A PUBLICATION OF THE

Florida Public Service Commission's
Office of Market Monitoring and Strategic Analysis

Annual Report on Competition

TELECOMMUNICATIONS

Markets in Florida

AS OF JUNE 30, 2003

TABLE OF CONTENTS

LIST OF FIGURES AND TABLES

LIST OF ACRONYMS

ALEC	Alternative Local Exchange Company
BEBR	Bureau of Economic and Business Research
BOC	Bell Operating Company
CLEC	Competitive Local Exchange Company
Commission	Florida Public Service Commission
CTIA	Cellular Telecommunications & Internet Association
DSL	Digital Subscriber Line
DSLAM	Digital Subscriber Line Access Multiplexer
FCC	Federal Communications Commission
IP	Internet Protocol
ISP	Internet Service Provider
ILEC	Incumbent Local Exchange Carrier
Joint-Board	Federal-State Joint Board
LATA	Local Access and Transport Area
NANPA	North American Numbering Plan Administrator
NCTA	National Cable and Telecommunications Association
NXX	End Office Code
NPA	Area Code
OPC	Office of Public Counsel
OSS	Operational Support Systems
PSTN	Public Switched Telecommunications Network
RBOC	Regional Bell Operating Company
SLC	Subscriber Line Charge
SMSA	Standard Metropolitan Statistical Area
TELRIC	Total Element Long-Run Incremental Cost
UNE	Unbundled Network Element
UNE-P	Unbundled Network Element - Platform
USOA	Uniform System of Accounts
VoIP	Voice over Internet Protocol

EXECUTIVE SUMMARY

This report is pursuant to the statutory requirements set forth in Section 364.386 and Section 364.161(4), Florida Statutes.

Chapter I: Introduction & Background

In addition to providing the annual overview and analysis of local telecommunications competition in Florida, this year's report includes a closer examination of both traditional market competitors and less traditional competitors and a discussion of trends among these providers, such as the bundling of various telecommunications services.

Chapter II: Status of Local Competition in Florida

As an overview, responses from Incumbent Local Exchange Carriers (ILECs) and Competitive Local Exchange Companies (CLECs) to Florida Public Service Commission (Commission or FPSC) data requests indicate that as of June 30, 2003, in Florida:

- CLECs have obtained an overall market share of 16%, compared to 13% in 2002.
- Competitors have increased their share of the business market to 29%, up from 26% in 2002.
- CLEC residential market share has increased to 9% from 7% last year.
- Total access lines have decreased by 2.4% since 2001.
- The overall response rate to the Commission's data request increased to approximately 80%, with about 44% of respondents indicating that they provide local service.

Chapter III: Discussion of Items Required by Chapter 364, Florida Statutes

Chapter III sets forth the Commission's specific findings required pursuant to Section 364.386(1), Florida Statutes. These findings are supported by the information and data reported in other sections of this report.

Furthermore, pursuant to Section 364.161(4), Florida Statutes, the Commission addresses CLEC complaints filed against ILECs in Chapter III (and Appendix D). These complaints have decreased with 58 filed from July 1, 2002 through June 30, 2003, compared to 81 for the corresponding reporting period last year. As of the publication of this report, some 50 of those 58 complaints have been resolved. Also, the Commission received 389 negotiated agreements between CLECs and ILECs for review and five requests for the arbitration of rates, terms, and conditions. Since June 1996, the Commission has reviewed and approved 2,725 negotiated interconnection agreements.

Chapter IV: State Activities

As part of its ongoing efforts to promote a competitive telecommunications market in Florida, the Commission continues to be active in numerous Florida-specific activities (Chapter IV, *infra*), and in relevant federal activities (Chapter V, *infra*). The Commission has issued orders on Unbundled Network Element (UNE) rates for Sprint and Verizon[1] and has begun activities related to the Legislature's passage of the "The Tele-Competition Innovation and Infrastructure Enhancement Act of 2003." High profile issues, such as BellSouth's Promotional Business Tariff and FastAccess Internet Service (DSL service), have been brought before the Commission for resolution, along with the establishment of permanent performance metrics for ILECs. Also, the Commission-initiated collaborative forum has continued to provide an arena in which many operational and logistical issues between CLECs and ILECs are being addressed.

Chapter V: Federal Activities

Regarding federal activities, the Commission is in the process of implementing the Federal Communications Commission's (FCC) Triennial Review Order. The Commission has also continued to voice opinions on important issues, such as intercarrier compensation, universal service, reporting requirements for ILECs, measurements and standards for UNEs, Section 251 unbundling obligations of ILECs, and TELRIC pricing.

Section 706 of the federal Telecommunications Act of 1996 (the 96 Act) requires the FCC, as well as each state commission, to encourage the reasonable and timely deployment of advanced telecommunications capability to all Americans. While the Commission does not regulate broadband, it has, as part of its market monitoring activities, been actively commenting on and monitoring the development of broadband services. The Commission has also been active in the Federal-State Joint Conference on Advanced Telecommunications Services, created by the FCC in 1999.[2] The Joint Conference was chartered to facilitate the cooperative development of mechanisms, policies and resource allocations necessary to promote competition while encouraging the deployment of advanced telecommunications capabilities to all Americans. On behalf of the Joint Conference, the Commission prepared a study entitled "Broadband Services in the United States: An Analysis of Availability and Demand," that was filed ex parte in several dockets involving broadband at the FCC. Following publication of the study, Commission staff was invited to participate in the National Summit on Broadband Deployment II to discuss the state of U.S. broadband deployment.

[1] The Commission voted in September 2002 to reduce certain UNE rates charged by BellSouth.

[2] The Commission's current Chairman, Lila Jaber, was a member of the Joint Conference from November 2000 until January 2003. She served as state chair from August 2001 until she resigned from the Joint Conference in January 2003.

CHAPTER I: INTRODUCTION AND BACKGROUND

Chapter 364, Florida Statutes, sets forth the guiding principles by which the Commission regulates the telecommunications industry. This statute also requires the Commission to prepare and deliver a report on "the status of competition in the telecommunications industry" to the Governor and Legislature by December 1 of each year. Specifically, Section 364.386, Florida Statutes, requires that the report address the following issues:

- 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 telecommunications 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.

Additionally, a 1997 amendment to Section 364.161(4), Florida Statutes, requires the inclusion of a summary of all complaints filed by CLECs against ILECs.

Prior to discussing the required topics (Chapter III), this report begins with an introduction and overview in Chapter I of the local telecommunications exchange market-opening provisions of the Telecommunications Act of 1996 (the 96 Act) and Chapter 364, Florida Statutes. The methodology used in preparing this report, which included holding workshops to obtain input from CLECs and ILECs, is also discussed.

Chapter II provides a detailed analysis of the status of local competition in Florida, examining the data by percentage of market share, number of access lines, and by various areas, such as exchange and ILEC territory. Market and competitor trends are also discussed, not only for traditional voice communications providers, but also for broadband communications providers. This chapter also provides examples of bundled services available by industry participants and brief profiles of six companies that seem to be making significant competitive strides in Florida.

The six issues required to be addressed by Chapter 364, Florida Statutes, are the focus of Chapter III. Chapter IV and Chapter V contain reviews of state and federal activities, respectively. This year's report includes a glossary of common telecommunications industry terms. The appendices provide tables containing the CLECs providing service in Florida, the

exchanges with providers, the percentage of CLEC access lines by exchange, the summary of CLEC complaints, and the list of certificated CLECs as of June 30, 2003.

A. Provisions and Goals of Chapter 364, Florida Statutes, and the Telecommunications Act of 1996

1. Chapter 364, Florida Statutes

In 1995, the Florida Legislature amended Chapter 364, Florida Statutes, to allow for competition in the state's telecommunications industry. The Legislature found that "the competitive provision of telecommunications services, including local exchange telecommunications service, is in the public interest and will provide customers with freedom of choice, encourage the introduction of new telecommunications service, encourage technological innovation, and encourage investment in telecommunications infrastructure."

As of June 30, 2003, 432 CLECs were certificated by the Commission to operate in Florida, up from 417 in 2002. Unlike the ILECs, CLECs are not required to file tariffs for Commission acknowledgment. Instead, each CLEC is only required to file a price list if it offers basic local telecommunications service. In addition, Section 364.337(2), Florida Statutes, states in part, that "[T]he basic local telecommunications service provided by a competitive local exchange telecommunications company must include access to operator services, '911' services, and relay services for the hearing impaired." CLECs must also provide a flat-rate pricing option for basic local telecommunications services; the statute states that "mandatory measured service for basic local telecommunications services shall not be imposed."

With the enactment of the Tele-Competition Innovation and Infrastructure Enhancement Act in 2003, the Florida Legislature further amended Chapter 364, Florida Statutes. The 2003 Act is discussed in Chapter IV, part A, *infra*.

2. Federal Telecommunications Act of 1996 (the 96 Act)

The 96 Act established a national framework to enable CLECs to enter the local telecommunications marketplace. The FCC's Local Competition Order specified that opening the local exchange and exchange access markets to competition was intended to "pave the way for enhanced competition in all telecommunications markets."[3] Additionally, the opening of all telecommunications markets to all providers was expected to blur traditional industry distinctions. As such, not only have CLECs entered the local market, but less traditional providers such as wireless and broadband communications providers have also entered this market using their own technologies to their advantage to compete against traditional wireline providers for a share of the market.

---

[3]FCC 96-325, CC Docket No. 96-98, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, First Report and Order, Paragraph 4.

The 96 Act established three methods by which CLECs can enter the local exchange market: resale, leasing of unbundled network elements (UNEs), and investing in their own facilities.[4] Because ILECs dominate the last mile of the local network, CLECs must either use the ILEC's local loops or build their own facilities. A brief description of each entry strategy provided for in the 96 Act follows.

Resale

Resale is a method of market entry used often as a starting point for CLECs to gain exposure in the marketplace. Under this method, CLECs are able to purchase at a discount and resell any telecommunications services that ILECs offer to retail customers. Those CLECs that focus on serving customers who have been disconnected by the ILEC or who prefer prepaid service may view resale as a long-term strategy.

Unbundled Network Elements (UNEs)

UNEs are the building blocks of ILEC networks used to provide telecommunications services. This method of entry requires ILECs to unbundle their networks and lease the piece parts or elements to CLECs at rates based on a total element long-run incremental cost (TELRIC) methodology.

Facilities

Facilities-based CLECs are those that have invested in and built-out their own networks. Frequently, CLECs enter the market using resale or UNE-based services while investing the financial resources necessary to build a telecommunications network and eventually provide facilities-based services independent of the ILECs. Many CLECs have chosen a UNE-P or resale platform, and true facilities-based competition in the local telecommunications market is not yet widespread. Fairly robust intermodal and facilities-based competition currently exists in the advanced communications market primarily through cable companies, wireless providers, and a handful of other wireline providers that mainly target the high-demand business market.

B. Methodology

As in prior years, the Commission prepared this report based on responses by CLECs and ILECs to data requests. The annually updated data request consists of both quantitative questions (e.g., how much money has been invested in your network to serve Florida customers) and qualitative questions (e.g., what is your primary line of business). Although the same basic procedure was followed this year, changes were made to the types of information requested.

The Commission's data is only as valid as the quality and completeness of the responses received. Also, CLEC responses to the questions in the past were not necessarily uniform

[4] Policies such as number portability and interconnection also facilitate CLECs' entry into this market.

because of differences in interpretation. In prior years when gathering data for this report, many CLECs, particularly the smaller ones, indicated that preparing the responses was a difficult task due to time and other resource constraints.

Shortly after completing the 2002 report, Commission staff explored alternative means of data collection and hosted two open workshops with ILECs and CLECs in order to allow parties to provide input. Staff incorporated many of the ideas generated from the workshop into revised data requests. For example, in order to obtain the most accurate data and alleviate reporting burdens, the ILECs agreed to report all access line data for CLECs providing service through resale or UNE-P. The workshops were a valuable tool in the effort to obtain the most accurate data in the most efficient manner possible. Data requests were mailed to 432 certificated CLECs. From this number, the Commission received 344 responses, achieving a response rate of approximately 80%. This response rate represents a significant increase from the response rates of 68% and 55% realized in 2002 and 2001, respectively.

In order to promote greater efficiency, the Commission requested that companies respond electronically by downloading data into pre-formatted tables and submitting it either by disk, CD, or e-mail. Time and resource constraints did not allow for the data requests to be made available on the Commission's website, but this option is expected to be available in the future. Such steps were designed to provide additional assurance that a higher degree of accuracy was obtained from the data received.

Staff is confident that the data presented and the analyses that follow are reasonably accurate based on the information provided by the ILECs and reporting CLECs. As always, precise market share calculations are hindered because a number of CLECs failed to respond. Lack of a 100% response from CLECs may result in understatement of market share; however, this would not affect the conclusions reached in this report.

CHAPTER II: STATUS OF LOCAL COMPETITION IN FLORIDA

A. Florida Competitive Market Analysis

1. CLEC Market Share Growth

The Florida CLEC market share is calculated as the total number of CLEC access lines divided by the total number of CLEC and ILEC access lines. Both CLEC and ILEC access lines were reported on an aggregate basis, as well as by residential and business sectors. Included in the market share calculation are all aggregate access lines reported by CLECs, regardless of the number of lines served. Market share figures reported by the FCC differ in this regard, because CLECs are required to provide data only if they serve more than 10,000 access lines. Calculations based on responses to the Commission's data request indicate the following Florida market share information as of June 30, 2003:

- Overall, competitors have obtained a 16% market share, up from 13% in 2002.
- CLEC business market share increased to 29% from 26% in the previous year.
- CLEC residential market share increased to 9% from 7% in the previous year.

Figure 1 illustrates the increases in CLEC market shares overall.

Figure 1

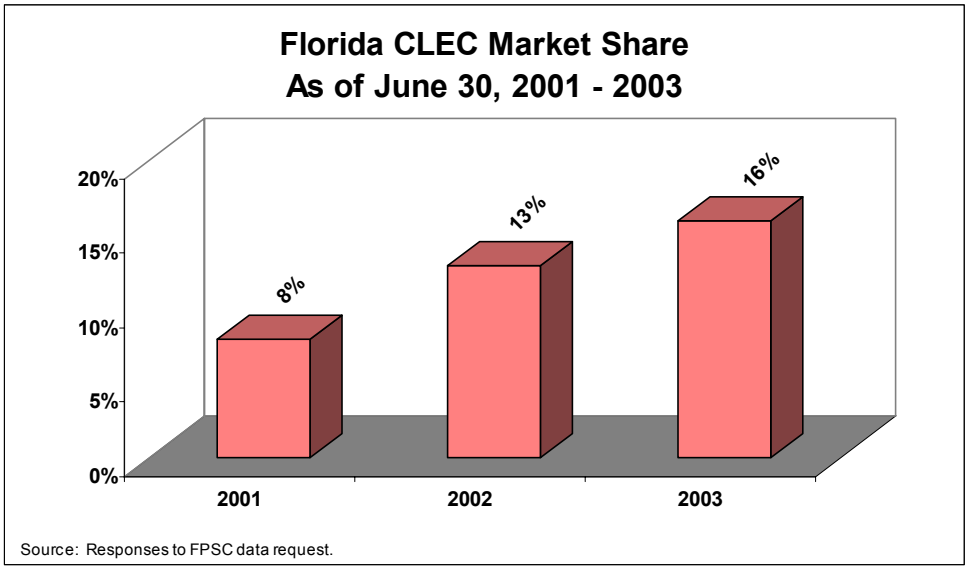
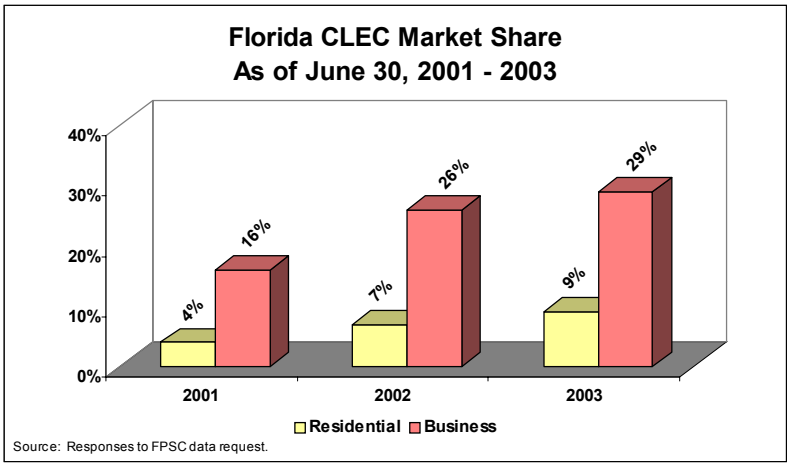


Figure 2 provides a breakdown of the CLEC residential and business market shares.

Figure 2



2. Access Line Comparisons

Based on the responses to the CLEC and ILEC data requests, local exchange companies are serving 11,738,465 lines in Florida as of June 30, 2003. Table 1 summarizes the changes in access lines for both ILECs and CLECs for the 2001 through 2003 reporting periods. It illustrates the steady increases in CLEC access lines and the decrease in the total number of access lines served from 12,030,592 in 2001 to 11,738,465 in 2003, a decrease of about 2%. ILEC lines have declined almost 11% since 2001, while CLEC lines have increased 92% overall, and almost 23% since 2002.

Table 1 Florida Access Line Comparison

	2001			2002			2003			Increase over 2001
	Residential	Business	Total	Residential	Business	Total	Residential	Business	Total	
ILECs	7,931,047	3,139,959	11,071,006	7,513,073	2,748,419	10,261,492	7,203,749	2,688,870	9,892,619	<10.6%>
CLECs	366,653	594,223	959,586	546,040	959,294	1,505,334	726,638	1,119,208	1,845,846	92.3%
Total	8,297,700	3,734,182	12,030,592	8,059,113	3,707,713	11,766,826	7,930,387	3,808,078	11,738,465	<2.4%>

Source: Responses to FPSC data request.

3. CLEC Market Penetration by ILEC Service Area

Table 2 provides a breakdown of ILEC access lines by the three major ILECs (BellSouth, Sprint and Verizon) and a total line count for the rural ILECs (ALLTEL, Frontier, GT Com, ITS, Northeast Florida, Smart City and TDS/Quincy) as of June 30, 2003. The rural ILECs are combined to preserve confidentiality. CLECs show the heaviest presence in BellSouth's territory, followed by the areas of Verizon and Sprint, then the rural ILECs.

Table 2 Florida CLEC Market Penetration by ILEC as of June 30, 2003												
	ILEC			CLEC			Total			CLEC Share		
ILEC	Res	Bus	Total	Res	Bus	Total	Res	Bus	Total	Res	Bus	Total
Rural ILEC	141,770	73,209	214,979	2,430	2,571	5,001	144,200	75,780	219,980	2%	3%	2%
BellSouth	3,972,501	1,397,021	5,369,522	668,261	778,847	1,447,108	4,640,762	2,175,868	6,816,630	14%	36%	21%
Sprint	1,471,981	582,702	2,054,683	32,175	109,683	141,858	1,504,156	692,385	2,196,541	2%	16%	6%
Verizon	1,617,497	635,938	2,253,435	23,772	228,107	251,879	1,641,269	864,045	2,505,314	1%	26%	10%
Grand Total	7,203,749	2,688,870	9,892,619	726,638	1,119,208	1,845,846	7,930,387	3,808,078	11,738,465	9%	29%	16%

Source: Responses to FPSC data requests.

Figure 3, showing CLEC market share by ILEC as of June 30, 2002 and 2003, reflects continued growth in CLEC penetration. Data also show CLEC market share in BellSouth's territory is double that achieved in Verizon's territory and more than triple that achieved in Sprint's.

Figure 3

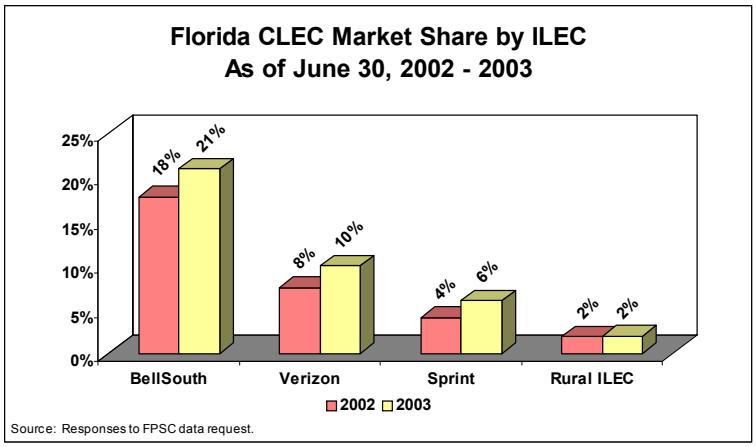
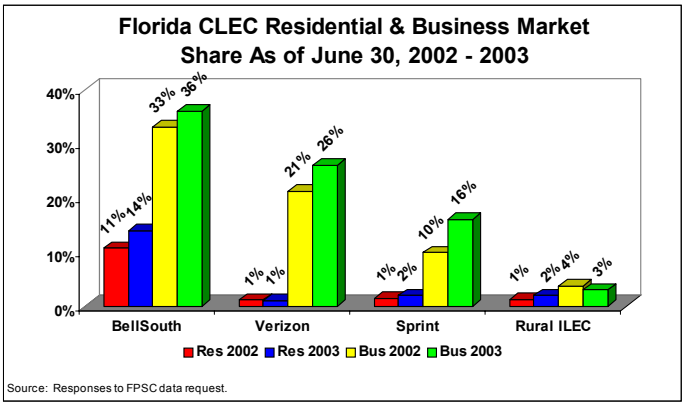


Figure 4 shows CLEC share of the residence and business markets by ILEC. The figure highlights that the only substantial residential competition is taking place in BellSouth's territory. Section B of this Chapter discusses reasons for the substantial CLEC penetration in the BellSouth region.

Figure 4



4. CLEC Data Responses and Providers by Exchange

Table 3 shows that the number of exchanges with multiple (three or more) competitors is increasing. The number of exchanges without CLEC providers decreased from 14 in 2002 to 8 in 2003 and the number of exchanges with three or more CLECs increased from 229 to 242. Three or more CLECs now compete in 87% of Florida exchanges compared to 83% last year. Overall, approximately 97% of Florida exchanges still have at least one competitor.

Table 3 Summary of Florida Exchanges With and Without CLEC Providers

	2001	2002	2003
Exchanges with one CLEC provider	61	20	15
Exchanges with two CLEC providers	20	14	12
Exchanges with three or more CLEC providers	188	229	243
Exchanges without a CLEC provider	14	14	8
Exchanges without a business CLEC provider	86	61	57
Exchanges without a residential CLEC provider	18	19	13
Total exchanges in Florida[5]	283	277	277

Source: Responses to FPSC data request.

[5]The total number of exchanges changed due to the consolidation of the Keys (i.e., Big Pine Key, Islamorada, Key Largo, Key West, Marathon, North Key Largo, Sugar Loaf Key) and the addition of the Weirsdale exchange, which was combined with the Lady Lake exchange until August 31, 2000.

CLECs continue to focus on larger metropolitan areas as noted in the following table. Each exchange listed had an increase in the number of competitors providing service in their areas.

Table 4 Florida Exchanges With the Most CLEC Providers						
Exchange	**Residential**		**Business**		**Total CLEC Providers**	
	(2002)	**(2003)**	**(2002)**	**(2003)**	**(2002)**	**(2003)**
Miami	47	78	38	65	69	98
Ft. Lauderdale	43	73	31	54	60	91
Hollywood	34	69	24	45	47	86
West Palm Beach	35	68	24	53	49	86
Jacksonville	43	67	32	49	61	84
Orlando	47	67	35	53	69	88
North Dade	31	64	21	53	43	84
Pompano Beach	37	62	25	49	50	81
Perrine	20	55	18	42	30	74
Daytona Beach	38	54	19	41	46	75

Source: Responses to FPSC data request.

CLECs concentrate on larger metropolitan areas for a number of reasons including higher population densities, which improve economics of scale and scope. Lower UNE rates in these higher density zones also attract competitors. Notably, each exchange shown in Table 4 is in BellSouth's territory. One explanation of the greater CLEC presence in these exchanges is that BellSouth has the lowest UNE-P rates among all the ILECS (See Section B for further discussion).

A complete listing of CLEC providers by exchange is shown in Appendix B. That listing indicates that in the majority of Florida's exchanges, the number of CLEC providers has increased in both the residential and business marketplace.

B. CLEC Market Entry Analysis

CLECs face a number of considerations in deciding on which markets to enter, the primary one being whether the company can expect to achieve profitability in a reasonable time frame. Some factors affecting profitability include the CLEC's own business model, the CLECs financial strength and credit rating, the level of local rates charged by the incumbent, economies of scale and scope, and whether sufficient customers can be competitively obtained to cover investment and operating costs. Population densities and income are very important factors also, as is recovery of customer acquisition costs. Customer acquisition costs can be significant as new entrants attempt to wrest long-time customers away from the incumbent and keep them long enough for payback. Other market entry considerations include collocation availability and cost, adequate and nondiscriminatory access to ILEC operations support systems (OSS), the timeliness

and quality of ILEC installations and maintenance, and the availability of UNEs at reasonable (cost-based) prices, especially UNE-P.

1. Section 271 Approval and Relation to Market Entry

Current CLEC market penetration in Florida suggests that the most favorable conditions for market entry exist in BellSouth's territory. There are several reasons for this. As discussed in our 2002 report, Section 271 of the 96 Act establishes several requirements for RBOCs to meet before they can obtain FCC permission (commonly referred to as 271 approval) to provide interLATA (long distance) service within their in-region service areas. In reaching its decision, the FCC relies heavily on the work of the individual state commissions to evaluate RBOC compliance with 271 requirements. Obtaining this approval allows RBOCs to compete fully in the long distance market and to bundle local and long distance service.

An RBOC receiving Section 271 approval is important for CLECs as well, although it may result in both favorable and unfavorable outcomes from the vantage of the CLECs. On the one hand, 271 approval attests that the RBOC has complied with a 14-point checklist showing the local market is sufficiently open to competition. This checklist includes requirements to provide adequate access to OSS and to UNEs at reasonable prices. As previously mentioned, these are key factors influencing CLEC decisions to enter a market.[6] Compliance with the checklist lowers barriers to entry, making it easier for CLECs to enter the market and provide competitive services. In fact, based on our evaluations of the New York and Texas markets[7], CLECs typically increase their market activity before it has been determined that 271 requirements are fully met. This may be an indication that market entry conditions tend to improve over the course of state evaluation. Moreover, as discussed in the Commission's 2002 Report, substantial increases in CLEC market share occurred in the New York and Texas markets both before and following 271 approval. The heightened CLEC activity surrounding the 271 process may also be due to CLECs attempting to gain a substantial market foothold before the incumbent can respond with its own combined local and long distance offerings. On the other hand, 271 approval may result in outcomes unfavorable to the CLECs because it removes restrictions from the RBOC competing for long distance traffic. As a result, the RBOC is provided the same ability as CLECs to bundle local and long distance services at competitive prices.

BellSouth is the only Florida ILEC that was required to obtain 271 approval before entering the long distance market. This Commission conducted a lengthy evaluation of BellSouth's compliance, beginning in 1996 and ending in October 2002, when the Commission determined that BellSouth had met the requirements for 271 approval. The Commission

---

[6]Access to OSS provides CLECs the following critical functions: pre-ordering, ordering, provisioning, maintenance and repair, and billing.

[7]See Chapter IV discussion in the Commission's 2002 Report.

endorsed BellSouth's 271 application to the FCC, and the FCC approved the application in December 2002. BellSouth began offering long distance service in Florida in December 2002.

Similar to our findings about competitive entry in New York and Texas prior to 271 approval, Florida's data appear to confirm that market entry conditions improved in BellSouth's territory as 271 approval became imminent. As the market share figures in Figures 3 and 4 show, BellSouth has experienced much greater CLEC market penetration since the 1996 Act was passed than all the other ILECs combined.

