, LLC | Residential / Business | Residential / Business | |
| Network PTS, Inc. | | Business | |
| Network Telephone Corporation | Residential / Business | Residential / Business | Business |
| Nexus Communications, Inc. d/b/a Nexus Communications TSI, Inc. | Residential | | |
| North American Telecommunications Corporation | Residential / Business | Residential / Business | |
| NOS Communications, Inc. d/b/a International Plus d/b/a O11 Communications d/b/a The Internet Business Association d/b/a I Vantage Network Solutions | Residential / Business | | |
| NOW Communications, Inc. | Residential / Business | Residential / Business | |
| NuVox Communications, Inc. | Residential / Business | Business | Business |
| Orlando Telephone Company, Inc. | Residential / Business | | Residential / Business |
| PaeTec Communications, Inc. | Residential / Business | Business | Business |
| Phone Club Corporation | Residential / Business | | |
| PNG Telecommunications, Inc. d/b/a PowerNet Global Communications d/b/a CrossConnect | Residential | | |
| Preferred Carrier Services, Inc. d/b/a Telefonos Para Todos and d/b/a Phones For All | Residential | Residential | |
| Premier Telecom, Inc. | Residential | Residential | |
| Quality Telephone Inc. | Residential / Business | Business | |
| QuantumShift Communications, Inc. | Business | | |
| Qwest Communications Corporation | Business | | |
| Rebound Enterprises, Inc. d/b/a REI Communications | Residential | | |
| Re-Connection Connection | Residential / Business | | |
| ReTel Communications, Inc. | Residential / Business | | |
| Rightlink USA, Inc. | Business | Residential / Business | |
| Ring Connection, Inc. | Residential / Business | Business | |
| RINGSOUTH | | Residential / Business | |

| APPENDIX B: CLECS PROVIDING SERVICE | | | |
|---|---|---|---|
| **CLEC** | **Resale** | **Local Platform** | **Switch-Based** |
| Sail Telecom, Inc. | | Residential | |
| Sandhills Telecommunications Group, Inc. d/b/a SanTel Communications | Residential / Business | Residential / Business | |
| Saturn Telecommunication Services Inc. d/b/a STS Telecom | | | Business |
| SBC Long Distance. LLC d/b/a SBC Long Distance d/b/a AT&T Long Distance | Residential / Business | | Residential / Business |
| Servi Express Caracol d/b/a Telefonica Express | Residential | | |
| Smart City Solutions, LLC d/b/a Smart City Communications | | | Residential / Business |
| SNC Communications, LLC | Business | Residential / Business | |
| Source One Communications, Inc. d/b/a Quick Connects | Residential | | |
| Southeastern Services, Inc. | Residential / Business | | |
| Southern Telcom Network, Inc. | Residential / Business | Business | |
| Southern Telecom, Inc. d/b/a Southern Telecom of America, Inc. | Business | | |
| Spectrotel, Inc. | | Residential | |
| Speedy Reconnect, Inc. | Residential | | |
| Sprint Communications Company Limited Partnership | Business | Residential / Business | Business |
| STS Telecom, LLC | Residential / Business | Residential / Business | |
| Sun-Tel USA, Inc. | Residential / Business | Residential / Business | |
| Supra Telecommunications and Information Systems, Inc. | Residential / Business | Residential / Business | Residential / Business |
| Symtelco, LLC | Business | Business | |
| T3 Communications, LLC d/b/a Tier 3 Communications d/b/a Naples Telephone and d/b/a Fort Myers Telephone | Business | Residential / Business | Business |
| Talk America Inc. | Residential / Business | Residential / Business | |
| Talk For Less, Inc. | Residential / Business | | |
| Tallahassee Telephone Exchange, Inc. | Residential / Business | Residential / Business | |
| Tel West Communications, LLC | Residential | | |
| TelCove Investment, LLC | Residential / Business | | Business |
| TelCove of Florida, Inc. | Business | | |
| TelCove of Jacksonville, Inc. | | | Business |
| Telepak Networks, Inc. | Business | | |
| Telephone One Inc. | Residential / Business | | |
| Tennessee Telephone Service, LLC d/b/a Freedom Communications USA, LLC | Residential | Residential | |
| The Sunshine State Telephone Company, L.L.P. d/b/a Sunshine State Total Communications | Residential / Business | Residential / Business | |
| The Ultimate Connection, L.C. d/b/a DayStar Communications | Business | | Business |
| Time Warner Telecom of Florida, L.P. | Business | | Business |

| APPENDIX B: CLECS PROVIDING SERVICE | | | |
|---|---|---|---|
| **CLEC** | **Resale** | **Local Platform** | **Switch-Based** |
| Trans National Communications International, Inc. | Business | Residential / Business | |
| Trinsic Communications, Inc. | Business | Residential / Business | |
| Tristar Communications Corp. | Residential / Business | Residential / Business | |
| Twenty Eight Red, Inc. d/b/a Cash America | Residential / Business | | |
| Unicom Communications, LLC | Residential / Business | | |
| Universal Access, Inc. d/b/a UAI of Florida, Inc. | Residential | | |
| Universal Telecom, Inc. | Residential / Business | | |
| US LEC of Florida Inc. | Business | | Business |
| USA Telephone Inc. d/b/a Choice One Telecom | Residential / Business | Residential / Business | |
| Utilities Commission, New Smyrna Beach d/b/a New Smyrna Communications | Business | Residential / Business | Residential / Business |
| Utility USA, Inc. d/b/a Vizon Telecom | Residential / Business | Business | |
| VarTec Telecom, Inc. d/b/a VarTec Telecom, Inc. and Clear Choice Communications | | Residential / Business | |
| Verizon Avenue Corp. d/b/a Verizon Avenue | Residential | | |
| Vertex Communications, Inc. d/b/a Zenith Communications of Florida, Inc. | Residential | Residential | |
| Vycera Communications, Inc. | | Residential | |
| Winstar Communications, LLC | Business | | Business |
| Worldtel Corp. | Residential / Business | | |
| XFone USA, Inc. | | Residential | |
| XO Communications Services, Inc. | Business | Business | Business |
| Xspedius Management Co. of Jacksonville, LLC d/b/a Xspedius Communications | Residential / Business | Business | |
| Xspedius Management Co. Switched Services, LLC d/b/a Xspedius Communications | | | Business |
| Zone Telecom, Inc. | | | Business |

