

ORIGINAL

**NORTHEAST FLORIDA TELEPHONE COMPANY
EXECUTIVE SUMMARY
OF RESPONSES FILED WITH THE FLORIDA PUBLIC SERVICE COMMISSION
REGARDING SECTION 2 OF CHAPTER 98-277
COST OF BASIC LOCAL TELECOMMUNICATIONS SERVICE
FAIR AND REASONABLE RATES**

On May 28, 1998, Chapter 98-277 was signed into law by the governor of Florida. This legislation states that "The Legislature has determined that charges for intrastate switched access and other services may be set above costs and may be providing an implicit subsidy of residential basic local telecommunications service rates in this state, including the proportionate share of joint and common costs." To determine the relationships among costs and charges associated with providing basic local service, intrastate access and other services provided by local telephone companies, the Florida Public Service Commission ("the Commission") was directed to report its conclusions as to the fair and reasonable Florida residential basic local service rate considering affordability, the value of service, comparable residential basic local telecommunications rates in other states and the cost of providing residential basic local services in this state. A public hearing is to be held in Macclenny on September 8, 1998 to elicit public testimony concerning such rates.

Chapter 98-277 also mandated that local telephone companies, including Northeast Florida Telephone Company ("Northeast" or "the Company") submit cost data and analysis to the Commission that supports the cost of providing residential basic local service in their serving areas by August 1, 1998. Northeast has complied with this requirement.

This Executive Summary is being provided at the request of the Commission to ensure that our customers have a general understanding of the information filed with the Commission regarding the residential basic local service rates in Baker County. Included with this summary is a copy of the embedded cost study that was developed using specific assumptions outlined by the Commission in a data request to the Company. This study allocates embedded costs between the state and interstate jurisdictions based on usage factors, mileage, number of circuit terminations, traffic sensitivity, etc. The results provide the reader with the embedded cost of providing local service and intrastate access, based on the Commission's methodology.

It should be noted that the Commission's methodology is but one of several methodologies that could be used to determine a company's embedded cost of providing basic local service. Northeast has also performed an embedded cost study, using a different methodology, which more closely reflects the true cost of providing basic local service (in accordance with federal universal service guidelines). As such, Northeast does not support the assumptions that have been made by the Commission for the development of the study included with this summary.

Portions of this filing that have been excluded are deemed confidential, by Florida Statutes. Confidential information and other financial data have been filed in Special Project No. 980000A-SP at the Florida Public Service Commission.

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