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November 2, 1998

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

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

Dear Ms. Bayo:

Please find enclosed the original and 15 copies of the Posthearing Statement of TDS
Telecom Quincy Telephone in Docket No. 980696-TP.

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

Sincerely,



David B. Erwin, Attorney
for TDS Telecom Quincy Telephone

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the small company LEC's methodology for embedded cost studies, as testified to by ALTHE (Quincy is \$44.39, (TR474) Quincy's embedded cost study determined these amounts by using (Using an embedded cost study approach, the resulting cost per access line, per month, for for all such LECs, including Quincy, embedded cost study approach to determine the cost of basic local telecommunications service (Quincy that serve fewer than 100,000 access lines. Instead, the Commission should use an cost proxy model to compute the cost of basic local telecommunications service for LECs such as With regard to Issues 6(a) and 6(c), Quincy submits that the Commission should not use a that serves fewer than 100,000 access lines.

mechanism should be through the use of an embedded cost study, since Quincy is a rural LEC telecommunications service appropriate for establishing a permanent universal service The basic position of Quincy is that the determination of the cost of basic local basic position and its positions on Issues 6(a) and 6(c) remain unchanged. Order No. PSC-98-1008-PCO-TP that Quincy addressed in its prehearing statement, Quincy's matter. Quincy has a basic position and positions on the same two specific issues set forth in TDS Telecom Quincy Telephone (Quincy) her, by files its posthearing statement in this

POSTHEARING STATEMENT
OF
TDS TELECOM/QUINCY TELEPHONE

In re: Determination of the Cost of Basic Local Telecommunications Services, Pursuant to Section 364.025, Florida Statutes

DOCKET NO. 980696-TP
FILED: November 2, 1998

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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Corporation's witness, Dennis Curry. (TR474)

The method by which Quincy has determined the cost of providing basic local telecommunications service is in accordance with the law. Section 364.025(4)(c), Florida Statutes, states as follows:

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

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 47C.F.R.ss. 32, 36, and 64. The geographic basis for the calculations shall be no smaller than a census block group.

The evidence submitted during the hearing in this docket strongly confirms the legislative wisdom of allowing the use of an embedded cost study for small LECs, since these small LECs serve rural areas, and since both proxy models have problems locating rural subscribers with a high degree of accuracy, even though in the Yankeetown wire center, the BCPM model did reflect customer locations adequately. (TR 560, 821, 829 - 831, 927 - 928, 930 - 932, 934 - 937, 940, 942 - 943, 997) It seems apparent under such circumstances that the use of actual, precise data should be acceptable. Even an embedded cost study can not indicate the exact geographical location of each subscriber, but it will provide the average cost for each subscriber. Since the loop is the largest item making up the cost of providing local service (TR 989-990), the location

of customers and, hence, the cost to service them, is important for sizing a universal service fund and targeting eligible recipients (TR977).

The use of an embedded cost study approach would seem not to inflate or exaggerate the cost of local service for Quincy. The BCPM has calculated results for many wire centers in BellSouth Telecommunications, Inc.'s (BellSouth) serving area, and the results in many rural BellSouth areas show a cost well in excess of the embedded cost in Quincy's rural areas. (See Revised Exhibit PFM-1 to the 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 Quincy's rural areas calculated using an embedded cost study methodology:

Archer	\$ 59.92 per line	Keystone Heights	\$ 54.11 per line
Bronson	\$ 58.25 per line	Micanopy	\$ 74.08 per line
Chipley	\$ 56.17 per line	Munson	\$102.09 per line
Cross City	\$ 51.38 per line	Newberry	\$ 53.57 per line
Dunellon	\$ 55.13 per line	Old Town	\$ 70.67 per line
Graceville	\$ 67.30 per line	Trenton	\$ 60.42 per line
Havana	\$ 51.32 per line	Vernon	\$ 86.10 per line
Jay	\$ 86.69 per line	Youngstown	\$ 71.02 per line
		Yankeetown	\$ 61.88 per line

In comparison, as stated earlier, Quincy's cost is \$44.39 per line, and it is unlikely that any of the BellSouth areas shown above are more rural than Quincy's service areas.

The establishment of a permanent universal service mechanism is essential to the goal of the Telecommunications Act of 1996:

"Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas."

Quincy believes that whether any of the small LECs are facing local exchange competition is irrelevant to the issue of the cost of local exchange service or whether there exists a need for universal service support. Alltel's witness Curry correctly noted that local exchange service and a permanent universal service mechanism are not inextricably linked. (TR 3008)

Witness Curry testified that the need for a permanent universal service mechanism is necessary because of the erosion of implicit support mechanisms such as intral ATA toll and access that small LECs have relied on to maintain fair and reasonable local exchange rates. (TR 3009)

In summary, the Commission should accept and use Quincy'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, 1998 to the parties on the list below.

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