# APPENDIX C: EXCHANGES WITH A CLEC PROVIDER

| Exchange | Total CLEC Residential Providers (2005) | Total CLEC Residential Providers (2006) | Total CLEC Business Providers (2005) | Total CLEC Business Providers (2006) |
|---|---|---|---|---|
| Alachua | 5 | 3 | 0 | 6 |
| Alford | 15 | 5 | 3 | 11 |
| Alligator Point | 0 | 0 | 0 | 1 |
| Altha | 2 | 0 | 0 | 2 |
| Apalachicola | 1 | 0 | 0 | 2 |
| Apopka | 32 | 20 | 30 | 37 |
| Arcadia | 22 | 11 | 10 | 23 |
| Archer | 18 | 11 | 11 | 21 |
| Astor | 11 | 7 | 5 | 12 |
| Avon Park | 23 | 13 | 13 | 24 |
| Baker | 10 | 3 | 5 | 11 |
| Baldwin | 16 | 15 | 19 | 22 |
| Bartow | 15 | 15 | 16 | 27 |
| Belleglade | 41 | 25 | 27 | 45 |
| Belleview | 23 | 19 | 21 | 25 |
| Beverly Hills | 22 | 11 | 8 | 23 |
| Blountstown | 2 | 2 | 0 | 3 |
| Boca Grande | 1 | 3 | 3 | 3 |
| Boca Raton | 64 | 47 | 60 | 68 |
| Bonifay | 17 | 8 | 5 | 15 |
| Bonita Springs | 25 | 18 | 16 | 32 |
| Bowling Green | 9 | 5 | 3 | 9 |
| Boynton Beach | 59 | 37 | 45 | 65 |
| Bradenton | 25 | 20 | 25 | 39 |
| Branford | 7 | 1 | 0 | 6 |
| Bristol | 1 | 0 | 0 | 2 |
| Bronson | 25 | 12 | 11 | 29 |
| Brooker | 4 | 0 | 0 | 5 |
| Brooksville | 36 | 27 | 26 | 48 |
| Bunnell | 32 | 19 | 23 | 37 |
| Bushnell | 23 | 10 | 13 | 19 |
| Callahan | 4 | 0 | 2 | 3 |
| Cantonment | 21 | 19 | 20 | 24 |
| Cape Coral | 34 | 18 | 22 | 32 |
| Cape Haze | 16 | 8 | 8 | 14 |
| Carrabelle | 1 | 0 | 0 | 2 |
| Cedar Key | 3 | 10 | 10 | 10 |
| Celebration | 0 | 1 | 4 | 5 |
| Century | 0 | 4 | 1 | 4 |
| Chattahoochee | 1 | 1 | 0 | 3 |

# APPENDIX C: EXCHANGES WITH A CLEC PROVIDER

| Exchange | Total CLEC Residential Providers (2005) | Total CLEC Residential Providers (2006) | Total CLEC Business Providers (2005) | Total CLEC Business Providers (2006) |
|---|---|---|---|---|
| Cherry Lake | 27 | 3 | 22 | 8 |
| Chiefland | 22 | 18 | 20 | 28 |
| Chipley | 21 | 20 | 21 | 24 |
| Citra | 4 | 0 | 0 | 5 |
| Clearwater | 34 | 28 | 32 | 48 |
| Clermont | 27 | 24 | 24 | 30 |
| Clewiston | 20 | 10 | 10 | 22 |
| Cocoa | 52 | 42 | 48 | 60 |
| Cocoa Beach | 32 | 27 | 32 | 35 |
| Coral Springs | 83 | 53 | 63 | 85 |
| Cottondale | 11 | 6 | 9 | 11 |
| Crawfordville | 6 | 7 | 9 | 12 |
| Crescent City | 6 | 1 | 0 | 7 |
| Crestview | 20 | 11 | 17 | 24 |
| Cross City | 15 | 10 | 12 | 20 |
| Crystal River | 20 | 13 | 16 | 18 |
| Dade City | 20 | 15 | 13 | 26 |
| Daytona Beach | 60 | 49 | 50 | 66 |
| DeBary | 43 | 24 | 32 | 46 |
| Deerfield Beach | 62 | 39 | 47 | 65 |
| DeFuniak Springs | 20 | 12 | 12 | 28 |
| Deland | 51 | 33 | 37 | 50 |
| DeLeon Springs | 20 | 16 | 14 | 17 |
| Delray Beach | 58 | 46 | 50 | 67 |
| Destin | 24 | 14 | 17 | 25 |
| Dowling Park | 1 | 0 | 0 | 2 |
| Dunnellon | 34 | 21 | 23 | 34 |
| East Orange | 33 | 21 | 23 | 27 |
| East Point | 1 | 1 | 0 | 2 |
| Eau Gallie | 52 | 37 | 45 | 51 |
| Englewood | 13 | 16 | 18 | 25 |
| Eustis | 28 | 16 | 16 | 32 |
| Everglades | 1 | 5 | 3 | 1 |
| Fernadina Beach | 42 | 25 | 32 | 47 |
| Flagler Beach | 21 | 22 | 23 | 24 |
| Florahome | 3 | 1 | 0 | 3 |
| Florida Sheriffs' Boys Ranch | 3 | 0 | 0 | 2 |
| Forest | 11 | 7 | 9 | 13 |
| Freeport | 6 | 7 | 8 | 10 |
| Frostproof | 12 | 9 | 8 | 17 |
| Ft. Lauderdale | 87 | 69 | 74 | 92 |
| Ft. Meade | 10 | 6 | 6 | 13 |

