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*Competition in
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Markets in Florida*

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LIST OF ACRONYMS

AAV	Alternative Access Vendor (see also CAP)
ALEC	Alternative Local Exchange Company (see also CLEC)
AOS	Alternative Operator Services
AT&T	American Telephone & Telegraph Company
B1	Business Access Line
BOC	Bell Operating Company
CAGR	Compound Annual Growth Rate
CAP	Competitive Access Provider (see also AAV)
CATV	Cable Television Service
CLEC	Competitive Local Exchange Company (see also ALEC)
CO	Central Office
COLR	Carrier of Last Resort
CPE	Customer Premises Equipment
DBS	Digital Broadcast System
DOJ	Department of Justice
DTMF	Dual Tone Multifrequency (Touch Dialing)
EAS	Extended Area Service
ETC	Eligible Telecommunications Carrier
FCC	Federal Communications Commission
FPSC	Florida Public Service Commission
GTEFL	GTE Florida, Inc.
GTELD	GTE Long Distance
ICI	Intermedia Communications of Florida, Inc.
ISP	Internet Service Provider
IXC	Interexchange Carrier
LATA	Local Access And Transport Area
LEC	Incumbent Local Exchange Company
MABC	Modified Access Based Compensation

MAs	Mergers and Acquisitions
MFJ	Modification of Final Judgment
MFS	Metropolitan Fiber Systems
MOU	Minute of Use
MSA	Metropolitan Statistical Area
MTS	Message Toll Service
MTSO	Mobile Telephone Switching Office
NANPA	North American Numbering Plan Administrator
NARUC	National Association of Regulatory Utility Commissioners
NECA	National Exchange Carrier Association, Inc.
NOI	Notice of Inquiry
NPAT	Non-LEC Pay Telephone Service Provider
NPRM	Notice of Proposed Rulemaking
NXX	End Office Code
OSP	Operator Service Provider
OSS	Operational Support System
PATS	Pay Telephone Service Provider
PBX	Private Branch Exchange
PCS	Personal Communications Systems
PSC	Florida Public Service Commission
PSP	Payphone Service Provider
R1	Residential Access Line
RBOC	Regional Bell Operating Company
ROR	Rate of Return
SMNI	Sprint Metropolitan Networks, Inc.
STS	Shared Tenant Services
TA 96	Telecommunications Act of 1996
TELRIC	Total Element Long Run Incremental Cost
TSLRIC	Total Service Long Run Incremental Cost
UNE	Unbundled Network Element

US Universal Service
xDSL Digital Subscriber Line

EXECUTIVE SUMMARY

- This report is formulated to meet the statutory requirements of Chapter 364, Florida Statutes. It is comprised of a review of the status of local exchange competition within Florida's telecommunications market and a discussion of complaints filed by ALECs against LECs.
- The implementation of amendments from 1995 to the present and of the federal Telecommunications Act of 1996 have resulted in the FPSC's involvement in several proceedings during the past few years. A total of 23 petitions for arbitration of the rates, terms and conditions for interconnection, unbundling and resale had been filed with the FPSC as of the date of this report.
- As of July 10, 1998, 191 ALECs were certificated in Florida, 51 of which were providing basic local service to over 194,000 business and residential access lines.
- Florida has experienced a modest rise in competitive activity. ALECs have increased their overall share of the total access lines from .5% to 1.8%. Their percentage of total business access lines grew from 1.4% to 4.3%; residential lines rose to .7%, compared to .2% in 1997. The entrants appear to be concentrating on the more heavily populated exchanges of Ft. Lauderdale, Jacksonville, Miami and Orlando.
- It appears that customers who choose an alternative provider for basic local service are able to obtain service under comparable rates and terms. One exception that may occur is when an ALEC chooses to target a specific market, such as customers that have been denied local service from the LEC because of non-payment, late payment, lack of personal identification, or a bad credit history. In this case, such a provider's service is likely to be priced at a significantly higher rate.
- The Commission is devoting extensive resources to the preparation of five reports

mandated by House Bill 4785 in addition to addressing assorted issues through hearings and arbitrations. Local competition in Florida continues to grow in spite of the slow pace. The Commission will continue its role of providing balance in the telecommunications industry by exercising its authority to resolve issues of both a generic nature and those which are specific to two competing providers.

CHAPTER I: INTRODUCTION

Chapter 364, Florida Statutes, contains the framework the Florida Public Service Commission uses for regulation of the telecommunications industry. Amendments made to this chapter during the 1995 legislative session established a statutory requirement that the Commission prepare and deliver a report on "the status of competition in the telecommunications industry" annually to the Governor and the Legislature by December 1.

The details of the report are specifically addressed in Chapter 364.386, Florida Statutes, which requires that the report discuss the following points:

- The overall impact of local exchange telecommunications competition on the continued availability of universal service.
- 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.
- The ability of customers to obtain functionally equivalent services at comparable rates, terms, and conditions.
- The overall impact of price regulation on the maintenance of reasonably affordable and reliable high-quality telecommunication services.
- 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.
- Any other information and recommendations which may be in the public interest.

In addition to these requirements, a 1997 amendment to Section 364.161(4), Florida Statutes, requires that the report include a discussion of all complaints filed by alternative local exchange companies (ALECs) against incumbent local exchange companies (LECs).

Information for this report was obtained by surveying the LECs and ALECs. Additional research was conducted by reviewing numerous sources, such as ALEC certification records, industry publications, and articles from an assortment of sources.

The report is divided into three chapters. Following this introduction, Chapter II highlights various actions of the FPSC during the past year. Chapter III specifically discusses the six issues identified in Section 364.386, Florida Statutes, and provides the telecommunications competition information on an exchange by exchange basis. Chapter IV is the concluding chapter.

Two appendices are included in the report this year. Appendix A provides a list of the alternative local exchange providers certificated as of September 15, 1998, and identifies those companies that were providing basic local service as of July 1998. A brief overview of key federal issues is provided in Appendix B.

CHAPTER II: FLORIDA PUBLIC SERVICE COMMISSION ACTIONS

In this chapter we discuss some of the major actions pertaining to telecommunications undertaken by the Commission during the past year. Topics discussed include: 1) the implementation of HB 4785; 2) arbitration proceedings; 3) BellSouth's 271 application; 4) MCI show cause; 5) area code relief; 6) access charge reductions; and 7) reciprocal compensation and Internet traffic.

IMPLEMENTATION OF HB 4785

HB 4785 was passed as a result of the 1998 legislative session and was memorialized as Chapter 98-277, Laws of Florida. In addition to modifying the access charge provisions in Chapter 364.163 (discussed later in this chapter), the bill requires a total of five reports be prepared and submitted to the President of the Senate and the Speaker of the House of Representatives by February 15, 1999. At present the Commission is devoting significant resources in order to meet these statutory mandates.

The first report requires the Commission to determine and report the forward-looking cost of basic local telecommunications service using a cost proxy model. Of the five reports only this report necessitates a formal evidentiary hearing, which was held the week of October 12, 1998. The Commission is scheduled to vote on staff's recommendation on December 18, 1998, after which a report incorporating the Commission's determinations will be provided.

The second report directs the Commission to determine and report the amount of support necessary to provide residential basic local telecommunications service to customers who qualify

for Lifeline. Individuals who qualify for any of six different programs (Temporary Assistance to Needy Families, Medicaid, Supplemental Security Income, food stamps, Federal Public Housing Assistance (Section 8), and Low-Income Home Energy Assistance Program) automatically qualify for Lifeline. The key task in this report is estimating the number of customers who are eligible for Lifeline. However, this task is complicated by the fact that there is overlap among the participants in the various programs, which must be eliminated to avoid overstating the funding requirement.

The third report, contained in Section 2(1) of the bill, requires the FPSC to study and report on the relationships between the prices and costs of various LEC-provided services. To meet this requirement, the FPSC staff sent data requests to each of the Florida LECs to obtain cost data. Although the bill only notes that information be provided for basic local service, intrastate access, and "other" services, staff's data request was more detailed and also requested data on intraLATA toll and various vertical services. In conjunction with the fourth report discussed below, interested persons were afforded access to the LEC cost data for review and critique.

The fourth report (in Section 2(2)(a) of the bill) ordered that the Commission report its conclusions as to the fair and reasonable Florida residential basic local telecommunications service rate, after considering four factors: affordability, value of service, comparable residential rates in other states, and the cost of providing residential basic local telecommunications service in Florida. While the bill only required the Commission to hold one public hearing in the service territory of each Florida local exchange company, 22 public hearings were conducted, to ensure that ample consumer input was received. Four days of workshops were held in Tallahassee, at

which members of the telephone industry, the Office of the Public Counsel, the Attorney General and other interested persons made presentations. Numerous sources, including a consumer survey, public testimony, studies conducted on rates in other states and rate rebalancing initiatives in other states, and written comments submitted by interested persons, will need to be assimilated in preparing this report.

In the fifth report the Commission has been directed to study issues related to the provision of service by telecommunications companies in multi-tenant environments and to report its conclusions and policy recommendations. Given the multi-faceted nature of this project, the FPSC's research and legal divisions have shared oversight responsibility. Several workshops have been held, extensive research conducted, and interested persons have submitted written comments for commission consideration.

ARBITRATION PROCEEDINGS

Part II of the federal Telecommunications Act of 1996 (TA 96) provides for the development of competitive markets in the telecommunications industry. Section 251 concerns interconnection with the incumbent local exchange carrier, and Section 252 sets forth the procedures for negotiation, arbitration, and approval of agreements. On October 9-11, 1996, the Commission conducted a consolidated evidentiary proceeding based on a request for arbitration by AT&T, MCI and ACSI with BellSouth. As a result of the proceeding, the parties were able to complete an interconnection agreement. However, the Commission set interim rates on several unbundled network elements and ordered BellSouth to file cost studies so that permanent rates could be established. On January 26-28, 1998, a hearing was held by the Commission to

establish permanent rates for the remaining elements. The parties filed cost models which calculated rates based on cost inputs. The Commission evaluated the methodology of each model and the inputs for each element in its determination of final rates for the network elements. The Commission's Order was filed on April 29, 1998.

