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November 6, 1995

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

RE: Docket No. 950737-TP

Dear Mrs. Bayo:

Enclosed are an original and fifteen copies of BellSouth Telecommunications, Inc.'s Brief of the Evidence. Please file these documents in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served on the parties shown on the attached Certificate of Service.

Sincerely,

Thomas B. Alexander

Thomas B. Alexander (ea)

Enclosures

cc: All Parties of Record
A. M. Lombardo
R. G. Beatty
R. D. Lackey

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into Temporary Local Telephone Number Portability Solution to Implement Competition in Local Exchange Telephone Markets	)	Docket No. 950737-TP Filed: November 6, 1995

BELLSOUTH TELECOMMUNICATIONS, INC.'S

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TABLE OF CONTENTS

STATEMENT OF THE CASE

Pursuant to the recently revised Section 364.16(4), Florida Statutes, the Commission is required to ensure the implementation of a temporary number portability solution prior to the introduction of competition in the local exchange market on January 1, 1996. Thus, on June 29, 1995, the Commission established this Docket to investigate the appropriate temporary local number portability ("TNP") solution in order to comply with the statutory mandate of having TNP in place by January 1, 1996.

Under the auspices of the Commission, a Number Portability Standards Group was established and workshops were held on July 20, 1995, August 3, 1995, August 15, 1995, August 22, 1995, and August 25, 1995. As a direct result of these meetings, on August 30, 1995, all the parties to this Docket executed a Stipulation and Agreement which addressed some, but not all, of the issues identified in this Docket. On October 3, 1995, the Commission issued Order No. PSC 95-124-AS-TP in which it approved the Stipulation and Agreement reached by the parties.

On July 25, 1995, the Prehearing Officer issued an Order Establishing Procedure (Order No. PSC 95-0896-PCO-TP), which originally set the hearing in this matter for October 25-28, 1995. The Order Establishing Procedure also included an Issues List which contained eight separate issues to be considered in this Docket. However, by the time of the Prehearing Conference, which was held on October 9, 1995, the Commission had already entered its Order Approving the Stipulation and Agreement of the parties as to Issues 1, 2, 6, and 7.

On August 28, 1995, the Prehearing Officer issued an Order Modifying Procedural Schedule (Order No. PSC-95-1073-PCO-TP) and, finally, on September 5, 1995, the Prehearing Officer issued a Second Order Modifying Procedural Schedule (Order No. PSC-95-1090-PCO-TP) in which a new hearing date, October 20, 1995, was set.

During the hearing of this docket, direct testimony was presented by BellSouth Telecommunications's witness, Frank R. Kolb, Jr., a Director in the Economic Cost organization of BellSouth Telecommunications, Inc. Other parties[1] whose witnesses presented direct testimony were GTE, Sprint/Centel and Sprint/United, Time Warner, MFS, MCImetro and AT&T. Rebuttal testimony was filed by MFS, Time Warner, and MCImetro. The hearing produced a transcript of 305 pages and 22 exhibits.

This Brief is submitted in accordance with the post-hearing procedures of Rule 25-22.056, Florida Administrative Code. For

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[1] The parties to this docket are as follow: BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone & Telegraph ("Southern Bell" or "BellSouth"); AT&T Communications of the Southern States, Inc. ("AT&T"); BellSouth Mobility, Inc. ("BMI"); Florida Cable Telecommunications Association, Inc. ("FCTA"); Florida Public Telecommunications Association, Inc. ("FPTA"); GTE Florida Incorporated ("GTE"); Intermedia Communications of Florida, Inc. ("ICI"); McCaw Communications of Florida, Inc. ("McCaw"); MCI Metro Access Transmission Services, Inc. ("MCImetro"); Metropolitan Fiber Systems of Florida, Inc. ("MFS"); Sprint Communications Company Limited Partnership ("Sprint"); Staff of the Florida Public Service Commission ("Staff"); Time Warner AxS of Florida L.P. and Digital Media Partners (collectively "Time Warner"); and United Telephone Company of Florida ("Sprint/United") and Central Telephone Company of Florida ("Sprint/Centel").

the sake of continuity, BellSouth has listed all the issues in this Docket in numerical sequence. In each instance in which there is an approved stipulation on a given issue, BellSouth has listed the stipulated position to the identified issue immediately after the statement of the issue. As to every other issue for which evidence was presented at the hearing, the statement of the issue is immediately followed by a summary of BellSouth's position on that issue and a discussion of the basis for that position. Each summary of BellSouth's position is labeled accordingly and marked by an asterisk. Each statement of the stipulated position on a given issue is also labeled accordingly and is marked by two asterisks.

