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February 9, 1996

IN REPLY REFER TO:
Tallahassee

BY HAND DELIVERY

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

Re: Resolution of Petition to Establish Non
Discriminatory Rates, Terms, and Conditions
for Resale Involving Local Exchange Companies
and Alternative Local Exchange Companies
pursuant to Section 364.161, Florida Statutes
Docket No. 950984-TP

Dear Ms. Bayo:

Enclosed for filing in the above-styled docket are the original and fifteen (15) copies of Central Telephone Company of Florida and United Telephone Company of Florida's Objections to MFS of Florida, Inc.'s First Set of Interrogatories and Motion for Protective Order.

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

Thank you for your assistance in this matter.

Sincerely,

Jeffrey Wahlen
Jeffrey Wahlen

- ACK
- AFA
- APP
- CAP
- CMC
- CTR
- EAG
- LEG
- LIN
- OPC
- RCH
- SEC
- WAS
- OTH

JJW/csu
Enclosures
cc: All parties of record

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occurs, the price for the unbundled service should be set at a level that is no higher than the stand-alone facility-based costs of providing the unbundled element.

A. UNBUNDLED LOOPS

Q. Using the methodology presented by Dr. Duncan in his direct testimony, what price would you derive for an unbundled 2-wire loop?

A. Given the Company's very disparate retail rates for residential lines versus business lines, I will provide support for both an unbundled basic business exchange loop and an unbundled basic residential exchange loop. For this exercise, I will use approximate cost and revenue per line figures (although it will become apparent that magnitude errors in these approximations will not change the Company's ultimate pricing recommendation). The numbers required for this analysis are based on GTEFL's estimates of revenue contributions derived from its current customers as presented in Table 1 (Exhibit DBT-1) for business customers and Table 2 (Exhibit DBT-2) for residential customers.

This analysis dramatically points out the fact that GTEFL's current disoriented rate structure results in a significant level of contribution (per month) being derived from business customers. Ignoring the issues of rate rebalancing, universal service support and the possibility of uneconomic bypass, the methodology employed by the company would imply that the in total average contribution from business customers should be added to the long run incremental cost of a basic business loop to yield the appropriate price for an unbundled basic business loop (since the offering of an unbundled loop will cause to Company to lose almost all of the existing contributions derived from the business customer). This loss of contribution due to the selling of unbundled loops is a very serious issue which must be addressed in the development of unbundled rate levels if GTEFL is to maintain its financial viability and impermissible confiscation of its property is to be avoided.

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Turning to GTEFL's residential customers, as presented in Table 2, we observe a dramatically different picture. The average residential customer only provides about per month in contribution to support the Company's common costs and overheads.

I don't believe the low level of monthly contributions derived by the Company from residential customers should surprise anyone. The fact that the Company and the Commission have diligently strived to support public policy objectives (e.g., universal service) and keep residential rates as low as possible is well understood.

Based on approximations of GTEFL's current estimates of costs, Table 3 (Exhibit DBT-3) describes the level of unbundled loop rates that would result using the methodology presented by Dr. Duncan.

Q. Mr. Trimble, is GTEFL proposing that the rates presented in Table 3 are the rates it deems appropriate for unbundled loops?

A. No. As Dr. Duncan explains in his testimony, the procedure that GTEFL believes is appropriate for the development of an unbundled loop rate includes a critical element of reality (a rate cap test) that states: "if the rate developed exceeds the stand-alone costs of an entrant to self provide the unbundled element, then the rate should be discounted to mitigate inefficient or uneconomic bypass." The contribution-preserving business rate of \$62.47 is, in my estimation, significantly above the costs of an entrant to self-provision that service, and thus must be reduced to a price level that is sustainable in the market (i.e., does not incent inefficient entry of facility-based providers).

It should be noted that the contribution-preserving price of \$62.47 for an unbundled business loop is the result of many decades of pricing services based on their perceived "value of service," along with the complementary outcome that excessive revenue contributions from business customers could be used to keep

1 contributions lost to GTEFL would be approximately per year as shown
2 in Table 4 (Exhibit DBT-4).

3
4 Even under the assumption of only a 10% loss of market share, the resulting
5 annual loss in contributions will significantly affect the Company. Over time,
6 GTEFL has deployed capital in good faith to support customer needs as well as
7 public policy objectives and in return was allowed to earn a fair rate of return on its
8 invested capital. Unbundling the local network will increase the financial risks to the
9 Company and these risks must be diligently addressed during this proceeding. It is
10 unfair and unreasonable to expect GTEFL to suffer financial hardship for the sake of
11 subsidizing the development of a competitive marketplace. The general public of
12 Florida will only benefit from the entry of efficient competitors; GTEFL's current price
13 structures present significant arbitrage opportunities for inefficient entrants.