In August of 1997, MCI Metro filed a petition to set non-recurring charges for combinations of network elements. The docket for this proceeding was consolidated with a request to compel compliance by AT&T and MCI Metro. The motion requested the Commission to compel BellSouth to comply with the parties' respective interconnection agreements. The parties sought clarification of whether or not the agreements specified prices for combinations of unbundled network elements that do or do not recreate existing BellSouth services, what standard should be used to identify when a combination of elements recreates a service, and whether or not the agreements required BellSouth to provide detail usage data. By Order PSC-98-0810-FOF-TP the Commission found that the agreements did provide prices for combinations of network elements, but did not provide prices for combinations that recreate an existing BellSouth service; the combination of a loop and a port did not recreate basic local service; and the agreement requires BellSouth to provide detail usage data. In addition, the Commission set non-recurring charges for loop and port combinations.

BELLSOUTH'S 271 APPLICATION

One of the provisions contained in the federal Telecommunications Act of 1996 (TA 96), is for entry into the in-region interLATA toll market by each Regional Bell Operating Company (RBOC). TA 96 sets forth conditions in a 14 point "checklist" that the RBOC must meet in order

to receive interLATA authorization. The Commission is required to perform a consultative role to the FCC in determining if BellSouth meets the competitive checklist.

On July 7, 1997, BellSouth filed with the Commission a request for authorization to provide in-region interLATA toll service. An evidentiary hearing was held during the first two weeks of September. By Order PSC-97-1459-FOF-TL, issued November 19, 1997, the Commission determined that BellSouth met 8 of the 14 requirements laid out in the federal Telecommunications Act of 1996. BellSouth did not file its application with the FCC; therefore, the review process must be repeated when BellSouth files a new application with the Commission.

MCI SHOW CAUSE

On May 8, 1997, the Federal Communications Commission (FCC) issued the Federal-State Joint Board Report and Order on Universal Service, CC Docket No. 96-45, FCC 97-157, 12 FCC Rcd 8776 (Order). In its Order, the FCC concluded that carriers contributing to the federal universal service support mechanisms may recover their contributions only through rates for interstate services. (Order FCC 97-157, ¶ 829) Since the FCC issued its Order, the Commission has received a number of complaints regarding charges that interexchange carriers (IXCs) have placed on customers' bills to recover federal universal service contributions.

Upon investigation, the Commission found that at least one carrier, MCI Telecommunications Corporation (MCI), was recovering its federal universal service contributions from intrastate revenues. Specifically, MCI was charging interstate fees based on the total bill, including intrastate toll calls. By letter dated February 24, 1998, the Commission requested that

MCI discontinue the billing practice of recovering the federal universal service contributions from intrastate revenues. The Commission also requested that MCI provide refunds or bill credits to those Florida consumers who were improperly charged.

By letter dated March 17, 1998, MCI informed the Commission that it would continue to recover its universal service contributions from intrastate revenues based on its understanding of the FCC's Order. On March 23, 1998, MCI met with Commission staff to further discuss the matter. Upon failing to reach an accord on the issue, Docket No. 980435-TI was opened, titled "Initiation of show cause proceedings against MCI Telecommunications Corporation for charging FCC Universal service assessments on intrastate toll calls."

On April 3, 1998, MCI filed a Petition for Declaratory Ruling (Petition) with the FCC, asking that it find that carriers are not precluded by the Universal Service Order from imposing a charge on their customers to recover federal universal service assessments that is based on customers' total billed revenues, including intrastate revenues. In its petition, MCI requested that the FCC resolve the issue before July 1, 1998, when MCI intended to begin applying charges to residential customers' bills. The arguments raised by MCI in its petition are essentially the same as those provided in its letter to the Commission.

Although the matter remains unresolved, MCI ceased the practice of collecting universal service assessments on intrastate toll calls in Florida on April 1, 1998. A hearing will be held on February 11, 1999, to determine whether a refund should be made to MCI's customers for the period during which assessments were made on intrastate calls.

AREA CODE RELIEF

In Florida and around the country, the demand for telephone numbers has been growing at an increasing rate due to customer growth and the rising use of fax machines, pagers, and cellular phones. In order to create more telephone numbers, new area codes must be introduced. Area codes are in finite supply, which places a premium on designing plans that use numbers efficiently, while trying to minimize the impacts on customers and carriers. The traditional approach to providing area code relief is through a "geographic split," whereby the area covered by the existing area code is split into two sections. One section retains the old area code, while the other section receives the new area code. The other alternative is an overlay which occurs when two area codes serve the same geographic area.

The ultimate responsibility for assignment of telephone numbers lies with the Federal Communications Commission (FCC). However, Section 251(e)(1) of the federal Telecommunications Act of 1996 allows for a role to be played by state commissions:

The Commission [FCC] shall create or designate one or more impartial entities to administer telecommunications numbering and to make such numbers available on an equitable basis. The Commission shall have exclusive jurisdiction over those portions of the North American Numbering Plan that pertain to the United States. Nothing in this paragraph shall preclude the Commission from delegating to State commissions or other entities all or any portion of such jurisdiction.

Recent and Future Activities in Florida

- Prior to 1988, there were only three area codes in Florida (305, 813, and 904).
- In 1988, area code 407 was split from area code 305.

- Since 1995, seven additional area codes have been implemented.

New Area Code	Split From	Date
941	813	May 1995
954	305	September 1995
352	904	December 1995
561	407	May 1996
850	904	June 1997
786	305	July 1998
727	813	February 1999

- Future relief required:

Area Code	Relief Year	Status
305 (Keys)	2012	N/A
305 / 786 (Dade)	2009	N/A
352	2010	N/A
407	1999	Industry recommended an overlay plan. The Commission held two public hearings in Orlando and Melbourne to receive input from the customers. Decision will be made on December 1, 1998.
561	2001	N/A
727	2007	N/A
813	2005	N/A
850	2009	N/A
904	2002	N/A
941	1999	Industry recommended a split plan. The Commission will hold three workshops to receive input from the customers.
954	2000	N/A

- The Commission conducted a hearing for the 305 area code on October 13, 1997, and ultimately approved a concentrated growth overlay for Dade county. The new area code is 786. The 7/10 digit permissive dialing period began March 1, 1998. As of July 1, 1998, all local calls were required to be dialed on a 10-digit basis.
- The Commission conducted a hearing for the 813 area code on February 24, 1998, and ultimately approved a split whereby Hillsborough and East Pasco Counties would retain the 813 area code, while Pinellas and West Pasco would get the new 727 area code. The permissive dialing period began July 1, 1998, and mandatory dialing begins on February 1, 1999.
- On April 22, 1998, the North American Numbering Plan Administrator (NANPA) requested that the Commission approve the industry consensus of an overlay as the method of relief for the 407 area code. Public hearings and a technical hearing were held on August 6 and 7, 1998 in the 407 service territory. Additional public hearings were held on September 24 and 25, 1998 in Orlando and Melbourne.
- On August 14, 1998, NANPA requested that the Commission approve the industry consensus of a geographic split as the method of relief for the 941 area code. Informational workshops will be held on December 9, 16 and 17, 1998 in Ft. Myers, Bartow, Sarasota, and Naples.

- A major utilization study of all area codes in Florida is being undertaken in an attempt to determine whether numbering resources are being used in an efficient manner. In addition, the Commission intends to review other aspects such as number pooling and rate center consolidation to determine if these approaches could extend the life of area codes throughout Florida.

ACCESS CHARGE REDUCTIONS

During the 1998 legislative session, the House and the Senate passed a revision to Section 364.163(6), Florida Statutes, which required GTE Florida and Sprint-Florida to reduce their intrastate switched access rates by 5 percent on July 1, 1998, and by 10 percent on October 1, 1998. The annualized effect of these reductions totals approximately \$52 million.

The 1998 revision also required any IXC whose intrastate switched access expense was reduced by these rate reductions to decrease its intrastate long distance rates such that the expense saving is flowed through to both residential and business customers. In addition, IXCs were not permitted to reduce their intraLATA rates by a percentage greater than the switched access rate reduction.

In order to verify that the LECs and IXCs complied with the statutory mandate, staff recommended procedures to the Commission, resulting in Commission Order No. PSC-98-0795-FOF-TP. Staff contacted over 220 IXCs to ensure that they were aware of both the statutory mandate and Commission Order No. PSC-98-0795-FOF-TP implementing the mandate. Approximately 180 are not required to flow through reductions because they do not purchase switched access. The remainder are virtually all in compliance.

RECIPROCAL COMPENSATION AND INTERNET TRAFFIC

This case was about BellSouth's refusal to pay reciprocal compensation for the transport and termination of Internet Service Provider (ISP) traffic under the terms of its interconnection agreements with WorldCom Technologies, Inc. (WorldCom); Teleport Communications Group, Inc./TCG South Florida (TCG); Intermedia Communications, Inc. (Intermedia); and MCImetro Access Transmission Services, Inc. (MCI). Reciprocal compensation is paid by a carrier for termination of local calls on another carrier's network. In a letter dated August 12, 1997, BellSouth notified each of the complainants that it would not pay compensation for the termination of traffic to Internet Service Providers (ISPs), because "ISP traffic is jurisdictionally interstate" and "enjoys a unique status, especially [as to] call termination." The case was primarily a contract dispute between the parties.

The FCC has exempted Internet traffic from payment of long distance switched access charges. ISPs purchase services from local tariffs, and are treated as end-users rather than as carriers. Nevertheless, BellSouth contended that Internet traffic was interstate in nature, and therefore under the jurisdiction of the FCC. Interstate traffic is not subject to reciprocal compensation.

Upon review of the language of the agreement, and the evidence and testimony presented at the hearing, the Commission found that the interconnection agreements define local traffic in such a way that ISP traffic clearly fits the definition. Since ISP traffic is local under the terms of those agreements, then, a priori, reciprocal compensation for termination is required as specified in the agreements. BellSouth was ordered to pay all outstanding amounts to the four complainants.

On September 15, 1998, Final Order PSC-98-1216-FOF-TP was issued. No motions for reconsideration were filed. However, on October 15, 1998, BellSouth filed a notice of its appeal of the Commission's Order with the United States District Court for the Northern District of Florida in accord with Section 252(e)(6) of the federal Act. On this same day, BellSouth also filed with the Commission a request for stay of the FPSC's order pending judicial review by the District Court.

CHAPTER III: STATUS OF LOCAL COMPETITION

Section 364.386, Florida Statutes, requires the Commission to report annually to the Governor and the legislature on the **status of competition in the telecommunications industry in Florida**, with emphasis on competitive entry into the local services market. The first section of this chapter is devoted to the industry assessment and specifically addresses the six points outlined in Section 364.386(1), Florida Statutes.