ISSUE NO. 1: WHAT IS THE DEFINITION OF TEMPORARY NUMBER PORTABILITY PURSUANT TO SECTION 364.16(4), FLORIDA STATUTES?

** STIPULATED POSITION: Temporary number portability ("TNP") is defined statutorily as an end user's ability at a given location to change service from a local exchange company ("LEC") to an alternative local exchange company ("ALECs") or vice versa, or between two ALECs without changing their local telephone number (a/k/a service provider TNP).

ISSUE NO. 2: WHAT TECHNICAL SOLUTIONS WILL BE AVAILABLE BY JANUARY 1, 1996, TO PROVIDE TEMPORARY NUMBER PORTABILITY?

** STIPULATED POSITION: The only technical solution available by 1-1-96 is Remote Call Forwarding ("RCF"). However, the parties agreed that the LECs will continue to negotiate with the ALECs who desire to utilize Flexible Direct Inward Dialing or any other feasible option to provide TNP that may be developed in the future.

ISSUE NO. 3: WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF EACH SOLUTION IDENTIFIED IN ISSUE 2?

* BELLSOUTH'S POSITION: Since RCF is the only technical solution available to meet the statutory mandate, BellSouth does not believe it is necessary for the Commission to make any finding with regard to the "advantages and disadvantages" of RCF.

All parties to this proceeding appear to agree that the Remote Call Forwarding solution for providing temporary number portability effective on January 1, 1996, has both advantages and disadvantages.[2] BellSouth's witness, Mr. Kolb, listed some three different advantages as well as five different disadvantages to

[2] All parties' witnesses who prefiled testimony in this proceeding, with the exception of GTE, listed various advantages and disadvantages to RCF as a temporary telephone number portability solution. GTE's witness, Ms. Menard, did not do so since, as she stated, the parties to this Docket reached a stipulation that RCF would be the "interim number portability mechanism which would be offered to certified ALECs effective January 1, 1996." (Tr. 134)

RCF in his prefiled testimony. Specifically, Mr. Kolb testified that: "RCF will be provisioned using existing translation routines and can be delivered directly from an end office to the ALEC. RCF is also a known and well-understood offering generally available." (Tr. 53-54) Mr. Kolb also included the following as disadvantages: "Two directory numbers are required for each portable number arrangement using RCF. Remote Call Forwarded calls would not allow for full CLASS feature transparency, and a potential call set-up additional delay of .5 to 5 seconds is possible depending upon the network configuration and signaling protocols. The engineering capability of a given switch may pose a problem in regard to the number of call forwarded calls the switch can handle at a given time. Finally, certain call flow scenarios would require additional trunking." (Tr. 54)

In order to summarize the various lists that each of the parties' witnesses had set forth as advantages and disadvantages of Remote Call Forwarding, the Florida Public Service Commission Staff ("Staff") compiled each of the parties' positions into a two page summary. The two-page list contained eight items under the "advantages" category and thirteen items under the "disadvantages" category The list, entitled "Compilation of Advantages and Disadvantages of Remote Call Forwarding Identified in the Testimony Filed in This Case," was admitted into evidence as Hearing Exhibit No. "7," (Tr. 49) In the course of the hearing, Staff questioned the party's witnesses regarding their general agreement with the compiled list of advantages and disadvantages of RCF. (Tr. 122-123 (Kolb); 153-155 (Menard); 187-193 (Poag); 234-238 (Engleman); and 282 (Price).) Almost without exception, each witness had some comment, suggested change, addition/deletion, or correction to the compiled list. At least two of the witnesses expressed the opinion that in light of the stipulation they did not understand the relevancy of continuing to look at the advantages and disadvantages of RCF as a temporary number portability solution.[3] (Tr. 161; 187)

In light of the Stipulation and Agreement by all parties to this Docket that Remote Call Forwarding is "the only temporary telephone number portability solution that would be available on January 1, 1996," and the fact that this Commission has approved this stipulation (See, PSC Order No. 95-124-AS-TP), BellSouth believes that this issue has become moot and thus, the Commission is not required to reach a decision on this issue. When the Commission later considers and makes a determination as to a permanent number portability solution, then the issue of advantages and disadvantages of all the various number portability solutions, including RCF, will be relevant and germane to a decision in that context.