# APPENDIX C: EXCHANGES WITH A CLEC PROVIDER

| Exchange | Total CLEC Residential Providers (2005) | Total CLEC Residential Providers (2006) | Total CLEC Business Providers (2005) | Total CLEC Business Providers (2006) |
|---|---|---|---|---|
| Ft. Myers | 40 | 26 | 27 | 45 |
| Ft. Myers Beach | 8 | 10 | 8 | 14 |
| Ft. Pierce | 51 | 36 | 45 | 60 |
| Ft. Walton Beach | 41 | 19 | 23 | 33 |
| Ft. White | 5 | 2 | 0 | 5 |
| Gainesville | 58 | 37 | 38 | 66 |
| Geneva | 0 | 3 | 1 | 7 |
| Glendale | 3 | 1 | 0 | 4 |
| Graceville | 24 | 17 | 15 | 26 |
| Grand Ridge | 13 | 6 | 7 | 11 |
| Green Cove Springs | 35 | 21 | 20 | 36 |
| Greensboro | 2 | 0 | 0 | 2 |
| Greenville | 11 | 5 | 5 | 11 |
| Greenwood | 8 | 3 | 3 | 8 |
| Gretna | 2 | 0 | 0 | 1 |
| Groveland | 21 | 11 | 10 | 23 |
| Gulf Breeze | 29 | 27 | 26 | 31 |
| Haines City | 20 | 20 | 20 | 33 |
| Hastings | 6 | 1 | 0 | 5 |
| Havana | 32 | 16 | 14 | 34 |
| Hawthorne | 22 | 12 | 14 | 29 |
| High Springs | 5 | 2 | 0 | 7 |
| Hilliard | 6 | 0 | 0 | 2 |
| Hobe Sound | 28 | 25 | 26 | 28 |
| Holley-Navarre | 32 | 22 | 23 | 29 |
| Hollywood | 83 | 60 | 65 | 87 |
| Homestead | 67 | 36 | 46 | 70 |
| Homosassa | 22 | 11 | 12 | 21 |
| Hosford | 0 | 0 | 0 | 1 |
| Howey-in-the-Hills | 6 | 4 | 4 | 11 |
| Hudson | 18 | 17 | 20 | 33 |
| Immokalee | 19 | 13 | 15 | 21 |
| Indian Lake | 3 | 3 | 4 | 5 |
| Indiantown | 0 | 2 | 1 | 2 |
| Interlachen | 5 | 0 | 0 | 6 |
| Inverness | 26 | 14 | 17 | 26 |
| Jacksonville | 79 | 56 | 62 | 83 |
| Jacksonville Beach | 3 | 11 | 10 | 14 |
| Jasper | 4 | 0 | 0 | 2 |
| Jay | 18 | 11 | 12 | 15 |
| Jennings | 4 | 1 | 0 | 4 |
| Jensen Beach | 25 | 23 | 23 | 33 |

# APPENDIX C: EXCHANGES WITH A CLEC PROVIDER

| Exchange | Total CLEC Residential Providers (2005) | Total CLEC Residential Providers (2006) | Total CLEC Business Providers (2005) | Total CLEC Business Providers (2006) |
|---|---|---|---|---|
| Julington | 1 | 2 | 4 | 4 |
| Jupiter | 48 | 39 | 37 | 50 |
| Keaton Beach | 1 | 0 | 0 | 1 |
| Kenansville | 1 | 3 | 1 | 5 |
| Keys | 50 | 36 | 38 | 52 |
| Keystone Heights | 33 | 11 | 13 | 32 |
| Kingsley Lake | 2 | 2 | 2 | 1 |
| Kissimmee | 38 | 25 | 32 | 46 |
| La Belle | 16 | 10 | 11 | 19 |
| Lady Lake | 23 | 15 | 15 | 26 |
| Lake Buena Vista | 1 | 0 | 3 | 4 |
| Lake Butler | 3 | 0 | 0 | 4 |
| Lake City | 38 | 29 | 31 | 42 |
| Lake Placid | 24 | 11 | 11 | 22 |
| Lake Wales | 15 | 15 | 17 | 28 |
| Lakeland | 25 | 20 | 23 | 42 |
| Laurel Hill | 0 | 0 | 0 | 0 |
| Lawtey | 11 | 4 | 2 | 12 |
| Lee | 8 | 6 | 5 | 11 |
| Leesburg | 33 | 24 | 21 | 36 |
| Lehigh Acres | 26 | 15 | 16 | 29 |
| Live Oak | 6 | 0 | 1 | 4 |
| Luraville | 4 | 0 | 0 | 3 |
| Lynn Haven | 27 | 20 | 22 | 28 |
| Macclenny | 2 | 1 | 2 | 3 |
| Madison | 14 | 12 | 13 | 19 |
| Malone | 8 | 2 | 2 | 7 |
| Marco Island | 7 | 11 | 14 | 14 |
| Marianna | 19 | 14 | 14 | 23 |
| Maxville | 13 | 12 | 13 | 18 |
| Mayo | 3 | 0 | 0 | 3 |
| McIntosh | 6 | 0 | 0 | 7 |
| Melbourne | 61 | 41 | 48 | 59 |
| Melrose | 3 | 1 | 0 | 4 |
| Miami | 91 | 68 | 84 | 97 |
| Micanopy | 0 | 2 | 1 | 6 |
| Middleburg | 44 | 19 | 23 | 42 |
| Milton | 29 | 26 | 27 | 34 |
| Molino | 0 | 2 | 0 | 1 |
| Monticello | 17 | 10 | 12 | 21 |
| Montverde | 9 | 4 | 1 | 14 |
| Moore Haven | 16 | 8 | 5 | 16 |