2. Population Densities

While BellSouth's 271 process has been an important factor in inducing market entry, there are other characteristics of BellSouth's territory that provide more favorable conditions for competitive entry. Currently, 45% of the state's access lines are in BellSouth's territory. BellSouth's territory also contains the majority of the most densely populated areas of the state. Table 5 shows that six of the 10 largest exchanges in the state are in BellSouth's territory, while three are in Verizon's territory and only one is in Sprint's. These 10 exchanges represent less than 4% of the 277 exchanges in Florida, yet account for 44% of the state's access lines. The six BellSouth exchanges account for 67% of the lines in these largest exchanges. The 1,089,833 CLEC access lines in these exchanges represent 59% of CLEC access lines in Florida. As noted previously, CLECs target densely populated areas as these areas allow maximization of scale and scope economies and provide greater opportunities for CLECs to acquire a sufficient customer base to achieve profitability.

Table 5

Top Ten Exchanges by Line Count											
			Total Access Lines			CLEC Access Lines			CLEC Market Share		
	Exchange	ILEC	Res	Bus	Total	Res	Bus	Total	Res	Bus	Total
1	Miami	BellSouth	707,768	450,221	1,157,989	120,549	156,058	276,607	17%	35%	24%
2	Tampa	Verizon	460,812	374,594	835,406	10,847	135,901	146,748	2%	36%	18%
3	Ft. Lauderdale	BellSouth	325,208	196,959	522,167	65,310	75,098	140,408	20%	38%	27%
4	Jacksonville	BellSouth	314,480	182,546	497,026	54,692	75,247	129,939	17%	41%	26%
5	Orlando	BellSouth	294,032	200,431	494,463	42,069	95,632	137,701	14%	48%	28%
6	West Palm Beach	BellSouth	339,104	144,069	483,173	41,518	47,544	89,062	12%	33%	18%
7	St. Petersburg	Verizon	223,613	99,801	323,414	2,737	18,077	20,814	1%	18%	6%
8	Hollywood	BellSouth	236,216	79,855	316,071	58,718	29,437	88,155	25%	37%	28%
9	Clearwater	Verizon	207,266	107,151	314,417	1,730	33,749	35,479	1%	31%	11%
10	Tallahassee	Sprint	106,771	123,607	230,378	3,324	21,596	24,920	3%	17%	11%
Grand Total			3,215,270	1,959,234	5,174,504	401,494	688,339	1,089,833	12%	35%	21%

Source: Responses to FPSC data request.

3. UNE-P Availability and Price

An additional factor attracting competitors to BellSouth's territory appears to be the availability of UNE-P at the lowest prices in the state. In short, UNE-P is an unbundled network element platform that provides a CLEC with all of the necessary components to provide end-user service (*i.e.,* loop, local switching, interoffice transport, and tandem switching). A CLEC may add some of its own services to UNE-P, repackage UNE-P, or market UNE-P in a different manner than the ILEC. A CLEC providing end-user service via UNE-P does not require any capital investment by the CLEC in telecommunications infrastructure.

As stated earlier, the availability and price of UNEs, especially UNE-P, are key determinants of CLEC market entry. UNE-P appears to be the entry strategy of choice for many CLECs serving the mass market (i.e., residential and small business customers). This Commission first set UNE rates for BellSouth in 1996. After evidentiary proceedings, the Commission subsequently reduced UNE rates in May 2001, then increased them slightly in October 2001. Finally, after additional evidentiary proceedings, the Commission reduced rates for certain UNE-P components in September 2002 below the levels set in May 2001. Table 6 compares UNE-P rates by zone for BellSouth that were in effect in December 2000, May 2001, October 2001, and September 2002.

Table 6 Florida UNE-P Rate Comparison-BellSouth Territory*

Rates as of	DEC2000	MAY2001**	OCT2001**	SEP2002**
Zone 1	$15.07	$12.62	$13.71	$11.71
Zone 2	$21.06	$16.76	$17.83	$15.82
Zone 3	$44.14	$30.06	$32.64	$26.57

*Rates shown are UNE combo rates including loop, port and 1,000 minutes local switching.
**Date of UNE rate change.
Source: Commission Orders

An analysis of Florida access line composition reveals that CLECs have favored the availability and prices of BellSouth's UNEs over those of Verizon and Sprint. As discussed later in this section, this Commission has only recently set UNE rates for Verizon and Sprint. Verizon's UNE rates have been stayed pending an appeal to Florida Supreme Court by the company. Sprint's UNE rates have not been in effect long enough to gauge the impact of the rates on competitive market entry. Statewide, UNE-P comprises 38% of total CLEC access lines (residential and business combined). (Figure 5) The vast majority of these are in BellSouth's territory where 48% of total CLEC access lines are UNE-P lines. (Figure 6)

Figure 5

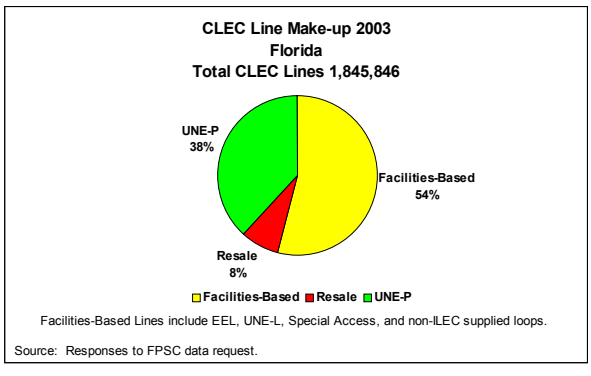
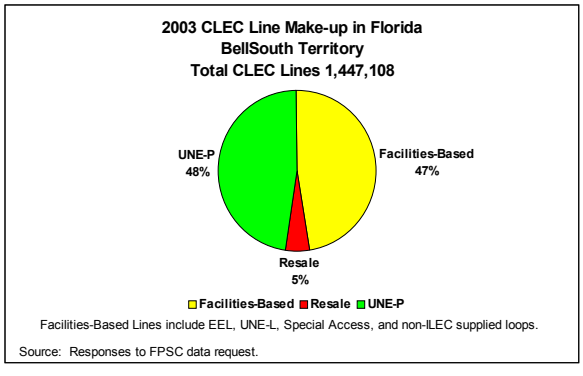


Figure 6



In contrast, UNE-P comprises only 3% of CLEC lines in Verizon's territory and 5% in Sprint's. (Figures 7 and 8)

Figure 7

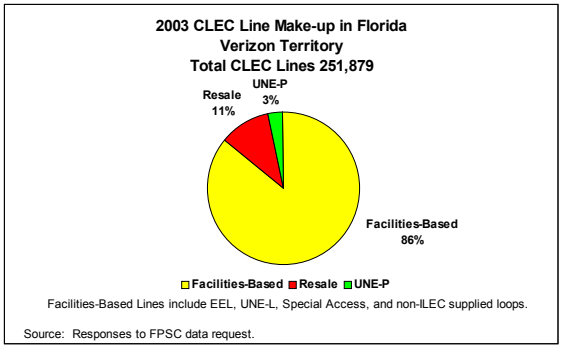
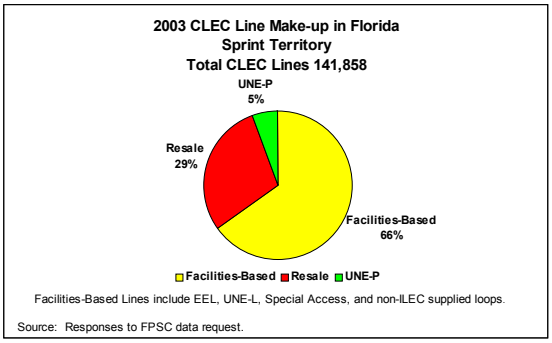


Figure 8



Moreover, UNE-P lines in BellSouth's territory have increased significantly over the last three years while resale lines have declined. As would be expected, CLECs will replace resale lines if higher margins are available through UNE-P. As of June 30, 2001, 219,907 resale lines were serving customers in BellSouth's territory, nearly twice the number of UNE-P lines. One year later, following the Commission's reductions to BellSouth's UNE rates in 2001, UNE-P lines nearly quadrupled to 420,390, more than a three-to-one ratio over resale lines. Resale lines declined by more than 90,000 during this period, with most being converted to UNE-P. As of June 30, 2003, UNE-P lines had increased to 686,242, with growth fueled by the Commission's further UNE rate reductions in September 2002. In this latest reporting period, the ratio of UNE-P to resale lines was more than nine-to-one, and the number of resale lines further declined by almost 57,000. (Figure 9)

Figure 9

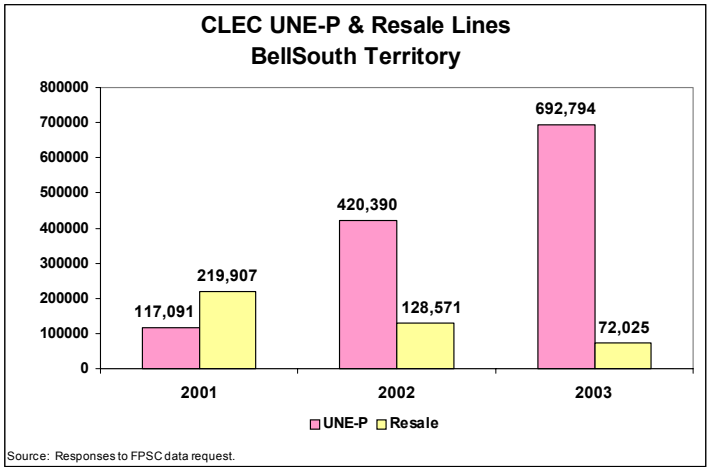


Table 7 is a margin analysis in the BellSouth, Verizon, and Sprint territories based on CLECs providing service using UNE-P. The UNE rates shown for Verizon and Sprint are the rates ordered by this Commission on November 15, 2002, and January 8, 2003, respectively.

Prior to these decisions, Verizon's and Sprint's UNE rates resulted from agreements with CLECs. It is uncertain at this time what effect the rates approved for Verizon and Sprint will have on the competitive market. Verizon appealed the Commission's decision, arguing that the Commission erred as a matter of law and fact in setting the rates. The Commission has stayed Verizon's UNE rates pending outcome of the appeal. Although Sprint's rates are in effect, they can only be charged upon execution (and Commission approval) of new or amended interconnection agreements. As of June 30, 2003, only ten new or amended interconnection agreements reflecting Sprint's new UNE rates had been filed with the Commission for approval.

Table 7 contains the Commission approved UNE-P rates in Zones 1 and 2 for BellSouth, Verizon, and Sprint and the rates the incumbents charge for local service.[8] The difference between the two rates is the margin CLECs would obtain in the two zones charging the same local rates as the incumbent.[9] This table would suggest that CLECs using UNE-P will continue to prefer BellSouth's territory over the other incumbents. It should be noted that the UNE rates for these companies differ because of cost differences. UNE rates must be based on costs, and these costs differ widely by incumbent due to a variety of factors such as size and geographic characteristics of territory served and population densities, to name a few.

Table 7 Florida Rate Comparison - Monthly Residential to UNE-P

Company	BellSouth[10]	Verizon[11]	Sprint[12]
Avg. Monthly Res. Rate[13]	$18.07	$19.08	$17.68
UNE-P Rates Zone 1	$11.71	$15.27	$12.04
Margin	35%	20%	32%
UNE-P Rates Zone 2	$15.82	$19.45	$18.31
Margin	12%	(2%)	(3%)

Source: Commission Order Nos. PSC-02-1311-FOF-TP (BellSouth), PSC-02-1574-FOF-TP (Verizon), PSC-03-0058-FOF-TP (Sprint)

[8]Average monthly rates include single line residential rate plus the following surcharges: subscriber line, universal service, number portability, and E911.

[9]These margins might be overstated as CLEC local service rates are typically lower than the incumbent's.

[10]BellSouth UNE-P rates following Commission Order No. PSC-02-1311-FOF-TP, in September 2002.

[11]Verizon UNE-P rates following Commission Order No. PSC-02-1574-FOF-TP, in November 2002. Rates have been stayed pending Circuit Court appeal.

[12]Sprint UNE-P rates following Commission Order No. PSC-03-0058-FOF-TP, in January 2003.

[13]Average monthly rates include single line residential rate plus the following surcharges: subscriber line charge, universal service charge, number portability surcharge, and E911 surcharge.

The fact that UNE-P rates for Verizon and Sprint are higher than rates for BellSouth does not mean that CLECs will not use UNE-P in the Verizon and Sprint service areas. The estimated margins reflected in Table 7 do not account for sales of add-on services (e.g., long distance, voice mail, caller ID, call waiting, etc.) that both ILECs and CLECs count on for profitability and customer retention. Because rates for basic local service typically produce inadequate margins, both ILEC and CLEC business plans depend, in part, upon the average subscriber purchasing more than basic local service. Margins obtained through bundled service offerings could make the Verizon and Sprint markets more attractive to CLECs. As discussed in Section D, bundled service offerings are becoming more common in the telecommunications industry.

Table 7 also reveals that low margins may be more the result of low local rates than high UNE-P rates. UNE-P rates are based on the ILEC's forward-looking costs to provide local service, while local rates historically have been subsidized in order to make them more affordable. Residential rates in Florida are lower than most other states. Thus, even though Florida's UNE rates may be comparable to other states, CLECs may find the residential market less attractive.[14]

There is an ongoing debate about the appropriate level of UNE-P rates[15] and about whether CLECs are impaired in the market without access to UNE-P. Whatever the outcome of these debates, UNE-P appears to be a significant element in the current business plans of CLECs serving mass market customers. In Florida, 73% of CLEC residential lines are served via UNE-P. The remainder are served in almost equal amounts via resale and subscriber loops that are tied to CLEC switches.

Where UNE-P has become a prevalent method of market entry, proponents of UNE-P argue that UNE-P is critical to ensuring competition in the local telecommunications market and that it must be preserved. The argument on the other side of the debate is that UNE-P is not viable as a long-term competitive strategy. Critics of UNE-P maintain that this strategy is not economically rational and that it serves to drain capital from an industry in dire need of investment. Instead, they argue that regulatory policies should promote facilities-based competitive models – and not business models reliant on market participants leasing the facilities of their competitors.

---

[14]The Florida Legislature recently took action for the purpose of making the Florida telecommunications market more attractive to competitors. As discussed in Chapter IV, the Legislature passed legislation in 2003 entitled "The Tele-Competition Innovation and Infrastructure Enhancement Act of 2003." A key feature of the Act is that subject to Commission approval, ILECs may reduce intrastate switched network access charges (the usage-sensitive rates IXCs must pay to the ILEC) to levels equal to those for interstate access charges. In order to offset the revenues lost by access reductions, the ILECs will be permitted to increase rates for basic local services. At the same time that access reductions are implemented, IXCs must also reduce long distance rates in amounts equal to the revenue effect of decreased cost of access charges. The law is designed to provide further impetus for development of a more competitive telecommunications market in Florida.

[15]UNE rates may be affected by the eventual outcome of a recent FCC Notice of Proposed Rulemaking (NPRM) addressing TELRIC pricing. See Chapter V for discussion of the NPRM.

The FCC is at center stage of the debate, and in August 2003, the agency issued its Triennial Review Order (TRO), which presumptively concluded that CLECs serving mass market customers are impaired without access to unbundled local switching[16] (a key element in UNE-P). This finding is subject to a more granular determination, which determination must be completed by the states within 9 months of the effective date of the TRO. Whether the FCC's finding of impairment is upheld by the individual state commissions will impact the future of UNE-P as a competitive strategy in those states.

The importance of UNE-P to current CLEC business plans was also illustrated in a recent announcement by Sprint. In the wake of the FCC's Triennial Review Order, Sprint announced that its CLEC arm was launching a portfolio of bundled service offerings, including local, long distance, and wireless, which will be provisioned using UNE-P and available to approximately 80 percent of U.S. households in 36 states and the District of Columbia.[17] Sprint apparently believes that the FCC's finding of impairment will be upheld in most states, thus continuing the availability of UNE-P. Moreover, the expansion of Sprint's local UNE-P based business appears to be a key driver in the company's even more recent decision to restructure in hopes of shedding $1 billion in annual operating costs.[18]

4. Facilities-Based Entry

Many CLECs in Florida have found market conditions favorable for facilities-based[19] entry and have established a strong presence in the BellSouth, Verizon, and Sprint service areas. Figure 10 shows that switch-based lines in Florida grew 34% to a total of 992,990 in the 2002-2003 reporting period. During the same period, switch-based lines in BellSouth, Verizon, and Sprint service areas grew 14%, 93%, and 147%, respectively. Lines served by CLEC switches now account for 54% of total CLEC lines in Florida. As shown previously in Figures 6 - 8, lines served by CLEC switches in the BellSouth, Verizon, and Sprint territories now account for 47%, 86%, and 66%, respectively, of total CLEC lines served in those service areas. The lower BellSouth ratio reflects the much higher use of UNE-P in the BellSouth region.

---

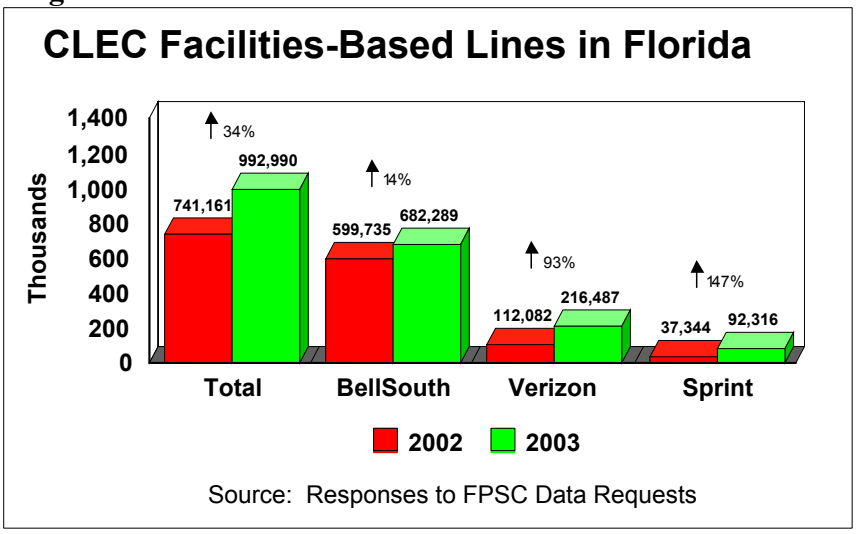
[16] See Chapter V for discussion of the FCC's Triennial Review Order.

[17] Sprint press release, August 27, 2003.

[18] "Sprint to restructure, cut operating costs by $1 billion," Telephony Online, September 17, 2003.

[19] A facilities-based (a/k/a switch-based) CLEC is one that serves some or all of its customer access lines through its own switch. These "switch-based" lines may consist of lines that are self-provisioned and/or those obtained from non-ILECs and ILECs.

Figure 10



As of June 30, 2003, thirty CLECs were serving 992,990 lines in Florida from their own switches; however, 90% of these lines served business customers. (Figure 11) Figure 12 shows that these switch-based CLECs served an additional 364,391 lines through ILEC switches (UNE-P and resale lines) for a total of 1,357,381 lines served. Almost 74% of total CLEC lines in Florida are now served by CLECs that have deployed at least one switch.[20]

Figure 11

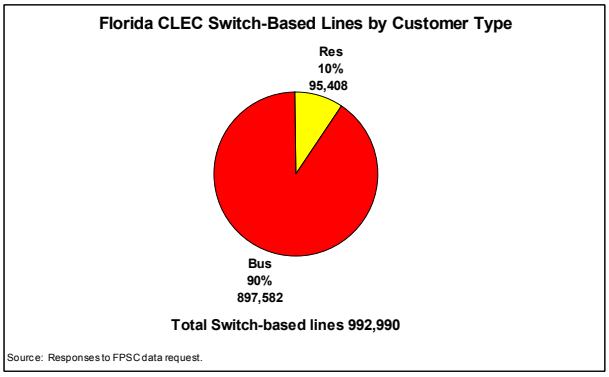
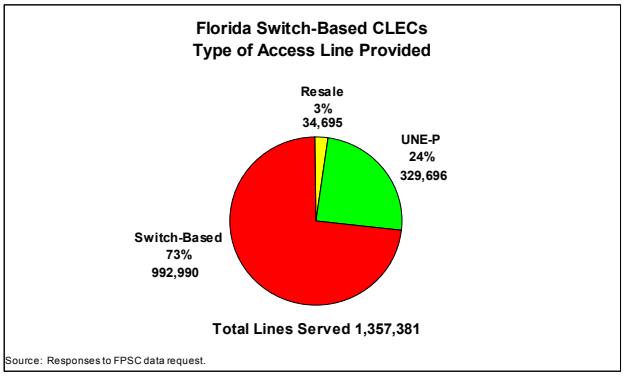


Figure 12



Data for Florida show that facilities-based carriers have mainly targeted metropolitan areas. Network investment is more feasible in these areas due to higher population densities and concentrations of large, high-margin business customers. Table 5 shows that of the ten largest exchanges in Florida, six are in BellSouth's service area, three are in Verizon's service area and only one is in Sprint's service area. Table 8 shows the number of CLEC lines by type served out of these ten largest exchanges. The following is worth noting from this table:

[20]The lines comprising the 74% include CLEC lines served from both ILEC and CLEC switches.

- 59% of total CLEC lines in Florida are served out of the ten largest exchanges
- 65% of total CLEC switch-based lines in Florida are served out of these exchanges
- 59% of CLEC lines in these exchanges are served by CLEC switches
- 36% of CLEC lines in these exchanges are served via UNE-P
- 55% of total UNE-P lines in Florida are served out of these exchanges

Table 8

Ten Largest Exchanges Total CLEC Lines by Type and Percentage								
			UNE-P		Resale		Facilities-Based	
Exchange	ILEC	CLEC Total	Total	% of CLEC Lines	Total	% of CLEC Lines	Total	% of CLEC Lines
Miami	BellSouth	276,607	134,876	49%	11,177	4%	130,554	47%
Tampa	Verizon	146,748	2,191	1%	10,825	7%	133,732	91%
Ft. Lauderdale	BellSouth	140,408	65,884	47%	5,462	4%	69,062	49%
Jacksonville	BellSouth	129,939	32,490	25%	4,542	3%	92,907	72%
Orlando	BellSouth	137,701	39,244	28%	4,710	3%	93,747	68%
West Palm Beach	BellSouth	89,062	47,337	53%	5,139	6%	36,586	41%
St. Petersburg	Verizon	20,814	1,044	5%	3,248	16%	16,522	79%
Hollywood	BellSouth	88,155	62,833	71%	4,140	5%	21,182	24%
Clearwater	Verizon	35,479	756	2%	2,537	7%	32,186	91%
Tallahassee	Sprint	24,920	703	3%	3,974	16%	20,243	81%
Grand Total		1,089,833	387,358	36%	55,754	5%	646,721	59%
% of CLEC Lines in FL		59%	21%		3%		35%	
%Total CLEC Lines by Type			55%		39%		65%	

Source: Responses to FPSC data requests.

Table 9 offers another look at the ten largest exchanges, focusing now on CLEC market share by customer type (residential vs. business). This table shows substantially higher market penetration in these exchanges than the statewide average:

- Total CLEC market share in these exchanges is 21% compared to 16% statewide
- Business market share is 35% compared to 29% statewide
- Residential market share is 12% compared to 9% statewide

The table also shows that substantial residential market penetration by CLECs has occurred in these six BellSouth exchanges, while very little has occurred in the Verizon and Sprint exchanges. This is due, in large part, to the prevalence of UNE-P activity in the BellSouth exchanges. It is also worth noting that:

- 55% of total CLEC residential lines are served out of the ten largest exchanges
- 62% of total CLEC business lines are served out of the ten largest exchanges
- 59% of total CLEC lines are served out of the ten largest exchanges

Table 9

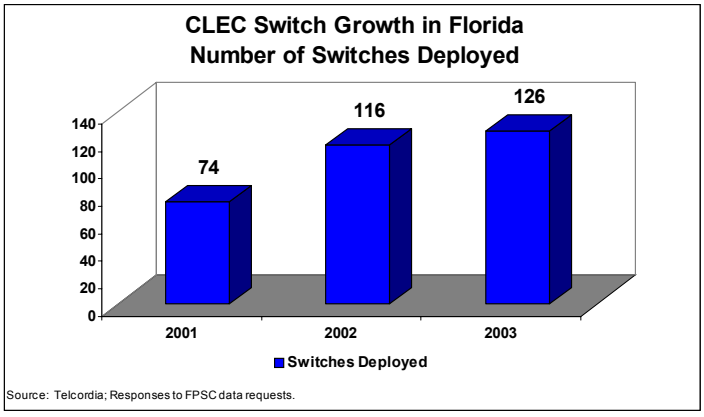
Ten Largest Exchanges CLEC Market Share by Customer Type										
		Total Lines in Exchange			CLEC Total			CLEC Market Share		
Exchange	ILEC	Res	Bus	Total	Res	Bus	Total	Res	Bus	Total
Miami	BellSouth	707,768	450,221	1,157,989	120,549	156,058	276,607	17%	35%	24%
Tampa	Verizon	460,812	374,594	835,406	10,847	135,901	146,748	2%	36%	18%
Ft. Lauderdale	BellSouth	325,208	196,959	522,167	65,310	75,098	140,408	20%	38%	27%
Jacksonville	BellSouth	314,480	182,546	497,026	54,692	75,247	129,939	17%	41%	26%
Orlando	BellSouth	294,032	200,431	494,463	42,069	95,632	137,701	14%	48%	28%
West Palm Beach	BellSouth	339,104	144,069	483,173	41,518	47,544	89,062	12%	33%	18%
St. Petersburg	Verizon	223,613	99,801	323,414	2,737	18,077	20,814	1%	18%	6%
Hollywood	BellSouth	236,216	79,855	316,071	58,718	29,437	88,155	25%	37%	28%
Clearwater	Verizon	207,266	107,151	314,417	1,730	33,749	35,479	1%	31%	11%
Tallahassee	Sprint	106,771	123,607	230,378	3,324	21,596	24,920	3%	17%	11%
Grand Total		3,215,270	1,959,234	5,174,504	401,494	688,339	1,089,833	12%	35%	21%
% of Total Lines in FL		41%	51%	44%	55%	62%	59%			

Source: Responses to FPSC data request.

5. CLEC Switch Deployment

Figure 13 shows that CLECs in Florida have continued their push into facilities-based service through significant investment in switches over the last three years. Based on data from Telecordia's Local Exchange Routing Guide (LERG), 74 CLEC voice switches were deployed in Florida as of January, 2002. By June 30, 2002, there were 25 switch-based CLECs operating 116 switches in Florida.[21] As of June 30, 2003, 31 switch-based CLECs were operating in Florida with a combined total of 126 switches.[22]

Figure 13



[21]CLEC responses to Commission's 2002 Competition Report data request.

[22]CLEC responses to Commission's 2003 Competition Report data request.

Figure 14 shows the number of switches serving lines within the various ILEC territories. The number of switches shown in this figure exceeds the number in Figure 13 because multiple switches are serving exchanges in two or more ILEC serving areas.

Figure 14

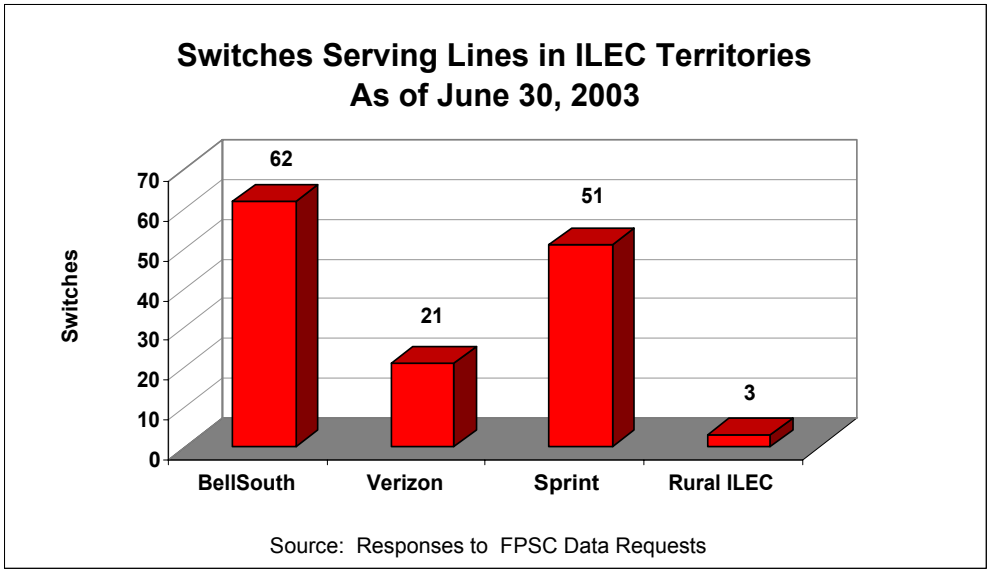


Table 10 contains the number of CLEC switches in Florida by location.