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[3] GTE's witness, Ms. Menard, when asked in light of the stipulation in this Docket whether she believed there's any reason for the Commission to rule on the issue of the advantages and disadvantages of Remote Call Forwarding, replied, "[n]o, I do not." (Tr. 161) Sprint/United and Sprint/Centel's witness, Mr. Poag, responded to Staff's attorney regarding this same matter as follows: "I don't know what the relevancy of these advantages and disadvantages are in this particular docket...." (Tr. 187)

BellSouth would urge the Commission not to adopt, in this Docket, a specific list of advantages and disadvantages of RCF in light of the clear factual dispute among the parties as to the accuracy of the compilation of advantages and disadvantages (See, Exhibit "7") of Remote Call Forwarding identified in the testimony filed in this case and, more importantly, since this issue is now moot, in light of the parties' Stipulation and Agreement to utilize RCF for temporary number portability.

ISSUE NO. 4: WHAT COSTS ARE ASSOCIATED WITH PROVIDING EACH SOLUTION IDENTIFIED IN ISSUE 2?

* BELLSOUTH'S POSITION: There are three major categories of long run incremental costs which have been identified for the RCF temporary number portability solution. The first is service implementation costs, the second is central office equipment software costs, and the third is interoffice networking costs.

In light of the stipulation which has been reached by all the parties to this Docket and approved by this Commission (Order No. PSC-95-1214-AS-TP), the remaining issue to be decided by the Commission is how to determine the cost of Remote Call Forwarding and how much the charge should be (*i.e.*, price) in order to recover that cost. BellSouth will discuss in further detail, under Issue 5, the question of how much should be charged for Remote Call Forwarding service when used as a temporary telephone number portability solution.

At the hearing, BellSouth's witness, Mr. Kolb, testified that BellSouth has identified three major categories of long-run, incremental costs ("LRIC"): (1) service implementation; (2)

central office equipment software; and (3) interoffice networking. (Tr. 54-55; 61) In further explanation of each of these three categories, Mr. Kolb testified that service implementation costs include the costs associated with service representatives taking orders from customers (ALECs), the costs involved with flowing the Orders through to the departments involved in establishing the service, and the costs in performing the network translations in the affected central offices. (Tr. 55-56; 61) He further testified that the central office costs include software requirements such as use of the processor and dedicated equipment, processor memory usage, processor time usage when calls are forwarded to ALEC offices, and also dedicated line terminating equipment usage for forwarding numbers. (Tr. 56; 61) Mr. Kolb also testified as to the local interoffice networking costs, which include use of trunk terminations, transport facilities, and signaling functions. (Tr. 56; 61)

Additionally, BellSouth's witness testified at the hearing that the associated <u>non-recurring</u> <u>cost</u> had been estimated to be <u>$24.84</u>, and the <u>recurring</u> <u>monthly</u> <u>cost</u> had been estimated to be <u>$1.11</u>. (Tr. 56-57; 61)

In order to accurately estimate the specific costs associated with providing Remote Call Forwarding for temporary telephone number portability in this Docket, BellSouth performed a specific cost study which was furnished to the Staff and other parties as proprietary confidential business information protected under Section 364.183, Florida Statutes. BellSouth's Cost Study for Remote Call Forwarding was entered into the record at the hearing in this Docket as Exhibit "11" (Staff's Confidential Exhibit CON-1). (Tr. 130) This cost study comprises the only evidence of the specific costs for BellSouth to provide Remote Call Forwarding service to ALECs in connection with providing temporary telephone number portability in support of local competition. No other party submitted a cost study specific to BellSouth for provisioning RCF to ALECs. Thus, the non-recurring cost figure of $24.84 and the recurring monthly cost figure of $1.11 testified to and supported through a cost study must be considered by the Commission as the price floor in determining how much BellSouth should be allowed to charge for RCF as a temporary number portability solution in this Docket. The reason for this is the statutory mandate contained in Section 364.16(4), Florida Statutes, which states that "prices and rates shall <u>not</u> be below costs." (emphasis added)