A 1997 amendment to Section 364.161(4), Florida Statutes, added an additional statutory requirement. In addition to the industry update, the Commission is now required to maintain a file of all **complaints by ALECs against LECs** regarding timeliness and adequacy of service. The information is to be included in the annual competition report and must recap how and when each complaint was resolved. The second portion of this chapter is devoted to meeting that requirement.

Commission staff began preparation for these reports this summer by requesting data from the ALECs and LECs to determine the extent of competitive entry. The ALEC data request consisted of questions primarily designed to discern which companies were providing basic local service in Florida, the exchanges and type(s) of customers being served, and the method(s) of providing service. In addition to exchange and customer information, the LEC data request included inquiries regarding 1997 operating revenues. Both data requests solicited opinions and suggestions from each company as to possible actions the Florida Public Service Commission or the legislature should take to foster a competitive local exchange market, and also sought their comments on obstacles or impediments to the growth of local competition they had experienced

in the state.

Since the 1997 report, Florida has seen a slight increase in competitive entry, predominantly for serving business customers. As of July 10, 1998, 191 entities were certificated as ALECs, with 51 providing service to a relatively small number of customers. In contrast, the 1997 report disclosed that 86 entities were certificated as ALECs, with 22 providing service.

STATUS OF LOCAL SERVICE COMPETITION THROUGHOUT FLORIDA

Chapter 364.386(1), Florida Statutes, mandates that the Commission examine the following points in analyzing 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 which may be in the public interest.

Each point will be addressed in the following discussion.

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

Universal Service (US) is the longstanding concept that mandates that a specified set of telecommunications services be available to all customers at affordable rates. Chapter 364.025, Florida Statutes, provides guidelines for the maintenance of US objectives with the introduction of competition in the local exchange market.

As of March 1998, 93.3% of Florida households had local telephone service, compared to an annual average of 92.8 % for 1997. (Telephone Subscribership in the United States, Federal Communications Commission, July 1998.)

In meeting the requirements of Section 364.025(4), Florida Statutes, in December 1996 the Commission submitted its report, Universal Service in Florida, to the Governor and the Legislature. In that report we stated "In the short run, any impact on universal service in Florida due to local exchange competition will likely be negligible, largely due to the monumental task confronting the competitors of becoming established sufficiently to offer service." (p.8) As discussed in detail later in this chapter, our research indicates that local exchange competitive entry in Florida has been limited. Therefore, since telephone subscribership has increased and market entry during the past year has been modest, we have no basis to conclude that universal service has been adversely impacted.

(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.

The FPSC staff surveyed the 191 ALECs that were certificated as of July 1998. Of the 166 responses received, 51 were actually providing service in Florida. As a part of the data

request, the ALECs were asked to identify obstacles they believed were impeding the growth of local competition in Florida. Similarities in responses from both the ALECs actually providing service and those companies which had not yet entered the local market were received. Their statements concerning perceived obstacles may be categorized into pricing issues, negotiation issues, and service/technical issues.

The pricing issues involve the three key components in the provision of local competition: interconnection, unbundled network elements (UNEs) and resale. Several ALECs indicated that excessive rates are being charged by LECs for these services.

The federal Telecommunications Act of 1996 (TA 96) requires that LECs offer for resale any telecommunications service they provide to subscribers who are not telecommunications carriers. The Act states that state commissions are to determine resale rates based on a LEC's retail rates, excluding any costs which will be avoided by selling at wholesale rather than retail. Insufficient resale discounts was the most common response to the question of perceived obstacles. Additionally, a few companies viewed high costs for interconnection and UNEs as impediments, although apparently not to the same degree as their concerns regarding resale discounts.

ALECs also reported that they are experiencing problems in negotiating agreements for resale, interconnection, and the purchase of UNEs. Several ALECs now providing service indicated that the contract process is lengthy and cumbersome. Parties unable to reach an agreement may come to the Commission for arbitration. The Commission has received 23 arbitration petitions to date. Eleven have been completed, eleven were withdrawn and one is pending. No matter what method is used, ALECs and LECs have apparently been managing to

reach acceptable terms; as of October 1998, over 380 agreements had been successfully negotiated in Florida.

Lack of service parity and technical difficulties were the next areas viewed as obstacles. Some ALECs contend that LECs are causing them delays in providing services and requested that the Commission take action to ensure that LECs provide nondiscriminatory access to the full range of Operational Support Systems (OSS) for pre-ordering, ordering, provisioning, maintenance, repairs and billing enjoyed by the LEC. The ALECs also expressed a need to hold LECs accountable to the actions they have promised and the services requested.

Other specific suggestions for the Florida Public Service Commission and the legislature included:

- (1) Develop a statewide advertising campaign to inform consumers of the potential for competition in the local market.
- (2) Set performance standards for LECs and assess penalties against them for non-performance or undue delays in their provision of services.
- (3) Mandate greater wholesale discounts for resellers to make alternative local service more profitable.
- (4) Extend government subsidies to all competitors or end government mandated subsidies to LECs and allow local service rates to rise to more competitive levels.
- (5) Adopt a "Fresh Look" policy, similar to what has been enacted by a number of states, giving customers the right to terminate an existing long-term service contract without penalty and to obtain service from a competitive provider.
- (6) Draft legislation encouraging legislative agencies to utilize the local service offerings of new market entrants.
- (7) Address the issue of high access charges by requiring that such charges be priced at cost.

Although almost 100 ALECs responded to the data request that they were not providing basic local service in Florida, it should be noted that the majority did indicate their intention to do so in the future, with most anticipating entry by the fourth quarter of 1999. Only 15 companies indicated that they have no plans to enter the local service market in Florida. The most common reason cited was that entering the Florida market did not comport with the company's strategic business objectives. Frontier Local Services specified that their decision was the result of management's priorities and was not based on any specific or identifiable external factors. Two companies had no plans to enter the basic local services market in any state. For example, although Interprise America, Inc., is certificated to provide basic service, the company has chosen to restrict its focus to being a data telecommunications provider of ATM, Frame Relay, Private Line and Transparent LAN services. Three companies responded that the profit margin necessary to justify marketing basic service in Florida is insufficient; two others lack the capital necessary for extensive market entry.

In spite of perceived obstacles, most of the ALECs surveyed intend to provide basic local service in Florida and do not view any perceived impediments as insurmountable. As expressed by one ALEC which anticipates providing service by the third quarter of 1999, "It is simply going to take time for the market to develop."

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

As of July 1998, 51 ALECs reported they are providing local service in Florida. Table 3-1 lists each ALEC, the type of customers it serves, how its service is provided, and the general area it serves.

TABLE 3-1

ALECS PROVIDING SERVICE

ALEC	SERVICE PROVIDED TO:	METHOD	MARKET AREAS SERVED ¹
AA Tele-Com	Residential & Business	Resale	Orlando, West Palm Beach
Alternative Phone	Residential	Resale	Gainesville
Annox	Residential	Resale	Ft. Lauderdale, Miami, Orlando
Atlantic Telecommunication Systems	Residential & Business	Resale	Ft. Lauderdale, Miami, West Palm Beach
AXSYS	Residential & Business	Resale	West Palm Beach
BellSouth	Business	Interconnection & UNEs	Orlando
Business Telecom, Inc.	Residential & Business	Resale	Daytona Beach, Gainesville, Jacksonville, Miami
COMUSA	Residential	Resale	Daytona Beach, Gainesville, Miami
Comcast MH Telephony	Residential & Business	Combination of Methods	Ft. Lauderdale
Direct-Tel	Residential & Business	Resale	Ft. Lauderdale
East Florida Communications	Residential & Business	Resale	Daytona Beach, Jacksonville
EZ Talk Communications	Residential	Resale	Gainesville, Jacksonville
First Touch	Residential & Business	Resale	Jacksonville
Florida Comm South	Residential	Resale	Jacksonville
Florida Telephone Co.	Residential & Business	Resale	West Palm Beach
GTE CC	Residential & Business	Resale	Throughout Florida
Hart Communications	Residential	Resale	Daytona Beach, Jacksonville, Gainesville
IDS Long Distance	Residential & Business	Resale	Ft. Lauderdale, Miami, Orlando
Integra Paging	Residential	Resale	Orlando
Intellicall Operator Service	Residential	Resale	Daytona Beach, Jacksonville, Miami, Orlando
Intermedia	Residential & Business	Combination of Methods	Ft. Lauderdale, Jacksonville, Miami, Orlando, Tampa, West Palm Beach
Intetech	Residential & Business	Resale	Gainesville, Jacksonville, Tallahassee
Kenarl	Business	Resale & UNEs	West Palm Beach
KMC Telecom II	Residential & Business	Combination of Methods	Melbourne
MCIMetro	Business	Facilities-Based	Miami, Orlando, Tampa
MediaOne Fiber Technologies	Business	Facilities-Based	Jacksonville
MediaOne Florida Telecommunications	Residential	Interconnection	Ft. Lauderdale, Jacksonville
MET Communications	Residential	Resale	Tampa
NationalTel	Residential & Business	Combination of Methods	N/A
Network Telephone	Residential & Business	Resale	Pensacola
Omnicall	Residential & Business	Resale	Ft. Lauderdale, Jacksonville, Miami
Orlando Telephone Company	Residential & Business	Facilities-Based & Resale	Orlando
Phones For All	Residential	Resale	Miami, Orlando, Tampa

TABLE 3-1

ALECS PROVIDING SERVICE

ALEC	SERVICE PROVIDED TO:	METHOD	MARKET AREAS SERVED ¹
Reconex	Residential	Resale	Jacksonville, Miami, Orlando, Tampa, West Palm Beach
Sprint	Business	Facilities-Based & UNEs	Orlando
Supra	Residential & Business	Resale	Ft. Lauderdale, Miami, West Palm Beach
Teleconex	Residential & Business	Resale	Orlando, Pensacola
Telephone Company of Central Florida	Residential & Business	Resale	Jacksonville, Miami, Orlando, Tampa, West Palm Beach
Tel-Link	Residential	Resale	Daytona Beach, Jacksonville, Ft. Lauderdale, Miami, Orlando
The Inside Edge Communications	Residential	Resale	Ft. Lauderdale, Miami
The Other Phone Company	Residential & Business	Resale	Jacksonville, Miami, West Palm Beach
Time Warner Connect	Residential & Business	Resale	Orlando
Travelers Telecom Corp.	Residential & Business	Resale	Tampa
Unicom Communications	Residential & Business	Resale	Orlando
United States Telecommunications	Residential	Resale	Miami, Orlando, Tallahassee, Tampa
UniversalCom	Residential & Business	Resale	Pensacola
US Telco	Residential	Resale	Jacksonville, St. Petersburg, Tampa
USA Telecom	Residential	Resale & UNEs	Ft. Lauderdale, Miami
Utilicore	Residential & Business	Resale	Sarasota, Tampa
WinStar	Business	Combination of Methods	Tampa
WorldCom Technologies	Business	Combination of Methods	N/A

1. In this case, a market area refers to a territory surrounding a major city. It does not designate an exchange. It can contain several exchanges. See Table 3-4 for exchange specific data. The list of market areas for each ALEC may not be all-inclusive.