Table 10

Switch Location	Switch Quantity	Exchanges Served
Atlanta, GA	1	Ft. Lauderdale, Miami, Tampa
Clearwater	1	Clearwater
Daytona Beach	3	Daytona Beach
Destin	1	Destin
Ft. Myers	4	Bonita Springs, Bradenton, Cape Coral, Cape Haze, Clearwater, Crystal River, Ft. Myers, Ft. Walton Beach, Hollywood, Hudson, Jacksonville, Lakeland, Melbourne, Naples, North Cape Coral, North Naples, North Ft. Myers, New Port Richey, Orlando, Palmetto, Pine Island, Port Charlotte, Punta Gorda, Sarasota, Sebring, St. Augustine, St. Petersburg, Tampa, Winter Park
Ft. Lauderdale	6	Apopka, Boca Raton, Bonita Springs, Boynton Beach, Clearwater, Clewiston, Cocoa, Coral Springs, Deerfield Beach, Delray Beach, Ft. Myers, Ft. Pierce, Ft. Lauderdale, Hollywood, Homestead, Jensen Beach, Jupiter, Keys, Kissimmee, La Belle, Lake Wales, Lakeland, Melbourne, Miami, Naples, North Naples, North Dade, New Port Richey, Orlando, Oviedo, Perrine, Plant City, Pompano Beach, Port St. Lucie, Punta Gorda, Reedy Creek, Sanford, Sarasota, St. Petersburg, Stuart, Tampa, Titusville, Vero Beach, Winter Park, West Palm Beach
Jacksonville	16	Baldwin, Boca Raton, Boynton Beach, Cantonment, Dade City, Daytona Beach, Deerfield Beach, Deland, DeLeon Springs, Delray Beach, Destin, Fernadina Beach, Ft. Walton Beach, Gainesville, Green Cove Springs, Gulf Breeze, Homestead, Jacksonville Beach, Jacksonville, Jensen Beach, Julington, Kingsley Lake, Lady Lake, Lake City, Macclenny, Marianna, Middleburg, Ocala, Orange Park, Orlando, Palatka, Panama City, Pensacola, Ponte Vedra Beach, St. Johns, Starke, St. Augustine, St. Petersburg, Tallahassee, Tampa, Vero Beach

Switch Location	Switch Quantity	Exchanges Served
Lake Butler	2	Belleview, Brooksville, Clermont, Crestview, Crystal River, Dade City, Daytona Beach, Deland, DeLeon Springs, Destin, Eustis, Fernadina Beach, Ft. Lauderdale, Ft. Walton Beach, Gainesville, Inverness, Jacksonville, Lady Lake, Lake City, Lakeland, Leesburg, Lynn Haven, Madison, Mount Dora, New Smyrna Beach, Ocala, Orange Park, Orlando, Palm Coast, Panama City, Pensacola, Ponte Vedra Beach, Santa Rosa Beach, Silver Springs Shores, St. Johns, St. Augustine, St. Petersburg, Tampa, Valparaiso, Weekiwachee Springs, Wildwood, Winter Haven
Melbourne	1	Melbourne
Miami	18	Apopka, Boca Raton, Boynton Beach, Bunnell, Clearwater, Coral Springs, Daytona Beach, DeBary, Deerfield Beach, Deland, Delray Beach, East Orange, Eau Gallie, Flagler Beach, Ft. Lauderdale, Gainesville, Hollywood, Homestead, Jacksonville, Jupiter, Kenansville, Keys, Lake Buena Vista, Melbourne, Miami, North Dade, New Smyrna Beach, Oak Hill, Orange Park, Orlando, Oviedo, Palatka, Palm Coast, Perrine, Ponte Vedra Beach, Pompano Beach, Reedy Creek, Sanford, Sarasota, St. Augustine, Stuart, Tallahassee, Tampa, Titusville, Winter Garden, Winter Park, West Palm Beach
Ocala	3	Gainesville, Ocala
Orlando	17	Apopka, Bartow, Cantonment, Celebration, Clearwater, Clermont, Cocoa, Cocoa Beach, Daytona Beach, DeBary, Deland, Delray Beach, Dunnellon, Eau Gallie, Ft. Pierce, Ft. Lauderdale, Geneva, Hollywood, Jacksonville, Kenansville, Kissimmee, Lake Wales, Lakeland, Lake Buena Vista, Melbourne, Miami, Mulberry, New Smyrna Beach, Ocala, Orange City, Orlando, Oviedo, Palm Coast, Reedy Creek, Sanford, Sarasota, Sebastian, St. Cloud, St. Petersburg, Tampa, Tavares, Titusville, Venice, Weekiwachee Springs, Windermere, Winter Haven, Winter Garden, Winter Park, West Kissimmee, West Palm Beach
Panama City	1	Panama City
Pensacola	3	Pensacola
Pompano Beach	9	Boca Raton, Coral Springs, Deerfield Beach, Delray Beach, Ft. Lauderdale, Hollywood, Miami, Naples, North Dade, Perrine, Pompano Beach, Stuart, West Palm Beach
Port Charlotte	2	Port Charlotte, Punta Gorda, Venice
Sarasota	1	Sarasota
Tallahassee	3	Tallahassee
Tampa	21	Bartow, Bradenton, Clearwater, Coral Springs, Daytona Beach, Delray Beach, Englewood, Ft. Myers, Frostproof, Ft. Lauderdale, Haines City, Homestead, Hudson, Indian Lake, Jacksonville, Lake Wales, Lakeland, Mulberry, Naples, North Naples, North Ft. Myers, New Port Richey, Orlando, Palmetto, Plant City, Port Charlotte, Sarasota, Sebring, St. Augustine, St. Petersburg, Tampa, Tarpon Springs, Venice, Vero Beach, Winter Haven, Zephyr Hills
Venice	1	Venice
West Point, GA	1	Panama City
Windermere	1	Apopka, Boca Raton, Brooksville, Celebration, Clearwater, Cocoa, Cocoa Beach, Dade City, Daytona Beach, DeBary, Deland, Eau Gallie, Ft. Myers, Ft. Lauderdale, Groveland, Hollywood, Hudson, Keys, Kissimmee, Lakeland, Leesburg, Lake Buena Vista, Melbourne, Miami, Mulberry, Naples, North Naples, New Port Richey, Okeechobee, Orange City, Orlando, Oviedo, Palm Coast, Perrine, Port Charlotte, Reedy Creek, Sanford, Spring Lake, St. Petersburg, Tallahassee, Tampa, Tarpon Springs, Titusville, Venice, Windermere, Winter Haven, Winter Garden, Winter Park, West Kissimmee
Winter Haven	1	Winter Haven
West Palm Beach	9	Boca Raton, Boynton Beach, Celebration, Clearwater, Coral Springs, Deerfield Beach, Delray Beach, Ft. Myers, Ft. Pierce, Ft. Lauderdale, Hollywood, Jensen Beach, Jupiter, Lake Wales, Marco Island, Miami, Naples, North Dade, Orlando, Perrine, Pompano Beach, Port St. Lucie, Sebastian, St. Petersburg, Stuart, Vero Beach, Winter Park, West Palm Beach
Total	126	
Source: Responses to FPSC Data Requests		

CLEC switch deployment in Florida continues to grow, thereby extending the reach of facilities-based services. As discussed previously, however, the target customers for switch-based service continue to be the large, high margin business customers in mainly metropolitan areas. It remains to be seen to what extent the costs and economies of serving the mass-market (residential and small business customers) will, to the extent those factors can be isolated, allow

CLECs to provide switch-based services profitably.[23] As discussed in Chapter V, the FCC's Triennial Review Order delegates to individual states the responsibility, within the framework provided by the Order, of conducting the granular analysis necessary to assess the economics of serving the mass market. This analysis will be conducted on a market-by-market basis to determine whether or not CLECs are impaired without access to ILEC switching, a key element of UNE-P. In the interim, CLECs will likely continue to rely on UNE-P as the platform of choice for serving the mass market.

C. Market Participants and Platforms

According to the FCC's Local Competition Order, opening the local exchange and exchange access markets to competition was to "pave the way for enhanced competition in all telecommunications markets."[24] Additionally, the opening of these markets was expected to blur traditional industry distinctions. The current state of the telecommunications industry indicates that this "blurring" of providers and distinct industry lines is indeed taking place. This section provides brief updates on major industry participants in the market for voice and broadband communications.

1. Voice Communications Providers

a. Wireline

Traditional wireline providers such as ILECs and CLECs continue to compete for market share, but are also facing an influx of non-traditional competitors entering the local market using alternatives such as wireless, satellite, and broadband technologies. For example, FCC data[25] indicate that at the end of 2002, approximately 188 million end user customers obtained local telephone service from CLEC and ILEC switched access lines, compared to 136 million mobile wireless telephone service subscriptions.

The local wireline market presents competitive challenges for the incumbent providers. Todd Rosenbluth, an analyst for Standard & Poor's, states, for example, that for the remainder of 2003 and into 2004, the operational arena for wireline telecommunications companies will remain challenging. Specifically, he notes that RBOCs are facing "declining customer bases in their traditional markets, increasing competitive threats from new forms of communication, an

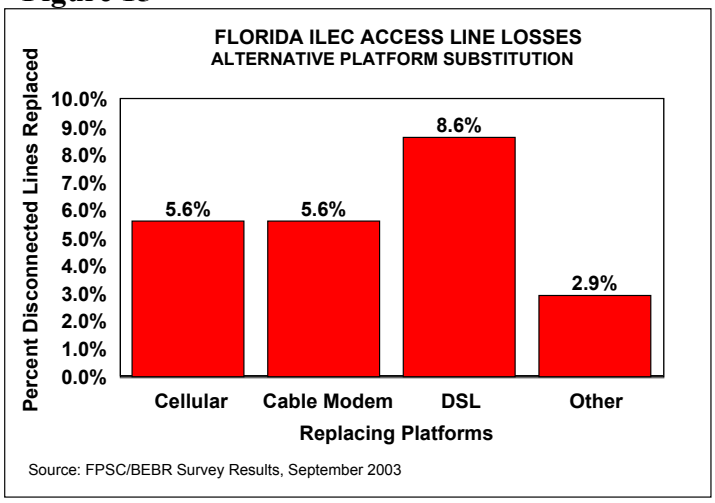
[23] As noted, a CLEC's ultimate profitability is a function of numerous factors, including its business model and financial condition, local rates changed by incumbents, economies of scale and scope, and population densities.

[24] FCC 96-325, CC Docket No. 96-98, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, First Report and Order, Paragraph 4.

[25] Local Telephone Competition: Status as of December 31, 2002, Federal Communications Commission, Wireline Competition Bureau, June 2003.

economic slowdown, a glut of fiber optic capacity, and earnings quality issues."[26] Standard & Poor's also expects that as U.S. households increasingly turn to wireless and cable offerings, incumbent carriers will experience access line declines of at least 4%. Indeed, BellSouth's Financial and Operational Results for the Second Quarter of 2003 divulged that total access lines were down by 3.9%, or 988,000.[27] Morgan Stanley estimates that the three largest Bell companies, SBC, BellSouth, and Verizon "have together lost nearly 9% of their retail phone lines in the past five quarters alone." Florida specific data confirm these line losses for Florida ILECs. Based on Commission survey results,[28] over 9% of respondents had disconnected a secondary telephone line within the last twelve months. Almost 23% of those disconnected lines were replaced with service from an alternative platform provider: 5.6% were replaced with cellular service; 5.6% were replaced with cable modem service; 8.6% were replaced with DSL service; and 2.9% were replaced with satellite, fixed wireless, or "other" type of service. (Figure 15)

Figure 15



However, as the telecommunications industry continues to evolve with new entrants and innovative technologies, traditional service providers are taking steps to compete in the provision of new products and services. For example, SBC, BellSouth and Verizon recently announced they were adopting a set of common technical requirements for fiber to the premises technology (FTTP), which can be used to connect homes and businesses to telecom networks. According to a recent Wall Street Journal article, with this technology, these RBOCs will be able to deliver high-definition video, Internet traffic, and voice calls "at speeds more than 500 times as fast as cable modems or their own DSL lines" and, as a result, deliver a "devastating weapon against the

[26]"Wireline Telecom Firms' Challenges To Continue Into 2004, Says S&P Equity Analyst In New Study," Standard & Poor's August 27, 2003 Press Release.

[27]"Financial and Operational Results 2Q03," http://www.bellsouth.com/investor/pdf/2q03p_slides.pdf.

[28]September, 2003 FPSC/BEBR survey results.

cable companies."[29] In the next step, the companies issued a letter to telecommunications equipment manufacturers to alert them that they will soon be seeking proposals for equipment based on the common requirements.

Also, most ILECs offer attractive deals encouraging consumers to try their own wireless services. Long distance carriers are also seeking to enter, or in AT&T's case, to "re-enter" the game. AT&T spun off its wireless unit two years ago but wants to get back into the mobile-phone business. AT&T's head of consumer operations stated in an interview, "We need a wireless play."[30] WorldCom's Chief Executive Officer has also been reported as saying that the company is pursuing opportunities to add wireless service. In July 2003, Sprint announced plans to offer PCS Wi-Fi Access, "a high-speed wireless data service that will enable customers to replicate their desktop environment in key locations across the country." The company states that it will be able to provide customers with high-speed Wi-Fi access "where they need it most – in public locations such as airports, convention centers and hotels – at speeds 50 times faster than standard dialup." Sprint plans for the service to be available in over 2,100 locations by the end of the year.[31]

Today's communications market is increasingly characterized by competing and rapidly evolving technologies, new business models, and greater consumer choice. Other providers of communications services – including providers of cable, DSL, satellite, VoIP, fixed wireless, and Wi-Fi technologies – are competing for market share. Data, as opposed to traditional telephony, is the predominantly stronger growth segment. Convergence in the industry is also resulting in new corporate strategies (*e.g.,* mergers of service providers and content providers, horizontal and vertical integration) and in bundled product offerings to consumers. The result: customers have greater choice between competing platforms and competing applications. To survive in the long-run, wireline providers will need to respond to this rapidly changing and converging market.

b. Wireless

Nationwide, wireless service providers continue to make significant strides as competitors in satisfying the communications needs of consumers. According to the FCC, wireless phones, once used solely as a business tool, are now a "mass-market consumer device" with subscribers now at 49% of the total U.S. population.[32] The competitive landscape of the

---

[29]"Local Bells Look to Fiber to Stem Losses," The Wall Street Journal, June 19, 2003.

[30]"Wireless beckons to AT&T again," Bloomberg News, Seattle Post-Intelligencer, May 20, 2003.

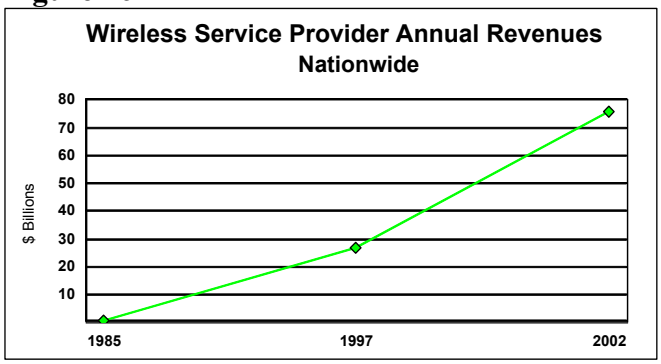
[31]"Sprint Announces Plans to Offer Public Wi-Fi Access Service, Offering Customers High-Speed Connectivity When and Where They Need It Most," Sprint Press Release, July 21, 2003.

[32]FCC Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Radio Services, *Eighth Report*, FCC 03-150, Released July 14, 2003.

U.S. wireless industry is vibrant with increased numbers of competitors in various markets offering different types of services and lower prices to consumers. The FCC reports that 95% of the U. S. population live in counties with access to three or more mobile phone carriers, and 83% live in counties with at least five carriers.[33] The FCC further reports that there are six nationwide carriers (AT&T Wireless, Cingular, Nextel, Sprint PCS, T-Mobile USA, and Verizon Wireless, LLC); however, "nationwide" does not necessarily imply that each carrier covers the entire land area of the U.S. Other large regional carriers, including ALLTEL Corp., Western Wireless Corp., United States Cellular Corp., and Dobson, are also active in the market.[34]

As shown in Figure 16, the wireless industry has grown phenomenally with revenues of approximately $482 million in 1985 to over $76 billion in 2002.[35] FCC data report that the wireless segment has expanded from roughly 38 million users in 1996 to over 136 million subscribers as of December 2002 (this estimate may be substantially lower than actual results because carriers with under 10,000 subscribers in a state were not required to report). The deregulatory nature of the FCC's wireless policies is credited for much of this growth. In contrast, the wireline providers are expected to lose approximately $8.8 billion in revenues resulting from the increased use of wireless services.[36]

Figure 16



Source: Cellular Telecommunications & Internet Association (CTIA)

The wireless industry in Florida has been very active in recent years as well. Florida subscribership levels remain high at approximately 53% of the state's population based on the FCC's most recent data. Figure 17 compares Florida to national subscribership percentages for the years 2001 and 2002.

---

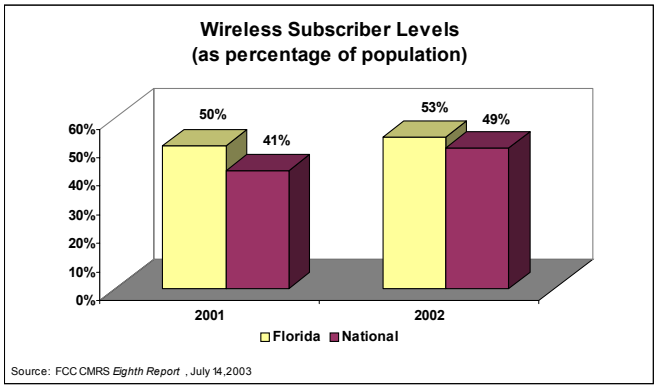
[33]Ibid.

[34]Ibid.

[35]GAO-03-501, *Mobile Phone Call Quality*, Released April 2003.

[36]Forrester Research.

Figure 17



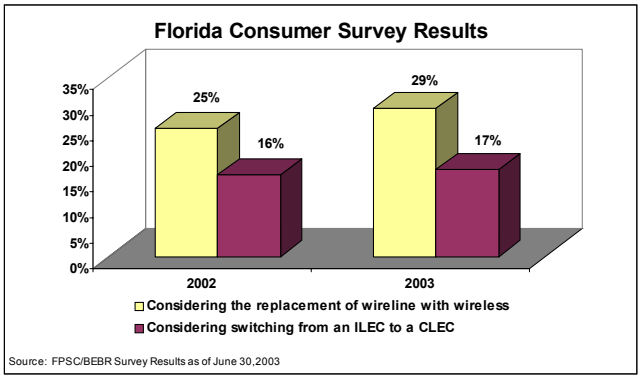
Among the four most populous states, Florida ranked third and fourth as of December 31, 2001 and 2002, respectively, for number of wireless subscribers.

Table 11: Wireless Subscribers in Four Most Populous States			
State		**2001**	**2002**
California		14,997,358	17,406,588
Texas		9,062,064	9,943,429
Florida	[New York]	**8,521,734**	[8,898,347]
New York	**(Florida)**	7,247,181	**(8,646,145)**

Source: FCC, *Local Telephone Competition: Status as of December 31, 2002*

Responses to a Florida consumer survey conducted for the Commission by the University of Florida Bureau of Economic and Business Research (BEBR) indicate that, as of June 2003, 62% of Florida's residential wireline telephone service subscribers now have wireless telephone service, up from 57% during the same reporting period last year. Survey results also reveal that 29%, up from 25% in 2002, of Florida's residential telephone service subscribers are considering using wireless service in place of traditional wireline service. In an interesting contrast, only 17% of survey respondents reported that they are considering switching from an ILEC to a CLEC. (Figure 18) It appears that consumers are more willing to completely change modes of telephone provision than to change from one wireline carrier to another. This is a continuing trend from last year.

Figure 18



The substitution of wireless service for traditional wireline service has been a popular topic and industry trend. Wireless service provides the mobility convenience factor that wireline service does not. In addition, bundled service offerings, including local and long-distance calling with popular features such as caller ID, call waiting, e-mail, Internet access, text messaging, and voice-mail make wireless telephone service attractive. Wireless service should become an even more attractive alternative when providers implement wireless-wireline local number portability later this year, and location-specific E911 service by the end of 2005. The FCC states that while only a small percentage of wireless customers have actually cancelled their subscription to wireline telephone service, there is much evidence that consumers are substituting wireless for traditional wireline communications.[37]

According to Travis Larson, spokesman for the Cellular Telecommunications & Internet Association, about 7.5 million, or 5%, of the 145 million U.S. wireless telephone users have "ditched" their conventional phones.[38] Anecdotal evidence shows that most of these people are young and mobile, between the ages of 18 and 30.[39] Larson also stated that about 18% of Americans consider their cell phone as their primary phone, i.e., their wireless, not wireline, number would be the number given out to people.[40]

Many wireless plans now offer "buckets" of minutes that can be used for nationwide calling at affordable rates. These plans present cost effective alternatives to the traditional wireline telephone service packages. Research conducted by the Yankee Group shows that the

---

[37]FCC Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Radio Services, *Eighth Report*, FCC 03-150, Released July 14, 2003.

[38]"Young People Increasingly Ditch Wire Lines for Cellular," Amy Sullivan, The Salina Journal, April 15, 2003.

[39]Ibid.

[40]"For many, their cellphone has become their only phone," USA Today, March 24, 2003.

average U.S. wireless subscriber logged 490 minutes per month in the fourth quarter of 2002. This usage surpassed wireline voice usage of an estimated 480 minutes per person each month.[41]

Wireless service is significantly changing the way consumers communicate and is becoming a close substitute to traditional wireline service. Consumer demand for wireless service continues to increase and to shift revenue away from traditional wireline service. Although the quality of wireless service continues to be an issue with some wireless providers, the results of a General Accounting Office survey conducted in November 2002 found that nearly 83% of mobile phone users were satisfied with their overall service.[42] Recognizing the national trend of substituting or complementing wireline service with wireless service, wireline companies are enticing customers to keep wireline service and add wireless service by offering innovative wireline-wireless service plans. Cingular Wireless (a joint venture of SBC Communications, Inc. and BellSouth Telecommunications, Inc.) with 22 million customers recently introduced *FastForward*, an innovative service that enables customers to receive calls to their wireless phones on their wireline phone. Calls sent to their wireless phones are automatically forwarded to a designated wireline number while the wireless phone's battery is being recharged, and the call minutes are not deducted from the wireless call-minute limit of the monthly wireless service plan.[43]

The success of the wireless industry in Florida is attributable, at least in part, to its lack of regulation. Consumers today enjoy the benefits of a vigorous competitive market for cellular service, and this competition polices the industry without the need for the regulation seen in other venues.

c. Cable Telephony

Cable telephony services have become an important segment of cable operator revenues and are projected to become an even more important factor in the future. Cable telephony customers currently total 2.5 million and are expected to significantly increase as more companies expand their offerings to include local telephone service. Most cable telephony service is currently provisioned over traditional circuit-switched facilities; however, the future of cable telephony is widely viewed by industry experts to be service provisioned using Voice over Internet Protocol (VoIP) over packet-switched facilities.

Cable company migration to VoIP is well under way. Since the passage of the Telecom Act in 1996, cable companies' potential telecom presence has been strengthened by more than 75 billion dollars of investment in facilities to upgrade analog cable infrastructure to digital

---

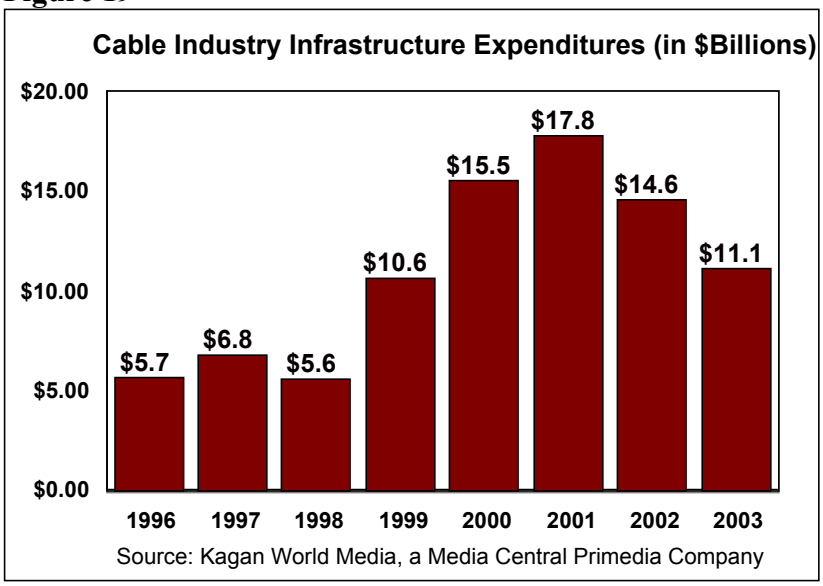
[41] BusinessWeek Online, June 27, 2003.

[42] GAO-03501, Mobile Phone Call Quality, Released April 2003.

[43] "Cingular Dangles Call Forwarding in Bundle," Erin Joyce, September 9, 2003.

capability.[44] (Figure 19) These upgrades have helped spur cable's current lead over telephone companies in broadband deployment and subscribership and have allowed increased revenue opportunities through what is referred to as the "triple play" service offering. Considered as the "holy grail" by many, the triple play is the ability to sell voice, high-speed Internet access, and an expanded number of video programming channels as a bundled service, over a single facility. A digital cable connection is necessary for each customer to obtain the bandwidth required to support the triple play. By 2005, revenues generated by digital customers will surpass that of analog customers, accounting for over 19 billion dollars in revenues.[45]

Figure 19



Four of the largest cable providers, Comcast, Cox Communications, Time Warner Cable, and Cablevision plan to launch VoIP service across their regions in the next few years.[46] Several cable companies already have VoIP service rollouts and trials underway around the United States.

Cablevision is expected to be the first cable company in the nation to offer service throughout its subscriber area. The company presently offers VoIP service in western Long Island and is expecting to offer it by year-end to all 4.4 million of its customers. Cablevision's

---

[44] Cable and Telecommunications Industry Overview 2003

[45] http://www.skyreport.com/viewskyreport.cfm?ReleaseID=1174

[46] "Calling via Internet has suddenly arrived," USA Today, July 6, 2003. As noted, Florida law provides that VoIP shall be free of any unnecessary regulation.

voice package includes unlimited local and long distance and five features for $34.95. This compares to similar packages offered by Verizon for $59.95 and MCI for $49.00.[47]

Time Warner launched VoIP service in Portland, Maine in May, and plans to introduce service this fall in two North Carolina metro areas and Rochester, New York. According to a Timer Warner spokesman, 86% of Time Warner's VoIP subscribers in Portland indicated they were abandoning the traditional telephone company. More than a third of Cablevision's indicated they would do the same.[48]

Cox Communications, which already offers voice service using traditional circuit switches to 839,000 of its 6.5 million subscribers, is currently running a VoIP service trial in Roanoke, Virginia.[49] The company believes that VoIP technology is now sufficiently mature for a major rollout during 2004.[50] Cox sees several advantages if it is able to find VoIP success. It would expand its telephone service, reduce costs, offer more features, and provide inexpensive second and third lines for its customers. In addition to offering local service, Cox will also move its long-distance voice traffic to its existing IP backbone network, which currently carries data traffic in support of the company's cable modem offering. To serve the long distance needs of those customers, Cox currently buys wholesale long distance minutes from three different network operators. The new plan calls for that traffic to be delivered to the Cox IP backbone, then offloaded to the Public Switched Telephone Network (PSTN). The use of packet switching in lieu of circuit switching will have an estimated savings of 8-10% when compared with primary network-powered phone service.[51]

Within the past year, Comcast acquired 1.4 million circuit-switched telephony customers from AT&T Broadband and has since chosen not to expand the telephony customer base in current or new markets. Rather, Comcast has turned its focus on improving former AT&T systems' analog and digital video services and collecting on bad debts. As of April 2003, Comcast reportedly lost 52,000 voice customers, with an estimated 1.37 million still in service. The company is putting most of its telephony efforts into launching VoIP service. Once it is ready for extensive deployment, it will be a more cost-effective means for cable operators to deploy voice services, according to a Comcast executive. Comcast is conducting a trial on 75 homes in Coatsville, Pennsylvania. Once quality-of-service issues have cleared up, Sam

---

[47] Ibid.