Time Warner's witness, Mr. Engleman, gave his opinion that a reasonable price to be charged by the LECs for RCF would be $1.00 per ported number, with $.50 for each additional path and a non-recurring service order charge of $10.00 per order. There is absolutely no credible basis for Mr. Engleman's price proposal since he admitted that he had not actually developed a cost study. (Tr. 225) Further, Mr. Engleman admitted, during three separate attorney's cross-examinations, that he had not used any local exchange company's specific cost information in order to develop his proposed prices. (Tr. 225; 228; 233) Thus, Mr. Engleman's price proposal has no valid evidentiary foundation and should not be considered by the Commission. To do so would be inconsistent not only with the Statute but, also with the Stipulation and Agreement between the parties. (See Brief, Infra at FN 9, p. 13) To the contrary, since BellSouth's cost evidence was uncontroverted at the hearing, then, under the Statute, it must be accepted as the minimum amount that can be established as a price floor for BellSouth in connection with providing RCF for temporary telephone number portability.

ISSUE NO. 5: HOW SHOULD THE COSTS IDENTIFIED IN ISSUE 4 BE RECOVERED?

* BELLSOUTH'S POSITION: The costs (LRIC) of RCF arrangements for providing TNP should be recovered directly from carriers who make use of these arrangements. Prices established should be specific for each LEC. LRIC should be used to establish a price floor. Parties should be allowed to negotiate[4] prices in accordance with Section 364.16(4).

As previously mentioned, this issue goes to the very core of the only real remaining question which needs to be resolved by the Commission in this docket: What is the appropriate price to be charged for providing Remote Call Forwarding service as a means of implementing temporary telephone number portability in

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[4] Section 364.16(4) states in this regard as follows: "If the parties are unable to successfully negotiate the prices, terms, and conditions of a temporary number portability solution, the commission shall establish a temporary number portability solution by no later than January 1, 1996."

Florida?

Clearly, the Stipulation and Agreement reached by the parties, and ultimately approved by the Commission, establishes the appropriate rate structure for providing Remote Call Forwarding in connection with temporary telephone number portability. The Stipulation states in this regard that: "The recurring price for Remote Call Forwarding will be on a per-line per-month basis and will be uniform throughout an individual LEC's existing service territory. The price charged by an individual LEC for Remote Call Forwarding shall not be below the costs of that LEC to provide Remote Call Forwarding for purposes of providing temporary telephone number portability." (See, Stipulation and Agreement, p. 3, Attachment "A" to Order No. PSC 95-1214-AS-TP) (emphasis added) Likewise, the parties stipulated that "[t]he price charged for Remote Call Forwarding offered by an ALEC will mirror the price charged by the LEC." (Id) Thus, despite the fact that originally there were a number of proposals[5] made by different parties as to the appropriate cost recovery method, the Stipulation and Agreement clearly

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[5] Time Warner's witness, Mr. Engleman, proposed that since RCF had such competitive and technical problems with it that it should be provided to ALECs "free of charge to compensate for these disadvantages." (Tr. 221-223) MCImetro's witness, Mr. Price, proposed that "each local service provider should recover from its end users whatever costs they incur in the use of RCF to provide a temporary number portability mechanism." (Tr. 250-254) MFS's witness, Mr. Devine, basically proposed an annual surcharge on all working telephone numbers in Florida in order to distribute or spread the cost of RCF to all rate payers. (Exhibit "2", Devine's deposition testimony at 10-14).

answers this question and the Commission has approved the answer.[6] Lest there be any doubt, Staff queried each of the witnesses as to whether Mr. Devine's proposal of spreading the cost evenly across the entire subscriber base was in accord with the parties' stipulation as to the cost recovery method. Every witness responded in the negative[7], with the sole exception of Time Warner's witness, Mr. Engleman, who testified that he "really couldn't answer that question ... he did not know."[8] (Tr. 234)

With regard to the price to be charged for Remote Call Forwarding service in connection with temporary telephone number portability, the Statute is abundantly clear that "[t]he prices

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[6] MCImetro's witness, Mr. Price, stated in his prefiled testimony (which predated the Commission's Order approving the Parties' Stipulation) that "[i]f the <u>Commission accepts the Stipulation then it must establish a per-line, per-month charge for RCF at a price which is not below the costs of the LEC</u> for providing RCF for temporary number portability purposes." (Tr. 253) (emphasis added)