| APPENDIX C: EXCHANGES WITH A CLEC PROVIDER | | | | |
|---|---|---|---|---|
| | Total CLEC Residential Providers | | Total CLEC Business Providers | |
| Exchange | (2005) | (2006) | (2005) | (2006) |
| Mount Dora | 24 | 18 | 15 | 29 |
| Mulberry | 14 | 11 | 12 | 21 |
| Munson | 0 | 1 | 1 | 2 |
| Myakka | 5 | 5 | 4 | 7 |
| Naples | 32 | 25 | 30 | 37 |
| New Port Richey | 21 | 22 | 23 | 31 |
| New Smyrna Beach | 38 | 33 | 38 | 44 |
| Newberry | 26 | 15 | 13 | 32 |
| North Cape Coral | 0 | 1 | 3 | 9 |
| North Dade | 78 | 44 | 57 | 76 |
| North Ft. Myers | 21 | 16 | 21 | 26 |
| North Naples | 22 | 17 | 20 | 26 |
| North Port | 19 | 15 | 13 | 28 |
| Oak Hill | 16 | 15 | 14 | 19 |
| Ocala | 41 | 23 | 30 | 44 |
| Ocklawaha | 14 | 5 | 5 | 15 |
| Okeechobee | 21 | 13 | 13 | 21 |
| Old Town | 19 | 11 | 10 | 21 |
| Orange City | 32 | 20 | 28 | 28 |
| Orange Park | 53 | 34 | 38 | 57 |
| Orange Springs | 4 | 0 | 0 | 4 |
| Orlando | 80 | 55 | 64 | 91 |
| Oviedo | 47 | 32 | 35 | 43 |
| Pace | 28 | 23 | 21 | 30 |
| Pahokee | 35 | 18 | 19 | 38 |
| Palatka | 41 | 27 | 27 | 42 |
| Palm Coast | 35 | 25 | 29 | 41 |
| Palmetto | 16 | 19 | 20 | 24 |
| Panacea | 3 | 3 | 4 | 4 |
| Panama City | 48 | 37 | 35 | 52 |
| Panama City Beach | 36 | 28 | 28 | 40 |
| Paxton | 1 | 0 | 0 | 3 |
| Pensacola | 60 | 35 | 43 | 66 |
| Perrine | 70 | 44 | 51 | 71 |
| Perry | 1 | 1 | 0 | 4 |
| Pierson | 23 | 15 | 12 | 27 |
| Pine Island | 13 | 5 | 5 | 14 |
| Plant City | 16 | 18 | 21 | 33 |
| Polk City | 12 | 8 | 9 | 17 |
| Pomona Park | 18 | 9 | 8 | 21 |
| Pompano Beach | 3 | 11 | 16 | 19 |
| Ponce de Leon | 9 | 6 | 6 | 11 |

# APPENDIX C: EXCHANGES WITH A CLEC PROVIDER

| Exchange | Total CLEC Residential Providers (2005) | Total CLEC Residential Providers (2006) | Total CLEC Business Providers (2005) | Total CLEC Business Providers (2006) |
|---|---|---|---|---|
| Ponte Vedra Beach | 30 | 22 | 25 | 29 |
| Port Charlotte | 28 | 19 | 22 | 31 |
| Port St. Joe | 1 | 0 | 0 | 2 |
| Port St. Lucie | 58 | 34 | 40 | 66 |
| Punta Gorda | 14 | 15 | 18 | 22 |
| Quincy | 3 | 1 | 2 | 4 |
| Raiford | 3 | 0 | 0 | 2 |
| Reedy Creek | 10 | 2 | 7 | 10 |
| Reynolds Hill | 0 | 1 | 0 | 12 |
| Salt Springs | 5 | 4 | 5 | 5 |
| San Antonio | 9 | 10 | 9 | 14 |
| Sanderson | 2 | 1 | 1 | 2 |
| Sanford | 59 | 34 | 40 | 64 |
| Sanibel-Captiva Island | 5 | 6 | 6 | 8 |
| Santa Rosa Beach | 14 | 10 | 10 | 14 |
| Sarasota | 28 | 24 | 28 | 42 |
| Seagrove Beach | 6 | 11 | 9 | 12 |
| Sebastian | 43 | 29 | 29 | 40 |
| Sebring | 22 | 17 | 18 | 26 |
| Shalimar | 22 | 11 | 13 | 22 |
| Silver Springs Shores | 24 | 14 | 17 | 23 |
| Sneads | 12 | 5 | 6 | 10 |
| Sopchoppy | 5 | 2 | 1 | 6 |
| Spring Lake Hills | 12 | 7 | 6 | 14 |
| St. Augustine | 47 | 37 | 38 | 56 |
| St. Cloud | 32 | 21 | 21 | 31 |
| St. Johns | 1 | 7 | 3 | 10 |
| St. Marks | 4 | 3 | 3 | 2 |
| St. Petersburg | 33 | 27 | 31 | 46 |
| Starke | 18 | 11 | 14 | 20 |
| Stuart | 48 | 38 | 40 | 53 |
| Sunny Hills | 14 | 7 | 8 | 14 |
| Tallahassee | 44 | 24 | 30 | 48 |
| Tampa | 40 | 35 | 36 | 55 |
| Tarpon Springs | 21 | 18 | 19 | 35 |
| Tavares | 20 | 16 | 15 | 26 |
| The Beaches | 0 | 0 | 0 | 1 |
| Titusville | 39 | 35 | 37 | 48 |
| Trenton | 22 | 12 | 14 | 26 |
| Trilacoochee | 15 | 5 | 7 | 12 |
| Tyndall AFB | 0 | 0 | 0 | 2 |
| Umatilla | 21 | 9 | 9 | 19 |