14

15 ISSUES

16 **Q. Mr. Trimble, could you please summarize the major issues that you believe the**
17 **Commission should address during this proceeding?**

18 **A.** Yes. In addition to (and in concert with) the financial issues facing the Company, the
19 Commission should address: (a) how this proceeding integrates with universal service
20 activities, (b) the potential for the Company to move toward rebalancing its retail rates
21 (both between customer sets and geographically) to correctly reflect efficient price
22 sets, while considering current Florida legislation, and (c) the recovery of one-time
23 implementation costs.

24

25 **Q. In terms of one-time implementation costs, does the Company have an estimate**
26 **of the costs for GTEFL? If so, how would the Company propose to recover**
27 **them?**

28 **A.** The Company has estimated incremental implementation costs associated with local
29 competition for GTEFL to be approximately \$2.2 million over a three-year planning
30 period beginning in 1996. This only includes one-time incremental implementation

Table 1
Average Business Customer - Contribution Analysis

	Revenue (per Line)	TSLRIC (per Line)	Contribution (per Line)
Local Exchange Line	\$35.46		
EUCL (CALC)	\$6.00		
Toll	\$4.06		
Vertical Services	\$1.12		
IS - Switched Access			
* CCLC	\$4.83		
* Other	\$5.33		
ST - Switched Access	\$8.11		
TOTAL	\$64.91		

Table 2
Average Residential Customer - Contribution Analysis

	Revenue (per Line)	TSLRIC (per Line)	Contribution (per Line)
Local Exchange Line	\$10.85		
EUCL (CALC)	\$3.50		
Toll	\$1.83		
Vertical Services	\$2.35		
IS - Switched Access			
* CCLC	\$3.37		
* Other	\$3.71		
ST - Switched Access	\$5.66		
TOTAL	\$31.27		

Table 3
Contribution Preserving Unbundled Loop Rates

	TSLRIC Unbundled Loop	TSLRIC Wholesale Costs	Lost Contribution to Margin	Total (Rate)
Business				\$62.47
Residential				\$28.93
Avg Bus + Res				\$37.58

Table 4
Revenue Impacts of Unbundling Loops

	Lost Customer Lines (10%) (a)	Retail Contribution (b)	Unbundled Loop Contribution (c)	Annual Loss (d) = (a)*(b-c)*12
Business	50,000			
Residential	144,000			
TOTAL				

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Resolution of Petition to) DOCKET NO. 950984-TP
Establish Non Discriminatory Rates,) Filed: 02/09/96
Terms, and Conditions for resale)
Involving Local Exchange)
Companies and Alternative Local)
Exchange Companies pursuant to)
Section 364.161, Florida Statutes)
_____)

**CENTRAL TELEPHONE COMPANY OF FLORIDA AND
UNITED TELEPHONE COMPANY OF FLORIDA'S
OBJECTIONS TO MFS OF FLORIDA, INC.'S FIRST SET
OF INTERROGATORIES AND MOTION FOR PROTECTIVE ORDER**

United Telephone Company of Florida ("Sprint/United") and Central Telephone Company of Florida ("Sprint/Centel") (collectively "Sprint-United/Centel" or the "Companies"), pursuant to Rule 25-22.034, Florida Administrative Code, Florida Rule of Civil Procedure 1.350, and the Procedural Order in this Docket, hereby submits the following Objections and Motion for Protective Order with respect to MFS of Florida's First Set of Interrogatories to Sprint-United/Centel, which were served by overnight delivery on January 31, 1996 ("MFS's First Set").

Preface

The objections are being made for the purpose of complying with the Order on Prehearing Procedure in this docket. The Companies have made a good faith effort to identify any and all objections they may have to MFS's First Set, but reserve the right to raise additional objection up to the time of their answers if the need for additional objections becomes apparent

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while preparing the answers. If it becomes necessary to raise additional objections, the Companies will promptly file those objections and notify counsel for MFS of the basis for the objection.

General Objections

The Companies make the following general objections to MFS's First Set. These general objections apply to each of the individual interrogatories in MFS's First Set, whether or not a specific objection is raised, and to MFS's First Set in its entirety, and are incorporated in the specific objections below as though fully set forth therein.