[7] BellSouth's witness, Mr. Kolb, responded, "I don't believe it was." (Tr. 121); GTE's witness, Ms. Menard, responded "No" (Tr. 157); Sprint/Centel's and Sprint/United's witness, Mr. Poag, went further in that Staff's attorney specifically asked him, "Do you think the intent of the stipulation was to charge the ALECs and not spread the costs of temporary number portability across the entire subscriber base?" Mr. Poag responded, "Correct." (Tr. 187); Time Warner's witness, Mr. Engleman (see above for response); MCImetro's witness, Mr. Price, responded, "I think the answer to your question is no." (Tr. 281-282); AT&T's witness, Mr. Guedel, responded, "No, I don't believe it did." (Tr. 300-301) Even MFS's witness, Mr. Devine, had to reluctantly admit at his deposition that at best, his proposal would only be partially consistent with the stipulation when he testified "[s]o, I guess it's not totally inconsistent." (Exhibit "2", Devine's deposition testimony at 6)

[8] Interestingly, with regard to Mr. Engleman's proposal that since RCF is an inferior means of access that it should be provided free of charge by the LECs to the ALECs, Chairman Clark asked Mr. Engleman whether or not that position was consistent with the stipulation. This time, Mr. Engleman clearly responded, "[n]o, ma'am, it is not." (Tr. 234)

and rates shall not be below costs." (Section 364.16(4), Florida Statutes) (emphasis added) Furthermore, the Stipulation and Agreement between the parties also reflects this statutory mandate. (See Brief, Infra at p. 10-11) Obviously, the prices and rates established for RCF must also be specific for each individual LEC since the costs will be different for each LEC. The Stipulation and Agreement reflects this point as well.[9] (Order No. PSC 95-1214-AS-TP, Attachment A, p. 3)

At the hearing, BellSouth's witness, Mr. Kolb, testified that under the Statute, the Commission is to establish a temporary number portability solution "[i]f the parties are unable to successfully negotiate the prices, terms and conditions of a temporary number portability solution." (Tr. 58 and See Brief, Infra at FN 4, p. 10) Therefore, the parties should be allowed to continue to negotiate toward a resolution of this issue (i.e., agree upon prices). (Tr. 58; Section 364.16(4)) In fact, Mr. Kolb testified at the hearing as to BellSouth's successful negotiations with one ALEC, Teleport Communications Group, Inc. ("TCG"). (Tr. 62-63; 86-87) The prices for RCF in connection with telephone number portability that BellSouth negotiated with TCG were part of an entire package, which is contingent upon the Commission's approval of BellSouth's proposed

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[9] The Stipulation and Agreement specifically states that "[t]he price charged by an individual LEC for Remote Call Forwarding shall not be below the costs of that LEC to provide Remote Call Forwarding for purposes of providing temporary number portability." (See, Order No. PSC 95-1214-AS-TP, Attachment "A", p. 3)

alternative as a Universal Service/Carrier of Last Resort ("US/COLR") interim mechanism in Docket No. 950696. (Id.) BellSouth's stipulation with Teleport resulted in a negotiated package price of $1.50 per number ported, which included one path, with .75 cents per additional path, along with a $25.00 service connection charge. (Tr. 62-63; 86; 99-100) It is possible, however, that all of the parties may not be able to negotiate a resolution (i.e., agree upon the appropriate prices) by January 1, 1996. Therefore, the Commission should provide a solution (i.e., establish the appropriate prices) in the event that the parties are not able to agree upon prices by themselves.

In view of the Stipulation and Agreement, the only issue the Commission actually has to determine in this proceeding is the price for RCF. In this regard, Mr. Kolb testified that BellSouth believed that the price for RCF in connection with telephone number portability "should be more in the range of $2 and maybe higher." (Tr. 63; 86; 99-100) Significantly, it should not go without mention that even at a $2.00 price range, BellSouth's price for RCF in connection with telephone number portability would still be the second lowest price in the country. (Tr. 63; 100)

GTE's witness, Ms. Menard, and Sprint/United's and Sprint/Centel's witness, Mr. Poag, each testified as to the prices that should be charged for their respective local exchange companies.[10]