# APPENDIX C: EXCHANGES WITH A CLEC PROVIDER

| Exchange | Total CLEC Residential Providers (2005) | Total CLEC Residential Providers (2006) | Total CLEC Business Providers (2005) | Total CLEC Business Providers (2006) |
|---|---|---|---|---|
| Valparaiso | 24 | 14 | 20 | 22 |
| Venice | 20 | 21 | 21 | 35 |
| Vernon | 18 | 9 | 8 | 17 |
| Vero Beach | 59 | 37 | 36 | 59 |
| Waldo | 3 | 0 | 0 | 6 |
| Walnut Hill | 0 | 1 | 0 | 0 |
| Wauchula | 15 | 9 | 10 | 18 |
| Weekiwachee Springs | 47 | 31 | 31 | 49 |
| Weirsdale | 0 | 1 | 1 | 2 |
| Welaka | 17 | 12 | 7 | 19 |
| Wellborn | 6 | 0 | 0 | 4 |
| West Kissimmee | 1 | 4 | 13 | 11 |
| West Palm Beach | 87 | 59 | 73 | 92 |
| Westville | 10 | 4 | 4 | 7 |
| Wewahitchka | 1 | 0 | 0 | 1 |
| White Springs | 7 | 0 | 0 | 5 |
| Wildwood | 21 | 13 | 16 | 21 |
| Williston | 24 | 10 | 11 | 20 |
| Windermere | 9 | 13 | 12 | 19 |
| Winter Garden | 29 | 21 | 24 | 37 |
| Winter Haven | 21 | 23 | 24 | 39 |
| Winter Park | 44 | 24 | 38 | 49 |
| Yankeetown | 17 | 14 | 11 | 15 |
| Youngstown-Fountain | 23 | 9 | 9 | 25 |
| Yulee | 27 | 17 | 19 | 32 |
| Zephyr Hills | 17 | 19 | 21 | 29 |
| Zolfo Springs | 10 | 7 | 5 | 9 |

| APPENDIX D: CERTIFICATED FLORIDA CLECS PROVIDING VOIP SERVICE<br>As Reflected in Response to the 2006 FPSC Data Request | |
|---|---|
| **Company Name** | **Company also provides local wireline services as displayed in Appendix B** |
| Access Point, Inc. | X |
| Advantage Group of Florida Communications, L.L.C. | |
| ANEW Broadband, Inc. d/b/a INSTANTEL PHONE SERVICE | X |
| AT&T Communications of the Southern States, LLC d/b/a AT&T | X |
| Auglink Communications, Inc. | X |
| Comcast Business Communications, LLC | X |
| Communications Xchange, LLC | |
| Cox Florida Telcom, L.P. d/b/a Cox Communications | |
| Cypress Communications Operating Company, LLC | X |
| DIECA Communications, Inc. d/b/a Covad Communications Company | X |
| DSL Internet Corporation d/b/a DSLi | X |
| Eagle Telecommunications, Inc. | X |
| Interactive Services Network, Inc. d/b/a ISN Telcom | X |
| Knology of Florida, Inc. | X |
| Lightyear Network Solutions, LLC | X |
| MCC Telephony of Florida, Inc. | |
| NuVox Communications, Inc. | X |
| Optical Telecommunications, Inc. | |
| PaeTec Communications, Inc. | X |
| Premier Telecom, Inc. | X |
| Qwest Communications Corporation | X |
| RNK Telecom, Inc. | |
| Saturn Telecommunication Services Inc. d/b/a STS Telecom | X |
| TelCove Investment, LLC | X |
| TelCove of Jacksonville, Inc. | X |
| Time Warner Telecom of Florida, L.P. | X |
| Trinsic Communications, Inc. | X |
| TWC Information Services (Florida) LLC d/b/a Time Warner Cable | |
| US LEC of Florida Inc. | X |
| VOIP Corp | |
| Volo Communications of Florida, Inc. d/b/a Volo Communications Group of Florida, Inc. | |
| XO Communications Services, Inc. | X |