[48] "Dial 'C' for cable," Newsday, September 7, 2003

[49] http://www.newtelephony.com/news/629.html

[50] http://www.convergedigest.com/DSL/lastmilearticle.asp?ID=8282

[51] "Cox adopts VOIP at the core," June 19, 2003, Joan Engebretson, America's Network Weekly

Chernak, vice president of Comcast VoIP services, states Comcast will be able to run data and telephony within the same plant, saving money, and making VoIP more cost effective.[52]

While the larger cable companies operating in Florida do not appear to have firm plans for rolling out VoIP in the state (companies understandably have not disclosed their business plans for trials or rollout), smaller companies are increasingly providing VoIP services. Advanced Cable Communications serves about 50,000 cable TV customers in Coral Springs and the planned community of Weston, Fla., and has about 7,000 high-speed data subscribers. Advanced Cable has announced a private-label resale agreement with Vonage, a leading provider of VoIP telephony (see VoIP section), to provide voice services to its Florida market.[53] While small in comparison to other cable companies, such as Comcast or Time Warner, the agreement demonstrates the potential of wholesale VoIP services to broadband operators. Advanced Cable plans to deploy a residential offering that will include both the Vonage Residential Premium Unlimited Plan, and the Residential Unlimited Local Plan. The Residential Unlimited Plan includes unlimited calling in the United States and Canada plus a range of features including caller ID, call forwarding, call transfer, and call waiting for $40 a month. The Residential Unlimited Local Plan gives unlimited local and regional calling plus 500 long distance minutes and the same feature package.[54]

The cable companies' triple play offerings are seen as a competitive threat to incumbent telephone companies. Forester Research predicts 4.8 million customers will have VoIP service by the end of 2006. An analyst with In-Stat/MDR believes that cable companies will take 20% market share from the regional Bells in the foreseeable future. The cable threat is not being taken lightly by the Baby Bells, which are beginning to respond by offering their own version of the Triple Play.

BellSouth, for example, has partnered with DirecTV to offer BellSouth residential customers, in early 2004, DirecTV digital satellite service bundled with BellSouth's other services. Already available to BellSouth customers are bundled services consisting of a high speed data connection, local and long distance service, wireless service, email, and voicemail. The agreement between the two companies states that both companies will discount their respective services, if sold in the BellSouth Answers bundle.[55]

SBC Communications and EchoStar have also announced a partnership to jointly market satellite television and voice services. SBC plans to use the new programming resources to

---

[52]http://www.hostingtech.com/news/2003/3/20/St_Nitf_Friendlies_Turned_On_In_Comcas_c0319010.7hr.html

[53]http://newtelephony.com/news/623.html

[54]http://www.vonage.com/corporate/press_index.php?PR=2003_06_10_0

[55]http://bellsouthcorp.com/proactive/newsroom/release.vtml

launch a "quadruple play" bundle in 2004, offering customers in its 13 state territory multichannel programming, local and long distance service, wireless, and broadband services. This partnership will link EchoStar's DISH Network Satellite TV service with SBC's voice and data offering, giving customers one bill and a single point of contact and eventually leading to enhanced services coming out of a single set-top box.[56]

Qwest has signed strategic marketing agreements with both DirecTV and EchoStar to provide satellite TV service to its customers. Qwest currently offers multi-channel video entertainment to approximately 64,000 customers through a variety of delivery options including very high-speed digital subscriber line (VDSL), satellite, and hybrid fiber-coaxial cable. With its first-hand knowledge of numerous multi-channel video delivery systems, Qwest is one of the most advanced providers in the U.S. with regard to its video deployments.[57]

Although the company declines to comment on it, there are rumors that the remaining RBOC, Verizon, is also talking with EchoStar and DirecTV about partnering to provide satellite TV service to its customers.[58]

Cable's entry into voice and telephone's entry into entertainment certainly introduces a new dimension into the competitive local telecommunications market. This change will also bring a new range of choices and price offerings for consumers. At this point cable has gained the lead over telephone companies in the quest by these once diverse carriers to enter the other's market. It remains to be seen whether it will be a greater challenge for cable companies to lure telephone customers or for telephone companies to lure TV customers.

d. VoIP

Voice over Internet Protocol (VoIP) converts voice (analog signals) to digital, sends it over the IP network, and then transforms the data back into analog so that the receiving telephone can produce the sound of conversation. Traditionally, telephone companies have relied on circuit switches to connect a phone call between two parties over the Public Switched Telephone Network (PSTN). In a circuit switched connection, the circuit is continuously open between the two phones; however, when one person is talking, the other is listening, therefore utilizing only half of the connection. While a circuit switch keeps the connection open and constant, packet switching opens the connection long enough to send a small piece of data, a packet, from one system to another. VoIP technology uses this packet-switching method to provide several advantages over circuit switching. For example, packet switching allows several telephone calls to occupy the amount of space occupied by only one in a circuit-switched

---

[56]TelephonyOnline July 21,2003

[57]Qwest press release, July 21, 2003

[58]"BellSouth, Verizon Eyeing Satellite-TV," New York Post Online Edition, August 11, 2003

network. It minimizes the time that a connection is maintained between two systems, which reduces the load on the network.[59]

Like many technologies, VoIP may have limitations. For example, if a customer's Internet Service Provider (ISP) has very high traffic loads that affect regular Internet usage, it will also affect voice traffic, meaning when Internet service goes down, so will voice service. A regular PSTN phone should work even if power is lost to the house, but service through VoIP will be susceptible to any power or service outages that the customer or ISP suffers. In addition, if extremely sensitive business is conducted over the telephone, the customer may want to consider some other method of communication that has less probability of interception by computer hackers.

With the improvements and growth in IP telephony, firms in the United States are considering this technology as part of their corporate communications package. Worldwide, the combined revenues for hosted VoIP services are expected to grow from $46 million in 2001 to $36.5 billion in 2008.[60] According to in-Stat/MDR, a Scottsdale-based tech research firm, at the end of 2002, close to 260,000 US firms, roughly 2% of all firms, were using some type of IP telephony. By 2007, it is estimated that the number of firms will grow to 2.2 million.[61] The primary driver for IP telephony is cost savings provided by allowing businesses to use the same network for both their voice and data needs.

Small business interest in IP telephony has started to open up the market for CLECs as well. Currently, CLECs maintain 8,700 data switches nationwide that are used to provide high speed broadband services. Many CLECs, such as Orlando Telephone Company, ElectroNet Intermedia Consulting, and Covad Communications, are using these switches to provide high speed broadband services over Virtual Private Networks (VPNs) as a means of attracting small business customers. A VPN is a private network that uses a public network to connect remote sites or users together. Instead of using a dedicated, real-world connection such as a leased line, a VPN uses "virtual" connection through the public Internet from the company's private network to the remote site or employee. By using a VPN, the company, as well as the VPN provider, reduces the recurring telecommunications charges that are incurred when connecting remote users and branch offices to resources in a corporation's headquarters.

In addition to more businesses installing VoIP systems, individuals also are replacing their traditional local phone service with VoIP. After years of relatively slow growth, VoIP providers are generating renewed interest among consumers due to a sharp increase in broadband

---

[59] http://computer.howstuffworks.com/ip-telephony.htm/printable

[60] "Market for Hosted VoIP Services to Reach $36.5 Million in 2008," According to ABI, April 16, 2003

[61] http://phoenix.bizjournals.com/phoenix/stories/2003/08/11/daily2.html

connections to the home, improvements in the quality of service, and connections which allow VoIP calls over ordinary telephone handsets rather than a computer microphone system.[62]

Vonage is currently the leading provider of VoIP telephony with more than 44,000 lines in service and 2.5 million calls completed each week.[63] Vonage offers residential and small business customers two plans to fit their needs. Residential customers can choose between unlimited local and long distance calling for $39.99 a month, or unlimited local plus 500 minutes of US or Canada long distance calling for $25.99. Small business customers can choose between unlimited local and long distance calling for $49.99 a month, including a free dedicated fax line, or 1500 minutes of calling throughout the US and Canada, including a free dedicated fax line, for $39.99. Vonage also offers a variety of services free of charge, such as voicemail, caller ID, call waiting, call forwarding, call return, caller ID block, and repeat dialing. In addition, a customer can select the area code for which to have their phone line. This can be beneficial for a resident or business whose majority of calls come from a certain area code other than their local area code. For a customer wishing to port their landline phone number to Vonage, this is possible if Vonage provides service in that area code. For example, if an area code is not supported by Vonage, the customer must choose a new area code and phone number to obtain service.

Packet8, of Santa Clara, California, is taking a low-price approach. In May 2003, Packet8 lowered its price to $19.95 monthly for a plan with unlimited calling anywhere in the US and Canada. Packet8 offers more area codes throughout the country but has spent very little on marketing. The company claims it has signed on 3,000 users since the service opened in November 2002.[64] However, Packet8 does not offer 911 service, number porting from a landline phone, nor porting from Packet8 to another provider.[65]

As previously discussed, VoIP is also prominent in the plans of cable companies. Charter Communications and Time Warner Cable have already launched commercial service in Wausau, Wisconsin and Portland, Maine, respectively. Other major companies, such as Comcast, Cablevision, and Cox, are presently conducting trials. Market observers report increased interest in VoIP from cable operators over the last several months, while some companies are moving up trials that were previously scheduled for the end of 2003.

States such as New York, Alabama, and Wisconsin have sought to regulate VoIP, and other states have yet to make that decision. In September 2003, the Minnesota Public Utilities Commission (PUC) issued an order requiring Vonage to obtain a certificate as a telecommunications provider in the state. On October 16, 2003, a U.S. District Court in

---

[62] http://news.com.com/2100-1038 3-1026975.html

[63] http://www.vonage.com

[64] http://www.bayarea.com/mld/mercurynews/business/6478054.htm

[65] http://www.packet8.net/about/service_terms.asp

Minnesota imposed a permanent injunction against the Minnesota PUC's order, the effect of which is to excuse Vonage from having to obtain state certification. On October 30, 2003, the Minnesota PUC filed a motion with the US District Court in Minnesota asking the Court to reconsider its order concerning Vonage. Specifically, the Minnesota PUC asked the Court: (1) to amend its earlier findings or, alternatively, make its injunction temporary to allow further investigation, and (2) to lift the permanent injunction against that portion of the PUC's order that requires Vonage to comply with Minnesota's 911 requirements.

In a recent change to Section 364.01, Florida Statutes, the Florida Legislature found that the provision of VoIP free of unnecessary regulation, regardless of provider, is in the public interest. In addition, an amendment to Section 364.02, Florida Statutes, excludes VoIP from the definition of telecommunications service for purposes of regulation by the Commission. This exclusion is subject to the reservation of rights and obligations of any entity with respect to payment of access charges or other intercarrier compensation, if any, related to VoIP. The issues of whether VoIP providers are obligated to pay access charges or federal universal service fees are currently pending before the FCC.

Volo Communications, Inc. began a sixty day trial in Florida on September 15, 2003, offering residential and business customers unlimited calling with popular enhanced features, high speed Internet access, VPN services, and other advanced voice and data services via Bright House Networks, the Orlando-based cable company.[66] The bundled package includes unlimited residential local and long distance VoIP services and enhanced calling features for $25 per month, high speed cable Internet access, corporate and residential video streaming services, VPNs for telecommuting employees and remote offices, and storage and data recovery service. Unlike similar VoIP service offerings, these services are offered over Volo Communications' private IP backbone network, rather than through thousands of public Internet subnetworks.[67] Following the trial, Volo Communications hopes to sell its service to cable providers as an additional service that they, in turn, can sell their customers.

Local telephone service providers are offering bundled packages to compete with the unlimited services made available by VoIP service providers. Sprint, one of the three largest local telephone service providers in Florida, has begun bundling calling plans that will range from $45 per month for unlimited local calling and a block of long distance minutes to $190 per month for a complete package of unlimited local and long distance service and unlimited wireless calls.[68]

---

[66]"Make calls over your Cable Line," Orlando Sentinel September 15, 2003

[67]http://www.volocommunications.com/VoloPress20030903.htm

[68]http://www.siliconvalley.com/mld/siliconvalley/news/6632308.htm

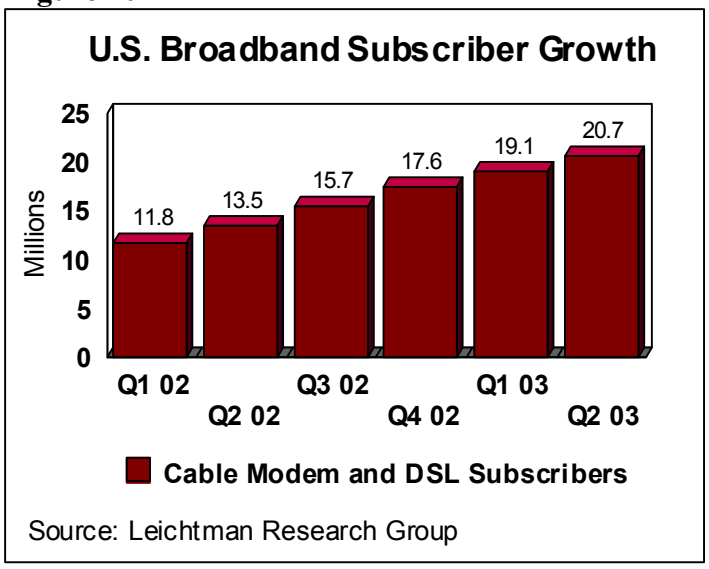
2. Broadband Communications Providers

a. Introduction

Broadband access to the Internet and the services that flow from high-speed connectivity are becoming an ever-increasing factor in the daily activities of Americans. As of mid-year 2003, there were approximately 20.7 million American households with cable modem or DSL service.[69] (Figure 20) In addition, there are almost 500,000 subscribers to other modes of broadband service, including fiber to the home, fixed wireless, and satellite services.[70]

Experts agree that investment in broadband technologies and networks is vital for the long-term economic strength of the country. Broadband-enabled activities (streaming video, exchanging music, photography) have the potential to spur new rounds of upstream and downstream investments and consumer spending – in content, in software and applications, on device makers (MP3 players, digital cameras, multimedia PCs, etc.), in retail channels, and in new facilities investments. Florida's own economic development, including its skills and job training, education and health care services, and the recruitment and retention of businesses, is increasingly linked to an advanced communications infrastructure. Consensus exists among analysts and policy-makers that realization of broadband's potential economic benefits will require billions of dollars in additional up-front investments in technology, networks, and deployment.

Figure 20



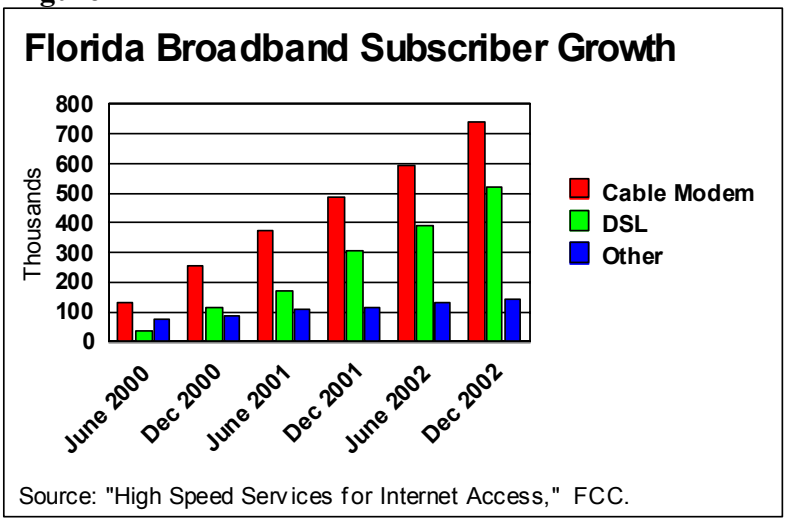
[69] Leichtman Research Group, "High Speed Internet Growth Slowing Down?" August 7, 2003.

[70] "High-Speed Services for Internet Access: Status as of December 31, 2002," Table 3, FCC Wireline Competition Bureau, June 2003.

i. Florida Analysis

Broadband growth in Florida has matched or even exceeded that of the nation. While Florida is the fourth most populous state, it ranks third in total number of high-speed lines, according to the FCC's most recent data. Only California and New York have a higher quantity of lines. The number of cable modem lines in service in Florida grew by 471% from June 2000 through year-end 2002. DSL lines still trail in absolute numbers, but growth has been even more impressive at 1279%. Other broadband access methods such as satellite, fixed wireless, and fiber optic lines to the home (FTTH) grew more moderately, 88%, over the same time period.[71] The growth rates for cable modem and DSL technology show the explosive rise of broadband technology, but it is important to note these growth rates were from a small base. As this base has grown considerably, growth rates are slowing, but total numbers of new subscribers continue to be strong. In the second half of 2002, Florida added over 286,000 high-speed lines (as broken down by technology in Figure 21), its largest addition yet according to the FCC's bi-annual review.

Figure 21



These growth trends have resulted in the following broadband mixture for Florida. Cable modems are still the most popular form of broadband access, but as shown in Figure 22, DSL accounts for larger market share in Florida than the national average. According to consumer surveys conducted for this Commission by the University of Florida's Bureau of Economic and Business Research, cable modems are most popular in four out of five regions of Florida. DSL, however, leads in the Miami-Ft. Lauderdale region as depicted in Figure 23.

[71] "High-Speed Services for Internet Access," FCC Wireline Competition Bureau, June 2000-December 2002.

Figure 22

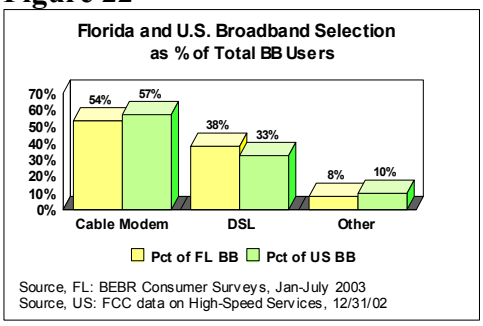
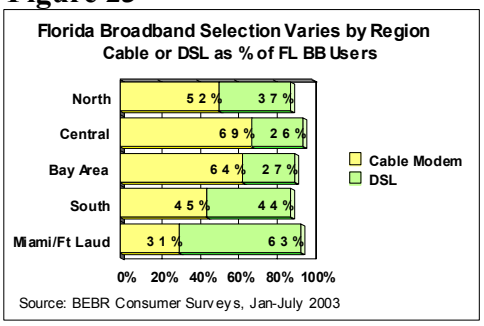
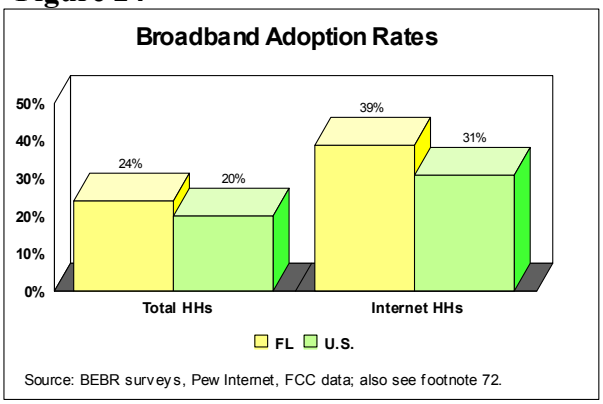


Figure 23



Florida is currently outpacing the national rate of broadband adoption. Among Florida households with Internet service, 39% have converted to broadband, compared with 31% nationwide. Meanwhile, 24% of all Florida households have adopted broadband, compared with 20% of all U.S. households.[72] (Figure 24)

Figure 24



ii. Broadband Availability in Florida

One reason for Florida's higher than average broadband subscription levels may be the higher than national level of availability for broadband services. In particular, many of Florida's ILECs seem to have overcome to some degree the technical challenges of providing DSL service. ILECs reported the following levels of DSL availability for households in their respective Florida territories:

- BellSouth 88%
- Sprint 67%
- Frontier 90%

---

[72] Total HH source: "High-Speed Services for Internet Access: Status as of December 31, 2002," FCC. Data adjusted for mass market penetration by excluding enterprise lines. Data extrapolated to June 2003 using most recent six months growth rates. FL Internet penetration source: BEBR surveys. U.S. Internet penetration source: Pew Internet Project, March 2003.

- Northeast Florida Telephone Company 100%
- Five of the seven small, rural ILECs report over 70% coverage.
- TDS Telecom (Quincy Telephone) will begin deploying broadband by year-end 2003.
- Verizon was the only ILEC that refused to provide data on DSL availability.

Cable modem availability is not obtainable for Florida. Cable companies do not provide state-specific information regarding availability or deployment. However, national figures are available indicating that cable broadband was available to an estimated 83% of U.S. homes at the end of 2002.[73] It would not be unreasonable to expect availability of cable broadband in Florida to be comparable.

iii. Observations Regarding Consumer Demand

While the pace of broadband growth is impressive, adoption rates are only now reaching levels sufficient to make broadband an influential factor in the types of media, services, and applications available on the Internet. The major Internet portals have all announced recent software updates to maximize the possibilities for broadband users. Microsoft, for example, announced a new version of its Internet service with software, such as a digital photo editor, dedicated to attracting broadband users. AOL introduced an upgraded service with emphasis on exclusive multimedia content, streaming video, and music clips.[74] Meanwhile, Yahoo's multimedia offering allows broadband subscribers to watch major sporting events, news broadcasts, and other entertainment offerings online.

Adoption levels vary by widely for cable modem and DSL. On a national basis, major cable operators have 20% of the enabled customer base currently subscribing to broadband service.[75] Meanwhile, the average percentage of DSL-capable customers currently subscribing to DSL service is lower for the major DSL carriers than for cable broadband providers. Second quarter 2003 company updates list BellSouth DSL penetration at 8%, Verizon and Sprint at 5%, and SBC at 9%.

Cable companies have upgraded a larger percentage of homes in their territory to broadband-enabled systems, investing over $75 billion in the past seven years for this purpose. Meanwhile, upgrading the telephone network for broadband is hindered by technical limitations based on the distance of a household from the central office. Upgrades include network installation of special equipment in the central offices or remote terminals, which allows for high-speed data transmission and routing functions between subscribers and the service provider network.

---

[73] Morgan Stanley Dean Witter, "Where There is a Willner...There's a Way," December, 27, 2002, p.61.

[74] Jim Hu, "Microsoft Shifts MSN toward broadband," CNET News.com, August 27, 2003.

[75] Tim Johnson and Haroon Butt, "Cable Competition in Broadband Markets," Point Topic Limited, August 2003.

Broadband Internet connections are rising rapidly throughout the United States, and Florida consumers are enjoying the benefits of this technology in an increasing number of ways. Broadband infrastructure and broadband-enabled activities provide increased Internet functionality, new avenues for wireless connectivity, and for broadening competition in the provision of traditional voice services (see section on VoIP). Increased functionality is evidenced by the rise in popularity of online video, gaming, and music and an increase in average time online for broadband users. The recent outgrowth of wireless home networking has its basis in broadband availability (see section on Wi-Fi). Households can now set up more affordable home networks than ever before while gaining the added productivity of wireless access throughout the home.

b. Overview of Broadband Technologies

A number of emerging broadband technologies promise to increase availability and consumer choice for broadband services. Many of these broadband access technologies are in the early stage of development and are experiencing various growth rates and developing standards. Following is a brief overview of such technologies.

i. Fixed Wireless

"WISP" is the term describing wireless Internet service providers that use wireless technology to provide broadband services to customers. Fixed wireless encompasses a variety of technological configurations and bandwidth alternatives. Generally, fixed wireless solutions are based on a centralized tower antenna that transmits signals to and from window or roof mounted antennas at the customer premises. Fixed wireless applications have overcome many of the limitations of earlier generation efforts and are succeeding in various segments of the broadband market. Certain fixed wireless technologies provide portability at lower broadband speeds. These applications are typically based on the lower frequency 2.5 to 2.69 GHz band. Other applications provide a very high capacity point-to-point wireless solution as an alternative to landline backhaul offerings. These are based on the higher frequency ranges such as the 28 GHz band or 60 GHz band. Following are two examples of companies in Florida addressing various markets through fixed wireless deployment.

By some estimates, there are currently in excess of 2,500 WISPs operating in the United States.[76] Clearwire is providing portable broadband Internet access in Florida. The company decided on Jacksonville to commercially debut its fixed wireless system. Their product is directed at both residential and business customers not served by current broadband carriers. This would be 20% of Jacksonville's residential population, according to Clearwire, as well as the 50% of local businesses without access to DSL services.[77] By providing an alternative to

[76] Intel White Paper, "1EEE802.16 and WiMAX Broadband Wireless Access for Everyone," 2003

[77] "Clearwire in Jacksonville: A Wireless Case Study in Progress," Broadband Home Report, March 17, 2003.

cable modem and DSL services, the company also attracts customers in existing broadband coverage areas who demand wireless portability at broadband speeds.

Florida Broadband, based in Miami, offers fixed wireless Internet access to small and medium-sized businesses in various Florida markets. The company provides an alternative to land based T-1 lines at a price that is one-third to two-thirds less.[78] Florida Broadband currently provides dedicated Internet access at speeds from 1 megabit per second (mbps) to 25 mbps throughout the Ft. Lauderdale-Miami market. Near term plans include expansion northward into West Palm Beach and surrounding markets.[79]

ii. Wi-Fi

Wi-Fi (also known as wireless fidelity or standard 802.11) is an important subset of the fixed wireless market. Wi-Fi technology allows for broadband transmissions to and from a user's Wi-Fi-compatible device (e.g., laptop, cell phone, PDA, etc.). The surging popularity of the technology stems, in part, from its location in the unlicensed spectrum bands, allowing for very low cost deployment. Wi-Fi technology allows wireless broadband access over a limited coverage area, up to approximately 300 feet from the wireless transmitter, or access point. Any computer or PDA with a Wi-Fi receiver, or PC card, can then send and receive data at broadband speeds. Wi-Fi generally utilizes a landline broadband connection for the backhaul link to the Internet. For consumers, this is typically their home DSL or cable modem, which is connected to the access point. Wi-Fi works in concert with landline broadband connections to enhance functionality via its wireless capabilities. Homes with multiple computers can network those computers wirelessly and access the Internet simultaneously. Homes with laptop computers can gain network access throughout the home rather than being tied to the computer room. The synergies of broadband service, wireless networking, and portable computers are driving demand for each of these complementary goods.

Wi-Fi is also growing rapidly as a tool for public broadband access. Wi-Fi has been adopted by hotels, airports, coffee shops, and others to provide broadband access for traveling business consumers. Other businesses where local consumers congregate, such as coffee shops and bookstores, provide Wi-Fi as a means of adding to the customer experience and attracting additional revenue. The idea of providing these "hotspots" has now been advanced by major wireline and wireless carriers who have announced plans to enter the market by the end of 2003. Globally, access points are expected to increase from some 2,000 in 2001 to 42,000 by 2006. Global revenues are expected to increase to $5.2 billion from $2 billion in 2002.

In Florida, the number of public hotspots is expanding quickly. Estimates vary greatly, but anecdotal evidence shows a clear trend. Jiwire, an online hotspot guide, listed 385 Florida hotspots as of September 2003. This is an increase from 272 hotspots listed the previous month.

---

[78] Bea Garcia, "Florida Broadband challenges BellSouth," The Miami Herald, Herald.com, 1/06/03.

[79] Florida Broadband, (www.floridabroadband.net/serviceprice.html).

Jiwire also provides a list of the top twenty cities in terms of hotspot deployment. Orlando ranks 17th with 63 public hotspots as of September 2003.

iii. 3G

Third generation mobile phone technology, or 3G, promises advanced wireless data capabilities and the Internet functionality that comes with such capacity. The current level of success for 3G in the U.S. depends on how one defines 3G. Currently, nationwide network updates for companies such as Sprint PCS and Verizon Wireless provide advanced capabilities such as web browsing, color screens, email, text messaging, and even photo transfers. These advanced features classify the service as 3G, but data transfer speeds have not yet progressed to broadband levels. Verizon lists data transmission rates at 40-60 kilobits per second (kbps) with possible bursts up to 144 kbps.[80] While this is a substantial improvement for mobile phone technology, a true broadband alternative to landline carriers is more likely with the next generation of wireless technology.