BellSouth's proposed prices for RCF are based upon its established long run incremental costs and include a reasonable amount of contribution toward the shared and common cost of the company. (Tr. 86) Of course, several of the ALEC witnesses contended at the hearing that as a matter of public policy the LECs should not be allowed to price RCF service above its long run incremental costs in order to make a contribution to the shared and common cost. (See, Time Warner's Engleman, Tr. 214-215; MCImetro's Price, Tr. 262-264; AT&T's Guedel, Tr. 295-296) The underlying premise for their argument appears to be that the only source for RCF today is through the current local exchange carrier and, consequently, RCF is an essential monopoly "wholesale input" needed by competitors trying to enter the Florida local exchange marketplace. (See Price's testimony at Tr. 254) However, each of the LEC witnesses testified as to the well-established public policy that LECs should be allowed to recover their shared and common costs as a part of the price of providing RCF to ALECs for temporary telephone number portability purposes. Sprint/United's witness, Mr. Poag, testified that

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[10] GTE's proposed rates for RCF as an interim telephone number portability solution are as follow: monthly recurring rates would be $1.25 for each number ported along with $.75 for each additional path and a non-recurring charge of $11.00 for residence service orders and $14.00 for business service orders. (Tr. 138) Sprint/United's and Sprint/Centel's monthly recurring charge for RCF is proposed at $1.25 for the first path with $.50 being charged for each additional path and a $10.00 non-recurring service order charge. (Tr. 171)

"[a]ny telecommunications firm that is only recovering incremental cost would soon be out of business." (Tr. 168)

Mr. Poag went on to give an excellent price/cost relationship analogy by referring to the airline business and the incremental cost of the next passenger to fill a vacant seat on an airplane. The point of the analogy was simply that if only the incremental cost of this next passenger (a little extra fuel, peanuts, beverage, etc.) was the price charged for all passengers, obviously the airline could not cover its expenses. (Id.) Mr. Poag further pointed out that the revenues derived from individual telephone services must, in the aggregate, cover all the costs of the telephone company. (Tr. 169)

Mr. Poag succinctly described similar cost/pricing relationships for telephone services as those for the airline business example he gave. The telephone service examples included access charges, intraLATA toll and custom calling features in that each of these services have historically contained prices which are multiples of the actual cost of the individual services. (Id.) In fact, Mr. Poag gave a direct example of the price/cost relationship with regard to Sprint/United's current tariffed rate for Remote Call Forwarding service. Sprint/United's current tariff rate for RCF is $17.60, which is substantially above the cost of that service, according to Mr. Poag. (Tr. 169-170) In concluding, Mr. Poag stated that the price for RCF, if the parties are not able to agree among themselves as to the appropriate rates, should be set by the Commission sufficiently above its incremental cost so as to ensure that all direct costs are recovered and that the price provides some margin to cover the shared cost of providing RCF. (Tr. 170)

Even AT&T's witness, Mr. Guedel, testified that he "agree[s] with some of the other witnesses, [that] if you price every service at a long run incremental cost, you probably won't stay in business." (Tr. 301-302) Despite Mr. Guedel's recognition, along with other ALEC witnesses[11], of the fact that some overhead costs are going to have to be made up, he contended "that the LECs should have to recover these costs by marking up the prices of other services" and that the LECs should not "make up any of those particular costs" with respect to Remote Call Forwarding sold to ALECs for temporary number portability. (Tr. 302)

The position taken by the ALECs in this case, that no "mark-up" or contribution should be allowed to recover the shared and common cost in pricing RCF, is inherently self-serving and unfair as a matter of public policy. Historically, any "wholesale inputs" by the LECs have served as a substantial source of contribution to help cover the common and shared cost of the LECs. As mentioned earlier, Mr. Poag gave examples of access services, intraLATA toll and custom calling features, to name a

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[11] For example, MFS's witness, Mr. Devine, made the following statement at his deposition: "if there is an actual incremental cost of doing something, then that incremental cost should be recovered." (Exhibit "2" at p. 13).

few. (Tr. 169)

