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Florida Cable Telecommunications Association

Steve Wilkerson, President

November 20, 1996

VIA HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: DOCKET NO. 920260-TL

Dear Ms. Bayo:

Enclosed for filing in the above-captioned docket are an original and fifteen copies of Florida Cable Telecommunications Association, Inc.'s ("FCTA") Posthearing Brief. Copies have been served on the parties of record pursuant to the attached certificate of service.

Also enclosed is a copy on a 3-1/2" diskette in WordPerfect format, version 6.1.

Please acknowledge receipt and filing of the above by date stamping the duplicate copy of this letter and returning the same to me.

Thank you for your assistance in processing this filing.

ACK _____

AFA _____ Yours very truly,

APP _____

CAF _____

CMU _____

CTR _____

EAC _____

LFS _____

LIN _____

OPR _____

RCR _____

SEC _____

WAS _____

OTH _____

Charles Dudley, for
Laura L. Wilson
Vice President, Regulatory Affairs &
Regulatory Counsel

5 Enclosures

cc: All Parties of Record
Steven E. Wilkerson

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

**ORIGINAL
FILE COPY**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Comprehensive review of)
the revenue requirements and)
rate stabilization plan of)
Southern Bell Telephone and)
Telegraph Company)
_____)

DOCKET NO. 920260-TL

FILED: November 20, 1996

**POSTHEARING BRIEF OF
FLORIDA CABLE TELECOMMUNICATIONS ASSOCIATION, INC.**

The Florida Cable Telecommunications Association, Inc. ("FCTA") pursuant to Rule 25-22.056, Florida Administrative Code, respectfully submits its Posthearing Brief in the above-captioned docket:

I. BASIC POSITION

After decades of presuming that a monopoly local exchange environment was necessary to protect consumers and assure universal service, advances in technology and the assumption that the market would be capable of providing competition lead the Legislature to loosen the restraints of traditional regulation on the incumbent LECs. But, there clearly was an intended trade-off in this deal for Florida's consumers. The Legislature took this action in 1995 on the expectation that other local providers would be able to quickly to enter the market on fair terms - resulting in robust competition and an array of choice for Florida's consumers.

BellSouth has accepted its side of the trade - off. The company elected price regulation. Thus, the days of traditional regulation are gone for BellSouth. There will be no more rate cases like the massive one resulting in the settlement this proceeding implements. In the future competition, rather than traditional regulation, is expected to protect consumers and constrain inappropriate behavior by BellSouth.

What about the consumer side of the trade-off? The Commission Staff's draft report to the Legislature on the status of competition indicates that, as of October 1996, thirty-nine (39) providers are authorized to provide competitive local service. This demonstrates that there are providers in the marketplace that are ready, willing and able to compete. Staff's report also notes that there are at least twenty (20) interconnection and unbundling/resale agreements that have been approved pursuant to state and federal laws. These agreements signal that laws encouraging negotiation are working and that acceptable marketplace solutions can be found. In addition, the Commission has issued numerous orders that lay the groundwork for competition and choice.

Notwithstanding all the effort to date on paper, in Florida today, only 6 competitors are actually providing local service to approximately 600 business and residential customers. This means that well over 99% of Florida's consumers are not yet able to choose among local service providers. This demonstrates the need to take every possible action to foster the development of competition.

Translating orders and interconnection agreements into competition takes good faith and cooperation. The Commission should step in to when this is not occurring. Somewhere between the paperwork and the exchange of local traffic, competition in Florida has gotten bogged down in delays and details - the outcomes of which are heavily weighted in favor of the dominant LEC. FCTA's proposal presents an opportunity for the Commission to correct a term that is delaying or deterring competition. Acting as the "catalyst for competition," the Commission can and should take every available opportunity to foster competition and consumer choice. FCTA's proposal utilizes a small portion of the \$48 million in unallocated rate reductions toward this end.

IXCs, pay telephone providers and others have benefitted greatly from the price reductions resulting from the settlement of this docket. However, those reductions do not necessarily move Florida closer toward a competitive local exchange market. Moreover, there is no evidence that the annual 5% access charge reductions in Chapter 364 are impeding competition or that additional access reductions are necessary to promote competition at this time.