Of these 51 companies, 37 have entered via resale, two through use of their own facilities, one through interconnection, one combining its own facilities with resale, and one combining UNEs with its own facilities. The other nine companies are utilizing various combinations of methods.

Regarding the ability of a customer to obtain equivalent services, ALECs using resale, either in its entirety or in combination with its own facilities, should be able to provide service functionally equivalent to that available from the incumbent. Although the name of the provider is different, the service remains essentially the same.

For those customers having a choice of local exchange provider, it appears that they are able to obtain service at comparable rates. Table 3-2 shows the business and residential rates by various exchanges for some of the ALECs. The corresponding LEC rates for those exchanges are also shown for comparison purposes.

TABLE 3-2					
LOCAL RATES FOR SELECTED ALECS IN VARIOUS EXCHANGES					
ALEC	EXCHANGE/LEC	ALEC RATE		LEC RATE	
		RESIDENTIAL	BUSINESS	RESIDENTIAL	BUSINESS
BELLSOUTH	Winter Park/Sprint-Florida	N/A	\$24.00	\$10.23	\$24.03
EAST FLORIDA COMMUNICATIONS	Daytona Beach/BellSouth	8.69	23.65	9.15	24.90
FLORIDA TELEPHONE CO.	Jacksonville/BellSouth	10.30	28.00	10.30	28.00
	Orlando/BellSouth	10.45	28.60	10.45	28.60
	West Palm Beach/BellSouth	10.05	27.40	10.05	27.40
HART COMMUNICATIONS	Panama City/BellSouth	47.95	47.95	8.80	23.85
INTERMEDIA	Daytona Beach/BellSouth	8.24	22.41	9.15	24.90
	Miami/BellSouth	9.59	26.19	10.65	29.10
	Tampa/GTE	10.63	26.91	11.81	29.90
INTETECH	Gainesville/BellSouth	9.15	28.00	9.15	24.90
	Jacksonville/BellSouth	10.30	28.00	10.30	28.00
	Tallahassee/Sprint-Florida	9.65	21.79	9.65	21.75
TCCF	West Palm Beach/BellSouth	9.50	25.75	10.05	27.40
TELECONEX	Tallahassee/Sprint-Florida	45.00	45.00	9.65	21.75

N/A = Not available

The customer's ability to obtain a comparable or more favorable rate will depend on the pricing scheme chosen by the ALEC. Some ALECs, such as Florida Telephone Company (FLATEL), have followed the method used by various LECs of establishing price structures using rate groups. The size of the rate group is determined by the number of parties (as measured by access lines) in the local calling area. The ALEC rate groups will sometimes mirror those set by the LEC in the same territory. As shown in Table 3-2, FLATEL's actual rates coincide with BellSouth's rates for the same locations. Similarly, some ALECs are setting rates by city. This pricing practice may also be directly tied to the LEC's pricing.

Some ALECs have found a potentially profitable niche by charging for local service well in excess of LEC rates. These ALECs will typically cater to customers who have been denied local service from the LEC due to non-payment or late payment, bad credit history or a lack of personal identification to acquire service. Based on their rates and blocking requirements, it appears that Hart Communications, which charges a monthly fee of \$47.95 and Teleconex, which charges \$45.00 per month for basic service, may be operating under this strategy. This rate is applicable regardless of the customer's location or classification (residential or business).

In addition to determining whether customers are able to obtain services at comparable rates, the FPSC must also examine if customers can obtain services on comparable terms and conditions. Since ALECs structure their prices in a variety of ways, comparing the terms between two ALECs and between an ALEC and a LEC is difficult. However, the primary LEC terms and conditions can be roughly reduced to five categories: 1) limitations on the use of service, 2) establishing and furnishing service, 3) payment arrangements, 4) liability of the company, and 5) obligation of the company. The majority of ALECs include similar terms and conditions in their

price lists in one form or another. ALECs certificated in Florida must adhere to certain Commission rules; however, they are not required to meet the same requirements and operate under the same conditions as the LECs. Nevertheless, information included in the ALEC price lists generally indicates that the terms and conditions under which service is offered by the ALECs and the LECs appear to be similar. Therefore, we find it is reasonable to assume that ALEC customers are being offered service under at least comparable terms and conditions as the LECs.

The data regarding a customer's ability to obtain functionally equivalent services at comparable rates, terms, and conditions does not always directly coincide. However, in general, ALEC rates are comparable to the LEC rates. All ALECs do not necessarily target all customers; some focus only on residential customers and others offer service strictly to business customers. Additionally, since ALECs are not required to make their service universally available, they may target certain selected territories, such as areas where high-volume customers reside, and ignore territories where volumes are lower. In spite of these differences, customers appear to be able to obtain service from ALECs under terms and conditions comparable to the LECs.

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

Basic service rate caps are to remain in place until January 1, 2000 for price-regulated LECs with fewer than 3 million access lines, and until January 1, 2001 for BellSouth. The minute increase in competitive entry has not diminished the positions of the three largest price regulated LECs, BellSouth, GTEFL, and Sprint-Florida serve over 98% of the access lines in the state. Services that were reasonably affordable prior to price cap legislation continue to be affordable.

When the LECs were under rate of return regulation they offered high quality services; under

the current price cap regulatory environment, it appears that service continues to be of high quality.

The degree to which customers are satisfied with service is a logical measure of quality of service. In terms of customer complaints, the number of justified complaints filed with the Commission against these three companies is steady or falling (see Table 3-3 below).

Table 3-3			
Customer Complaints - Justified ¹			
COMPANY	1998 - YTD ²	1997	1996
BELLSOUTH	135	225	234
GTE	79	183	300
SPRINT-FLORIDA	28	41	81

1. Justified = action of the utility was an infraction of a Commission rule

2. Year to Date ending July 1998

In addition to the number of complaints remaining steady or falling, the ratio of complaints to the number of access lines is also very small. From the period January 1, 1998 to July 31, 1998, the number of infractions per 1,000 access lines was 0.0382 for BellSouth, 0.0861 for GTEFL, and 0.0226 for Sprint-Florida. Therefore, although some parties were concerned that the greater freedom afforded by price regulation would result in a deterioration in the quality of service, it is reasonable to assume from the data gathered that reliable high-quality telecommunications services are still being provided.

- (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.**

At this time there should be no additions or deletions to the definition of basic service. However, the definition of basic local service differs between LECs and ALECs. The LEC-provided basic local service includes "... 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 (touch 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." (Section 364.02(2), Florida Statutes)

In contrast, the list of services included in ALEC-provided basic local service is not nearly as extensive. The ALEC provided basic local service includes ". . . access to operator services, '911' services, and relay services for the hearing impaired." The ALEC is also required to offer a flat-rate pricing option. (Chapter 364.337(2), Florida Statutes) Thus, the ALEC does not have to provide touch dialing, access to IXCs, directory assistance, or directory listings as part of its basic local service.

(6) Any other information and recommendations which may be in the public interest.

No additional information is provided at this time.

SUMMARY OF STATUS OF LOCAL COMPETITION THROUGHOUT FLORIDA

The past year has seen a modest rise in competitive activity in Florida. As of July 10, 1998, 51 ALECs were providing local service in Florida. Many competitors responding to the Commission's data request stated that in order to provide a level playing field, larger resale discounts and measures to ensure that LECs are providing the services promised are necessary. With almost 27% of certificated ALECs currently providing service and the majority of the others expressing an intent to enter the Florida market within the next year, it is evident that the ALECs are aiming to take advantage of the opportunities opened to them by TA 96. The next portion of this chapter provides a detailed overview of the exchanges entered by ALECs and the customers being served.

STATUS OF LOCAL SERVICE COMPETITION IN FLORIDA BY EXCHANGE

In order to obtain an accurate depiction of the status of local competition, the Commission formulated and distributed data requests to both ALECs and LECs to determine the level of market penetration. These questions requested the number of access lines each competitor has by exchange and by type of customer -- residential, business, or both -- to whom the provider is offering service.

Table 3-4 lists those exchanges where an ALEC is providing service, the number of ALECs serving business and residential customers in the exchange, and the percentage of the total lines in the exchange served by the ALEC (if not proprietary). It should be noted that the number of ALECs serving a given exchange is based on where the ALECs stated they provide service; however, ALECs are not required to offer service exchange-wide and many likely do not,

preferring instead to target certain submarkets. A percentage range of ALEC lines served is used in order to avoid revealing data that may be considered confidential.