1. The Companies have interpreted MFS's First Set to apply to the Companies' regulated intrastate operations in Florida and will limit their responses accordingly. To the extent that any interrogatory is intended to apply to matters other than the Florida intrastate operations subject to the jurisdiction of the Commission, the Companies object on the basis that such interrogatories are irrelevant, overly broad, unduly burdensome and oppressive.

2. The Companies object to each and every interrogatory to the extent that such requests call for information which is exempt from discovery by virtue of the attorney-client privilege, work product privilege or other applicable privilege. To the extent that the Companies identify privileged information during the preparation of the answers to MFS's First Set, they will, without waiving any applicable privilege, disclose the nature of

the information and the basis for the claim of privilege to counsel for MFS.

3. The Companies object to each and every interrogatory insofar as the interrogatories are vague, ambiguous, overly broad, duplicative, imprecise or utilize terms that are subject to multiple interpretations but are not properly defined or explained for purposes of the interrogatories. Any answer provided by the Companies will be provided subject to, and without waiver of, the foregoing objection.

4. The Companies object to each and every interrogatory insofar as the interrogatories are not reasonably calculated to lead to the discovery of admissible evidence, are not relevant to the subject matter of this action, and are beyond the scope of discovery as described in Florida Rule of Civil Procedure 1.280. The Companies will attempt to note each instance where this objection applies.

5. The Companies object to producing answers, documents, records and information to the extent that such information is already in the public record before the Florida Public Service Commission, or is equally available to MFS from some other source.

6. The Companies object to each and every interrogatory, and all of the interrogatories taken together, insofar as they are unduly burdensome, expensive, oppressive, or excessively time-consuming to answer as written.

7. The Companies object to each and every interrogatory to the extent that the information requested constitutes "trade secrets" which are privileged pursuant to Section 90.506, Florida Statutes. To the extent that the interrogatories seek proprietary confidential business information which is not subject to the "trade secrets" privilege, the Companies will make such information available to counsel for MFS pursuant to a mutually acceptable Protective Agreement, subject to any other general or specific objections contained herein. The Companies have attempted to identify all instances where confidential information has been requested, but reserve the right to claim additional information as confidential if the need to do so becomes apparent while preparing the answers to MFS's First Set.

8. The Companies object to the definition of "you," "your" and "Sprint-United/Centel" on grounds that the definition of these terms is overbroad and would cause the Companies' search for the information requested to be burdensome.

9. The Companies object to MFS's First Set in its entirety on grounds that they were not properly served on the Company in accordance with Florida Rule of Civil Procedure 1.080(b). This rule requires that service on a party represented by counsel be made on that party's counsel. The Notice of Service filed by counsel for MFS in this docket reflects that MFS's First Set was not served on counsel for the Companies.

10. The Companies object to each of the interrogatories to the extent that they are presented as a request for production of

documents, not an interrogatory, and cannot be answered under oath as required by Florida Rule of Civil Procedure 1.340. Moreover, those requests do not specify a time or place for production. To the extent that the Companies elect to produce documents to MFS, it will do so at the offices of its counsel or at the offices of the Companies, at a mutually agreeable time and date. Alternatively, if the documents to be produced are not voluminous, the Companies reserve the right to mail them to counsel for MFS.

Motion for Protective Order

The Companies submit their objections to MFS's First Set pursuant to the authority contained in Slatnik v. Leadership Housing Systems of Florida, Inc., 368 So.2d 79 (Fla. 3d DCA 1979). To the extent that a Motion for Protective Order is required, the objections set forth herein are to be construed as a request for protective order.

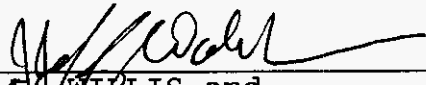
Specific Objections

9. **If the answer to Interrogatory No. 7 is affirmative, does the use of DLCs increase the efficiency of the Sprint-United/Centel network? Please provide all calculations, analyses, or studies containing information regarding increased efficiency due to DLCs.**

Objection: In addition to the general objections set forth above, which are incorporated herein by reference, the Companies object to the last sentence of this interrogatory on grounds that it is presented as a request for production of documents, not an interrogatory, and cannot be answered

under oath as required by Florida Rule of Civil Procedure 1.340. Additionally, the Companies object to this question on grounds that it calls for information that the Companies believe is proprietary confidential business information. Without waiving this objection, the Companies will provide the answer to MFS pursuant to a mutually acceptable Non-Disclosure Agreement executed between the MFS and the Companies.

DATED this 9th day of February, 1996.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U. S. Mail or hand delivery (*) or overnight express (**) this 9th day of February, 1996, to the following:

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