This next-generation technology, called CDMA2000 1xEV-DO by founder Qualcomm, promises data transfer speeds up to 2.5 mbps, but everyday usage tends to occur around 400 kbps.[81] Monet Wireless began the nation's first commercial deployment of mobile Internet service at broadband speeds in Duluth, MN and has expanded service to areas of South Dakota. Monet chooses to provide this new wireless alternative to areas with less broadband competition from national competitors, a hopeful sign for the under-served market today. Verizon Wireless also introduced its wireless broadband service in two major markets in October 2003. Washington D.C. and San Diego are the initial cities for Verizon Wireless, which has not yet announced further expansion plans. The service is targeted at the enterprise business market but available to any user at a flat rate of $79.99 per month.[82]

The promise of 3G comes from the fact that it may allow for speeds competitive with current landline broadband while also providing the added benefit of mobility. Current high end estimates for 3G capacity, 2.5 mbps, do not match Wi-Fi's 11 mbps claim, but 3G would have the prospect of nationwide coverage and wide-ranging mobility rather than wireless within a Wi-Fi hotspot. It is becoming more common to view 3G and Wi-Fi technologies as complementary, rather than in direct competition. Sprint PCS just joined others in announcing the implementation of Wi-Fi hotspots into their wireless coverage plans for data subscribers.

---

[80] Verizon Network Facts, (www.verizonwireless.com/b2c/bestNetwork/networkFacts.jsp).

[81] Julio Ojeda-Zapata, "Wireless Net on the Go," Pioneer Press, 8/16/03.

[82] Kevin Fitchard, "Verizon Wireless Launches 1xEVDO Services," TelephonyOnline.com, 9/29/03.

iv. Satellite

The consumer base for satellite broadband is small, but the availability of such service is essential for customers with no broadband alternative. DirecWay, operated by Hughes Network Systems, is the largest provider in the United States with 166,000 small business and residential customers in North America as of mid-year 2003, up from 123,000 one year earlier.[83] The only competitor at the moment, Starband, has approximately 40,000 subscribers. Starband was forced to declare bankruptcy in 2002 after a split with Echostar, which was providing the sales channel for Starband distribution. Starband has since established a sales channel of 2,400 independent dealers and filed a plan to reemerge from bankruptcy by the end of 2003.

Despite recent turmoil, innovation in the satellite broadband market continues to advance. Starband has released a fourth generation product line which offers high-speed downloads at up to 1 mbps and uploads of 100 kbps.[84] Echostar is preparing to reenter the market with its own offering, WildBlue. Meanwhile, DirecWay has launched a next-generation service dubbed Spaceway, which employs on-board digital processing and packet switching to allow customers a more direct communications channel. Initially, this system will be directed towards business customers and later towards the consumer market.[85]

v. Fiber-to-the-Home

Fiber-to-the-home (FTTH) networks continue to grow quickly, though from a very small installed base. The number of homes passed by FTTH in 2002 were an estimated 72,100. Homes passed are forecasted to jump to 315,000 in 2003 and to more than 800,000 by 2004.[86] The Fiber-to-the-Home Council lists 94 communities in 26 states as providing broadband services via FTTH. This is an increase of 24 communities from the six-month earlier estimate.[87]

Fiber deployment to the home most often occurs in new developments. In such environments the economics are favorable for fiber. The idea of digging up streets and installing another network to compete with cable and telephone systems in existing homes is not currently feasible under most circumstances. However, for many municipalities disappointed with current broadband carriers, fiber-to-the-home deployment provides enough long-term broadband

---

[83] Hughes Electronics Corporation, SEC 10-Q filing, 2nd Quarter 2003.

[84] "Starband Files Plan of Reorganization to Exit Chapter 11," Starband press release, (www.starband.com) 8/15/03.

[85] "What is Spaceway?" Hughes Network Systems Inc, (www.hns.com).

[86] "FTTH Installations Expected to Reach Approximately One Million Homes by 2004," (www.ftthcouncil.org) 10/15/02.

[87] "FTTH Council and Telecommunications Industry Association Release Updated Optical Fiber Communities List," (www.ftthcouncil.org) 9/24/03.

capacity to justify build-outs to customers. This is currently occurring in over 170 municipalities throughout the United States.[88]

vi. Broadband over Power Line (BPL) or Power Line Communication (PLC)[89]

Delivering broadband Internet service to the home via power lines is another emerging technology with high potential. Broadband over power lines (BPL) is being tested by utilities in field trials throughout a dozen states.[90] The first commercial trials are expected in the latter half of 2003. The technology has strong promise due to the existence of a network that already completes an electrical connection to virtually every home and business. By enabling power lines with the ability to provide broadband Internet, a third network to the home could possibly rival that of the DSL and cable modem establishment. However, even if BPL is proven economically viable, the process of enabling power line connections for broadband will be a gradual deployment, rather than an immediate occurrence.

BPL is a last mile technology that takes advantage of the medium and low voltage line capacities. Internet data traffic can currently be transmitted through this medium for approximately one mile, or longer with the use of repeaters. For the backhaul of traffic to Internet backbones, traditional fiber optic or other landlines are required. Therefore, the availability of broadband via power lines will occur community by community as energy utilities equip the local network.

At least two power-line Internet companies are currently engaged in field trials with electric utilities.[91] Current Technologies and Amperion Inc. both allow for Internet data to be transmitted over medium voltage power lines. From there, Current Technologies bypasses the transformer and maintains the connection over the lower voltage line into the home, allowing Internet access from any electrical outlet. Amperion takes a different approach, using Wi-Fi technology to provide a wireless last link from the transformer to the home.

On April 23, 2003, the FCC issued a Notice of Inquiry (NOI) requesting public comment on the use of electrical power lines to provide Internet and broadband services to residential and business consumers. The NOI primarily seeks information in two areas: the current state of BPL technology, and whether changes to FCC rules are necessary in order to ensure the existence of adequate measurement procedures for carriers' current systems and to facilitate the deployment of BPL technology.

---

[88] Derek Johnson, "The Coming Explosion of Fiber to the Home," Converge Network Digest, 9/15/03.

[89] The concept is referred to with varying terminology. BPL is used by the FCC and PLC by many in the industry.

[90] Jennifer Mears, "Broadband over power lines closer to reality," Network World, (www.nwfusion.com) 6/02/03.

[91] Robert X. Cringely, "What's Next: Power Surge," Inc.com, July 2003.

D. Market and Competitor Trends

As anticipated by the Telecommunications Act of 1996, opening telecommunications markets to all providers appears to have blurred traditional industry lines. The race to gain shares of the communications market has spurred technology advancements, joint ventures by industry participants, innovative marketing strategies, and investments; all have translated into a wide range of service offerings available to consumers. This section examines some popular competitor trends both nationally and in Florida.

One well-received strategy is the bundling of various telecommunications services together, providing consumers with the benefits of one-stop shopping and the convenience of having a single bill for multiple services. One consultant notes that "bundled services have overtaken the carrier industry like a locomotive" and estimates that five to ten bundled offers arrive on the market around the globe every day.[92] Verizon Communications, Inc. states that "Customers with local, long-distance, Internet and mobile services on one bill are 12 times less likely to defect than those using separate carriers."[93] As mentioned previously, the "triple play," combining voice, data, and video is considered to be the holy grail for carriers. Packages vary from simply combining local and long distance services to more complex mixes that have become known as the "quadruple play," an offering that includes voice, data, wireless, and video. While traditional telecommunications providers such as ILECs and CLECs have developed packaged plans, alternative communications providers such as cable companies and wireless providers have been at the forefront of such offerings.

For example, Verizon Communications offers "Verizon Freedom," its unlimited local and long distance calling package, for an estimated $49.95 per month.[94] BellSouth and DirecTV have announced plans to bundle local and long distance telephone service, wireless service, Internet (high speed or dial-up), and digital satellite television service in early 2004. According to BellSouth, through these agreements, "the companies will deliver unsurpassed value, quality and convenience to their customers."[95]

---

[92] "Are you maximizing your return on investment from bundled offers?," John Malone for Telephony Online, May 9, 2003.

[93] "Wireless beckons to AT&T again," Bloomberg News, Seattle Post-Intelligencer, May 20, 2003.

[94] http://www22.verizon.com/foryourhome/SAS/FreedomLongDesc.asp?ID=10008&state=FL.

[95] "BellSouth® and DIRECTV® announce agreement to sell digital satellite television service as part of BellSouth Answers(sm) bundle," BellSouth press release, August 27, 2003.

Table 12 lists a few examples of company packages and prices available to Florida consumers in select areas.[96]

Table 12: Examples of Bundled Service Offerings[97]			
Company and Package Name	**Company Type**	**Services Included in Package**	**Estimated Price**
Knology "Web Bundle 1"	CLEC (plus data and cable)	Unlimited Local, Long Distance (at 7 cents per minute), Digital Cable (240 channels), High Speed Internet	$136.56
MCI "Neighborhood Complete"	CLEC	Unlimited Local, Unlimited Domestic Long Distance	$55.99
Verizon "Freedom with DSL"	ILEC	Unlimited Local, Unlimited Domestic Long Distance, DSL Service	$79.99

NOTE: The prices listed are strictly estimates based on data obtained from each company's website. This does not constitute an endorsement by the Commission. It also does not constitute an offering by any company and should not be relied upon for actual package and pricing information.

Innovations in technology have also resulted in benefits to consumers. On September 9, 2003, Cingular Wireless and its parent companies, SBC Communications and BellSouth, introduced "FastForward," touted as one of the wireless industry's first devices to combine the convenience of wireless "with the value of a wireline phone."[98] The device is designed as a "cradle" to hold a wireless phone and allows calls to wireless phones to be automatically forwarded to a landline phone; meanwhile, the battery in the wireless phone is automatically recharged. The service is free to SBC residential local phone company customers who receive a single bill for Cingular wireless and landline services, and BellSouth customers who sign up for a combined bill and two other features.

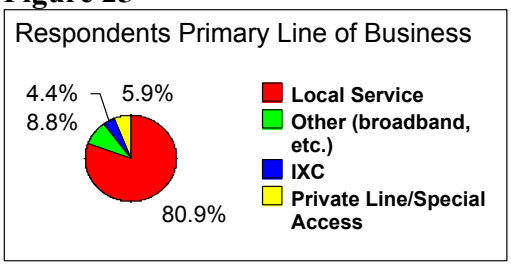
Florida continues to boast a large number of competing telecommunications service providers. Although most companies categorized their primary business focus as local telephone service, many indicated long distance service as an additional major offering. Other data request respondents cited primary offerings such as broadband communications, private line, and special access service. Figure 25 provides a breakdown of the main categories listed as the primary line of business.

[96]Pricing information taken from company websites: www.knology.com, www.mci.com, and www.verizon.com.

[97]All estimates are derived from company websites.

[98]"Cingular Wireless, SBC Communications, And BellSouth Introduce Unique Device For Routing Incoming Wireless Calls To Wireline Numbers," BellSouth press release, September 9, 2003.

Figure 25



Source: Responses to FPSC data request.

Marketing efforts of competitors aimed at residential customers are well spread throughout the state, particularly in large metropolitan areas. Many CLECs responded that they either market services to the entire state or at least in the areas of the three major ILECs. Companies that reported that they do not market services to residential customers generally indicated either that (1) serving residential customers is not part of the business plan, or (2) the company is taking time to focus on its current offerings and become more efficient prior to expanding its customer base. Certain certificated CLECs are only concentrating on niche markets. For example, Florida Hospital Medical Center only provides service to the hospital, and the City of Daytona Beach provides services only to tenant business customers. A few CLECs have limited themselves to providing "prepaid" services.

Market focus is, of course, a major driver of CLEC investments. Citing investments totaling over three billion dollars in their networks to serve Florida customers as of December 2002, companies appear to be making concentrated efforts to operate in Florida. Data request responses indicate that currently 126 switches are installed to serve Florida customers, with as many as five additional switches projected for installation in the near future. Although some respondents indicated that they have no plans to become facilities-based providers within the next five years, most reported plans to concentrate on slow, steady provisioning using UNE-P until facilities-based service becomes economically feasible. A few CLECs, such as American Fiber Network, which serves primarily resorts and metro areas, do not find using UNE-P or becoming a facilities-based provider "cost-effective in Florida." This decision, however, may be reconsidered if the companies' focuses change. Birch Telecom states that it will continue using UNE-P until it obtains the critical mass necessary to deploy facilities.

E. Competitor Profiles

As discussed earlier, CLECs continue to make gains in obtaining shares of Florida's telecommunications marketplace. Although many companies have made significant strides in their efforts, Commission staff is providing brief profiles of six CLECs to highlight examples of such activity. Staff selected AT&T, Florida Digital Network, Knology, Inc., MCI, Network Telephone Corporation, and Supra Telecommunications as examples of companies that appear to be making market gains in line with the goals and market opening provisions of the Telecommunications Act of 1996 and Chapter 364, Florida Statutes. These companies are using the various provisioning methods (resale, UNE-P, facilities-based, or a combination of one or more methods) to enhance consumer choice with a multitude of bundled service offerings, which

are becoming more common for both ILECs and CLECs. Please note that the information provided is based solely on research conducted by Commission staff using company responses to data requests, company website information, news releases, and articles. No company was requested to provide specific data for this section.

1. AT&T

AT&T, the largest reseller of local service over RBOC lines, currently provides local service to 3 million customers in 13 states.[99] In a decision following the release of the FCC's Triennial Review Order, the company announced plans to offer local service in 22 additional states by the end of 2003.

In previous years, AT&T offered local service only to business customers in Florida, citing high wholesale prices for leasing access lines from BellSouth and other ILECs as the reason for not serving residential customers. AT&T has now decided to offer residential local service in Florida through two bundled service offerings that include local and long distance services.

As interest grows in acquiring bundled services, AT&T offers bundled business packages that combine local telecommunications with long distance services. AT&T "All in One" is an integrated bundle of communication services for small business. This service allows customers to combine all their communications services into a single invoice. Included in the bundle are local, intraLATA, calling card, long distance, and Internet access services. Additionally, AT&T currently transports a portion of its long distance traffic utilizing VoIP technology; however, it does not offer any local service through this technology.[100] In areas where AT&T local service is not offered, "AT&T One" is a bundled package consisting of long distance and wireless service in partnership with AT&T Wireless.

2. Florida Digital Network (FDN)

FDN, a facilities-based CLEC, was founded in Orlando, Florida in 1998.[101] The company has grown substantially since then, reaching the 500-employee mark in June 2003.[102] FDN provides voice and data services to the business community via its fiber optic network,

---

[99] "AT&T expands local phone lines", The Miami Herald, September 9, 2003.

[100] In 2003, the Florida legislature enacted a provision in 364.02, Florida Statutes excluding VoIP telephony from the definition of telecommunications service; however, it has not been determined whether VoIP providers will be subject to access charges or other fees. In October 2002, AT&T filed a petition at the FCC for declaratory ruling that AT&T's phone-to-phone telephony services are exempt from access charges. The FCC has not ruled on AT&T's petition..

[101] http://www.fdncommunications.com/

[102] http://www.bizjournals.com/orlando/stories/2003/06/09/daily19.html

collocation footprint and UNE-L service delivery strategy. The company states that it was founded on the following set of guiding business principles.

- To use proven technologies in innovative ways.
- To provide the same level of service to all size businesses
- To maintain a customer service focus through responsible growth
- To serve Florida first before looking beyond the state.
- To be financially responsible.

FDN also states that by using proven technologies more efficiently, the company is able to provide "excellent service to businesses at substantial savings over the traditional phone companies." FDN provides local phone service, long distance phone service, and high speed Internet to more than 50,000 businesses in Florida and Central Georgia. FDN also provides a residential "Complete Voice Package," which includes basic local calling service with unlimited local calling and a choice of any of 24 calling features for $27.95 per month. An additional $4.95 per month allows a customer to add free wide area calling, 5¢ per minute intrastate and interstate calling and free calling to others on FDN's network.

3. Knology, Inc.

Knology was originally formed in 1994 with an investment of $600,000 by ITC Holding Company, a telecommunications company in West Point, Georgia. Knology provides local and long distance telephone services, cable television, and high speed Internet services in the Panama City area. Current market targets include cities in the Southeast with a home count of 70,000 to 300,000 and a geographic density that averages a minimum of 75 homes per mile. Knology's goal is to provide network access to 1.5 million homes and businesses by 2005.

In July 2003, Knology announced it had entered an agreement to purchase certain broadband and cable assets from Verizon Media Ventures, Inc. located in Pinellas County, Florida and Cerritos, California. The company states that these two new markets will add approximately 291,000 marketable passings, 64,000 video connections, and 11,000 data connections to the eight existing Knology markets. Knology of Florida's parent company, Knology Broadband, restructured its debt under a "prepackaged, fully secured, debt refinancing Chapter 11 filing" in September 2002; the court approved the filing within 32 days.[103]

Rodger Johnson, President and CEO, sums up Knology's position by stating that "ITC had a vision to see that the future of communications would hinge on high bandwidth, speed and a bundled product set. Because of that vision, Knology is one of the most exciting broadband service providers in the United States today."[104]

---

[103]Knology, Response to 2003 Florida PSC CLEC data request, July 24, 2003.

[104]www.knology.com

4. MCI

MCI has more than 20 million business and residential customers and is the United States' second largest long distance company. MCI has established the industry's farthest reaching global IP Network,[105] spanning six continents, over 140 countries, and over 4,500 Points of Presence. MCI has more than 3.2 million dial up modems and also provides Virtual Private Networks to businesses over their IP Network.

In April 2002, MCI introduced "The Neighborhood," an any-distance, all-inclusive offering combining local and nationwide long distance calling from home for consumers for one monthly price. Specifically, the plan features unlimited local and long distance calls within the United States, plus Call Waiting, Caller ID, Call Waiting ID, Speed Dial 8, and Three-Way Calling at no extra charge. MCI believes that "The Neighborhood" can open up monopolized markets and provide innovative services to consumers nationwide. As of October 1, 2003, the Neighborhood has two million subscribers, with costs of approximately $55.99 per month in certain Florida cities. Where available, high speed Internet access can be added for an additional $35.00 a month.[106]

5. Network Telephone Corporation

Network Telephone is a privately held telecommunications and broadband service provider headquartered in Pensacola, Florida. The company was founded in June 1998 by Ray Russenberger, who spent 13 years building a national paging company. After less than two years, Network Telephone's revenues topped $10 million. According to its website, the company is widely recognized as one of the strongest CLECs in existence with broadband services including "local and long distance phone service, business-class calling features, Internet access at speeds up to 1.54 MBPS, Web site building tools, VPN services, Data Backup services, and more." The company also touts its ability to provide such services on one monthly bill for a better price than the same services purchased separately and "with a customer care department that answers your calls in person."

Network Telephone provides local and long distance phone service, high speed broadband, and Web services to small and medium sized business in 32 Tier 1, 2, and 3 markets throughout the Southeast U.S. As of April 2003, Network Telephone provided "Voice over Broadband services" to over 13,000 business customers, with more than 120,000 access lines.

---

[105] www.mci.com, "About MCI."

[106] www.theneighborhood.com.

6. Supra Telecom

Founded in 1996, Miami-based Supra Telecommunications and Information Systems, Inc. offers voice and data telecommunication services to homes and small business customers. According to the company's website, as of September 2002, Supra had surpassed the 300,000 access line level, making Supra the largest residential CLEC in Florida. The company's Chief Operating Officer stated in an interview that, "It's our goal to deliver affordable telecommunications services to individuals and families who are looking for ways to save money. We are committed to meet the growing customer demand and offer the best possible service."[107]

Supra's offerings include the "Supra Friends Unlimited Plan," which includes local phone service and unlimited long distance calls made within the United States and Canada for $42.95 per month. The plan includes 15 calling features such as Caller ID, Call Waiting, Call Forwarding, Three Way Calling, Speed Calling, and Voice Mail. Internet access for residential customers ranges from $9.95 to $13.95 per month and from $13.95 to $17.95 per month for business customers.[108]

---

[107] "SUPRA's Ongoing Success Story Continues In 2002," Supra Press Release, September 11, 2002, www.stis.com.

[108] www.stis.com.

CHAPTER III: DISCUSSION OF ITEMS REQUIRED BY CHAPTER 364, F.S.

A. Introduction

Section 364.386(1), Florida Statutes, requires the Commission to address six points in its evaluation of the competitive market. With those issues in mind, staff designed data requests and sent them to all certificated CLECs and ILECs. The CLEC data request consisted of questions designed to obtain information regarding the types of local telecommunications services being offered, the range of rates for services offered, and the geographic areas where customers are able to obtain such services. Along with questions regarding marketing efforts and future business plans for Florida, CLECs were also asked to describe any barriers experienced in entering Florida's local exchange market and any difficulties encountered specifically related to ILEC agreements. Comments as to any major obstacles believed to be impeding the growth of local competition and suggestions as to how to remove such obstacles were also solicited. This chapter addresses the statutory questions and summarizes some of the feedback provided by CLECs in response to the additional questions.

A 1997 amendment to Section 364.161(4), Florida Statutes, mandates that the Commission maintain a file of all CLEC complaints against ILECs regarding timeliness and adequacy of service in the provisioning of unbundled network elements, services for resale, requested repairs, and necessary support services. This information, including how and when each complaint was resolved, is included in Appendix D.

The Commission is required to address 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.

B. Discussion of Six Statutory Issues

1. The Overall Impact of Local Exchange Telecommunications Competition on the Continued Availability of Universal Service.

Universal service is the longstanding concept that a specified set of telecommunications services be available to all customers at affordable rates. Chapter 364.025, Florida Statutes, provides a number of guidelines designed to maintain universal service objectives with the introduction of competition in the local exchange market. First, Section 364.025(1), F.S., requires ILECs to furnish basic local exchange telecommunications service within a reasonable time period to any person requesting such service within a company's service territory until January 1, 2009. Additionally, Section 364.025(4), F.S., mandates that prior to January 1, 2009, "the Legislature shall establish a permanent universal service mechanism upon the effective date of which any interim recovery mechanism for universal service objectives or carrier-of-last-resort obligations imposed on competitive local exchange telecommunications companies shall terminate." In compliance with this section, the Commission submitted its report, Universal Service in Florida, to the Governor and Legislature in December 1996. At the direction of the Legislature, universal service issues were revisited in the Universal Service and Lifeline Funding Issues report submitted in February 1999. In its report, the Commission stated that "although the potential for an ILEC to experience competitive erosion of its high-margin customers while retaining its high-cost (and perhaps below-cost) customer base is a real concern, the Commission has not discerned any such major impact to date."

In 2002, 94.3% of Florida households subscribed to local telephone service, compared to the national average of 95.3%. This represents an increase in Florida households subscribed from 93.2% reported for 2001, and 92.1% reported in 2000. Income levels of less than $30,000 per year comprised 79% of the increase realized from 2000 to 2002.

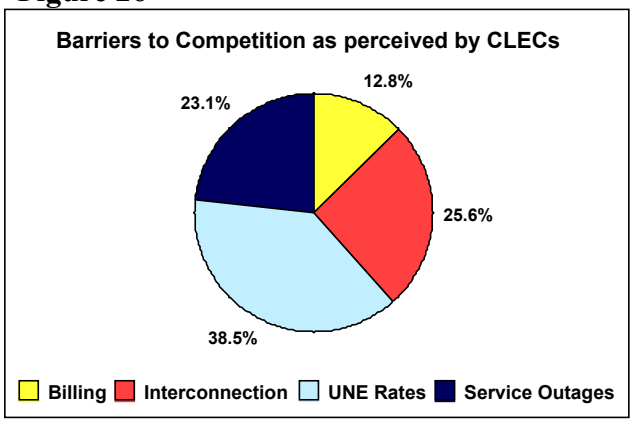
Although ILECs have reported a modest loss in access lines, CLECs have increased both their residential and business market share. The ILEC losses may be at least partially attributable to the emerging intermodal competition from wireless, cable, and broadband providers. In spite of this small decrease in access lines, ILECs retain the dominant market share, and there appears to be no evidence of significant adverse impacts on the ability of ILECs to provision universal service.

2. The Ability of Competitive Providers to Make Functionally Equivalent Local Exchange Service Available to both Residential and Business Customers at Competitive Rates, Terms, and Conditions.

The Commission surveyed the 432 CLECs certificated as of June 30, 2003. Of the 344 respondents, 150 indicated that they were currently providing service in Florida. CLECs were

asked to discuss any perceived barriers to competition in Florida and to describe any significant problems experienced with agreements with ILECs. The primary issues raised are grouped by subject and are shown in Figure 26.

Figure 26



Source: Responses to PSC data request.

UNE Rates - UNE pricing was the most commonly reported barrier to entry. Most troubling to the CLECs was the variation of UNE rates between Sprint, BellSouth, and Verizon. Although variations in pricing do exist, the Commission has issued Orders further adjusting UNE pricing for the three major ILECs. (See Table 7 for a comparison of Commission-approved UNE rates for BellSouth, Verizon, and Sprint.)

Interconnection Agreements - The second most frequently named barrier to entry was issues regarding interconnection agreements. CLEC allegations included "one-sided" negotiations, appearance of charges inconsistent with the terms of agreement, the lengthy process of creating an interconnection agreement, and filing with the Public Service Commission. The CLECs also cited the lack of uniformity in pricing regarding collocation, pricing strategies, and service offerings.

Service Outages - Some CLECs alleged that service outages were repaired by ILECs in an untimely manner. Additional CLEC allegations included the ILEC not contacting the CLEC to assure the repair had been completed and frequent outages.

Billing - CLECs claimed to have encountered numerous billing problems with the ILECs. Several CLECs stated they have hired employees solely to ensure the billing is correct, stating that ILECs rely on the CLEC to ensure billing is correct.

Other Issues - CLECs raised several other issues that did not necessarily fit into one of the major categories previously discussed. For example, certain CLECs stated that non-recurring charges, such as connection charges charged to the CLEC, are excessive. Operations Support System (OSS) per line charges were also alleged to be too high. Since the Commission has issued decisions on OSS and ILEC performance metrics, however, the number of CLECs stating OSS as a barrier to entry has dropped significantly.

3. The Ability of Customers to Obtain Functionally Equivalent Services at Comparable Rates, Terms, and Conditions.

As of June 30, 2003, 150 CLECs reported that they were currently providing some form of local telecommunications service in Florida. Appendix A lists the responding CLECs, the class of customers each serves, and the methods by which each provides service. Methods of offering service are through the *resale* of an ILEC's products, *facilities-based* provisioning entirely through the competitor's own facilities, *unbundled network elements (UNEs)* leased from the ILEC, or a *mixed* combination of two or more methods.

Table 13 shows that CLECs continue to target markets with large concentrations of customers. The table lists the state's ten Local Access and Transport Areas (LATAs), the number of local exchange areas within the LATA served by a local phone company, and the number of exchanges within the LATA without a competitive entrant.

Table 13 CLEC Providers by Florida LATA

LATA	Exchanges in LATA (2002)	Exchanges in LATA (2003)	Exchanges without competitive entrant (2002)	Exchanges without competitive entrant (2003)	Area codes serving LATA (2002)	Area codes serving LATA (2003)
Daytona	10	10	0	0	386	386
Ft. Myers	31	31	0	0	863, 941, 941 to 239[109]	239, 863, 941
Gainesville	49	49	1	1	352, 850, 904	352, 850, 904
Jacksonville	43	43	2	0	386, 904	352, 386, 904
Mobile AL	2	2	1	2	850	850
Orlando	23	23	0	0	321, 386, 407, 689[110]	321, 352, 386, 407, 407, 689[111]
Panama City	35	35	7	2	850	850
Pensacola	23	23	2	2	850	850
Southeast	25[112]	25	1	1	305, 561, 561 to 772[113], 754, 786[114], 954	305, 305 to 786[115] , 561, 754, 772, 786, 954

[109]Permissive dialing (941 or 239) started March 11, 2002. Mandatory 239 dialing starts March 10, 2003.

[110]Implementation date of the third overlay area code, 689, has been suspended. All unused 321 telephone numbers in this area will be frozen and transferred to Brevard County.

