

ORIGINAL



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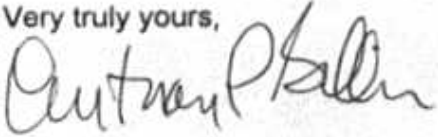
August 18, 1998

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

Re: Docket No. 980696-TP  
Determination of the cost of basic local telecommunications service,  
pursuant to Section 364.025, Florida Statutes

Dear Ms. Bayo:

Please find enclosed for filing an original and fifteen copies of GTE Florida Incorporated's Objections to Public Counsel's Second Set of Requests for Production of Documents in the above matter. Service has been made as indicated on the Certificate of Service. If there are any questions regarding this filing, please contact me at (813) 483-2617.

Very truly yours,  
  
Kimberly Caswell

RECEIVED & FILED  
  
FPSC-BUREAU OF RECORDS

- ACK \_\_\_\_\_
- AFA 2 \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG 2 \_\_\_\_\_
- LIN 5 \_\_\_\_\_
- OPC \_\_\_\_\_
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A part of GTE Corporation

DOCUMENT NUMBER-DATE  
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FPSC-RECORDS/REPORTING

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Determination of the Cost of )  
Basic Local Telecommunications )  
Service, Pursuant to Section 364.025, )  
Florida Statutes. )  
\_\_\_\_\_ )

Docket No. 980696-TP  
Filed: August 18, 1998

**GTE FLORIDA INCORPORATED'S OBJECTIONS TO PUBLIC COUNSEL'S  
SECOND SET OF REQUESTS FOR PRODUCTION OF DOCUMENTS**

GTE Florida Incorporated (GTE) submits its preliminary objections to the Office of Public Counsel's (OPC) Second Set of Requests for Production of Documents (Second POD). GTE reserves the right to make additional or different requests when it files its responses to OPC's Second POD.

GTE will provide documents in response to Document Request number 2. GTE objects to the remainder of OPC's Second Set of Requests for Production of Documents because they seek materials which are not pertinent to this proceeding, given the 1995 revisions to Chapter 364 of the Florida Statutes and GTE's associated classification as a price-cap carrier. The Legislature made a basic determination that changes to a price-capped carrier's rates would be made in a specific manner pursuant to the procedures prescribed by statute. Those changes do not require or permit the rate-of-return analysis that OPC's Document Requests contemplate. Accordingly, the Requests are not pertinent to the current regulatory framework, nor are they calculated to the discovery of any relevant materials.

In this case, the Commission must choose a cost proxy model with which to determine the cost of basic local telecommunications service for the Legislature's use in

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FPSC-RECORDS/REPORTING

establishing a universal service support mechanism. (Fla. Stat., sec. 364.025(4)(b).) The issues the Commission has identified for resolution in this docket are germane to this statutory directive.

OPC's Document Requests 3-17, however, are not related to any of these issues. Their only possible purpose could be to examine the prudence of certain of GTE's expenditures. In other words, OPC would like to transform this proceeding into a rate case. This attempt to expand the proceeding far beyond the scope established by statute (and, in turn, by the Commission) is improper and any discovery related to this effort is also improper.

More fundamentally, the Document Requests are not pertinent to this proceeding because GTE is not regulated under rate-of-return regulation. As such, neither the Commission nor any party in this proceeding has the authority to question the prudence of any company purchase that would be reflected in the documents requested.

Until January of 1996, when GTE became a price-regulated carrier, the Commission regulated GTE under rate-of-return regulation to ensure that GTE's rates were "fair, just, reasonable and sufficient." (Fla. Stat., sec. 364.03(1).) Under rate-of-return regulation, the Commission could examine the kinds of documents OPC has requested to ensure that GTE operated efficiently. See, e.g., Fla. Stat., secs. 364.17 ("Annual and special reports to commissioners") and 364.18 ("Inspection of accounts and records of companies"). But in 1995, the Legislature enacted a statute that provided for price regulation (Section 364.051), which is intended to promote even *greater* efficiencies and to encourage ILECs to make the same economic decisions that would be made in a fully competitive market.

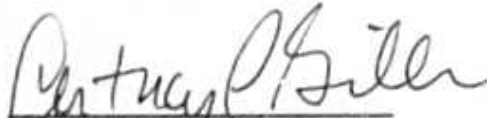
Under price cap regulation, neither the Commission nor any other party examines the company's books and records. See Section 364.051(c) (companies subject to price regulation are exempt from the requirements of Sections 364.17 and 364.18). There is no reason to review expenses because the Commission no longer sets rates. It is, rather, limited to verifying whether the carrier's price increases (and reductions) stay within the statutory constraints. GTE's expenses (including the information sought in these Document Requests) are deemed prudent as a matter of law.

Thus, GTE's actual costs, as presented in GTE witness Olson's Direct Testimony, must be taken as a given for purposes of this proceeding. There is no reason for OPC to ask for materials with which to fashion arguments that GTE's expenses should have been lower. This is not a rate case, the Commission is not permitted to conduct a rate case, and there is no room to advocate "disallowances" in the context of price regulation. The only relevant fact is the accuracy of GTE's actual costs--not their prudence--and the requested documents, to the extent they pertain to this issue, will be provided in response to item 2 of this Request for Production of Documents. In any event, as to accuracy, Mr. Olson has explained that the books and records upon which his calculations are based are maintained in accordance with the Uniform System of Accounts, FCC Part 32, which has been adopted by this Commission. The cost separation studies reflected in Mr. Olson's testimony adhere to FCC Part 36. Moreover, GTE's books and records are audited at least once a year by Arthur Andersen.

In addition, GTE objects to the Document Requests because production of the requested documents would be unduly burdensome.

Respectfully submitted on August 18, 1998.

By:



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Attorneys for GTE Florida Incorporated

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that copies of GTE Florida Incorporated's Objections to Public Counsel's Second Set of Requests for Production of Documents in Docket No. 980696-TP were sent via overnight delivery(\*) or U.S. mail on August 18, 1998 to the parties on the attached list.

  
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