Obviously, if wholesale services were generally priced such that the LECs could not recover a contribution toward their shared and common costs, then this would cause the LECs to considerably raise the prices of other retail services (which is exactly what Mr. Guedel contends should be done in this docket, <u>See</u> Brief, <u>Infra</u> at p. 17). This would have a negative result for Florida ratepayers. As Chairman Clark noted when she was inquiring of Mr. Guedel about this very point, if a contribution is not included toward shared cost in connection with the price of RCF to the ALECs, then that cost will simply "be visited on other people in the customer base" which "at least, initially, will increase the price to residential customers." (Tr. 302) MCImetro's Mr. Price was asked on cross-examination "if the LEC had to recover all of its shared cost through its [other] retail services, the price of those retail services would go up, wouldn't they?" Mr. Price responded: "<u>That's certainly one possibility</u>. <u>The other possibility is</u> that there would be incredible incentives upon you to become certainly a lot more efficient in your offering of services so that <u>you minimized your shared and common cost and</u> therefore <u>the recovery of those from your end users</u>." (Tr. 269, emphasis added)

Clearly, if BellSouth and the other LECs are not allowed to recover a reasonable amount of contribution toward their shared and common costs, then they will have to recover them through an increase in prices of other retail services. This action could result in two possible scenarios. First, if the service is one which is competitive, then certainly a LEC having to raise its prices would give an advantage to that LECs' competitor. (Tr. 270-271) On the other hand, if the service is one that is not currently competitive, then a LEC having to raise its prices for this service would result in end users having to pay higher prices for services for which they have no other alternative. Both scenarios could easily be avoided if the Commission allows BellSouth, and the other LECs in this docket, to recover a reasonable amount of contribution in its price for RCF to provide interim number portability.

While BellSouth's position is that the Commission should set a price of $2.00 or more for RCF in connection with TNP, as BellSouth pointed out earlier, there is clearly an interrelationship between all of the issues that the Commission is considering regarding implementing competition in the local exchange markets. As Mr. Kolb's testimony illustrated, BellSouth is not only willing, but has in fact negotiated prices with an ALEC, Teleport Communications Group. (Tr. 62-63) The negotiated price for interim number portability is a $1.50 monthly recurring charge for the first port with .75 cents for each additional path and a $25.00 service connection charge. (Tr. 62-63) This price, however, was a part of a package arrangement and is dependent upon the Commission adopting a specific US/COLR plan which would allow the subsidy to be removed from prices or charges for services such as RCF in connection with providing TNP. (Tr. 63) This point should not be overlooked as the Commission considers setting the price for RCF in this docket.

It is axiomatic that the Commission's decision in the universal service docket (Florida PSC Docket No. 950696) and the Commission's decision to be made in this docket (Florida PSC Docket No. 950737) will result in either establishing an explicit mechanism through a universal service fund or in requiring the LECs to continue to use the current mechanism, that of relying on an implicit support structure through subsidies built through the prices of certain offerings. If an explicit mechanism is created, then BellSouth will be able to price this service in a manner that reflects the fact that US/COLR will be funded otherwise -- thus the price of $1.50 per month negotiated with TCG.[12] If, however, the Commission effectively requires BellSouth to ensure universal service by pricing to obtain an implicit subsidy then, obviously, the price of RCF for this purpose should reflect that requirement.

BellSouth believes that a price of $2.00 or more is reasonable if RCF is going to be offered separately (without an

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[12] BellSouth's witness, Mr. Kolb, explained that the reason, at least in part, for the difference in the $1.50 rate stipulated to with Teleport and the $2.00 rate without a similar agreement is that the $1.50 rate does not rely upon an internal subsidy included in the price of RCF for number portability since there would be a separate mechanism that allows BellSouth to receive universal service support. (Tr. 128)

explicit mechanism to fund Universal Service) as a means of providing interim number portability. As Mr. Kolb testified, at the latter price ($2.00 per ported number), BellSouth's price for RCF would still be the second lowest price in the country. (Tr. 63; 100) Currently, BellSouth's tariffed price for Remote Call Forwarding service, for both business and residence, is a recurring monthly rate of $12.00. (See, BellSouth's Florida General Subscriber Service Tariff A13.11.5) BellSouth's proposed price of $1.50 per ported number (based upon separate universal service fund support) is only 12.5% of the currently tariffed retail cost and the proposed price of $2.00 a month (when there is not a separate universal service fund support amount), is only a little over 16.5% of the currently tariffed retail cost. In contrast, Mr. Engleman's proposed price of $1.00 per ported number, including two paths, would allow an ALEC to have RCF for only about 8% of the currently tariffed price of RCF.