TABLE 3-4

EXCHANGES WITH AN ALEC PROVIDER

EXCHANGE	Total ALEC	% of Res. Access Lines	Total ALEC	% of Bus. Access Lines
	Res. Providers	ALEC Providers	Bus. Providers	ALEC Providers
Alachua	2	> 0 to .99%	0	
Alford	2	> 0 to .99%	0	
Apalachicola	1	> 0 to .99%	0	
Apopka	4	> 0 to .99%	4	1% to 4.99%
Arcadia	5	> 0 to .99%	2	1% to 4.99%
Archer	3	> 0 to .99%	2	1% to 4.99%
Astor	3	> 0 to .99%	1	> 0 to .99%
Avon Park	4	> 0 to .99%	2	1% to 4.99%
Baldwin	2	> 0 to .99%	2	> 0 to .99%
Bartow	6	1% to 4.99%	1	> 0 to .99%
Belle Glade	7	1% to 4.99%	3	1% to 4.99%
Belleview	4	> 0 to .99%	4	1% to 4.99%
Beverly Hills	2	> 0 to .99%	2	1% to 4.99%
Big Pine Key	1	> 0 to .99%	1	> 0 to .99%
Blountstown	2	> 0 to .99%	0	
Boca Grande	1	> 0 to .99%	0	
Boca Raton	11	> 0 to .99%	8	1% to 4.99%
Bonifay	2	> 0 to .99%	0	> 0 to .99%
Bonita Springs	3	> 0 to .99%	2	> 0 to .99%
Boynton Beach	10	> 0 to .99%	6	1% to 4.99%
Bradenton	8	> 0 to .99%	3	> 0 to .99%
Branford	2	> 0 to .99%	0	
Bronson	3	> 0 to .99%	2	> 0 to .99%
Brooker	2	> 0 to .99%	0	
Brooksville	5	> 0 to .99%	4	1% to 4.99%
Bunnell	7	> 0 to .99%	5	1% to 4.99%
Bushnell	2	> 0 to .99%	3	> 0 to .99%
Cantonment	2	> 0 to .99%	0	
Cape Coral	3	> 0 to .99%	2	1% to 4.99%
Cape Haze	1	> 0 to .99%	1	1% to 4.99%
Cedar Key	2	> 0 to .99%	2	1% to 4.99%
Century	1	> 0 to .99%	1	> 0 to .99%
Chattahoochee	1	> 0 to .99%	0	
Chiefland	4	> 0 to .99%	3	1% to 4.99%
Chipley	5	> 0 to .99%	1	> 0 to .99%
Clearwater	8	> 0 to .99%	4	5% to 6.99%

TABLE 3-4

EXCHANGES WITH AN ALEC PROVIDER

EXCHANGE	Total ALEC	% of Res. Access Lines	Total ALEC	% of Bus. Access Lines
	Res. Providers	ALEC Providers	Bus. Providers	ALEC Providers
Clermont	3	> 0 to .99%	4	1% to 4.99%
Clewiston	2	> 0 to .99%	2	> 0 to .99%
Cocoa Beach	4	> 0 to .99%	4	1% to 4.99%
Cocoa	8	> 0 to .99%	5	1% to 4.99%
Coral Springs	12	> 0 to .99%	5	1% to 4.99%
Cottdale	1	> 0 to .99%	0	
Crawfordville	2	> 0 to .99%	0	
Crestview	4	> 0 to .99%	0	
Cross City	2	> 0 to .99%	2	1% to 4.99%
Crystal River	3	> 0 to .99%	3	1% to 4.99%
Dade City	6	> 0 to .99%	3	1% to 4.99%
Daytona Beach	12	> 0 to .99%	7	1% to 4.99%
DeBary	5	> 0 to .99%	6	5% to 6.99%
Deerfield Beach	9	> 0 to .99%	6	1% to 4.99%
DeFuniak Springs	3	> 0 to .99%	0	
Deland	8	> 0 to .99%	5	1% to 4.99%
DeLeon Springs	4	> 0 to .99%	2	1% to 4.99%
Delray Beach	13	> 0 to .99%	7	1% to 4.99%
Destin	3	1% to 4.99%	1	1% to 4.99%
Dunnellon	6	> 0 to .99%	3	1% to 4.99%
East Orange	1	> 0 to .99%	1	> 0 to .99%
Eau Gallie	3	> 0 to .99%	4	1% to 4.99%
Englewood	2	> 0 to .99%	2	> 0 to .99%
Eustis	4	> 0 to .99%	3	1% to 4.99%
Fernandina Beach	7	> 0 to .99%	4	1% to 4.99%
Flagler Beach	6	> 0 to .99%	4	1% to 4.99%
Forest	2	> 0 to .99%	2	1% to 4.99%
Freeport	1	> 0 to .99%	1	> 0 to .99%
Frostproof	3	> 0 to .99%	1	> 0 to .99%
Ft. Meade	3	> 0 to .99%	2	1% to 4.99%
Ft. Myers	8	> 0 to .99%	3	> 0 to .99%
Ft. Lauderdale	19	> 0 to .99%	10	7% to 9.99%
Ft. Pierce	6	> 0 to .99%	4	1% to 4.99%
Ft. Myers Beach	0	> 0 to .99%	1	> 0 to .99%
Ft. Walton Beach	6	> 0 to .99%	1	> 0 to .99%
Gainesville	12	1% to 4.99%	7	1% to 4.99%

TABLE 3-4

EXCHANGES WITH AN ALEC PROVIDER

EXCHANGE	Total ALEC		% of Bus. Access Lines	
	Res. Providers	ALEC Providers	Bus. Providers	ALEC Providers
Geneva	4	> 0 to .99%	1	> 0 to .99%
Graceville	3	> 0 to .99%	1	1% to 4.99%
Green Cove Springs	7	> 0 to .99%	4	5% to 6.99%
Greenville	3	5% to 6.99%	0	
Greenwood	3	> 0 to .99%	0	
Groveland	1	> 0 to .99%	4	1% to 4.99%
Gulf Breeze	4	> 0 to .99%	3	1% to 4.99%
Haines City	6	> 0 to .99%	2	1% to 4.99%
Havana	2	> 0 to .99%	1	> 0 to .99%
Hawthorne	3	> 0 to .99%	2	1% to 4.99%
Hobe Sound	3	> 0 to .99%	1	> 0 to .99%
Holley-Navarre	3	> 0 to .99%	3	1% to 4.99%
Hollywood	13	> 0 to .99%	6	1% to 4.99%
Homestead	13	1% to 4.99%	4	1% to 4.99%
Homosassa	3	> 0 to .99%	1	> 0 to .99%
Howey-in-the-Hills	0		1	1% to 4.99%
Hudson	3	> 0 to .99%	2	> 0 to .99%
Immokalee	2	> 0 to .99%	2	> 0 to .99%
Indian Lake	1	> 0 to .99%	0	
Interlachen	1	> 0 to .99%	0	
Inverness	5	> 0 to .99%	4	1% to 4.99%
Islamorada	1	> 0 to .99%	3	1% to 4.99%
Jacksonville Beach	6	> 0 to .99%	3	1% to 4.99%
Jacksonville	16	1% to 4.99%	9	5% to 6.99%
Jay	1	> 0 to .99%	0	
Jennings	1	> 0 to .99%	1	> 0 to .99%
Jensen Beach	4	> 0 to .99%	4	1% to 4.99%
Julington	1	> 0 to .99%	3	1% to 4.99%
Jupiter	8	> 0 to .99%	5	1% to 4.99%
Kenansville	0		1	> 0 to .99%
Key Largo	1	> 0 to .99%	4	1% to 4.99%
Key West	5	> 0 to .99%	4	1% to 4.99%
Kissimmee	7	> 0 to .99%	5	1% to 4.99%
La Belle	3	> 0 to .99%	2	> 0 to .99%
Lady Lake	3	> 0 to .99%	4	1% to 4.99%
Lake City	8	1% to 4.99%	4	1% to 4.99%

TABLE 3-4

EXCHANGES WITH AN ALEC PROVIDER

EXCHANGE	Total ALEC		% of Bus. Access Lines	
	Res. Providers	ALEC Providers	Bus. Providers	ALEC Providers
Lake Placid	1	> 0 to .99%	2	1% to 4.99%
Lake Wales	5	> 0 to .99%	1	1% to 4.99%
Lakeland	4	> 0 to .99%	1	> 0 to .99%
Laurel Hill	1	> 0 to .99%	0	
Lawtey	1	> 0 to .99%	0	
Leesburg	6	> 0 to .99%	3	1% to 4.99%
Lehigh Acres	2	> 0 to .99%	3	> 0 to .99%
Lynn Haven	4	> 0 to .99%	1	1% to 4.99%
Madison	2	1% to 4.99%	1	> 0 to .99%
Marathon	3	> 0 to .99%	2	1% to 4.99%
Marco Island	0		2	> 0 to .99%
Marianna	2	> 0 to .99%	1	> 0 to .99%
Maxville	1	> 0 to .99%	1	1% to 4.99%
Melbourne	9	> 0 to .99%	6	10% to 13.99%
Miami	15	> 0 to .99%	9	5% to 6.99%
Micanopy	3	> 0 to .99%	1	1% to 4.99%
Middleburg	4	> 0 to .99%	2	1% to 4.99%
Milton	4	> 0 to .99%	3	1% to 4.99%
Monticello	2	> 0 to .99%	1	> 0 to .99%
Montverde	2	> 0 to .99%	3	14% to 17.99%
Moore Haven	1	> 0 to .99%	1	> 0 to .99%
Mount Dora	3	> 0 to .99%	4	1% to 4.99%
Mulberry	5	1% to 4.99%	1	> 0 to .99%
Myakka	1	> 0 to .99%	1	> 0 to .99%
Naples	4	> 0 to .99%	4	> 0 to .99%
New Port Richey	5	> 0 to .99%	2	> 0 to .99%
New Smyrna Beach	9	> 0 to .99%	5	1% to 4.99%
Newberry	4	> 0 to .99%	2	1% to 4.99%
North Cape Coral	1	> 0 to .99%	2	> 0 to .99%
North Dade	5	> 0 to .99%	4	1% to 4.99%
North Fort Myers	2	> 0 to .99%	2	> 0 to .99%
North Key Largo	0		1	> 0 to .99%
North Naples	1	> 0 to .99%	3	> 0 to .99%
North Port	5	> 0 to .99%	0	
Oak Hill	2	> 0 to .99%	1	1% to 4.99%
Ocala	9	> 0 to .99%	4	1% to 4.99%