| APPENDIX E: SUMMARY OF COMPLAINTS FILED BY CLECS | | | | | | |
|---|---|---|---|---|---|---|
| **CLEC** | **ILEC** | **Date Opened** | **Complaint or Docket Number** | **Description** | **Date Closed** | **Resolution** |
| ITC^DeltaCom | BellSouth | 06/27/05 | 657143T | Complaint against BellSouth in regard to a service outage involving T-1 circuits. | 07/25/05 | BellSouth replaced cable correcting service problems. |
| Eagle Telecom, Inc. | Verizon | 08/15/05 | 663034T | Complaint against Verizon involving problems with converting UNE-Ps to EELs. | 12/06/05 | Either company would have to petition the Commission for a formal proceeding. |
| Expedient Carrier Services | BellSouth | 08/18/05 | 663586T | Complaint against BellSouth in regard to ordering. | 12/01/05 | BellSouth completed orders (delayed due to hurricane damage) and resolved all issues in dispute. |
| Eagle Telecom, Inc. | Verizon | 08/22/05 | 664067T | Complaint against Verizon involving the disconnection of DSL service. | 09/09/05 | Verizon corrected system error and resolved problem. |
| Eagle Telecom, Inc. | Verizon | 08/30/05 | 665462T | Complaint against Verizon involving loss of telephone and DSL service during service transfer. | 12/20/05 | Verizon corrected outage caused by not following its standard procedures. |
| KMC Telecom III LLC<br>KMC Telecom V | Sprint-Florida | 08/31/05 | 050581-TP | Complaint against Sprint-Florida for alleged failure to pay intrastate access charges pursuant to interconnection agreement and Sprint's tariffs and for alleged violation of Section 364.16(3)(a), Florida Statutes. | 05/18/06 | Parties filed a Stipulation for Dismissal With Prejudice which was approved by the Commission by Order PSC-06-0418-FOF-TP. |
| Eagle Telecom, Inc. | Verizon | 09/15/05 | 667277T | Complaint against Verizon involving problems with installation of T-1 circuit. | 12/06/05 | Verizon corrected outage caused by personnel changes. |

| APPENDIX E: SUMMARY OF COMPLAINTS FILED BY CLECS | | | | | | |
|---|---|---|---|---|---|---|
| **CLEC** | **ILEC** | **Date Opened** | **Complaint or Docket Number** | **Description** | **Date Closed** | **Resolution** |
| Eagle Telecom, Inc. | Verizon | 09/29/05 | 668953T | Complaint against Verizon involving loss of telephone and DSL service during service transfer. | 12/30/05 | Verizon corrected outage caused by mistakes by its technicians. |
| Eagle Telecom, Inc. | Verizon | 09/29/05 | 668958T | Complaint against Verizon involving rejection of new installation service orders. | 12/06/05 | Staff suggested that Eagle review its interconnection agreement with Verizon and work with Verizon to mitigate problems. |
| Eagle Telecom, Inc. | Verizon | 10/27/05 | 672438T | Complaint against Verizon involving improper billing of two lines. | 12/30/05 | Verizon agreed to disconnect and refund $781.04. |
| DPI Teleconnect | BellSouth | 11/10/05 | 050863-TP | Complaint against BellSouth for dispute arising under interconnection agreement. | Pending | Joint motion for abatement was approved by the Commission by Order PSC-06-0185-PCO-TP. |
| MET Communications, Inc. | Alltel | 11/14/05 | 676289T | Complaint against Alltel involving not being able to place new installation orders. | 11/16/05 | Alltel corrected the problem. |
| Covad | BellSouth | 11/17/05 | 050881-TP | Complaint against BellSouth Telecommunications for alleged breaches of interconnection agreement. | Pending | Covad filed a motion to stay pending a FCC action that was approved by the Commission by Order PSC-05-1244-PCO-TP. |
| Telepak | BellSouth | 12/28/05 | 050973-TP | Complaint and petition for arbitration against BellSouth for dispute arising under interconnection agreement. | 04/14/06 | Telepak filed a dismissal of complaint: a settlement with BellSouth was reached. |

| APPENDIX E: SUMMARY OF COMPLAINTS FILED BY CLECS | | | | | | |
|---|---|---|---|---|---|---|
| **CLEC** | **ILEC** | **Date Opened** | **Complaint or Docket Number** | **Description** | **Date Closed** | **Resolution** |
| DPI-Teleconnect, L.L.C. | Verizon | 01/09/06 | 060020-TP | Complaint against Verizon Florida, Inc. and request for temporary order requiring Verizon to cease and desist from suspending provisioning. | 01/17/06 | Parties reached a mutually agreeable settlement and DPI-Teleconnect withdrew the complaint on 1/12/06. |
| National Telecom & Broadband Services | BellSouth | 1/25/06 | 060068-TP | Complaint against BellSouth for alleged breach of interconnection agreement and over billing. | 06/26/06 | National Telecom & Broadband Services filed a dismissal of complaint: a settlement with BellSouth was reached |
| Deland Actel, Inc. | BellSouth | 01/27/06 | 685729T | Complaint against BellSouth in regard to manual and electronic ordering. | 02/16/06 | BellSouth is working with Deland and other CLECs concerning their ordering issues. |
| XO Communications Services, Inc. | Verizon Florida, Inc. | 05/01/06 | 060365-TP | Complaint and request for relief regarding Verizon Florida Inc.'s determination of non-impaired wire centers under the TRRO. | Pending | Pending |
| Supra Telecom and Information Systems | BellSouth Telecom., Inc. | 05/01/06 | 060366-TP | Complaint regarding BellSouth's failure to offer its promotional tariff offerings for resale and request for relief. | Pending | Pending |