FCTA also supports the proposal of the Office of Public Counsel in addition to any other proposals or parts of proposals that the Commission, in its discretion, determines will foster the rapid development of local exchange competition and consumer choice.

II. ISSUES

ISSUE 1: Below are listed the proposals of various interested parties to this proceeding with respect to the disposition of the scheduled 1996 unspecified rate reductions. Which, if any, should be approved?

A) BellSouth Telecommunications, Inc.:	millions
1) Reduce switched access (introduce zone density)	\$16.40
2) Reduce PBX rates and introduce term contracts	13.45
3) Waive certain business and residential Secondary Service Order charges	5.81
4) Reduce First Line Connection charge (Business)	3.22
5) Introduce Area Plus for Business	2.25
6) Eliminate usage charge on Remote Call Forwarding	2.01
7) Reduce DID recurring and non-recurring charges	1.88
8) Credit for ECS routes implemented	1.10
9) Reduce Business Line monthly rates in Rate Group 12	.62
10) Reduce Megalink interoffice rates	.58
11) Reduce WATS and 800 Service access line charges	.36
12) Eliminate the Secondary Service Order charge for WatsSaver	.30
13) Reduce SNAC charges for Business	.07
14) Reduce DS-1 interoffice mileage rates	.04
	<u>\$48.09</u>
B) Joint Proposal of ATT, MCI, Sprint Communications, FIXCA, Ad Hoc and McCaw Communications:	millions
1) Reduce PBX and DID trunk charges	\$11.00
2) Eliminate the Residual Interconnection Charge	35.00
3) Reduce mobile interconnection rates	<u>2.00</u>
	\$48.00
C) Public Counsel:	
Establish a reserve fund to assist BellSouth Telecommunications, Inc. customers who have experienced problems with conversion to the 954 NPA.	
D) FCTA:	
Eliminate nonrecurring charges for interconnection trunks and special access circuits ordered by ALECs.	
E) Palm Beach Newspapers, Inc./Florida Today	
Reduce usage rates for N11 service to \$.02 per minute.	

***POSITION:** The proposals of FCTA and Office of Public Counsel should be approved. The Commission should also approve any other proposals, or parts of proposals, that the Commission determines would promote local exchange competition.*

ANALYSIS:

FCTA's proposal facilitates local interconnection, competition and choice. Therefore, the Commission should accept the proposal. It utilizes a small portion of the \$48 million in unallocated rate reductions to eliminate or substantially reduce what has proven to be a costly barrier to entry: the non-recurring charges for interconnection trunks that ALECs order from BellSouth and non-recurring charges for dedicated, switched circuits ALECs order out of the BellSouth access tariff.

The non-recurring charges at issue are found in Section E6.8.1 of BellSouth's intrastate access tariff. At first glance, the Section E6.8.1 appears to indicate that the non-recurring charges will be assessed at a rate of \$915 for the first trunk group and \$263 for each additional trunk group. This is incorrect. When an ALEC seeks to interconnect with BellSouth, each trunk group the ALEC is forced to order incurs non-recurring charges of \$915 for the first trunk in each group and \$263 for each additional trunk in each group.

A simple example illustrates why BellSouth's non-recurring charges impede or deter competitive entry. In Orlando, BellSouth has two tandems - Colonial and Magnolia. BellSouth refuses to provide tandem-to-tandem transport for new entrants, even though it performs this function for its own traffic. As a result, an ALEC must purchase trunk groups to both BellSouth tandems. This means that the ALEC is always forced to purchase more trunks from BellSouth than BellSouth must purchase from the ALEC. Accordingly, the ALEC pays significantly more non-recurring charges to BellSouth, even when traffic is in balance.

The ALECs have discovered this barrier to entry through experience in the marketplace. In the Orlando LATA, for example, Time Warner was recently forced to order a total of eight trunk groups to the two BellSouth tandems. The eight trunk groups contained a total of 292 trunks. Non-recurring trunk charges alone for this piece of local interconnection totaled \$83,590. BellSouth, on the other hand, only forced itself to order one trunk group from Time Warner consisting of 144 trunks, with total non-recurring charges of \$38,524.