[111]Ibid.

Table 13 CLEC Providers by Florida LATA						
LATA	Exchanges in LATA (2002)	(2003)	Exchanges without competitive entrant (2002)	(2003)	Area codes serving LATA (2002)	(2003)
Tallahassee Area	12	12	1	0	850	850
Tampa Area	24	24	0	0	727, 813, 863, 941	727, 813, 863, 941

Source: Responses to FPSC data requests; FPSC internal sources.

In addition, customers must also be able to obtain functionally equivalent services at rates comparable to that of the ILEC in order for meaningful competition to take place. As shown in Table 14, customers appear to have access to a wide variety of rates as competitors have developed a variety of pricing strategies to gain customers, including overall discounts and matching the incumbent's price.

Table 14 Local Rates for Selected Florida CLECs and ILECs As of June 30, 2003					
CLEC Rate			ILEC Rate		
CLEC	Residential	Business	ILEC	Residential	Business
Supra Telecommunications and Information Systems, Inc.	$10.95	$27.95	BellSouth	$7.57-$11.04	$20.55-$30.20
Tallahassee Telephone Exchange	$9.65	$19.99	Sprint	$7.63-$11.48	$16.57-$25.57
Talk America, Inc.	$7.30-$10.65	$19.80-$29.10	BellSouth	$7.57-$11.04	$20.55-$30.20
Orlando Telephone Company	$11.50	$25.00	BellSouth	$7.57-$11.04	$20.55-$30.20
			Sprint	$7.63-$11.48	$16.57-$25.57

[112]Reflects the consolidation of the Keys (i.e., North Key Largo, Key Largo, Islamorada, Marathon, Big Pine Key, Sugar Loaf Key and Key West - all combined in the Keys exchange).

[113]Permissive dialing (772 or 561) began February 11, 2002. Mandatory 772 dialing begins November 11, 2002.

[114]Permissive 7 or 10-digit dialing using 305 began on September 1, 2001. Mandatory 10-digit dialing and use of 786 will be decided later.

[115]Ibid.

Table 14 Local Rates for Selected Florida CLECs and ILECs As of June 30, 2003					
CLEC Rate			**ILEC Rate**		
CLEC	Residential	Business	ILEC	Residential	Business
American Fiber Network	$10.75-$12.00	$25.25-$30.00	BellSouth	$7.57-$11.04	$20.55-$30.20
			Sprint	$7.63-$11.48	$16.57-$25.57
			Verizon	$9.72-$12.06	$24.47-30.06

Source: Company Tariffs and Price Lists

Another pricing strategy offered by CLECs is prepaid telephone service, an option for, among others, consumers with poor credit histories or those disconnected due to repeated late payment or nonpayment. Customers of prepaid phone companies typically agree to pay a monthly fee in advance for local calling and 911 access, but must agree to block long distance, 900-numbers, and directory assistance calls. Prices for such services range from approximately $25.99 to $59.99 per month for residential service, and $39.99 to $79.99 for business service. Prepaid phone customer access lines account for a substantial percentage of the residential access lines currently served by CLECs, and several respondents identified prepaid phone service as their primary market.

4. The Overall Impact of Price Regulation on the Maintenance of Reasonably Affordable and Reliable High-Quality Telecommunications Services.

Section 364.051, Florida Statutes, imposed rate caps for basic local telephone service until January 1, 2000, for price regulated ILECs with fewer than 3 million access lines and until January 1, 2001, for BellSouth. After these dates, Section 364.051, Florida Statutes, provides that an ILEC may adjust its basic service prices once in a 12-month period by an amount not to exceed the change in inflation less one percent. The following ILECs proposed increases for basic and non-basic services in 2003, pursuant to the provisions of Section 364.051, Florida Statutes:

- ALLTEL filed for an increase in basic residential, business, and Centrex services by 0.34%.
- BellSouth filed for an increase in basic services by 0.4414% and a decrease in Residential Optional Services by 0.14%.
- ITS Telecom filed for an increase in basic services by 0.795% and an increase in nonbasic services by 6%.
- Smart City Telecom filed for an increase in basic service by 0.52%, an increase in Residential Optional Services by 6%, and an increase in Business Optional Services by 5.71%.

- Verizon filed for an increase in basic service by 1.048% and an increase in Residential Optional Services of 0.04%.

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.

For ILECs, Section 364.02(1), Florida Statutes, defines basic local service as follows:

> "Basic local telecommunications service" means 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, 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. For a local exchange company, such terms shall include any extended area service routes, and extended calling service in existence or ordered by the commission on or before July 1, 1995.

According to Section 364.337(2), Florida Statutes, the basic local telecommunications service provided by a CLEC must include access to operator services, "911" services at a level equivalent to that of the ILEC serving that area, and relay services for the hearing impaired. CLECs must also provide a flat-rate pricing option for basic local telecommunications services; the statute states that "mandatory measured service for basic local telecommunications services shall not be imposed."

No evidence suggests a need to recommend additions or deletions to the definition of basic local service.

6. Any Other Information and Recommendations Which May Be in the Public Interest.

There are no recommendations at this time.

CHAPTER IV: STATE ACTIVITIES

A. The Tele-Competition Innovation and Infrastructure Enhancement Act of 2003

The 2003 Florida Legislature passed a comprehensive rewrite of the Florida Statutes governing the regulation of telecommunications companies in Florida. The legislation entitled "The Tele-Competition Innovation and Infrastructure Enhancement Act of 2003" (the 2003 Act) became law on May 23, 2003, by the signature of the Governor. The law is designed to provide further impetus for development of a more competitive telecommunications market in Florida.

As an overview, the 2003 Act:

- Allows ILECs to petition the Commission to reduce intrastate switched network access charges to levels equal to those for interstate access charges.
- Provides that Interexchange Carriers (IXCs) must reduce long distance rates in amounts equal to the revenue effect of any intrastate access charge reductions approved by the Commission.
- Provides that VoIP should be "free of unnecessary regulation."
- Provides that local governments may not regulate broadband or information services.
- Immediately reduces Commission authority and oversight of IXCs.
- Establishes a phased approach by which ILECs may achieve the same lesser level of regulation to which CLECs are subject.

The law provides immediate regulatory relief to IXCs by reducing FPSC authority and oversight. A specific example is that the requirement to be certificated is reduced to registration with the Commission prior to beginning operation in Florida. IXCs will continue to be subject to consumer protection statutes related to slamming and cramming. These unscrupulous billing practices will continue to be addressed by the Consumer Affairs Division of the Commission. IXCs will also continue to file tariffs with the Commission and pay regulatory assessment fees.

It has long been contended by some industry experts that historic pricing policies designed to increase telephone subscribership have resulted in some local rate levels that do not cover the costs of providing service. This pricing policy could be sustained in a regulated monopoly environment but will hinder efficient operation of competitive markets. The reduction of access charges and the increase to some basic service rates is believed to be necessary in order to allow competitive forces to operate more effectively in the telecommunications marketplace.

Consequently, the law provides a three-phase process by which ILECs may petition the Commission to implement significant changes that will impact the level of regulation of the ILECs and the basic local service market. The following is a brief description of each phase:

First Phase

The first phase allows the ILECs to petition the Commission to reduce intrastate switched network access charges to levels equal to those for interstate access charges. The Commission has discretion to approve or deny an ILEC petition following consideration of four specific statutory criteria. The 2003 Act requires that the Commission consider whether granting such a petition will:

(a) Remove current support for basic local telecommunications services that prevents the creation of a more attractive competitive local exchange market for the benefit of residential consumers.

(b) Induce enhanced market entry.

(c) Require intrastate switched network access rate reductions to parity over a period of not less than 2 years or more than 4 years.

(d) Be revenue neutral as defined in subsection (7) within the revenue category defined in subsection (2).

As stated above, any approved reductions are to occur over a period of not less than 2 years and not more than 4 years for each company. If the ILEC petitions are approved by the Commission, the ILECs will be permitted to increase rates for basic local services to offset the revenues lost by access reductions. At the same time that any access reductions are implemented, IXCs must reduce long distance rates in amounts equal to the revenue effect of their decreased cost of access charges.

Second Phase

If an ILEC petition filed under the first phase meets the four criteria and is approved by the Commission, that ILEC may then pursue expanded pricing flexibility. Once an individual ILEC has reduced its intrastate switched network access rates to levels equivalent to its interstate switched network access rates, it may then elect to have pricing flexibility for basic local services equal to that established for nonbasic services. At that time, retail service quality oversight may be reduced to that level which is currently applied to CLECs, unless the Commission determines otherwise within 120 days.

Third Phase

Again assuming a petition filed in the first phase is approved, phase three provides that, at such time as an individual ILEC has reduced its intrastate switched network access rates to

levels equivalent to its interstate switched network access rates, it may petition the Commission to be subject to regulatory treatment equivalent to that applicable to CLECs. This phase is distinguished from that described in the preceding paragraph by the scope of the regulatory relaxation. While the second phase would be exclusively related to pricing flexibility and service quality standards, this phase extends to reporting requirements, tariffs, rulemaking, etc. The Commission would have authority to determine, based on market conditions and other public interest considerations, whether it is appropriate to grant the petitions. The pace and timing of this entire regulatory transition will, in large part, be driven by the evolution of the telecommunications market in Florida.

Lifeline eligibility and associated benefits are expanded under the new law. Current eligibility requirements for Lifeline allow individuals receiving federal assistance such as Temporary Assistance to Needy Families (TANF), food stamps, or Supplemental Security Income (SSI) to receive the discounted service of up to $13.50 a month for residential phone service. Under the bill passed by the Legislature, individuals with income less than or equal to 125% of federal poverty income guidelines will be eligible for Lifeline. In addition, the bill provides that in the event of increases in local service charges, Lifeline customers will be exempted until the ILEC has reduced its intrastate switched network access rates to levels equivalent to its interstate switched network access rates, or until the customer no longer qualifies for Lifeline, or unless otherwise determined by the Commission upon petition by an ILEC.[116]

Further, the future regulatory treatment of VoIP is addressed. The statute excludes VoIP telephony from the definition of telecommunications "service" and provides that VoIP telephony be free from unnecessary regulation. This provision of the statute is also viewed as pro-competitive, and it is hoped that it will encourage VoIP providers to roll out such services in Florida.

On August 27, 2003, BellSouth, Verizon, and Sprint filed individual petitions with the Commission proposing to implement Section 364.164, Florida Statutes, by rebalancing rates in a revenue neutral manner through decreases in intrastate switched access charges with offsetting rate adjustments for basic services. The Commission dismissed the initial petitions as deficient based on a statutory criterion. The companies subsequently amended their petitions to correct the deficiencies. BellSouth filed its amended petition on September 30, 2003, Sprint on October 1, 2003, and Verizon on October 2, 2003. Fourteen public hearings have been scheduled throughout the state to hear from customers regarding the petitions.

[116]Over the years this Commission has been active in promoting Lifeline through consumer education and coordinated outreach efforts with various state agencies and the AARP. During 2002 and 2003, Commission staff worked with the Department of Children and Families (DCF), the Florida Telecommunications Industry Association and local exchange companies to implement procedures for increasing Lifeline enrollment. New DCF procedures were implemented in April 2003 to provide information about the Lifeline and Link-Up programs during client interviews along with an eligibility notice that local exchange companies will accept as proof of eligibility.

B. Unbundled Network Elements (UNEs)

Section 251(c)(3) of the 96 Act obligates ILECs to "provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point, on rates, terms, and conditions that are just, reasonable, and nondiscriminatory . . . ."

An unbundled network element (UNE) is a discrete subcomponent, such as a local loop or a minute of local switching, of the incumbent's facilities. These elements can be combined in order for a CLEC to provide its retail services. Certain UNEs, such as loops, are deaveraged, which means that different rates are established for different areas (e.g., urban, suburban, and rural).

Docket No. 990649-TP was opened in 1999 to address UNE deaveraging, combinations, and recurring and nonrecurring charges for BellSouth, Sprint, and Verizon.

- The Commission issued its first order on BellSouth's UNE rates in May 2001. After the Commission decided to evaluate some issues further, it voted in September 2002 to reduce certain UNE rates. For example, the rate for a 2-wire analog loop in the more urban areas, which was reduced from $13.75 to $11.74 in May 2001, was further reduced to $10.69 in the September 2002 order.

- The Commission issued its order on Verizon's UNE rates in November 2002, reducing the 2-wire analog loop rate in the more urban areas from $16.41 to $12.00. In December 2002, Verizon appealed the Commission's decision to the Florida Supreme Court and filed a motion for a mandatory stay of the rates pending the Court's decision. The Commission granted Verizon's motion for a mandatory stay. Should Verizon's appeal fail, the Commission-ordered rates will be deemed effective as of August 5, 2003, the date the stay order was issued.

- The Commission issued its order on Sprint's UNE rates in January 2003. The rate for the 2-wire analog loop in Sprint's most urban area increased slightly, from $10.78 to $10.82. Unlike BellSouth and Verizon, which have three rate zones for deaveraged UNEs, Sprint has four rate zones.

C. BellSouth's FastAccess Internet Service (DSL Service)

In a petition for arbitration, Florida Digital Network (FDN), a facilities-based CLEC, requested that the Commission order BellSouth to continue to provide its FastAccess Internet Service when a BellSouth customer changes to another voice telecommunications provider. In April 2002, the Commission affirmed that BellSouth's FastAccess Internet Service was an enhanced, non-regulated, non-telecommunications Internet access service. However, the Commission exercised its jurisdiction to promote competition in the local voice market by

requiring BellSouth to continue to provide its FastAccess Internet Service to customers who choose to obtain voice service from FDN.

In July 2002, the Commission, on its own motion in an arbitration proceeding between BellSouth and Supra, required BellSouth to continue providing FastAccess Internet Service to customers who choose to purchase voice service from Supra.

In June 2002, the Florida Competitive Carriers Association (FCCA) filed a complaint against BellSouth for its practice of refusing to provide FastAccess service to customers who receive voice service from a CLEC. After resolution of a discovery dispute, the FCCA withdrew from the complaint, substituting AT&T, MCI, and Access Integrated Networks (AIN) as complainants. The hearing was held in July 2003. Staff's recommendation is scheduled to be considered at a December 2003 Agenda Conference.

This issue is also pending in an arbitration proceeding between BellSouth and ITC DeltaCom. The hearing was held in September 2003. Staff's recommendation in this docket is slated for consideration at a December 2003 Agenda Conference.

D. BellSouth's Promotional Business Tariffs

Since January 2002, in separate consecutive tariff filings, BellSouth has offered promotional offerings, including discounts, targeted at small business customers located in select geographic areas.

FDN, a facilities-based CLEC, alleged that the tariffs were "unfair, anticompetitive, or discriminatory," and thus not compliant with several Florida Statutes. In its June 2003 Order, the Commission concluded that:

- The Florida Statutes provide sufficient guidance to evaluate promotional tariff offerings, including BellSouth's;
- The BellSouth tariffs addressed in the proceeding comply with the Florida Statutes; and
- No additional marketing restrictions are necessary for BellSouth beyond the voluntary measures in place.

E. Florida Telecommunications Competitive Interests Forum

In an effort to facilitate the development of a competitive local telephone market in Florida, the Commission initiated a collaborative forum for the purpose of addressing many of the operational and logistical issues that arise between CLECs and ILECs. The Florida Telecommunications Competitive Interest Forum (Forum) is an opportunity for any Florida local telecommunications provider to raise issues or topics of interest related to facilitating a better competitive environment in Florida. The Forum allows parties to engage in dialogue in an effort

to resolve issues in an informal setting rather than a formal, more litigious one. Since its inception in August 2001, the Forum has convened at least monthly and has considered a host of issues related to billing and ordering functions. The primary focus during 2003 has been the development of customer migration rules. The Forum has been developing CLEC to CLEC and CLEC to ILEC customer migration rules that are expected to be presented to the Forum in October 2003. In addition, another issue of considerable interest has been an attempt to provide more explanation when a CLEC order request is specified as requiring new construction. The Forum continues to meet regularly to discuss pertinent issues.

F. Permanent Performance Metrics

Through Docket No. 000121-TP, the Commission developed a Performance Assessment Plan (PAP) to ensure ILECs provide continuing, dependable operational support system (OSS) access and service quality to CLECs. Performance metrics governing the adequacy of ILEC service to CLECs were adopted by the Commission for BellSouth (Subdocket No. 000121A-TP) in August 2001, for Sprint (Subdocket No. 000121B-TP) in January 2003, and for Verizon (Subdocket No. 000121C-TP) in June 2003. Staff captures the data monthly from each ILEC and applies trending analysis. Each ILEC's PAP is reviewed by staff at recurring intervals.

BellSouth has implemented a Commission-approved system of remedy payments called the Self-Effectuating Enforcement Plan (SEEM) and, in July 2002, made the first payments for noncompliant services. Through June 2003, over $32 million has been paid by BellSouth in SEEM remedies to CLECs for failure to meet wholesale performance standards. Staff conducted the initial six-month review of BellSouth's (80) performance measures in late 2002 and made several revisions to the PAP.

On January 9, 2003, in Order No. PSC-03-0067-PAA-TP, the Commission approved a PAP for Sprint with 38 metrics. In March 2003, Sprint was required to begin monthly reporting of measurement results for performance. Sprint was also ordered to provide to the Commission a monthly root cause analysis of any measurement not meeting established standards for three consecutive months. The first root cause analysis was filed in July 2003. Sprint has not yet been ordered to implement a remedy plan for noncompliant service.

On June 25, 2003, in Order No. PSC-03-0761-PAA-TP, the Commission approved a stipulation of Verizon's PAP. The stipulation contains 44 measures and supporting administrative provisions to promote uniformity and stability in the provision of local exchange service to CLECs operating within Verizon's Florida territory. Verizon began reporting monthly performance results in July 2003, but it has not yet been ordered by the Commission to implement a remedy plan for noncompliant service.

G. ILEC Service Quality Dockets

In September 1999, the Commission opened dockets to initiate show cause proceedings against Sprint, BellSouth, and Verizon for violation of Commission service standards. ILECs are

required by rule to consistently meet standards established to ensure their customers receive a high quality of service. Commission standards, for example, require a company to restore interrupted service within 24 hours in 95% of the instances reported. Commission standards also require ILECs to install service 90% of the time in three working days from receipt of an application. The Commission conducts field evaluations of ILECs to verify compliance with the Commission's service standards. Each ILEC is required by rule to submit quarterly reports to the Commission detailing its compliance with the established service standards.

Sprint and the Office of Public Counsel (OPC) stipulated to an agreement in July 2000 that resulted in the company providing credits to its customers when it fails to meet the Commission's standards for out of service repair and primary service installations. The amount credited increases the longer it takes the company to repair or install the service. The Commission approved the agreement on November 7, 2000.

From July 2002 through June 2003, Sprint has paid its customers $1,145,930 for missing service installations and $764,315.15 for the out of service repair. In addition, it has posted, in the Community Service Fund, $20,000 for missing the business office answer time and $5,000 for missing the repair answer time. The Community Service Fund is for promoting Sprint's Lifeline service.

BellSouth has also signed an agreement with OPC that is similar to the Sprint settlement. It was approved by the Commission on July 24, 2001. The settlement established automatic fixed credits to customers for missed commitments for service installation and an increased credit to customers for missed out of service repairs. For the period from July 2002 through June 2003, BellSouth has paid its customers $491,200 for missed installations and $1,536,363.95 for missed out of service repairs.

Verizon and OPC also agreed to a settlement of Docket No. 991376-TL, an initiation of show cause proceeding against Verizon for apparent violation of the rules for out of service repair and primary service installations. Verizon paid a settlement of $2,000,000 into the General Revenue Fund.

It should be noted that these dockets were not opened based on complaints from consumers but were predicated on data supplied by the ILECs in the Commission's "self-reporting" process.

H. Reciprocal Compensation

A generic docket was established in 2000 to address the issue of reciprocal compensation. Reciprocal compensation is money that is paid to one carrier by another carrier for the transport and termination of telecommunications traffic. The Commission established a generic docket primarily to consider compensation issues for traffic bound for Internet Service Providers (ISPs) and to set Commission policy in that regard. Intercarrier compensation for ISP-

bound traffic has been a contentious issue in recent years, having been repeatedly brought before this Commission by Florida carriers through complaints and arbitrations.

In the context of arbitrations, the Commission was asked to determine if reciprocal compensation should apply to ISP-bound traffic in new interconnection agreements. In the earlier proceedings the Commission determined that parties should continue to operate under the terms of their previous agreements until the FCC issued final rules regarding this issue. However, due to possible delays in FCC action, and a desire to ensure that competition is not hindered by the lack of intercarrier compensation, the Commission decided in later arbitrations that reciprocal compensation was to be applied to ISP-bound traffic.

This has been a controversial subject, in which the Commission has tried to balance the requirements for intercarrier compensation contained in the 96 Act, with the possibility that CLECs have entered the market for the sole purpose of serving ISPs. Many ILECs have contended that these CLECs have sought to "game" the system by pursuing customers such as ISPs that would have high incoming traffic levels and low outgoing traffic levels. By focusing on serving these high incoming traffic customers, CLECs would be able to collect reciprocal compensation, without the "reciprocal" paying of compensation that would exist with customers who produced both incoming and outgoing traffic.

On December 7, 2000, the Commission incorporated additional issues into this docket and subsequently bifurcated the proceeding into two phases. However, shortly after the Phase I hearing the FCC issued its decision in CC Dockets Nos. 96-98 and 99-68 on matters regarding intercarrier compensation for traffic to ISPs. This order stated that ISP-bound traffic was "information access," not subject to the reciprocal compensation obligations in Section 251(b)(5) of the Act, and was under the exclusive jurisdiction of the FCC. The FCC then established an interim compensation mechanism for ISP-bound traffic. In addition, the FCC determined that states would no longer have authority to address compensation for ISP-bound traffic on a going-forward basis. On May 7, 2002, the Commission approved a Joint Stipulation filed by the parties, suggesting the Commission defer action on the issues raised in Phase I of this docket.

Following hearings on the Phase II issues, on August 20, 2002, the Commission ruled that in the event the parties could not reach a negotiated agreement regarding the definition of "local calling" area, the default local calling area would be the originating carrier's retail local calling area for purposes of reciprocal compensation.

On February 7, 2003, parties filed an appeal of Orders PSC-02-1248-FOF-TP and PSC-03-0059-FOF-TP to the Florida Supreme Court. A decision has not been rendered.

I. Collocation Summary Docket Nos. 981834-TP/990321-TP

In September 1999, the Commission adopted a set of procedures and guidelines for collocation, focused largely on those situations in which an ILEC believes there is no space for physical collocation. The following guidelines were addressed: initial response times to requests

for collocation space; application fees; central office tours; petitions for waiver from the collocation requirements; post-tour reports; disposition of the petitions for waiver; extensions of time; and collocation provisioning time frames.

In May 2000, by Order No. PSC-00-0941-FOF-TP, the Commission addressed twenty additional issues, including ILEC obligations regarding "off-premises" collocation; the conversion of virtual to physical collocation; and the division of responsibilities between ILECs and collocators for sharing and subleasing space between collocators and for cross-connects between collocators, to name but a few.

Various motions filed by the parties for reconsideration and/or clarification were addressed by the Commission in November 2000. As a result, this docket was left open to address pricing issues for collocation.

In November 2002, a procedural schedule was established for the next phase of this docket, in which the Commission will address the remaining technical and pricing issues regarding collocation. Since that time, the procedural schedule has been revised several times (and additional revisions may become necessary) to accommodate other dockets and proceedings. In addition, the proceeding was divided so that the Commission may address technical issues first, then costing and pricing issues. Prior to the hearing on the technical issues, the parties were able to reach stipulations on several issues. The parties continue to pursue additional stipulations. At the November 3, 2003 Agenda Conference, the Commission rendered decisions on various outstanding technical issues which included: the time frame for a CLEC to remit payment for non-recurring charges for collocation space; a CLEC's options and responsibilities for transferring accepted collocation space to another CLEC; an ILEC's obligation to provide copper entrance facilities within the context of a collocation inside the central office; providing power in standardized increments; DC power rates based on amps used and calculated and applied based on the amount of power that a CLEC requests; the date an ILEC would be allowed to begin billing a CLEC for power; a CLEC's option of obtaining AC power for its collocation arrangement; and an ILEC's responsibilities when collocation space is requested at a remote terminal. A hearing on the pricing issues is scheduled for late 2003.

CHAPTER V: FEDERAL ACTIVITIES

The Commission's Division of External Affairs, in coordination with other technical staff and the Office of General Counsel, actively monitors federal proceedings that may impact Florida consumers. As a result, the Commission regularly submits comments to federal agencies, predominantly the FCC, to share the Commission's perspective on numerous issues. The following discussion highlights some of the key issues upon which the Commission has provided input regarding federal initiatives in the communications arena. While some of the comments discussed are relatively recent, others are not and, therefore, may not reflect the current opinions of all members of the Commission.

A. The FCC's Triennial Review Order

On February 20, 2003, the FCC adopted new rules pertaining to ILEC obligations to unbundle certain elements of their networks and to make these UNEs available to CLECs at cost-based (TELRIC) rates. The FCC released the text of its Order on August 21, 2003; the Order became effective on October 2, 2003. The Order delegates to the states the task of determining whether certain UNEs should be made available to CLECs. Key issues of the Order that require state determinations are:

- Whether or not CLECs are impaired without unbundled local circuit switching when serving the enterprise market (defined as DS1 and above). States have 90 days to rebut the FCC's presumption of no impairment. On September 3, 2003, the FPSC issued an order determining that based on the very limited demand that exists for DS1 loops with unbundled local switching, it would not initiate a proceeding to investigate whether to challenge the FCC's presumption of no impairment. This order became final on September 24, 2003.

- Whether or not CLECs are impaired without access to switching for the mass market, subject to a more granular determination by the states. This determination must be completed within 9 months of the effective date of the Order.

- Whether or not CLECs are impaired without access to dark fiber, DS3, and DS1 transport, each independently subject to a granular route-specific review by the states to identify available wholesale facilities. The review must take place within 9 months of the effective date of the Order.

Other key findings include:

- Copper loops and subloop distribution continue to remain UNEs.

- Line sharing has been eliminated subject to grandfathering and a 3-year transition plan.

- ILECs must offer access to fiber for narrowband services only in overbuild situations when the ILEC elects to retire the copper loops.

- ILECs are not required to offer access to "green field" fiber loops.

- ILECs are not required to unbundle OCn loops but they must offer access to dark fiber, DS3 loops (limit of 2), and DS1 loops except at specified locations where states have found no impairment. Dedicated transport is redefined as facilities that connect ILEC switches or wire centers.

B. Advanced Services

The FPSC has been actively commenting on and monitoring the development of broadband services in order to encourage deployment on a reasonable and timely basis in compliance with section 706 of the Telecommunications Act of 1996. During the fiscal year, the FPSC filed comments regarding the regulatory framework for broadband wireline access to the Internet. In addition, the FPSC was active in the Federal-State Joint Conference addressing these issues.

1. National Summit on Broadband Deployment II

In April 2003, more than 300 attendees gathered for two days in Arlington, Virginia at the National Summit on Broadband Deployment II to discuss the state of U.S. broadband deployment. The conference was sponsored by the National Association of Regulatory Utility Commissioners and the National Exchange Carrier Association. The Summit provided a neutral forum for federal and state policymakers, industry participants, consumer groups, and other stakeholders to discuss the state of broadband deployment and policies that promise to further the availability of high speed telecommunications services. A Commission staff member participated in a panel discussing the state of U.S. broadband deployment.

2. Report on Broadband Services in the United States: An Analysis of Availability and Demand

The FPSC prepared a report for the Federal-State Joint Conference on Advanced Services addressing the state of deployment and demand for broadband services. The report noted that the current household penetration level for broadband seems low when compared to its high availability. This finding is not surprising, as new services and technologies are not accepted overnight. The report analyzed broadband penetration from a historical perspective, comparing it to consumer adoption of previous technology roll-outs. When examined from this perspective, demand for broadband was found to exceed demand for previous technology roll-outs. The report concludes that penetration appears low at this point simply because deployment has outpaced demand.