# APPENDIX F: FLORIDA LIFELINE ELIGIBILITY CRITERIA

Eligibility for participation in the Lifeline and Link-Up programs is determined by subscriber enrollment in any one of the following qualifying programs:

Program-Based Criteria

- National School Lunch's free lunch program
- Temporary Assistance to Needy Families (TANF)
- Food Stamps
- Medicaid
- Low-Income Home Energy Assistance Program (LIHEAP)
- Supplemental Security Income (SSI)
- Federal Public Housing Assistance (Section 8)
- Bureau of Indian Affairs programs:
  - Tribal TANF
  - Head Start Subsidy
  - National School Lunch Program

Income-Based Criteria

- 135% of the Federal Poverty Guidelines.[204]

[204] The Florida Legislature, through Senate Bill 1322, increased the Lifeline and Link-Up income-based eligibility criterion to 135% of the Federal Poverty guidelines (FPG) for local exchange companies that receive FPSC approval to reduce their switched access rates pursuant to Chapter 364.164, Florida Statutes. BellSouth, Embarq Florida, Inc., and Verizon are the only Florida local exchange companies that have received FPSC approval to reduce their switched access rates.

| GLOSSARY | |
|---|---|
| 3G | *Third-generation technology.* It is used in the context of mobile telephone standards. The services associated with 3G provide the ability to transfer simultaneously both voice data (a telephone call) and non-voice data (such as downloading information, exchanging e-mail, and instant messaging). Technically, 3G networks are wide area cellular telephone networks that evolved to incorporate high-speed Internet access and video telephony. |
| 911/E911 | *Basic 911/Enhanced 911*. Basic 911 networks simply forward all emergency 911 calls to the appropriate public safety answering point (PSAP), whereas E911 networks are able to automatically forward the caller's location (ALI) and call back number (ANI) to the appropriate PSAP. |
| Access Line | The circuit or channel between the demarcation point at the customer's premises and the serving end or class 5 central office. |
| Broadband | A term describing evolving digital technologies offering consumers a single switched facility providing integrated access to voice, high-speed data services, video on demand services, and interactive information delivery services. Broadband is also used to define an analog transmission technique for data or video that provides multiple channels. |
| BPL | *Broadband over Power Lines.* The use of power line communications technology to provide broadband Internet access through ordinary power lines. With broadband over power lines, you can plug your computer into any electrical outlet in your home and instantly have access to high-speed Internet. |
| Circuit | A fully operational two-way communications path. |
| CLEC | *Competitive Local Exchange Company*. Any company certificated by the Florida Public Service Commission to provide local exchange telecommunications service in the State of Florida on or after July 1, 1995. Pursuant to law, the original term ALEC (Alternative Local Exchange Company) was changed to CLEC on May 23, 2003. |
| CO | *Central Office*. A telephone company facility housing the switching system and signaling equipment that provides telephone service for customers in the immediate geographical area. |
| Commercial Agreement | An agreement between an ILEC and CLEC to purchase network components or other services and that does not fall under the purview of the state commission. |
| CMRS | *Commercial Mobile Radio Service.* Technical description for a wireless communications provider. |

| GLOSSARY | |
|---|---|
| DSL | *Digital Subscriber Line.* A family of technologies (including variations such as asynchronous DSL, high bit-rate DSL, very high bit-rate DSL, etc.) that provide high-speed Internet access. DSL is typically provided by traditional wireline telecommunications companies via a copper loop to the customer's premises. DSL is the principal competition of cable modems. |
| EEL | *Enhanced Extended Link.* A combination of an unbundled loop, multiplexing/concentrating equipment, and dedicated transport. The EEL allows new entrants to provide local exchange service to customers without having to collocate in every central office in the ILEC's territory. |
| Exchange | An ILEC's central office or group of central offices, together with the subscribers' stations and lines connected thereto, forming a local system which furnishes means of telephonic communication without toll charges between subscribers within a specified area, usually a single city, town, or village. |
| EVDO | *Evolution Data Optimized.* A wireless radio broadband data standard based on Code Division Multiple Access (CDMA) multiplexing. EVDO provides wireless connections for devices such as laptops, cellphones, and personal digital assitants (PDAs). EVDO supports mobile data communications at speeds up to 2.4576 Mbps and up to 3.1 Mbps and is capable of supporting multimedia services including VoIP. |
| FiOS | FiOS is a Verizon broadband service provided via fiber optic cable directly to the customer premises. According to Verizon, FiOS is designed to provide Internet access with maximum connection speeds of up to 50 Mbps or 30 Mbps downstream and 5 Mbps upstream, depending on where a customer lives. |
| FTTC | *Fiber-to-the-curb*. |
| FTTP | *Fiber-to-the-premises.* |
| ILEC | *Incumbent Local Exchange Company*. Any company certificated by the FPSC to provide local exchange telecommunications service in Florida on or before June 30, 1995. |
| Intermodal | The use of more than one type of technology or carrier to transport telecommunications services from origination to termination. When referring to local competition, intermodal refers to nonwireline voice communications such as wireless or VoIP. |
| Internet Protocol (IP) | The term refers to all the standards that keep the Internet functioning. It describes software that tracks the Internet address of nodes, routes outgoing message, and recognizes incoming messages. |
| IXC | *Intrastate Interexchange Company*. Any entity that provides intrastate interexchange telecommunications services. |