TABLE 3-4

EXCHANGES WITH AN ALEC PROVIDER

EXCHANGE	Total ALEC		% of Bus. Access Lines	
	Res. Providers	% of Res. Access Lines	Bus. Providers	ALEC Providers
Ocklawaha	3	1% to 4.99%	4	1% to 4.99%
Okeechobee	3	> 0 to .99%	4	1% to 4.99%
Old Town	3	> 0 to .99%	1	1% to 4.99%
Orange City	5	> 0 to .99%	3	1% to 4.99%
Orange Park	7	> 0 to .99%	4	1% to 4.99%
Orlando	18	1% to 4.99%	11	10% to 13.99%
Oviedo	7	> 0 to .99%	5	1% to 4.99%
Pace	3	> 0 to .99%	3	1% to 4.99%
Pahokee	5	1% to 4.99%	2	1% to 4.99%
Palatka	6	> 0 to .99%	4	1% to 4.99%
Palm Coast	5	> 0 to .99%	4	5% to 6.99%
Palmetto	6	> 0 to .99%	2	> 0 to .99%
Panacea	1	> 0 to .99%	0	
Panama City	6	> 0 to .99%	4	> 0 to .99%
Panama City Beach	1	> 0 to .99%	3	1% to 4.99%
Pensacola	9	1% to 4.99%	9	1% to 4.99%
Perrine	5	> 0 to .99%	5	1% to 4.99%
Perry	1	> 0 to .99%	0	
Pierson	1	> 0 to .99%	1	> 0 to .99%
Pine Island	1	> 0 to .99%	2	> 0 to .99%
Plant City	4	> 0 to .99%	3	1% to 4.99%
Polk City	3	> 0 to .99%	2	> 0 to .99%
Pomona Park	0		1	1% to 4.99%
Pompano Beach	12	> 0 to .99%	7	1% to 4.99%
Ponce de Leon	2	> 0 to .99%	0	
Ponte Vedra Beach	2	> 0 to .99%	4	1% to 4.99%
Port Charlotte	3	> 0 to .99%	3	> 0 to .99%
Port St. Lucie	5	> 0 to .99%	5	1% to 4.99%
Punta Gorda	1	> 0 to .99%	2	> 0 to .99%
Reedy Creek	1	> 0 to .99%	5	5% to 6.99%
Salt Springs	2	> 0 to .99%	2	1% to 4.99%
San Antonio	1	> 0 to .99%	2	> 0 to .99%
Sanford	10	> 0 to .99%	6	1% to 4.99%
Sanibel-Captiva Island	0		1	> 0 to .99%
Santa Rosa Beach	2	> 0 to .99%	1	> 0 to .99%
Sarasota	7	> 0 to .99%	4	> 0 to .99%

TABLE 3-4

EXCHANGES WITH AN ALEC PROVIDER

EXCHANGE	Total ALEC	% of Res. Access Lines	Total ALEC	% of Bus. Access Lines
	Res. Providers	ALEC Providers	Bus. Providers	ALEC Providers
Seagrove Beach	1	1% to 4.99%	0	
Sebastian	6	> 0 to .99%	3	1% to 4.99%
Sebring	4	> 0 to .99%	3	1% to 4.99%
Shalimar	2	> 0 to .99%	0	
Silver Springs Shores	3	1% to 4.99%	2	> 0 to .99%
Sneads	2	> 0 to .99%	0	
Spring Lake	2	> 0 to .99%	1	> 0 to .99%
St. Augustine	6	> 0 to .99%	5	1% to 4.99%
St. Cloud	4	> 0 to .99%	4	1% to 4.99%
St. Petersburg	7	> 0 to .99%	4	1% to 4.99%
Stark	2	> 0 to .99%	1	> 0 to .99%
Stuart	6	> 0 to .99%	4	1% to 4.99%
Sugarloaf Key	1	> 0 to .99%	1	> 0 to .99%
Sunny Hills	1	> 0 to .99%	0	
Tallahassee	9	1% to 4.99%	4	> 0 to .99%
Tampa	10	> 0 to .99%	6	1% to 4.99%
Tarpon Springs	5	> 0 to .99%	3	1% to 4.99%
Tavares	1	> 0 to .99%	3	1% to 4.99%
Titusville	7	> 0 to .99%	4	1% to 4.99%
Trenton	3	> 0 to .99%	3	1% to 4.99%
Trilacootchee	0		2	7% to 9.99%
Tyndall	0		1	> 0 to .99%
Umatilla	1	> 0 to .99%	2	1% to 4.99%
Valparaiso	0		3	> 0 to .99%
Venice	4	> 0 to .99%	3	> 0 to .99%
Vernon	2	> 0 to .99%	1	> 0 to .99%
Vero Beach	8	> 0 to .99%	5	1% to 4.99%
Waldo	1	> 0 to .99%	0	
Wauchula	2	> 0 to .99%	2	1% to 4.99%
Weekiwachee Springs	4	> 0 to .99%	5	1% to 4.99%
Welaka	3	> 0 to .99%	3	5% to 6.99%
West Palm Beach	18	> 0 to .99%	10	1% to 4.99%
West Kissimmee	4	> 0 to .99%	5	14% to 17.99%
White Springs	2	1% to 4.99%	0	
Wildwood	2	> 0 to .99%	4	1% to 4.99%
Williston	4	> 0 to .99%	3	1% to 4.99%

TABLE 3-4

EXCHANGES WITH AN ALEC PROVIDER

EXCHANGE	Total ALEC		Total ALEC	
	Res. Providers	% of Res. Access Lines ALEC Providers	Bus. Providers	% of Bus. Access Lines ALEC Providers
Windermere	2	> 0 to .99%	3	> 0 to .99%
Winter Garden	4	> 0 to .99%	3	1% to 4.99%
Winter Haven	6	> 0 to .99%	2	1% to 4.99%
Winter Park	8	> 0 to .99%	6	5% to 6.99%
Yankeetown	0		2	1% to 4.99%
Youngstown-Fountain	3	> 0 to .99%	1	> 0 to .99%
Yulee	2	> 0 to .99%	2	1% to 4.99%
Zephyrhills	6	> 0 to .99%	2	1% to 4.99%
Zolfo Springs	1	> 0 to .99%	1	> 0 to .99%

The tables below summarize the number of exchanges where ALECs are providing basic local service, and in what areas there are the most ALECs providing service.

Table 3-5	
SUMMARY OF FLORIDA EXCHANGES WITH AND WITHOUT AN ALEC PROVIDER	
Exchanges With One ALEC Provider	24
Exchanges With Two ALEC Providers	30
Exchanges With Three or More ALEC Providers	172
Exchanges Without an ALEC Provider	55
Total Exchanges in Florida	281

Table 3-6			
EXCHANGES WITH THE MOST ALEC PROVIDERS			
EXCHANGE	SERVING		TOTAL ALEC PROVIDERS ¹
	Residential	Business	
Daytona Beach	12	7	16
Delray Beach	13	7	15
Ft. Lauderdale	19	10	20
Gainesville	12	7	15
Hollywood	13	6	14
Jacksonville	16	9	19
Miami	15	9	18
Orlando	18	11	21
West Palm Beach	18	10	19

¹Total does not add across columns because an ALEC provider may offer service to both business and residential customers in the exchange.

In determining the level of competitive entry, the number of access lines the competitors are actually serving may be more significant than the number of competitors in an exchange. The total number of business and residential access lines served by the 51 ALECs is 194,142. In comparison,

the total number of access lines served by the LECs is over 10.6 million. The total number of business access lines served by all entrants combined is 143,959, and the total number of residential access lines is 50,183. The LECs serve approximately 3.1 million business lines and 7.5 million residential access lines. ALEC residential lines increased from approximately .2% to .7% of total residential lines; their share of the total business access lines increased to around 4.3%, up from 1.4%. The competitors' share of the total access lines served has risen to approximately 1.8%, compared to .5% in 1997.

The ALECs are still primarily focusing on the more heavily populated markets with large concentrations of customers. Of the business lines served by ALECs, the highest percentages of those lines are located in Ft. Lauderdale, Jacksonville, Miami and Orlando. Within these exchanges, ALECs have obtained at least a 5% share of the business access lines. Considerable gains in access lines and ALEC providers have also been made in Daytona Beach, Pompano Beach and West Palm Beach.

In addition to that strategy, several ALECs are not neglecting the opportunity to penetrate smaller markets. The data indicates that a few entrants may be specifically targeting these areas, possibly attempting to gain a specific niche. For example, the five ALECs offering business service within the Reedy Creek exchange have obtained a share between 5% and 6.99% of the total business lines. Although the Reedy Creek area is considerably smaller than most of Florida's exchanges, its close proximity to Disneyworld and other major tourist attractions may provide attractive options for the entrants.

Since there is no requirement that an ALEC provide services to all customers, in some exchanges the competitor is limiting the availability of its service to one of the two customer

classifications, residential or business. For example, Alternative Phone, Inc., offers service only to residential customers, while MCI Metro limits its service to business customers. Therefore, in exchanges where there is only one ALEC offering service only to one group of customers, the other classification of customers will have no alternative to the LEC. Although a competitor can be operating in an exchange and have customers, they are not actually competing for **all** customers at that time.

This section has addressed competitive entry in Florida on an exchange-by-exchange basis. This year the data are more encouraging compared to 1997. This year approximately 61% of Florida's exchanges have three or more ALECs providing service in their area compared to less than 10% last year. Additionally, in 1997 the majority of exchanges, around 56%, had no ALECs offering service in their area at all; that number has dropped to 20%. Nevertheless, based on the number of ALEC customers, the competitors have not obtained a significant portion of the market in any exchange.

Collectively, the ALECs providing service serve only 1.8% of the total lines in Florida. However, it should be noted that in spite of this modest growth in absolute terms, ALEC residential lines and business lines have tripled. The overall increase in total lines served from 56,160 to 194,142 does indicate that ALECs are making notable efforts to enter the Florida telecommunications market, which will result in a more competitive environment.

Complaints Filed by ALECs against ILECs

(Includes Formal and Informal Complaints)

ALEC		ILEC	DOCKET or CATs NO.	DESCRIPTION OF COMPLAINT	RESOLUTION	
					DATE	METHOD
1.	Supra	BST	980119	Supra complained that BST violated the Act and the Resale, Collocation, and Interconnection agreements by not providing Supra with access to UNEs on parity with what BST provides to itself.	6/30/98	Matter was set for hearing; Commission ruled in favor of BellSouth on majority of issues. BST and Supra filed for reconsideration; the Commission denied both parties, but clarified BST's responsibilities.
2.	MCI	BST	980281	MCI contends that BST is not complying with agreement (numerous issues).	10/6/98	Matter was set for hearing; at the 10/6/98 agenda the Commission found in favor of MCI on majority of issues. (Petitions for reconsideration still possible)
3.	ATT & MCI	BST	971140	Motion to compel BST to comply with interconnection agreement; numerous issues concerning pricing of UNE combinations.	5/98	Matter was set for hearing; Commission determined that contra requires parties to negotiate UNE combinations even if such combinations recreate a tariffed BS' service.
4.	Sprint	BST	971314	Sprint's complaint that BST is not complying with agreement (numerous issues).	3/98	Settlement by parties prior to hearing
5.	Utilicore	GTE	220328L	GTE created service problems to a Utilicore customer, and it appears to treat unfairly CLEC requirements. Complaint closed 8/26/98 but will monitor any filings of complaints between GTE and this CLEC.	6/19/98	Meetings held to diffuse situation; requested repair/service order data. GTE trying to upgrade its interdepartmental information flow. Study is in progress.
6.	NationalTel	BST	220101L	Poor service to CLEC & surly treatment from LEC to NationalTel. Complaint had to be escalated to 2nd level supervisor for results.	7/9/98	NationalTel is reviewing report data. Complaint is still open pending response from NationalTel.