Even assuming that traffic is in balance, the non-recurring charges alone that an ALEC incurs for just two collocations in Orlando are more than double the charges that BellSouth incurs. If competition is to become a reality in Florida, ALECs will require interconnection in multiple BellSouth LATAs and central offices. BellSouth's non-recurring trunk charges and the manner in which they are levied quickly become costly barriers to the rapid development of local competition and can only lead ALECs to reassess early entry decisions to collocate in multiple BellSouth central offices.

BellSouth's non-recurring charges are inappropriate for other reasons. The charges perpetuate BellSouth's position that ALECs should be treated as access customers. This is a position that the Commission has previously considered and rejected. (Quote 950984-TP order: LECs are wrong - ALECs are a separate class). Moreover, the plain language of Chapter 364 clearly distinguishes local interconnection from network access services. (Quote s. 364.163).

Because the non-recurring charges deter competition and inappropriately treat ALECs as access customers, the Commission should take this opportunity to eliminate or reduce the charges. BellSouth was unable or unwilling to specify the amount of rate reductions this proposal utilizes despite the efforts of FCTA and Commission Staff to obtain this information in discovery. However, the following provides a reasonable estimate of the impact on BellSouth.

First, if the Commission eliminates the non-recurring trunk charges entirely, the impact on BellSouth is likely to be minimal. Assuming that an ALEC and BellSouth both pay non-recurring trunk charges to interconnect with each other, the impact of FCTA's proposal on BellSouth becomes the difference between what is paid by the ALEC versus what is paid by BellSouth. Using the Orlando LATA examples above, the approximately \$45,000 difference in non-recurring trunk charges would be the impact on BellSouth of eliminating the non-recurring charges. Even if the pace of competition accelerates dramatically, this proposal continues to utilize only a small portion of the unallocated rate reductions. Assume that the rate of collocations accelerates to ten BellSouth central offices per year in each of the seven BellSouth LATAs. The annual revenue impact is only \$3.2 million. FCTA proposes that the Commission designate \$3.2 million of the total \$48 million to eliminate the non-recurring trunk charges and require BellSouth to true it up at the end of a year or two years.

Alternatively, FCTA proposes that the Commission reduce the amount of non-recurring charges for additional trunks in a trunk group. Using the Orlando LATA example, the net charge to BellSouth for two tandems is \$21,100. Projecting this amount to ten central offices per LATA per year, the impact is \$1.5 million annually. The Commission could designate this amount and require BellSouth to true it up at the end of a year or two years.

There is one final option. The Commission could use the only information BellSouth provided to FCTA in discovery to estimate the impact of FCTA's proposal. BellSouth's Response to FCTA's First Set of Interrogatories, Item No. 1 indicates that BellSouth's total non-recurring trunk charge revenues from January 1995 - July 1996 total only \$2,100. The Commission could assume that FCTA's proposal has a going-forward impact of \$2,100 per year based upon BellSouth's historical data.

ISSUE 2: To the extent the Commission does not approve the plans proposed by BellSouth, Public Counsel, FCTA, Palm Beach Newspapers, Inc./Florida Today and AT&T, MCI, Sprint, FIXCA, Ad Hoc and McCaw, how should the Commission implement the scheduled rate reduction?

***POSITION:** The Commission should take such action as is necessary and appropriate to promote local exchange competition.*


ISSUE 3: What should be the effective dates of the approved tariffs?

***POSITION:** The effective date should be October 1, 1996.*

III. CONCLUSION

The Commission should accept FCTA's proposal to eliminate or reduce BellSouth's non-recurring trunk charges. BellSouth's non-recurring charges are delaying and impeding widespread competition - the type of competition contemplated by the Legislature in granting BellSouth the ability to elect price regulation. The Commission should take this opportunity to utilize only a small portion of the \$48 million to foster competition and greater consumer choice.

RESPECTFULLY SUBMITTED this 20th day of November, 1996



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CERTIFICATE OF SERVICE
DOCKET NO. 920260-TL

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Hand Delivery(*) and/or U.S. Mail on this 20th day of November, 1996 to the following parties of record:

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DOCKET NO. 920260-TL

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