| GLOSSARY | |
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| Local Loop | See Access Line. |
| Local Platform | The commercial replacement for UNE-P. The local platform provides an end-to-end circuit. See UNE-P. |
| ONU | *Optical Network Unit.* An ONU converts optical signals transmitted via fiber to electrical signals that can be transmitted via coaxial cable or twisted pair copper wiring to individual subscribers. In a FTTC system, the ONU is located at the curb and serves multiple residences. |
| OSS | *Operations Support System*. Methods and procedures (mechanized or not) that directly support the daily operation of the telecommunications infrastructure. The average local exchange company has hundreds of OSSs, including automated systems supporting order submission, order processing, line assignment, line testing, and line billing. |
| PDA | *Personal Digital Assistant.* A handheld device with features such as a Internet access, e-mail, calculator, clock, calendar, radio, video recorder, memo taker, address book, or software applications. Newer PDAs also have both color screens with touch screen interaction and audio capabilities, enabling them to be used as mobile phones (smartphones), web browsers, or media players. |
| PSTN | *Public Switched Telephone Network*. The PSTN is the network that provides switching and transmission facilities to the general public. |
| Resale | The practice of purchasing telephone service from an ILEC or CLEC and then reselling it to an end-user. |
| Switch | A mechanical, electrical, or electronic device that opens or closes circuits, completes or breaks an electrical path, or selects paths or circuits. |
| Switched Access | Telephone company-provided exchange access services that offer switched interconnections between local telephone subscribers and long distance or other companies. Long distance companies use switched access for origination and termination of user-dialed calls. |
| Tariff | A statement by a regulated telecommunications company that sets out the services offered by that company. It provides the rates, terms, and conditions under which regulated services are provided and also states the general obligations of the company and customers. Tariffs are subject to review by regulatory agencies and must be followed by the common carrier to ensure nondiscrimination between customers. In Florida, CLECs are not required to file tariffs, but they must file price lists if they offer basic local telecommunications service. |

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| Telecommunications Act of 1996 (the 1996 Act) | The 1996 Act established a national framework to enable CLECs to enter the local telecommunications marketplace. |
| TELRIC | *Total element long-run incremental cost.* A costing methodology used for UNEs. |
| TRO | *Triennial Review Order.* The FCC released its TRO promulgating various rules governing the scope of ILEC obligations to provide competitors with access to UNEs; the Order became effective on October 2, 2003. The TRO eliminated enterprise switching as a UNE. For other UNEs (e.g., mass market switching, high-capacity loops, dedicated transport), the FCC made a finding of impairment, but delegated to the states the tasks of identifying areas, if any, where impairment did not exist. The TRO also imposed new obligations on ILECs (e.g., commingling and conversion of special access to EELs). On March 2, 2004, the D.C. Circuit Court of Appeals vacated and remanded certain provisions of the TRO, specifically regarding the impairment findings relating to mass market switching, high-capacity loops, and dedicated transport (decision referred to as USTA II). The FCC released an Interim Order on August 20, 2004, requiring ILECs to continue providing unbundled access to mass market switching, high-capacity loops, and dedicated transport until the earlier of the effective date of the final FCC unbundling rules or six months after the Federal Register publication of the Order. On February 4, 2005, the FCC released its TRRO. See TRRO. |
| TRRO | *Triennial Review Remand Order*. The FCC released the TRRO in February 2005. In this Order, the FCC eliminated unbundled local switching as a UNE, effective March 11, 2005 with a transition period extending until March 11, 2006. This decision effectively eliminated the combination of local elements known as UNE-P. In its place, the ILECs continue to provide the same service but at higher market-based rates, a service referred to as the local platform. |
| UNE | *Unbundled Network Element*. The Telecommunications Act of 1996 requires that the ILECs unbundle their network elements and make them available to the CLECs on the basis of incremental cost. UNEs are defined as physical and functional elements of the network; for example, Network Interface Devices, local loops and subloops, OSSs, etc. |
| UNE-L | *Unbundled Network Element – Loop*. |
| UNE-P | *Unbundled Network Element – Platform.* An unbundled combination that provides an end-to-end circuit. The TRRO eliminated the UNE-P effective March 11, 2005, with a transition period extending until March 11, 2006. Available through a commercial agreement, it is known as the local platform. See Local Platform. |

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| Universal Service | This term describes the financial support mechanisms that constitute the national universal service fund. This fund provides compensation to telephone companies or other communications entities for providing access to telecommunications services at reasonable and affordable rates throughout the country, including rural, insular, high cost areas and public institutions. |
| UWB | *Ultra Wideband.* A wireless technology that operates over a wide range of spectrum by transmitting very short, low-power pulses that can be used to distribute services such as telephone, cable, and computer networking throughout a building or home. |
| VoIP | *Voice over Internet Protocol*. The technology used to transmit voice conversations over a data network using Internet Protocol. |
| Wi-Fi | *Wireless Fidelity.* Wi-Fi is a brand originally licensed by the Wi-Fi Alliance to describe the underlying technology of wireless local area networks (WLAN) based on the IEEE 802.11 specifications. IEEE 802.11 standards specify methods and techniques of wireless local area network operation. |
| WiMAX | *Worldwide Interoperability for Microwave Access.* Defined by the WiMAX Forum, formed in April 2001, to promote conformance and interoperability of the IEEE 802.16 standard, officially known as WirelessMAN (Metropolitan Area Networks). The Forum describes WiMAX as a standards-based technology enabling the delivery of last mile wireless broadband access as an alternative to cable and DSL. |
| Wireline | A term used to describe the technology used by a company to provide telecommunications services. Wireline is synonymous with "landline" or land-based technology. |