ALEC		ILEC	DOCKET or CATs NO.	DESCRIPTION OF COMPLAINT	DATE	RESOLUTION METHOD
7.	The Other Phone Company	BST	221758R	Slow restoration of service for TOPC customers disconnected for non-payment.	7/30/98	BST completed system update; restoral orders are now processed in timely manner.
8.	LEC-LINK	BST	221710I	Various complaints, including that BST is applying its Secondary Service Charge improperly.		BST has submitted responses to complaints but matter remains unresolved.
9.	Intermedia Comm.	GTE	980986	Alleged breach of interconnection agreement. GTE failing to compensate Intermedia for call termination to ISPs.		Hearing is scheduled for March 22, 1999.
10.	e.spire Comm.	BST	981008	Alleged breach of interconnection agreement. BST failing to compensate e.spire for call termination to ISPs.		Hearing scheduled for January 20, 1999.
11.	NationalTel	GTE	TMS3957	Company claims it requested ordering codes, service description and pricing information but GTE refuses.		Multiple conference calls occurred; both companies are exchanging information and complaint is near closure.
12.	Orlando Telephone Company	BST	225915I	Complaint originally filed by Integrity Online (an ISP, OTC's customer). OTC and BST blame each other for the ISP's service interruptions.		Matter unresolved; discussion continues.
13.	Supra	BST	980800	Complaint that BST denied Supra physical collocation in two central offices, denied Supra ability to collocate certain equipment, and that BST is taking too long to provide physical collocation.		Matter was set for hearing. Hearing: 10/21/98 Recommendation due: 12/3/98 Agenda: 12/15/98
14.	MCI	BST	981121	Request by MCI for enforcement of contract. PSC to determine if loop/transport UNE combination recreates MEGA-Link service and, if so, may set prices for the combination.		Matter is set for hearing. Hearing: 2/3/99 Recommendation: 3/4/99 Agenda: 3/16/99

ALEC		ILEC	DOCKET or CATs NO.	DESCRIPTION OF COMPLAINT	DATE	RESOLUTION METHOD
15.	Unicom Comm.	BST	231322I	Unicom states that BST is refusing to repair their customer's service. The customer is Totally Connected, an ISP.		Matter is unresolved; discussion continues.
16.	Easy Cellular	BST	980703	Complaint alleging BST's failure to apply wholesale discounts properly to retail rates.		Hearing: 1/21/99 Recommendation: 3/18/99 Agenda: 3/30/99
17.	TCCF	BST	981052	Complaint alleges lack of parity in the provisioning of ESSX service.		Hearing: 1/22/99 Recommendation: 2/18/99 Agenda: 3/2/99

CHAPTER IV: CONCLUSION

Overall, the data compiled in order to complete this report indicate that many ALECs are apparently viewing Florida as an attractive opportunity for market entry. The number of ALECs certificated since the 1997 report has increased over 100% to 191. Most of Florida's 280 plus exchanges had no choice of an alternative provider for basic local service last year, while as of the date of this report, 61% of the exchanges have three or more providers in their area.

51 ALECs are providing basic service through 194,142 lines to either residential customers, business customers or a combination of both. However, these entrants still account for only 1.8% of the total access lines in Florida.

The Commission studied numerous factors in evaluating the status of competition in telecommunications. The majority of ALECs not providing service at the time of the data request indicated their intention to enter the Florida market by the end of 1999 in spite of concerns regarding sufficient profit margins, negotiations with the LECs and service parity. With over 70% of the entrants providing service through resale agreements and various ALECs choosing to mirror their rates after the LEC serving the same territory, it appears that customers are able to obtain rates and conditions comparable to the incumbent's provisions. A review of customer complaints revealed that LECs are continuing to maintain affordable, high quality services in spite of price regulation. Additionally, although the definition of basic local service differs between ALECs and LECs, there should be no additions or deletions to them at this time.

Since the passage of the federal Telecommunications Act of 1996 and state legislative action occurring since the 1995 session opening the local telephone market to competition, the Commission has strived to facilitate the entry of new firms while ensuring that neither the entrants nor the

incumbents are unduly disadvantaged. Additionally, the Commission is currently devoting significant resources to prepare five reports mandated by House Bill 4785, in addition to addressing various issues by conducting hearings and arbitrations. In spite of a fairly slow pace, local competition in Florida continues to grow. The Commission will continue its role of providing balance in the telecommunications industry by exercising its authority to resolve issues of both a generic nature and those which are specific to two competing providers.

APPENDIX A: ALECs CERTIFICATED AS OF SEPTEMBER 15, 1998

Enterprise America, Inc.

*** 1-800-RECONEX, Inc.**

2001 Telecommunications Inc.

A.R.C. Networks, Inc.

*** AA Tele-Com**

Access Communications - First Coast

Access Network Services, Inc.

Access Point, Inc.

Adelphia Telecommunications of Florida, Inc.

Advanced Cellular Corporation

Advent Consulting and Technology, Inc.

ALLTEL Communications, Inc.

*** Alternative Phone, Inc.**

Alternative Telecommunications Services, Inc.

America's Tele-Network Corp.

American MetroUtilities Corporation/Florida

Ameritech Communications International, Inc.

*** Annox, Inc.**

Arrow Communications, Inc.

AT&T

ATI Telecom, Inc.

*** Atlantic Telecommunication Systems, Inc.**

Atlas Communications, Ltd.

*** Axsys, Inc./Tel Ptns.**

BellSouth BSE, Inc.

*** BellSouth Telecommunications, Inc.**

Biz-Tel Corporation

*** BTI**

BudgeTel Systems, Inc.

Business Technology Systems, Inc.

Buy-Tel Communications, Inc.

Cable & Wireless, Inc.

Castleton of Orlando, Inc.

Cellular One of Southwest Florida

CFT INC.

City of Lakeland

City of Ocala

City of Tallahassee

COI-SR

*** Comcast MH Telephony Communications of Florida, Inc.**

Comcast Telephony Communications of Florida, Inc.

Communication Service Centers

*** Providing basic local service as of July 1998**

*** COMUSA, Inc.**

Connect USA, Inc.

Cox Communications

CRG International, Inc.

Cypress Telecommunications Corporation

Datacomm International Company, Ltd.

Dial & Save

Diamond Communications International, Inc.

Digital Cable, Inc.

*** Direct-Tel, Inc.**

e.spire Communications, Inc.

Eagle Telco, Inc.

*** East Florida Communications, Inc.**

Eastland of Orlando Telephone Corporation

Easton Telecom Services Inc.

ElectroNet Intermedia Consulting, Inc.

Electronic Technical Services (E.T.S.)

Everglades National Communication Network, Inc.

Excel Telecommunications, Inc.

Express Loans

Express Title Loans

*** EZ Talk Communications, L.L.C.**

*** Providing basic local service as of July 1998**

Fascon, Inc.

*** First Touch, Inc.**

Florida City-Link Communications, Inc.

*** Florida Comm South**

Florida Public Telecommunications Association, Inc.

*** Florida Telephone Company**

Florida Telephone Services, LLC

Florida's Max-Tel Communications, Inc.

Focal Communications Corporation of Florida

Frontier Local Services Inc.

Frontier Telemanagement Inc.

GE Capital Commercial Direct

GNet Telecom, Inc.

Group Long Distance, Inc.

GRU Communication Service/GRUCom/GRU

GT Com

*** GTE Communications Corporation**

Guarantel, Inc.

Gulftel Communications

*** Hart Communications**

Hayes Telecommunications Services, Inc.

Hometown Telephone, Inc.

*** Providing basic local service as of July 1998**

Hyperion Telecommunications of Florida, Inc.

ICG Telecom Group, Inc.

*** IDS Long Distance, Inc.**

*** Integra Paging**

*** Intellicall Operator Services, Inc.**

Inter-Tel NetSolutions, Inc.

*** Intermedia Communications, Inc.**

International Telecom, Ltd.

InternetU, Inc.

Interprise-Continental Fiber Technologies Alternet Data Co

*** Intetech, L.C.**

ITC^DeltaCom

ITS Telecommunications Systems, Inc.

Jetcom, Inc.

*** KMC Telecom II, Inc.**

KMC Telecom Inc.

Knology of Florida, Inc.

*** LCI International Telecom Corp.**

LDM Systems Inc.

LEC-Link

Local Line America, Inc.

Mat-Tell Communications, Inc.

*** Providing basic local service as of July 1998**

*** MCI Metro Access Transmission Services, Inc.**

MCI Telecommunications Corporation

*** MediaOne Fiber Technologies, Inc.**

*** MediaOne Florida Telecommunications, Inc.**

*** MET Communications, Inc.**

Metrolink Internet Services of Port Saint Lucie, Inc.

Metropolitan Fiber Systems of Florida, Inc.

MGC Communications, Inc.

MiComm Services, Inc.

Microsun Telecommunications, Inc.

Momentum Telecom, Inc.

National Comm Link, L.L.C.

*** NationalTel**

NET-tel Corporation

*** Network Telephone, Incorporated**

New Millennium Communications Corporation

NEXTLINK Florida, Inc.

NorthPoint Communications, Inc.

NOW Communications, Inc.

NuStar Communications Corp.

*** Omnicall, Inc.**

OnePoint Communications

*** Providing basic local service as of July 1998**

OpTel

Orlando Digital Telephone Corporation

*** Orlando Telephone Company**

Pacific Gateway Exchange, Inc.

Palm Beach Telephone Company

Philacom Inc.

***Phones For ALL**

Pre-Cell Solutions, Inc.

Preferred Payphones, Inc.

Priority Link

Progressive Telecommunications Corp.

Quentel Communications, Inc.

Quick-Tel Communications, Inc.

Quintelco, Inc.

*** Reconex**

Satcom Systems, Inc.

Shands Teaching Hospital and Clinics, Inc.

Siemens Business Communications Systems, Inc.