In other words, a price of $2.00 or more for RCF is only a small percentage of the current tariffed price. Given this, and the fact that all but one state has approved a higher price, BellSouth submits that a price of at least $2.00 is eminently fair if, consistent with the current US/COLR subsidy mechanism, this price is to include an implicit contribution. Time Warner's argument that the price should be one-half as much, and below BellSouth's cost, should be summarily rejected. BellSouth would also respectfully suggest, after the Commission has established a price for RCF in connection with TNP, that the parties continue to be allowed to negotiate and select an alternative price if one can be negotiated.

<u>ISSUE NO. 6</u>: WHAT IS/ARE THE MOST APPROPRIATE METHOD(S) OF PROVIDING TEMPORARY NUMBER PORTABILITY?

** <u>STIPULATED POSITION</u>: Remote Call Forwarding is the most appropriate method to provide temporary number portability by January 1, 1996. The parties will continue to negotiate possible future options if a party desires a different option.

<u>ISSUE NO. 7</u>: WHAT ARE THE APPROPRIATE PARAMETERS, COSTS AND STANDARDS FOR THE METHOD(S) IDENTIFIED IN ISSUE 6?

** <u>STIPULATED POSITION</u>: LECs shall offer RCF to certificated ALECs effective 1-1-96 and ALECs shall offer RCF to LECs or other ALECs effective the date they provide local telephone service. Recurring price will be per-line per-month basis, uniform throughout an individual LEC's existing service territory, not below costs, and ALECs will mirror the price.

<u>ISSUE NO. 8</u>: SHOULD THIS DOCKET BE CLOSED?

* <u>BELLSOUTH'S POSITION</u>: Yes. Once a temporary number portability solution has been implemented by the Commission, this Docket should be closed. However, the Commission should open a separate Docket for the purpose of investigating and developing the appropriate cost parameters and standards for a permanent number portability solution.

The Commission established Docket No. 950737-TP on June 29, 1995, in order to investigate and determine the appropriate temporary local number portability solution prior to the introduction of competition in the local exchange market on January 1, 1996, as mandated by Section 364.16(4), Florida Statutes. Additionally, the parties have all committed to continue "the work of the number portability standards group, under Chapter 364.16(4), Florida Statutes, to investigate and develop a permanent number portability solution." (See Order No. PSC-95-1214-AS-TP, Attachment A, page 4) In light of the Stipulation and Agreement executed by all of the parties on August 30, 1995, which was approved by this Commission through Order No. PSC 95-1214-AS-TP issued on October 3, 1995, and after this Commission has entered its order based upon hearing the evidence as to implementing the stipulated Remote Call Forwarding temporary local telephone number portability solution, then the purpose for which this Docket was established will have been accomplished. Thus, this Docket should be closed.

However, the Commission should open a separate Docket for the purpose of investigating and determining what is an appropriate permanent telephone number portability solution. Although some parties argue that the Commission should leave this Docket open in order to continue to monitor the implementation of a temporary telephone number portability solution, that is not necessary since the Commission continues to maintain full control, jurisdiction and oversight of the Remote Call Forwarding solution for temporary telephone number portability without the necessity of leaving a Docket open. Therefore, BellSouth urges the Commission to close this Docket and at the appropriate time to open a new Docket to study, investigate and implement a permanent telephone number portability solution.

CONCLUSION

For the above stated reasons and based upon the testimony and exhibits included in the records of this proceeding, BellSouth respectfully requests the Commission to allow the parties to continue to negotiate with each other as to the price for RCF in connection with interim telephone number portability. While the parties should be allowed to continue to negotiate among themselves as to the appropriate prices, the Commission should adopt a monthly recurring price for RCF of $2.00 or more per ported number, .75 cents per each additional path, along with a non-recurring charge of $25.00 per service order, so that if the parties are unable to negotiate an appropriate price by themselves, an alternative price will be available so that RCF can be implemented on January 1, 1996.

BellSouth also requests that this Commission not adopt a specified list of "advantages and disadvantages" for RCF service since that would serve no useful purpose in connection with this docket.

Finally, this docket should be closed since all matters relative to a temporary or interim number portability solution will have been resolved. Thereafter, the Commission should initiate a new docket to address a permanent telephone number portability solution.

Respectfully submitted this 6th day of November, 1995.

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