Evidence suggests that factors hindering consumer acceptance of broadband are being overcome, and will continue to be overcome, by the competitive market place. After a steady string of price increases, providers are beginning to respond to slowing demand by offering better prices or value of service. The number of broadband subscribers will soon reach mass-market proportions, thus spurring the development and marketing of new applications. Although large numbers of households have not yet subscribed to broadband services, concerted efforts by the industry to reach them with new content and services, coupled with a consistent but minimal regulatory scheme, will likely result in continued growth in broadband take rates.

The report cautions against rushing to judgment and seeking governmental "remedies" for increasing deployment. Providing regulatory certainty through a consistent regulatory scheme should be a priority, as it will hasten competitive responses to supply and demand obstacles. The report also suggested that the most effective solutions have been market driven, and many have resulted from efforts at the local level involving municipalities, cooperatives, and public-private partnerships.

C. Regulatory Framework for Broadband Wireline Access to the Internet

The FPSC filed comments in April 2002, addressing the proposed regulatory framework put forth by the FCC. The broadband market is characterized by several different technology platforms that, while not identical in terms of technology or performance, provide consumers with the functionality consumers want: speed and data. Consumers are less concerned about transmission media and more concerned about things such as price, convenience, and reliability.

Most significant among the FCC's tentative conclusions was that wireline broadband Internet access be considered an information service and thus subject only to Title I regulation. Title I regulation is minimal and does not address rate regulation. Under Title I regulation, DSL services would clearly not be subject to the unbundling requirements of the 96 Act.

One of the consequences of the FCC's tentative conclusions set forth in its Notice of Proposed Rulemaking may be to prevent or severely restrict the ability of competitive telecommunications companies to use ILEC-provided facilities to make wireline broadband Internet access service available. In the April 2002 comments to the FCC, the FPSC expressed concern in this regard. The comments noted that the regulatory framework currently in place is actively sifting through a myriad of complex issues in an effort to address both telecommunications competition and broadband deployment. Further, the comments stated that the competitive telecommunications market is not yet mature enough to begin limiting or restricting access to underlying components for the provision of wireline broadband Internet access and indicated a preference for incremental market driven modifications and adjustments to the existing framework as markets evolve. The FCC has not yet ruled in this proceeding. However, in August 2003, the FCC issued its long awaited Triennial Review Order that specifically exempted fiber technology to the home from future unbundling requirements. It is anticipated that the FCC will act on the Wireline Broadband proceeding before the end of 2003.

D. Development of a Unified Intercarrier Compensation Regime

The FPSC filed comments in August 2001 regarding a federal bill-and-keep system to replace access and reciprocal compensation arrangements. The proposal has the potential to affect carrier-to-carrier intrastate rates, universal service, cost allocation issues, infrastructure development, network structures, and various state policies. The consequences of adopting a bill-and-keep system may directly impact and change the amounts of payments between carriers for completing each other's calls and hence alter each carrier's ability to compete. In its August 2001 comments, the FPSC noted its opposition at that time to moving to such an approach unless these issues were referred to a Joint Board or comparable state/federal negotiation process. The FPSC further opined that issues related to universal service and jurisdictional separations should also be referred to the Universal Service and Separations Joint Boards, as appropriate. The FCC established a reply comments deadline of November 5, 2001, but has not yet issued an order relating to the issues of this docket.

E. Universal Service and Related Programs

1. Review of the Definitions of Universal Service

On February 25, 2003, the FCC released a Notice of Proposed Rulemaking seeking comment on the Recommended Decision of the Federal-State Joint Board on Universal Service (Joint Board) regarding the definition of services to be supported by universal service. The FCC had previously designated eight "core" services that are eligible for universal service support. This decision was based on consideration of the Joint Board's recommendations made in November 1996. These services include:

(1) single-party service;
(2) voice grade access to the public switched telephone network;
(3) Dual Tone Multifrequency signaling or its functional equivalent;
(4) access to emergency services;
(5) access to operator services;
(6) access to interexchange service;
(7) access to directory assistance; and
(8) toll limitation services for qualifying low-income consumers.

In April 2003, the FPSC filed comments to the FCC supporting the conclusion of the Joint Board's Recommended Decision to maintain the current list of supported services. In addition, the FPSC stated that expanding the definition to include advanced services or high-speed Internet access is not warranted in part because support is conditioned on the ability of a carrier to provide all of the supported services. As such, any proposal to expand the definition to include advanced services would not be technologically neutral. Furthermore, expanding the definition would, in most instances, increase the size of the fund. Given that more support is distributed outside Florida and that Florida is a net contributor to the fund, the FPSC also expressed concern about the effects on Florida ratepayers.

On July 14, 2003, the FCC issued an order supporting the recommendation of the Joint Board to maintain the existing list of supported services without modification.

2. Lifeline and Link-Up Service for Low-Income Consumers

In December 2001, the FPSC filed comments recommending that before proceeding with changes to the current Lifeline program, the FCC should endeavor to understand the reasons for low versus high participation rates in the various states. The FPSC continues to support the original intent of the Lifeline program, which is to increase subscribership for low-income households that want, but cannot afford, telephone service.

The FPSC further indicated that states should make every effort to ensure that eligible households with and without telephone service are aware of and can easily enroll in the Lifeline/Link-Up programs. Keeping the program objective in mind, low program participation should not be cause to manipulate eligibility criteria to increase the number of households that could qualify.

The FPSC recommended that the Joint Board and the FCC encourage states to explore various automatic enrollment strategies to effectively target funding to consumers and determine eligibility for Lifeline and Link-Up support. It is believed that it is necessary to certify consumers' eligibility and perform periodic verifications in order to prevent waste, fraud, and abuse and to ensure the integrity of the program. Increased promotion of the program through more frequent bill inserts and requiring all Eligible Telecommunications Carriers to post application information about their Lifeline service on the Lifeline Support website was recommended. The Joint Board released its recommended decision on April 2, 2003, and the FCC subsequently issued a Notice of Proposed Rulemaking on the Joint Board recommendation on June 9, 2003.

The FPSC filed similar comments on August 18, 2003, encouraging the FCC to:

- Adopt an income-based eligibility standard;
- Add the Temporary Assistance to Needy Families (TANF) program to the program based eligibility criteria;
- Add the National School Lunch (NSL) free lunch program to the program based eligibility criteria;
- Take caution in adopting self-certification due to the increased risk of waste. fraud, and abuse and adopt more rigid verification procedures;
- Adopt automatic enrollment as a means of certifying eligibility and increasing enrollment; and
- Advocate more vigorous outreach efforts.

An FCC decision is pending.

3. Schools and Libraries Program

In April 2003, the FCC sought comment on certain rules governing the Schools and Libraries Universal Service support mechanism. The rules of interest will have an impact on the ability to control the size of the fund and the methodology for distribution of the funds. The FPSC filed comments on July 21, 2003, which urged the FCC to consider suggestions which would improve the safeguards and accountability of the E-rate program. The FPSC made the following suggestions:

- That the Universal Service Administration Corporation (USAC) make available additional data about recipients of support and how the funds are used to increase confidence in the effectiveness and fairness of the program;

- Establish a comprehensive audit program for the E-rate fund;

- Establish a state-by-state E-rate cap on funds received;

- Establish more comprehensive rules governing how and when E-rate subsidized equipment may be transferred;

- Refine rules for the governing E-rate consultants and the competitive bidding process;

- Bolster outreach efforts through USAC initiated training opportunities on best practices for applying for funds and achieving program goals.

An FCC decision is pending.

F. Reporting Requirements for ILECs

Previously, the FPSC filed comments expressing concern with eliminating some existing accounting rules and not providing accounting for new technologies that are essential for monitoring and implementing the competitive mandates and safeguards of the 96 Act.

The FCC's accounting rules provide essential information to Florida in evaluating possible cross-subsidization and promoting competition. The Uniform System of Accounts (USOA) serves as the basis for accounting data that are used to protect ratepayers from improper cross-subsidies, to determine interstate/intrastate cost and revenue splits, to determine the cost of universal service supported services, and to serve as the basis of many of the inputs to the cost proxy models used in determining universal service cost levels and appropriate UNE prices.

The FCC issued a Report and Order (FCC 01-305) on October 11, 2001, which further streamlined accounting and reporting requirements. Additionally, the FCC declined to adopt new state proposed accounts for optical switching; central office transmission; cable and wire facilities; interconnection revenue and expense; universal service revenue; and network software.

Concurrently, a Notice of Proposed Rulemaking was issued regarding the elimination of accounting and reporting requirements by a date certain. On September 5, 2002, the FCC voted to convene a Joint Conference in order to evaluate the accounting requirements that state and federal regulators need to carry out their responsibilities. Commissioner J. Terry Deason was appointed by the FCC to the Joint Conference.

On December 12, 2002, the FCC, on behalf of the Joint Conference on Accounting Issues, sought public comment with respect to its comprehensive review of regulatory accounting and related reporting requirements. Specifically, the Joint Conference seeks specific comment on a number of the issues that were addressed in the FCC's Phase II Accounting Order. In addition, the Joint Conference requested comment on broader questions, including whether there are additional accounting requirements that should be adopted in order to ensure that federal and state regulators have sufficient information to protect consumers, monitor the market place, and promote investment and competition.

The FPSC filed comments that recommended that all new accounts identified in the request for comments be adopted so long as the benefits outweigh the costs. The comments also noted the limited availability of financial data in a uniform and standard format outside of the Automated Reporting Management Information System (ARMIS) reports. This information is critical to states for establishing UNE prices, interconnection rates, and universal service support, and for assessing service quality trends and network functionality, capabilities, and reliability.

The FCC has not yet ruled in this proceeding.

G. Measurements and Standards for UNEs and Interconnection

In January 2002, the FPSC filed comments asking the FCC to refrain from a highly prescriptive national approach for wholesale measurements and standards. The comments stated that some degree of harmonization might be useful in order to have some basic level of consistency across the states. A set of broad minimum federal requirements, which states may augment and fine-tune to meet their particular needs, would be workable in the FPSC's view. Such an approach would ensure that any national standards do not supplant the exacting efforts of the FPSC and other state commissions. In addition, any national standards should merely serve as one factor in determining compliance with the 96 Act, and enforcement of any national standards should be performed by the FCC. The FPSC attended an FCC/states workshop on this subject in Chicago in May 2002. This matter is still pending before the FCC.

H. Petitions for Forbearance from Pricing Rules for Unbundled Network Element Platform (UNE-P)

In July 2003, in separate petitions to the FCC, Verizon and subsequently Qwest, BellSouth, and SBC (jointly) requested the FCC to forbear (1) from its rules that allow CLECs serving end users via UNE-P to collect access charges on long distance traffic, and (2) from applying the TELRIC pricing standard to UNE-P. The request stems from the belief by the

petitioners that the TELRIC pricing standard produces rates that are substantially below the cost of network facilities and has thus created conditions that unreasonably favor UNE-P carriers in the marketplace.

The FPSC filed comments that support a FCC review of the TELRIC pricing standard and a separate review of the rules that permit collection of access charges on long distance traffic originated and terminated by UNE-P carriers. However, the FPSC opposed the petitions on the procedural grounds that a forbearance petition was an inappropriate vehicle to address the issues raised by the petitioners.

I. Review of TELRIC Pricing Rules for UNEs

In September 2003, the FCC issued a Notice of Proposed Rulemaking (NPRM) regarding its rules for the pricing of UNEs and the resale of service by the ILECs. The methodology embodied in the current rules is referred to as Total Elemental Long-Run Incremental Cost, or TELRIC. The TELRIC methodology has been very controversial since its adoption because it is considered to be forward-looking and, as such, based largely on hypothetical networks employing the latest available technologies. ILECs have argued that the methodology leads to UNE rates that are not reflective of real world networks and existing technologies and are substantially below real world costs to provide services. State commissions have pricing authority over UNEs, and many have conducted resource-intensive, time-intensive evidentiary proceedings to implement the TELRIC pricing rules.

The NPRM poses a tentative conclusion that TELRIC rules should more accurately account for real world attributes of an ILEC's network in the deployment of forward-looking costs. The scope of the TELRIC review is broad and will address such key factors as cost of capital, depreciation expense, rate structure, rate deaveraging, how UNE price setting should relate to universal service funding, and many other factors. In addition, procedural and implementation matters have been identified that may create the need for state commissions to conduct additional evidentiary proceedings to implement the new pricing rules. The potential impact of changes to the UNE pricing rules is impossible to predict; however, given the scope of the proceeding, the impact could be significant. FCC staff has indicated their intention to complete the review of the UNE pricing rules by midyear 2004.

Appendix A: CLECs Providing Service

CLEC	Resale	UNE-P	Facilities
1-800-RECONEX, Inc. d/b/a USTEL	Residential	Residential	
Access Integrated Networks, Inc.	Residential / Business	Residential / Business	
Access Point, Inc.	Residential	Residential / Business	
Actel Wireless, Inc.	Residential		
Adelphia Business Solutions of Florida, Inc.	Business		
Adelphia Business Solutions of Jacksonville, Inc.	Business		
Adelphia Telecommunications of Florida, Inc.	Business		Business
AFN CONSULTANTS, INC.	Residential / Business		
Airface Communications Inc.	Business		
Allegiance Telecom of Florida, Inc.	Business	Business	Business
ALLTEL Communications, Inc.	Residential / Business		Residential / Business
Alternative Access Telephone Communications Corp. d/b/a AA Tele-Com	Residential / Business		
Alternative Phone, Inc.	Residential / Business	Residential / Business	
Alternative Telecommunication Services, Inc. d/b/a Second Chance Phone	Residential / Business		
American Fiber Network, Inc.	Residential / Business		
AmeriMex Communications Corp.	Residential / Business	Residential / Business	
ANEW Broadband, Inc.	Residential / Business	Residential / Business	
Annox, Inc.	Residential		
AT&T Communications of the Southern States, LLC d/b/a AT&T	Residential / Business	Residential / Business	Business
Atlantic.Net Broadband, Inc.	Residential / Business	Residential	
Auglink Communications, Inc.	Residential / Business	Residential / Business	
Basic Phone, Inc.	Residential		
Beauty Town, Inc. d/b/a Anns Communication	Residential		
Bellerud Communications, LLC	Residential		
BellSouth BSE, Inc.	Residential / Business		
Birch Telecom of the South, Inc. d/b/a Birch Telecom and d/b/a Birch		Business	
BROADBAND OFFICE	Business		
Budget Phone, Inc.	Residential / Business		
BudgeTel Systems, Inc.	Residential		
Burno, Inc. d/b/a Citywide-Tel	Residential / Business	Residential / Business	
Business Telecom, Inc. d/b/a BTI	Residential / Business	Residential / Business	Residential / Business
Buy-Tel Communications, Inc.	Residential		
Campus Communications Group, Inc.	Residential / Business		
CariLink International, Inc.	Residential	Residential / Business	
CAT Communications International, Inc.	Residential	Residential	
CI2, Inc.	Business		

Appendix A: CLECs Providing Service

CLEC	Resale	UNE-P	Facilities
Ciera Network Systems, Inc.	Residential / Business		
Cinergy Communications Company		Business	
City of Daytona Beach			Business
Comcast Phone of Florida, LLC d/b/a Comcast Digital Phone			Residential / Business
Comm South Companies, Inc. d/b/a Florida Comm South	Residential	Residential	
Communications Xchange, LLC			Residential / Business
COMUSA, Inc.	Residential		
Credit Loans, Inc. d/b/a Lone Star State Telephone Co.	Residential		
David A. Chesson and Ted J. Moss d/b/a Phone-Out/Phone-On	Residential		
DAYTONA TELEPHONE	Residential	Residential / Business	
Deland Actel, Inc.	Residential / Business	Residential / Business	
Delta Phones, Inc.	Residential	Residential	
Dialtone Telecom, LLC	Residential / Business		
DIECA Communications, Inc. d/b/a Covad Communications Company	Residential		
Double Link Communications, Inc.	Residential		
DPI-Teleconnect, L.L.C.	Residential		
DSL Telecom, Inc.	Residential / Business		
DSLnet Communications, LLC	Residential / Business	Residential / Business	
Eagle Telecommunications, Inc.	Residential / Business	Residential / Business	
Easy Telephone Services Company	Residential / Business		
EPICUS, Inc. d/b/a EPICUS	Residential / Business	Residential / Business	
Ernest Communications, Inc.	Residential / Business	Business	
Esodus Communications, Inc. d/b/a Excelink Communications d/b/a Instatone	Residential		
Excel Telecommunications, Inc.		Residential / Business	
Express Phone Service, Inc.	Residential / Business	Residential / Business	
EZ Talk Communications, L.L.C.	Residential	Residential	
Fair Financial LLC d/b/a Midstate Telecommunications	Residential		
FLATEL, Inc. d/b/a Florida Telephone Company d/b/a Oscatel d/b/a Telephone USA	Residential / Business	Residential	
Florida Digital Network, Inc. d/b/a FDN Communications	Residential / Business	Residential / Business	Business
Florida Multi-Media Services, Inc. d/b/a Florida Multi Media	Business		Residential
Florida Phone Service, Inc.	Residential	Residential / Business	
Florida Telephone Services, LLC	Residential / Business	Residential / Business	

Appendix A: CLECs Providing Service

CLEC	Resale	UNE-P	Facilities
Focal Communications Corporation of Florida	Business		Business
Fones 4-U	Residential		
FPL FiberNet, LLC		Business	
Frontier Communications of America, Inc.	Residential / Business		
G T E	Residential		
Ganoco, Inc. d/b/a American Dial Tone	Residential / Business	Residential	
Georgia Public Web, Inc.			Business
Georgia Telephone Services, Inc.	Residential		
Global Crossing	Business		
Global Crossing		Business	
Global Crossing Local Services, Inc.			Business
Global Crossing Telemanagement, Inc.	Business		
Global NAPS, Inc.		Residential / Business	
Globcom, Inc.	Residential		
Granite Telecommunications, LLC		Business	
Gulf Coast Telecom, Inc.	Residential		
High Tech Communications of Central Florida, Inc.	Residential / Business		
Hosting-Network, Inc.	Residential / Business		
ICG Telecom Group, Inc.	Business		
IDS Telcom LLC	Residential / Business	Residential / Business	Business
Image Access Communications, Inc. d/b/a NewPhone	Residential		
Intellitec Consulting Inc. d/b/a STS	Residential / Business	Residential / Business	
ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom d/b/a Grapevine	Residential / Business	Residential / Business	Business
Kenarl Inc. d/b/a Lake Wellington Professional Centre			Business
Kevin M. Brown d/b/a Miracle Communications	Residential		
KMC Data LLC	Residential / Business		
KMC Telecom	Residential / Business	Business	
KMC Telecom III LLC			Business
KMC Telecom V, Inc.	Business		
Knology of Florida, Inc.	Residential / Business		Residential / Business
LecStar Telecom, Inc.	Residential / Business	Residential / Business	
Lightyear Communications, Inc.	Residential	Residential / Business	
Local Line America, Inc.	Residential		
Max-Tel Communications, Inc. d/b/a Florida's Max-Tel Communications, Inc.	Residential		
MCI	Residential / Business	Residential / Business	Business

Appendix A: CLECs Providing Service

CLEC	Resale	UNE-P	Facilities
MCImetro Access Transmission Services LLC	Business		
MET Communications, Inc.	Residential		
Metropolitan Telecommunications of Florida, Inc. d/b/a MetTel	Business	Business	
Momentum Business Solutions, Inc.	Business	Residential / Business	
Movie, Television & Graphics Corp. d/b/a M.T.G.	Residential / Business		
MVX.COM	Business		
MY-TEL INC.	Residential / Business		
National Telecom & Broadband Services, LLC	Business	Residential / Business	
National Telecom, LLC	Residential / Business		
Navigator Telecommunications, LLC.	Residential / Business	Residential / Business	
NETWORK PLUS	Business		
Network Telephone Corporation	Residential / Business	Residential / Business	Business
NewSouth Communications Corp.	Residential / Business	Business	Business
North American Telecommunications Corporation	Residential / Business	Residential / Business	
NOS Communications, Inc. d/b/a International Plus d/b/a O11 Communications d/b/a The Internet Business Association d/b/a I Vantage Network Solutions	Residential / Business	Residential / Business	
NOW Communications, Inc.	Residential / Business	Residential	
NUI Telecom, Inc.	Residential / Business	Residential / Business	
NuVox Communications, Inc.		Business	Business
OnePoint Communications-Georgia, LLC d/b/a Verizon Avenue	Residential		
OneStar Long Distance, Inc.	Residential / Business	Residential / Business	
Orlando Telephone Company	Residential / Business		Residential / Business
PaeTec Communications, Inc.	Residential / Business	Business	Residential / Business
Phone Club Corporation	Residential / Business		
Phone-Link, Inc.	Residential	Residential	
Preferred Carrier Services, Inc. d/b/a Telefonos Para Todos and d/b/a Phones For All	Residential	Residential	
Quality Telephone Inc.	Residential / Business		
QuantumShift Communications, Inc.	Business		
Qwest Communications Corporation	Business		
REACH DIRECT, INC.	Residential / Business		
Rebound Enterprises, Inc. d/b/a REI Communications	Residential / Business		
Re-Connection Connection	Residential / Business		

Appendix A: CLECs Providing Service

CLEC	Resale	UNE-P	Facilities
RESERVED FOR AT&T BY NECA AS 8167		Residential	
RESERVED FOR AT&T BY NECA AS 8806		Residential	
ReTel Communications, Inc.	Residential / Business		
Rightlink USA, Inc.	Residential	Residential / Business	
Ring Connection, Inc.	Residential / Business		
Sandhills Telecommunications Group, Inc. d/b/a SanTel Communications	Residential / Business	Residential / Business	
SBC Telecom, Inc.	Residential / Business		Residential / Business
ServiSense.com, Inc.	Residential / Business		
Source One Communications, Inc. d/b/a Quick Connects	Residential / Business		
Southeastern Services, Inc.	Residential / Business		
Southern ReConnect, Inc.	Residential		
Southern Telcom Network, Inc.		Residential	
Speedy Reconnect, Inc.	Residential		
Sprint Communications Company Limited Partnership	Residential	Business	Business
Suntel Metro, Inc.		Residential / Business	
Sun-Tel USA, Inc.	Residential / Business		
Supra Telecommunications and Information Systems, Inc.	Residential / Business	Residential / Business	
T3 Communications, LLC d/b/a Tier 3 Communications d/b/a Naples Telephone and d/b/a Fort Myers Telephone	Residential	Residential / Business	
Talk America Inc.	Residential / Business	Residential / Business	
Tallahassee Telephone Exchange, Inc.	Residential / Business	Residential / Business	Business
TCG South Florida	Business	Business	
Tel West Communications, LLC	Residential / Business		
TeleConex, Inc. d/b/a TeleConex	Residential	Residential	
TELECUBA, INC.	Residential / Business		
Telefyne Incorporated	Residential		
Telepak Networks, Inc.	Business		
Telephone One Inc.	Residential / Business		
The Ultimate Connection, L.C. d/b/a DayStar Communications	Business		Business
Tiburon Telecom, Inc.	Residential / Business		
Time Warner	Business		
Time Warner Telecom of Florida, L.P.			Business
Tristar Communications Corp.	Residential / Business	Residential / Business	
TWENTY-EIGHT RED	Residential		
Unicom Communications, LLC	Residential / Business		

Appendix A: CLECs Providing Service			
CLEC	**Resale**	**UNE-P**	**Facilities**
United States Telecommunications, Inc. d/b/a Tel Com Plus	Residential		
Universal Telecom, Inc.	Residential / Business		
Unknown	Residential / Business	Residential / Business	
US LEC of Florida Inc.	Business		Business
USA Telecom, Inc.	Residential / Business	Residential / Business	
USA Telephone Inc. d/b/a CHOICE ONE Telecom	Residential / Business		
VarTec Telecom, Inc. d/b/a VarTec Telecom, Inc. and Clear Choice Communications		Residential / Business	
W.G.I. Communications, Inc. d/b/a Boomerang Communications, Inc.	Residential		
Winstar Communications, LLC	Business		
XO Florida, Inc.			Business
Xspedius Management Co.	Business	Residential	
Xspedius Management Co. of Jacksonville, LLC	Residential / Business		
Z-Tel Communications, Inc.		Residential / Business	

APPENDIX B: EXCHANGES WITH A CLEC PROVIDER

Exchange	Total CLEC Residential Providers (2002)	Total CLEC Residential Providers (2003)	Total CLEC Business Providers (2002)	Total CLEC Business Providers (2003)
Alachua	3	6	0	0
Alford	6	12	0	1
Alligator Point	0	0	0	0
Altha	1	2	1	0
Apalachicola	0	1	0	0
Apopka	18	30	9	17
Arcadia	17	20	4	6
Archer	9	21	3	6
Astor	1	13	0	3
Avon Park	13	23	2	8
Baker	8	16	3	4
Baldwin	8	17	9	14
Bartow	12	18	7	10
Belleglade	21	30	9	15
Belleview	15	25	6	14
Beverly Hills	9	19	3	4
Blountstown	2	2	1	0
Boca Grande	1	2	1	1
Boca Raton	33	51	26	43
Bonifay	12	16	1	3
Bonita Springs	14	22	7	7
Bowling Green	6	11	0	1
Boynton Beach	32	46	18	39
Bradenton	18	28	8	18
Branford	4	7	0	0
Bristol	1	1	0	0
Bronson	17	25	7	9
Brooker	3	4	0	0
Brooksville	22	33	13	22
Bunnell	19	25	7	16
Bushnell	17	24	3	7
Callahan	2	4	0	0
Cantonment	13	0	9	1
Cape Coral	2	22	2	8

APPENDIX B: EXCHANGES WITH A CLEC PROVIDER

Exchange	Total CLEC Residential Providers (2002)	Total CLEC Residential Providers (2003)	Total CLEC Business Providers (2002)	Total CLEC Business Providers (2003)
Cape Haze	15	16	5	5
Carrabelle	0	1	0	0
Cedar Key	3	6	5	11
Celebration	0	0	3	2
Century	5	15	1	5
Chattahoochee	1	2	0	0
Cherry Lake	3	9	1	0
Chiefland	15	25	11	18
Chipley	15	35	11	21
Citra	3	4	0	0
Clearwater	20	34	13	28
Clermont	19	25	5	14
Clewiston	15	20	3	6
Cocoa	18	45	12	34
Cocoa Beach	34	23	13	18
Coral Springs	30	53	18	35
Cottondale	8	8	3	4
Crawfordville	14	12	2	3
Crescent City	3	5	0	0
Crestview	14	23	9	11
Cross City	14	17	5	10
Crystal River	13	19	5	8
Dade City	18	18	5	10
Daytona Beach	38	54	19	41
DeBary	26	36	9	23
Deerfield Beach	29	43	30	37
DeFuniak Springs	10	21	5	8
Deland	27	36	11	22
DeLeon Springs	14	16	6	10
Delray Beach	29	47	19	34
Destin	10	15	6	9
Dowling Park	0	4	0	0
Dunnellon	17	26	9	14
East Orange	12	26	8	16
East Point	0	1	0	0

APPENDIX B: EXCHANGES WITH A CLEC PROVIDER

Exchange	Total CLEC Residential Providers (2002)	Total CLEC Residential Providers (2003)	Total CLEC Business Providers (2002)	Total CLEC Business Providers (2003)
Eau Gallie	18	44	11	33
Englewood	11	13	5	9
Eustis	16	29	5	10
Everglades	0	3	1	1
Fernadina Beach	22	38	14	23
Flagler Beach	10	15	8	17
Florahome	2	2	1	0
Florida Sheriffs' Boys Ranch	0	2	0	0
Forest	4	15	3	5
Freeport	10	11	2	4
Frostproof	6	11	2	3
Ft. Lauderdale	45	73	31	54
Ft. Meade	11	13	1	1
Ft. Myers	26	37	13	20
Ft. Myers Beach	5	11	4	6
Ft. Pierce	27	44	15	28
Ft. Walton Beach	17	28	7	12
Ft. White	5	6	1	0
Gainesville	36	54	18	30
Geneva	9	15	5	9
Glendale	2	6	0	0
Graceville	11	19	5	8
Grand Ridge	7	14	1	1
Green Cove Springs	21	33	15	19
Greensboro	1	1	0	1
Greenville	10	10	1	1
Greenwood	6	10	0	0
Gretna	3	1	0	0
Groveland	10	20	3	7
Gulf Breeze	23	29	15	21
Haines City	19	27	6	13
Hastings	3	2	0	0
Havana	19	30	6	10
Hawthorne	16	22	4	9
High Springs	4	6	0	0