Smoke Signal Communications

Southeast Telephone Company

Southern Telemanagement Group, Inc.

*** Sprint Communications Company Limited Partnership**

*** Providing basic local service as of July 1998**

State Phone Company

Strategic Technologies, Inc.

Supra Telecommunications & Information Systems

T-Netix, Inc.

Talk Time Communications, Ltd. Inc.

Tallahassee Memorial Telephone Company

*** TCG South Florida**

TDS Telecom/Quincy Telephone

*** Tel-Link, L.L.C.**

TEL3

Telaleasing Enterprises, Inc.

Telcom Plus

Telecard Communications International, Inc.

Teleco Communications, Ltd.

Telecommunications Service Center, Inc.

*** TeleConex**

Telenet of South Florida, Inc.

*** Telephone Company of Central Florida, Inc.**

Teligent, Inc.

TelQuest Communications, Corp.

Teltrust Communications Services, Inc.

*** The Inside Edge Communications, Inc.**

*** Providing basic local service as of July 1998**

*** The Other Phone Company, Inc.**

The Phone Company

Time Warner Communications

*** Time Warner Connect**

Tin Can Communications Company, L.L.C.

TotalTel USA Communications, Inc.

Touch 1 Communications, Inc.

TransAmerican Telephone

*** Travelers Telecom Corp.**

U.S. Dial Tone, Inc.

U.S. Long Distance, Inc.

*** U.S. Telco, Inc.**

*** Unicom Communications, L.L.C. (formerly Unique Communications)**

*** United States Telecommunications, Inc.**

*** UniversalCom, Inc.**

US LEC of Florida Inc.

US Xchange of Florida, L.L.C.

USA Tele Corp.

*** USA Telecom**

USA Telephone Inc.

*** Utilicore Corporation**

VarTec Telecom, Inc. and Clear Choice Communications

*** Providing basic local service as of July 1998**

Vast-Tel Communications, Inc.

WinStar Wireless of Florida, Inc.

World Access Communications Corp.

World Telecommunications Services, Inc.

***WorldCom Technologies, Inc.**

APPENDIX B: KEY FEDERAL ISSUES

UNIVERSAL SERVICE

On December 30, 1997, the FCC adopted its Fourth Order on Reconsideration in CC Docket 96-45, Report and Order in CC Docket Nos. 96-45, 96-262, 94-1, 91-213, 95-72. This addressed several outstanding petitions regarding the implementation of the FCC's universal service order. Among the highlights of this order were the following elements:

Services Eligible for Universal Service Support

- Any call for which a satellite company's subscribers are not charged on a distance- or usage-sensitive basis constitutes a local call for the purposes of universal service support.

- Mobile satellite service providers may petition their state commission for permission to receive universal service support for the period during which they are completing the network upgrades required to offer access to E911.

- Bandwidth for voice grade access to the public switched network should be at least 300Hz to 3,000Hz (reconsidered from 500Hz-4,000Hz); this is consistent with the current ANSI standard for voice grade service.

Carriers Eligible for Universal Service Support

- As of 1/1/98, the universal service administrator may not disburse support to carriers that have not been designated as eligible under Section 214(e), until such a time as the carrier is designated as eligible.

Rural, Insular, and High Cost Support

- Local switching costs will be based on projections of costs and not historical cost data.

Support for Low Income Consumers

- Carriers can provide either toll blocking or toll limitation to Lifeline customers. Because of technical constraints, it is not required to provide both, and is thus not required to give Lifeline customers the choice of toll limitation/blocking services.
- Toll control services must only allow consumers to limit outgoing calls.
- Primary Interexchange Carrier Charges (PICCs) are waived for Lifeline customers who elect toll blocking. All interstate telecommunications carriers should bear the costs of the waived PICCs.

- Florida's Lifeline program does qualify for providing intrastate matching funds, even though carriers are not required to contribute to Florida's program.

Schools, Libraries, and Rural Health Care Providers

- For purposes of calculating the lowest corresponding price, a provider will not be required to match a price it offered to a customer under a special regulatory subsidy or that appeared in a contract negotiated under very different circumstances.
- Only promotions offered for a period not exceeding 90 days may be excluded from the comparable rates upon which the lowest corresponding price must be determined.
- A school or library may apply directly to the Schools and Libraries Corporation (SLC) for technology plan approval if the school or library is not required by state or local law to obtain approval for technology plans and telecommunications expenditures.
- Administrative companies are no longer required to post RFPs submitted by applicants on websites. Instead, FCC Form 465 and 470 information can be posted to the website.
- State telecommunications networks that procure supported telecommunications and make them available to schools and libraries constitute consortia that will be permitted to secure discounts on behalf of eligible schools and libraries. In order to receive and pass through

discounts on supported services, state networks must make a good faith effort to ensure that each eligible institution receives a proportionate share of shared services.

- Wide area networks will not be eligible for universal service discounts.

- Support for internal connections is limited to instructional buildings and connections between instructional buildings.

- Contracts of any duration signed on or before 7/10/97 will be considered an existing contract and exempt from competitive bidding for the life of the contract.

- Eligible entities should be allowed to purchase services from a master contract negotiated by a third party.

- Support will cover all reasonable charges, including federal and state taxes, that are incurred by obtaining an eligible telecommunications service.

Administration of Support Mechanisms

- the *de minimis* contribution threshold should be raised to \$10,000. If a carrier's annual contribution is less than \$10,000, then that carrier does not have to contribute to the federal universal service fund.

Due to increasing pressure from Congress to scale back the schools and libraries program, the FCC again revisited its universal service policies. On June 12, 1998, the FCC issues its Fifth Order on Reconsideration and Fourth Report and Order in CC Docket 96-45. The major provisions of this order are listed as follows:

Schools and Libraries

- The funding year is changed from a calendar year (1/1-12/31) to a fiscal year (7/1-6/30). This makes "Year One" of the program 18 months long (1/1/98-6/30/99).
- Although the annual cap is not changed, the maximum amount collected per quarter for the third and fourth quarters of 1998, and the first and second quarters of 1999 is \$325 million per quarter. This will limit Year One (18 months) funding for schools and libraries to \$1.925 billion.
- Individual employee salaries are limited to \$151,800 per year (SLC CEO was at \$250,000 per year).
- Carryover of unused funds will not apply for Year One funds.
- New rules of priority for disbursement of funds are as follows:
 1. Telecommunications services and Internet access to all discount categories

have first priority.

2. Next, remaining funds will be allocated for internal connections based on the discount matrix, where 90% discount schools and libraries have the highest priority for internal connection funding.

Rural Health Care

- Rural health care funding remains on a calendar year basis.
- The maximum amount collected for the year (1/1-12/31/98) will be \$100 million. The maximum amount collected for the third and fourth quarters of 1998 will be \$25 million per quarter.
- Employee compensation also limited to \$151,800.
- Carryover will also not apply to rural health care funds for the first year.
- If rural health care funding is below demand, funding for each institution will be prorated to ensure each facility receives an equivalent percentage of its request.

271 APPLICATIONS

In the past year, there have been three applications for interLATA long distance authority under Sec. 271 of the federal Act. All three petitions were filed by BellSouth: for South Carolina on 9/30/97, for Louisiana on 11/6/97, and for Louisiana again on 7/9/98. All three petitions followed favorable reviews from state commissions regarding the 14-point checklist required by the Act. The first two applications were denied by the FCC, and the third (Louisiana 7/9/98) is currently under review. The applications that were denied failed the FCC's standard for up to three of the

checklist items.

First, the FCC concluded that BellSouth did not demonstrate that it provides competitors access to its OSS that is equivalent to that which BellSouth provides to itself in connection with its own retail telephone services in both South Carolina and Louisiana. As a result, competitors are much more likely to experience errors and delays when performing pre-ordering functions, such as the confirmation of customer information or the assignment of telephone numbers, than BellSouth experiences in performing its own pre-ordering and ordering functions. Similarly, the process BellSouth uses to handle competitors' orders is significantly more prone to error and delay than the process that BellSouth uses to handle its own retail orders. In addition, the FCC found that BellSouth does not provide to competitors information on the status of their orders as quickly as it does for its own retail orders. Further, BellSouth did not include information in its application that compares the average time it takes to provide service to its own retail customers with the average time it takes to provide resale service to its competitors' customers.

Second, the FCC found that BellSouth did not meet the competitive checklist because it refuses to offer certain individually-tailored customer contracts, or contract service arrangements, to competing carriers at a wholesale discount, as required by the Act in both South Carolina and Louisiana. The FCC expressed its concern that BellSouth's failure to offer contract service arrangements for resale at a discount may impede competition for BellSouth's large-volume customers and thus impair the use of resale as a vehicle for competitors to enter BellSouth's market.

Third, in South Carolina, the FCC concluded that BellSouth failed to show that it is providing access to portions of its network, or "unbundled network elements," in a manner that allows competing carriers to combine these elements to provide service. Specifically, the FCC found

that BellSouth's statement of generally available terms fails to include definite terms and conditions addressing the manner in which competitors may combine network elements. The statement identifies only one method by which competitors may have access to network elements for purposes of combining those elements. The FCC concluded that BellSouth did not demonstrate that this method would be performed in a timely manner or that the resulting provision of combined elements would be of an acceptable level of quality.

Fourth, in BellSouth's second application in Louisiana, the FCC found that BellSouth did meet 6 of the 14 checklist items, and may not have to make a showing on those items in any future Louisiana application.

LOCAL NUMBER PORTABILITY

The FCC released its Local Number Portability (LNP) implementation order in the past year, authorizing charges to recover portability costs in local areas. The highlights of the FCC's order are in the following list.

- LNP cost recovery by competitive local exchange companies is not restricted - they can recover it any way they want, whenever they want.
- LNP cost recovery by incumbent local exchange companies (LECs) was restricted in the following ways:
 1. Charges to end users cannot start until February 1999 or later (when and where end users are reasonably able to begin receiving the direct benefits of long-term

number portability).

2. Charges can start 02/99 in the 100 largest Metropolitan Statistical Areas (MSAs), or if LNP has been implemented in that local area.

3. Florida cities in the top 100 MSAs are:

Miami

Ft. Lauderdale

Tampa

Orlando

Jacksonville

West Palm Beach

Sarasota

4. Surcharge amount has not yet been decided. LEC must submit costs to FCC and get approval.

5. Surcharge will then be a federal charge to end users, and is anticipated to be \$0.65-\$1.00 per month.