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David B. Erwin, Attorney
 for ITS Telecommunications Systems, Inc.

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Sincerely,

A copy has been provided to each party shown on the attached Certificate of Service.

Please find enclosed the original and 15 copies of the Posthearing Statement of ITS Telecommunications Systems, Inc., in Docket No. 980696-TP.

Dear Ms. Bayo:

In re: Docket No. 980696-TP, Determination of the Cost of Basic Local Telecommunications Services, Pursuant to Section 364.025, Florida Statutes.

Blanca Bayo, Director
 Division of Records and Reporting
 Florida Public Service Commission
 2540 Shumard Oak Boulevard
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November 2, 1998

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TTS Telecommunications Systems, Inc. (TTS) hereby files its posthearing statement in this matter. TTS has a basic position and positions on the same two specific issues set forth in Order No. PSC-98-1008-PCO-TP that TTS addressed in its prehearing statement. TTS's basic position and its positions on Issues 6(a) and 6(c) remain unchanged.

The basic position of TTS is that the determination of the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism should be through the use of an embedded cost study, since TTS is a rural LEC that serves fewer than 100,000 access lines. With regard to Issues 6(a) and 6(c), TTS submits that the Commission should not use a cost proxy model to compute the cost of basic local telecommunications service for LECs such as TTS that serve fewer than 100,000 access lines. Instead, the Commission should use an embedded cost study approach to determine the cost of basic local telecommunications service for all such LECs, including TTS.

Using an embedded cost study approach, the resulting cost per access line, per month, for TTS was initially determined to be \$73.07. (TR465) After certain revisions, however, the cost per access line, per month was finally determined to be \$71.00. (See Revised Exhibit 1 of Late Filed Exhibit 2.) TTS's embedded cost study determined these amounts by using the small company LEC's methodology for embedded cost studies, as testified to by ALLTEL Corporation's witness, Dennis Curry. (TR464) The method by which TTS has determined the cost of providing basic local telecommunications

TTS TELECOMMUNICATIONS SYSTEMS, INC.
OF
POSTHEARING STATEMENT

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FILED: November 2, 1998

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL

areas show a cost in excess of the embedded cost in ITS's rural area. (See Revised Exhibit PM-1 to the Telecommunications, Inc.'s (BellSouth) serving area, and the results for several of those rural BellSouth local service for ITS. The BCPM has calculated results for many wire centers in BellSouth

The use of an embedded cost study approach would seem not to inflate or exaggerate the cost of important for sizing a universal service fund and targeting eligible recipients (TR977).

providing local service (TR 989-990), the location of customers and, hence, the cost to service them, is provide the average cost for each subscriber. Since the loop is the largest item making up the cost of

embedded cost study can not indicate the exact geographical location of each subscriber, but it will appear under such circumstances that the use of actual, precise data should be preferable. Even an

adequately. (TR 560, 821, 829 - 831, 927 - 928, 930 - 932, 934 - 937, 940, 942 - 943, 997). It seems accuracy, even though in the Yanketown wire center, the BCPM model did reflect customer locations

rural areas, and since both proxy models have problems locating rural subscribers with a high degree of wisdom of allowing the use of an embedded cost study for small LECs, since these small LECs serve

The evidence submitted during the hearing in this docket strongly confirms the legislative

- 1. A different proxy model; or
- 2. A fully distributed allocation of embedded costs, identifying high-cost areas within the local exchange area the company serves and including all embedded investments and expenses incurred by the company in the provision of universal service. Such calculations may be made using fully distributed costs consistent with 47 C.F.R. ss. 32.36, and 64. The geographic basis for the calculations shall be no smaller than a census block group.

following options:
providing basic local telecommunications services based on one of the calculate a small local exchange telecommunications company's cost of companies, not no sooner than January 1, 2001. The commission shall until a mechanism is implemented by the Federal Government for small required to use the cost proxy model selected pursuant to paragraph (b) which serve less than 100,000 access lines, the commission shall not be from service for small local exchange telecommunications companies.
(c) In determining the cost of providing basic local telecommunications

services in accordance with the law. Section 364.025(4)(c), Florida Statutes, states as follows:

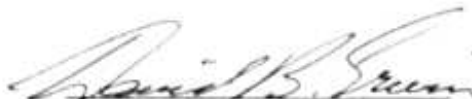
testimony of Peter F. Martin.) For example, the wire centers for the following rural areas all have costs calculated by the BCPM model that are higher than the costs of ITS's rural area calculated using an embedded cost study methodology:

Jay	\$ 86.69 per line
Micanopy	\$ 74.08 per line
Munson	\$102.09 per line
Vernon	\$ 86.10 per line

In comparison, as stated earlier, ITS's cost is \$71.00 per line, per month and it is unlikely that any of the BellSouth areas shown above are more rural than ITS's serving area.

In summary, the Commission should accept and use ITS's embedded cost study to determine the cost of basic local telecommunications service in establishing a permanent universal service mechanism.

Respectfully submitted this 2nd day of November, 1998.



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**CERTIFICATE OF SERVICE
DOCKET NO. 980696-TP**

I hereby certify a copy of the Posthearing Statement in Docket 980696-TP was sent via U. S. Mail on November 2, 1993 to the parties on the list below.

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