APPENDIX B: EXCHANGES WITH A CLEC PROVIDER

Exchange	Total CLEC Residential Providers (2002)	Total CLEC Residential Providers (2003)	Total CLEC Business Providers (2002)	Total CLEC Business Providers (2003)
Hilliard	5	6	0	0
Hobe Sound	12	24	6	14
Holley-Navarre	17	24	8	14
Hollywood	36	69	24	45
Homestead	27	50	15	36
Homosassa	12	23	3	6
Hosford	0	1	0	0
Howey-in-the-Hills	1	6	0	1
Hudson	13	21	9	15
Immokalee	12	21	3	6
Indian Lake	1	3	0	2
Indiantown	0	0	0	0
Interlachen	4	6	0	0
Inverness	15	18	7	11
Jacksonville Beach	45	67	32	28
Jacksonville	27	67	17	49
Jasper	4	3	0	0
Jay	7	0	3	1
Jennings	3	3	0	0
Jensen Beach	15	24	13	13
Julington	9	17	9	16
Jupiter	19	33	14	21
Keaton Beach	0	1	0	0
Kenansville	3	4	1	3
Keys	26	44	14	28
Keystone Heights	24	30	5	11
Kingsley Lake	1	1	2	1
Kissimmee	28	34	12	18
La Belle	13	20	4	6
Lady Lake	15	20	4	7
Lake Buena Vista	0	0	4	4
Lake Butler	5	5	0	0
Lake City	22	38	12	24
Lake Placid	14	19	2	4
Lake Wales	11	23	7	9

APPENDIX B: EXCHANGES WITH A CLEC PROVIDER

Exchange	Total CLEC Residential Providers (2002)	Total CLEC Residential Providers (2003)	Total CLEC Business Providers (2002)	Total CLEC Business Providers (2003)
Lakeland	19	31	8	15
Laurel Hill	2	1	0	0
Lawtey	9	14	1	1
Lee	4	10	1	1
Leesburg	21	27	9	17
Lehigh Acres	19	25	5	9
Live Oak	7	7	0	0
Luraville	1	3	0	0
Lynn Haven	16	25	9	12
Macclenny	1	2	2	3
Madison	6	13	4	9
Malone	4	12	0	0
Marco Island	4	9	5	8
Marianna	12	18	7	10
Maxville	8	12	3	8
Mayo	4	4	0	0
McIntosh	2	6	0	0
Melbourne	34	52	18	35
Melrose	1	4	0	0
Miami	48	78	38	65
Micanopy	8	13	3	4
Middleburg	24	36	11	16
Milton	17	28	11	18
Molino	0	0	0	0
Monticello	11	18	3	6
Montverde	4	11	0	1
Moore Haven	7	11	1	2
Mount Dora	17	24	3	9
Mulberry	13	16	3	9
Munson	1	8	1	1
Myakka	3	5	2	1
Naples	18	29	6	14
New Port Richey	19	26	9	19
New Smyrna Beach	25	30	13	27
Newberry	15	27	6	9

APPENDIX B: EXCHANGES WITH A CLEC PROVIDER

Exchange	Total CLEC Residential Providers (2002)	Total CLEC Residential Providers (2003)	Total CLEC Business Providers (2002)	Total CLEC Business Providers (2003)
North Cape Coral	7	25	4	10
North Dade	31	64	21	47
North Ft Myers	15	29	5	10
North Naples	6	22	6	12
North Port	13	14	2	7
Oak Hill	10	15	5	7
Ocala	23	32	7	16
Ocklawaha	11	15	0	3
Okeechobee	14	21	3	9
Old Town	15	19	5	4
Orange City	15	27	5	15
Orange Park	23	41	22	30
Orange Springs	1	4	0	0
Orlando	49	67	36	53
Oviedo	21	34	17	31
Pace	19	27	12	16
Pahokee	17	27	4	10
Palatka	24	42	12	25
Palm Coast	24	26	15	21
Palmetto	14	18	8	11
Panacea	2	4	1	1
Panama City	31	43	18	28
Panama City Beach	20	36	11	23
Paxton	0	0	0	0
Pensacola	33	46	19	34
Perrine	20	55	18	42
Perry	1	1	0	0
Pierson	14	22	5	9
Pine Island	6	11	1	2
Plant City	13	18	8	12
Polk City	10	12	3	6
Pomona Park	6	21	2	5
Pompano Beach	40	62	25	49
Ponce de Leon	5	12	2	5
Ponte Verde Beach	16	20	14	26

APPENDIX B: EXCHANGES WITH A CLEC PROVIDER

Exchange	Total CLEC Residential Providers (2002)	Total CLEC Residential Providers (2003)	Total CLEC Business Providers (2002)	Total CLEC Business Providers (2003)
Port Charlotte	20	30	7	11
Port St Joe	0	2	0	0
Port St. Lucie	24	40	10	26
Punta Gorda	17	20	6	8
Quincy	2	1	0	0
Raiford	1	1	0	0
Reedy Creek	5	25	8	20
Reynolds Hill	1	11	0	0
Salt Springs	1	7	0	1
San Antonio	4	11	3	4
Sanderson	1	1	1	1
Sanford	36	53	20	41
Sanibel-Captiva Island	2	2	3	5
Santa Rosa Beach	2	8	5	7
Sarasota	17	32	9	20
Seagrove Beach	3	8	2	4
Sebastian	16	34	10	20
Sebring	13	17	6	8
Shalimar	14	18	2	6
Silver Springs Shores	9	19	3	6
Sneads	8	12	1	2
Sopchoppy	2	5	0	0
Spring Lake Hills	2	12	3	6
St. Augustine	32	42	17	29
St. Cloud	15	26	3	12
St. Johns	2	12	7	11
St. Marks	0	4	1	2
St. Petersburg	26	43	13	24
Starke	12	19	6	9
Stuart	20	37	14	33
Sunny Hills	6	14	3	4
Tallahassee	29	38	10	19
Tampa	32	48	21	27
Tarpon Springs	14	26	9	18
Tavares	13	18	4	11

APPENDIX B: EXCHANGES WITH A CLEC PROVIDER

Exchange	Total CLEC Residential Providers (2002)	Total CLEC Residential Providers (2003)	Total CLEC Business Providers (2002)	Total CLEC Business Providers (2003)
The Beaches	0	2	0	0
Titusville	29	34	13	28
Trenton	15	22	7	13
Trilacoochee	8	15	2	3
Tyndall AFB	0	0	2	0
Umatilla	13	26	2	4
Valparaiso	9	23	5	9
Venice	12	20	8	15
Vernon	10	15	6	6
Vero Beach	31	41	16	28
Waldo	4	4	0	0
Walnut Hill	0	0	0	0
Wauchula	10	18	0	4
Weekiwachee Springs	19	31	10	23
Weirsdale	4	0	0	0
Welaka	10	22	8	7
Wellborn	2	3	1	0
West Kissimmee	9	1	9	6
West Palm Beach	37	68	24	53
Westville	5	10	0	0
Wewahitchka	1	0	0	0
White Springs	4	4	0	0
Wildwood	16	26	4	9
Williston	15	18	3	5
Windermere	4	7	3	9
Winter Garden	21	29	11	17
Winter Haven	17	28	8	17
Winter Park	26	39	13	21
Yankeetown	8	21	4	8
Youngstown-Fountain	12	22	5	8
Yulee	12	26	8	15
Zephyr Hills	12	19	7	15
Zolfo Springs	6	9	0	2

Source: Responses to FPSC Data Requests

APPENDIX C: PERCENTAGE OF CLEC ACCESS LINES BY EXCHANGE				
	% of Residential Access Lines CLEC Providers		% of Business Access Lines CLEC Providers	
Exchange	(2002)	(2003)	(2002)	(2003)
Alachua	> 0 to 1%	> 0 to 1%	0	0
Alford	1% to 5%	1% to 5%	0	1% to 5%
Alligator Point	0	0	0	0
Altha	> 0 to 1%	> 0 to 1%	5% to 10%	0
Apalachicola	0	> 0 to 1%	0	0
Apopka	1% to 5%	1% to 5%	5% to 10%	15% to 20%
Arcadia	1% to 5%	1% to 5%	> 0 to 1%	1% to 5%
Archer	1% to 5%	1% to 5%	15% to 20%	20% to 25%
Astor	> 0 to 1%	1% to 5%	> 0 to 1%	5% to 10%
Avon Park	1% to 5%	1% to 5%	> 0 to 1%	1% to 5%
Baker	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Baldwin	5% to 10%	5% to 10%	5% to 10%	15% to 20%
Bartow	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Belleglade	5% to 10%	25% to 30%	5% to 10%	15% to 20%
Belleview	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Beverly Hills	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Blountstown	1% to 5%	1% to 5%	> 0 to 1%	0
Boca Grande	> 0 to 1%	> 0 to 1%	> 0 to 1%	> 0 to 1%
Boca Raton	5% to 10%	10% to 15%	30 % - 35%	35% to 40%
Bonifay	1% to 5%	1% to 5%	> 0 to 1%	> 0 to 1%
Bonita Springs	> 0 to 1%	> 0 to 1%	1% to 5%	10% to 15%
Bowling Green	1% to 5%	1% to 5%	0	> 0 to 1%
Boynton Beach	5% to 10%	10% to 15%	25% - 30%	30% to 35%
Bradenton	1% to 5%	1% to 5%	5% to 10%	15% to 20%
Branford	> 0 to 1%	1% to 5%	0	0
Bristol	> 0 to 1%	1% to 5%	0	0
Bronson	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Brooker	> 0 to 1%	> 0 to 1%	0	0
Brooksville	1% to 5%	10% to 15%	10% to 15%	15% to 20%
Bunnell	1% to 5%	5% to 10%	5% to 10%	10% to 15%
Bushnell	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Callahan	> 0 to 1%	> 0 to 1%	0	0
Cantonment	1% to 5%	0	15% to 20%	5% to 10%
Cape Coral	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Cape Haze	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%

APPENDIX C: PERCENTAGE OF CLEC ACCESS LINES BY EXCHANGE				
	% of Residential Access Lines CLEC Providers		% of Business Access Lines CLEC Providers	
Exchange	(2002)	(2003)	(2002)	(2003)
Carrabelle	0	> 0 to 1%	0	0
Cedar Key	> 0 to 1%	1% to 5%	5% to 10%	15% to 20%
Celebration	0	0	25% to 30%	25% to 30%
Century	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Chattahoochee	> 0 to 1%	> 0 to 1%	0	0
Cherry Lake	1% to 5%	1% to 5%	30% to 35%	0
Chiefland	1% to 5%	1% to 5%	25% to 30%	25% to 30%
Chipley	1% to 5%	15% to 20%	10% to 15%	35% to 40%
Citra	> 0 to 1%	> 0 to 1%	0	0
Clearwater	> 0 to 1%	> 0 to 1%	15% to 20%	30% to 35%
Clermont	> 0 to 1%	1% to 5%	1% to 5%	1% to 5%
Clewiston	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Cocoa	1% to 5%	5% to 10%	10% to 15%	35% to 40%
Cocoa Beach	1% to 5%	1% to 5%	20% to 25%	20% to 25%
Coral Springs	10% to 15%	15% to 20%	25% to 30%	30% to 35%
Cottondale	5% to 10%	5% to 10%	1% to 5%	5% to 10%
Crawfordville	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Crescent City	> 0 to 1%	> 0 to 1%	0	0
Crestview	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Cross City	1% to 5%	1% to 5%	10% to 15%	10% to 15%
Crystal River	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Dade City	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Daytona Beach	1% to 5%	5% to 10%	25% to 30%	40% to 45%
DeBary	1% to 5%	10% to 15%	5% to 10%	15% to 20%
Deerfield Beach	10% to 15%	15% to 20%	25% to 30%	35% to 40%
DeFuniak Springs	1% to 5%	5% to 10%	1% to 5%	1% to 5%
Deland	1% to 5%	10% to 15%	10% to 15%	20% to 25%
DeLeon Springs	1% to 5%	10% to 15%	15% to 20%	25% to 30%
Delray Beach	5% to 10%	10% to 15%	25% to 30%	30% to 35%
Destin	5% to 10%	1% to 5%	5% to 10%	20% to 25%
Dowling Park	0	> 0 to 1%	0	0
Dunnellon	1% to 5%	1% to 5%	10% to 15%	10% to 15%
East Orange	1% to 5%	1% to 5%	5% to 10%	10% to 15%
East Point	0	> 0 to 1%	0	0
Eau Gallie	> 0 to 1%	1% to 5%	10% to 15%	15% to 20%

APPENDIX C: PERCENTAGE OF CLEC ACCESS LINES BY EXCHANGE				
	% of Residential Access Lines CLEC Providers		% of Business Access Lines CLEC Providers	
Exchange	(2002)	(2003)	(2002)	(2003)
Englewood	> 0 to 1%	> 0 to 1%	5% to 10%	5% to 10%
Eustis	> 0 to 1%	1% to 5%	1% to 5%	1% to 5%
Everglades	0	> 0 to 1%	> 0 to 1%	> 0 to 1%
Fernadina Beach	1% to 5%	10% to 15%	15% to 20%	35% to 40%
Flagler Beach	1% to 5%	5% to 10%	45% to 50%	30% to 35%
Florahome	> 0 to 1%	> 0 to 1%	1% to 5%	0
Florida Sheriffs' Boys Ranch	0	1% to 5%	0	0
Forest	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Freeport	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Frostproof	> 0 to 1%	1% to 5%	> 0 to 1%	1% to 5%
Ft. Lauderdale	15% to 20%	20% to 25%	35% to 40%	35% to 40%
Ft Meade	1% to 5%	1% to 5%	1% to 5%	> 0 to 1%
Ft Myers	> 0 to 1%	1% to 5%	20% to 25%	25% to 30%
Ft. Myers Beach	> 0 to 1%	> 0 to 1%	1% to 5%	5% to 10%
Ft Pierce	1% to 5%	10% to 15%	10% to 15%	15% to 20%
Ft. Walton Beach	1% to 5%	1% to 5%	1% to 5%	10% to 15%
Ft. White	> 0 to 1%	1% to 5%	> 0 to 1%	0
Gainesville	5% to 10%	10% to 15%	10% to 15%	20% to 25%
Geneva	1% to 5%	1% to 5%	10% to 15%	15% to 20%
Glendale	> 0 to 1%	1% to 5%	0	0
Graceville	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Grand Ridge	1% to 5%	1% to 5%	> 0 to 1%	1% to 5%
Green Cove Springs	5% to 10%	5% to 10%	15% to 20%	20% to 25%
Greensboro	1% to 5%	20% to 25%	0	1% to 5%
Greenville	1% to 5%	5% to 10%	1% to 5%	1% to 5%
Greenwood	5% to 10%	5% to 10%	0	0
Gretna	1% to 5%	> 0 to 1%	0	0
Groveland	1% to 5%	1% to 5%	5% to 10%	1% to 5%
Gulf Breeze	1% to 5%	5% to 10%	15% to 20%	25% to 30%
Haines City	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Hastings	> 0 to 1%	> 0 to 1%	0	0
Havana	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Hawthorne	1% to 5%	1% to 5%	5% to 10%	5% to 10%
High Springs	> 0 to 1%	> 0 to 1%	0	0

APPENDIX C: PERCENTAGE OF CLEC ACCESS LINES BY EXCHANGE				
	% of Residential Access Lines CLEC Providers		% of Business Access Lines CLEC Providers	
Exchange	(2002)	(2003)	(2002)	(2003)
Hilliard	> 0 to 1%	> 0 to 1%	0	0
Hobe Sound	1% to 5%	5% to 10%	10% to 15%	15% to 20%
Holley-Navarre	1% to 5%	5% to 10%	10% to 15%	10% to 15%
Hollywood	20% to 25%	20% to 25%	25% to 30%	35% to 40%
Homestead	10% to 15%	15% to 20%	10% to 15%	10% to 15%
Homosassa	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Hosford	0	> 0 to 1%	0	0
Howey-in-the-Hills	> 0 to 1%	> 0 to 1%	0	1% to 5%
Hudson	> 0 to 1%	> 0 to 1%	15% to 20%	15% to 20%
Immokalee	1% to 5%	5% to 10%	1% to 5%	1% to 5%
Indian Lake	> 0 to 1%	> 0 to 1%	0	1% to 5%
Indiantown	0	0	0	0
Interlachen	> 0 to 1%	> 0 to 1%	0	0
Inverness	> 0 to 1%	1% to 5%	1% to 5%	1% to 5%
Jacksonville	15% to 20%	15% to 20%	35% to 40%	40% to 45%
Jacksonville Beach	5% to 10%	10% to 15%	25% to 30%	35% to 40%
Jasper	1% to 5%	1% to 5%	0	0
Jay	> 0 to 1%	0	5% to 10%	1% to 5%
Jennings	1% to 5%	1% to 5%	0	0
Jensen Beach	1% to 5%	5% to 10%	20% to 25%	20% to 25%
Julington	1% to 5%	10% to 15%	10% to 15%	15% to 20%
Jupiter	1% to 5%	5% to 10%	20% to 25%	30% to 35%
Keaton Beach	0	> 0 to 1%	0	0
Kenansville	> 0 to 1%	> 0 to 1%	5% to 10%	5% to 10%
Keys	1% to 5%	5% to 10%	10% to 15%	10% to 15%
Keystone Heights	1% to 5%	1% to 5%	15% to 20%	10% to 15%
Kingsley Lake	> 0 to 1%	> 0 to 1%	15% to 20%	30% to 35%
Kissimmee	1% to 5%	1% to 5%	10% to 15%	25% to 30%
La Belle	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Lady Lake	> 0 to 1%	> 0 to 1%	1% to 5%	5% to 10%
Lake Buena Vista	0	0	5% to 10%	10% to 15%
Lake Butler	> 0 to 1%	> 0 to 1%	0	0
Lake City	1% to 5%	1% to 5%	15% to 20%	15% to 20%
Lake Placid	1% to 5%	1% to 5%	> 0 to 1%	1% to 5%
Lake Wales	> 0 to 1%	1% to 5%	1% to 5%	1% to 5%

APPENDIX C: PERCENTAGE OF CLEC ACCESS LINES BY EXCHANGE				
	% of Residential Access Lines CLEC Providers		% of Business Access Lines CLEC Providers	
Exchange	(2002)	(2003)	(2002)	(2003)
Lakeland	1% to 5%	1% to 5%	5% to 10%	10% to 15%
Laurel Hill	> 0 to 1%	> 0 to 1%	0	0
Lawtey	1% to 5%	5% to 10%	1% to 5%	1% to 5%
Lee	1% to 5%	1% to 5%	> 0 to 1%	1% to 5%
Leesburg	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Lehigh Acres	> 0 to 1%	1% to 5%	1% to 5%	1% to 5%
Live Oak	1% to 5%	1% to 5%	0	0
Luraville	> 0 to 1%	> 0 to 1%	0	0
Lynn Haven	15% to 20%	5% to 10%	25% to 30%	5% to 10%
Macclenny	10% to 15%	10% to 15%	5% to 10%	10% to 15%
Madison	5% to 10%	5% to 10%	1% to 5%	1% to 5%
Malone	1% to 5%	5% to 10%	0	0
Marco Island	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Marianna	5% to 10%	5% to 10%	1% to 5%	1% to 5%
Maxville	5% to 10%	5% to 10%	10% to 15%	15% to 20%
Mayo	1% to 5%	1% to 5%	0	0
McIntosh	> 0 to 1%	> 0 to 1%	0	0
Melbourne	1% to 5%	1% to 5%	25% to 30%	50% to 55%
Melrose	> 0 to 1%	> 0 to 1%	0	0
Miami	15% to 20%	15% to 20%	40% to 45%	30% to 35%
Micanopy	> 0 to 1%	1% to 5%	1% to 5%	1% to 5%
Middleburg	5% to 10%	5% to 10%	35% to 40%	10% to 15%
Milton	1% to 5%	1% to 5%	10% to 15%	10% to 15%
Molino	0	0	0	0
Monticello	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Montverde	> 0 to 1%	1% to 5%	0	5% to 10%
Moore Haven	1% to 5%	1% to 5%	> 0 to 1%	> 0 to 1%
Mount Dora	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Mulberry	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Munson	> 0 to 1%	1% to 5%	1% to 5%	1% to 5%
Myakka	> 0 to 1%	> 0 to 1%	1% to 5%	> 0 to 1%
Naples	> 0 to 1%	> 0 to 1%	1% to 5%	5% to 10%
New Port Richey	> 0 to 1%	> 0 to 1%	10% to 15%	10% to 15%
New Smyrna Beach	5% to 10%	15% to 20%	15% to 20%	25% to 30%
Newberry	1% to 5%	1% to 5%	10% to 15%	15% to 20%

APPENDIX C: PERCENTAGE OF CLEC ACCESS LINES BY EXCHANGE				
	% of Residential Access Lines CLEC Providers		% of Business Access Lines CLEC Providers	
Exchange	(2002)	(2003)	(2002)	(2003)
North Cape Coral	> 0 to 1%	> 0 to 1%	1% to 5%	5% to 10%
North Dade	15% to 20%	20% to 25%	30% to 35%	35% to 40%
North Ft Myers	> 0 to 1%	1% to 5%	1% to 5%	1% to 5%
North Naples	> 0 to 1%	> 0 to 1%	1% to 5%	5% to 10%
North Port	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Oak Hill	1% to 5%	5% to 10%	10% to 15%	20% to 25%
Ocala	1% to 5%	1% to 5%	10% to 15%	20% to 25%
Ocklawaha	1% to 5%	1% to 5%	0	1% to 5%
Okeechobee	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Old Town	1% to 5%	1% to 5%	10% to 15%	5% to 10%
Orange City	> 0 to 1%	1% to 5%	1% to 5%	5% to 10%
Orange Park	10% to 15%	15% to 20%	25% to 30%	25% to 30%
Orange Springs	> 0 to 1%	> 0 to 1%	0	0
Orlando	5% to 10%	10% to 15%	45% to 50%	45% to 50%
Oviedo	1% to 5%	5% to 10%	20% to 25%	25% to 30%
Pace	1% to 5%	5% to 10%	20% to 25%	15% to 20%
Pahokee	10% to 15%	25% to 30%	1% to 5%	30% to 35%
Palatka	1% to 5%	5% to 10%	10% to 15%	20% to 25%
Palm Coast	1% to 5%	5% to 10%	15% to 20%	30% to 35%
Palmetto	> 0 to 1%	> 0 to 1%	25% to 30%	10% to 15%
Panacea	1% to 5%	1% to 5%	> 0 to 1%	> 0 to 1%
Panama City	15% to 20%	35% to 40%	20% to 25%	30% to 35%
Panama City Beach	20% to 25%	5% to 10%	25% to 30%	10% to 15%
Paxton	0	0	0	0
Pensacola	1% to 5%	10% to 15%	35% to 40%	35% to 40%
Perrine	10% to 15%	15% to 20%	20% to 25%	30% to 35%
Perry	> 0 to 1%	> 0 to 1%	0	0
Pierson	1% to 5%	1% to 5%	10% to 15%	10% to 15%
Pine Island	> 0 to 1%	> 0 to 1%	> 0 to 1%	> 0 to 1%
Plant City	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Polk City	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Pomona Park	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Pompano Beach	15% to 20%	15% to 20%	35% to 40%	40% to 45%
Ponce de Leon	1% to 5%	1% to 5%	5% to 10%	10% to 15%
Ponte Vedra Beach	5% to 10%	5% to 10%	20% to 25%	20% to 25%

APPENDIX C: PERCENTAGE OF CLEC ACCESS LINES BY EXCHANGE				
	% of Residential Access Lines CLEC Providers		% of Business Access Lines CLEC Providers	
Exchange	(2002)	(2003)	(2002)	(2003)
Port Charlotte	> 0 to 1%	> 0 to 1%	1% to 5%	5% to 10%
Port St Joe	0	> 0 to 1%	0	0
Port St. Lucie	1% to 5%	5% to 10%	10% to 15%	20% to 25%
Punta Gorda	> 0 to 1%	> 0 to 1%	1% to 5%	5% to 10%
Quincy	1% to 5%	> 0 to 1%	0	0
Raiford	> 0 to 1%	> 0 to 1%	0	0
Reedy Creek	> 0 to 1%	5% to 10%	40% to 45%	30% to 35%
Reynolds Hill	> 0 to 1%	1% to 5%	0	0
Salt Springs	> 0 to 1%	1% to 5%	0	> 0 to 1%
San Antonio	> 0 to 1%	> 0 to 1%	> 0 to 1%	1% to 5%
Sanderson	10% to 15%	10% to 15%	1% to 5%	1% to 5%
Sanford	1% to 5%	10% to 15%	30% to 35%	25% to 30%
Sanibel-Captiva Island	> 0 to 1%	> 0 to 1%	> 0 to 1%	1% to 5%
Santa Rosa Beach	1% to 5%	1% to 5%	5% to 10%	10% to 15%
Sarasota	> 0 to 1%	> 0 to 1%	15% to 20%	15% to 20%
Seagrove Beach	5% to 10%	5% to 10%	10% to 15%	5% to 10%
Sebastian	1% to 5%	5% to 10%	10% to 15%	10% to 15%
Sebring	> 0 to 1%	1% to 5%	1% to 5%	1% to 5%
Shalimar	1% to 5%	1% to 5%	> 0 to 1%	1% to 5%
Silver Springs Shores	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Sneads	1% to 5%	1% to 5%	> 0 to 1%	> 0 to 1%
Sopchoppy	1% to 5%	1% to 5%	0	0
Spring Lake	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
St. Augustine	1% to 5%	5% to 10%	20% to 25%	25% to 30%
St. Cloud	1% to 5%	1% to 5%	1% to 5%	1% to 5%
St. Johns	1% to 5%	1% to 5%	40% to 45%	35% to 40%
St. Marks	0	1% to 5%	1% to 5%	1% to 5%
St. Petersburg	> 0 to 1%	1% to 5%	10% to 15%	15% to 20%
Starke	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Stuart	1% to 5%	5% to 10%	15% to 20%	25% to 30%
Sunny Hills	> 0 to 1%	1% to 5%	1% to 5%	1% to 5%
Tallahassee	1% to 5%	1% to 5%	10% to 15%	15% to 20%
Tampa	1% to 5%	1% to 5%	25% to 30%	35% to 40%
Tarpon Springs	> 0 to 1%	> 0 to 1%	10% to 15%	10% to 15%
Tavares	> 0 to 1%	1% to 5%	1% to 5%	1% to 5%

APPENDIX C: PERCENTAGE OF CLEC ACCESS LINES BY EXCHANGE				
	% of Residential Access Lines CLEC Providers		% of Business Access Lines CLEC Providers	
Exchange	(2002)	(2003)	(2002)	(2003)
The Beaches	0	> 0 to 1%	0	0
Titusville	1% to 5%	1% to 5%	10% to 15%	15% to 20%
Trenton	1% to 5%	1% to 5%	10% to 15%	10% to 15%
Trilacoochee	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Tyndall AFB	0	0	> 0 to 1%	0
Umatilla	1% to 5%	1% to 5%	1% to 5%	1% to 5%
Valparaiso	> 0 to 1%	1% to 5%	1% to 5%	10% to 15%
Venice	> 0 to 1%	> 0 to 1%	5% to 10%	10% to 15%
Vernon	1% to 5%	1% to 5%	15% to 20%	15% to 20%
Vero Beach	1% to 5%	5% to 10%	15% to 20%	15% to 20%
Waldo	> 0 to 1%	> 0 to 1%	0	0
Walnut Hill	0	0	0	0
Wauchula	1% to 5%	1% to 5%	0	1% to 5%
Weekiwachee Springs	> 0 to 1%	5% to 10%	20% to 25%	20% to 25%
Weirsdale	1% to 5%	0	0	0
Welaka	1% to 5%	1% to 5%	5% to 10%	10% to 15%
Wellborn	> 0 to 1%	> 0 to 1%	5% to 10%	0
West Kissimmee	1% to 5%	1% to 5%	15% to 20%	40% to 45%
West Palm Beach	5% to 10%	10% to 15%	25% to 30%	30% to 35%
Westville	1% to 5%	1% to 5%	0	0
Wewahitchka	> 0 to 1%	0	0	0
White Springs	1% to 5%	1% to 5%	0	0
Wildwood	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Williston	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Windermere	1% to 5%	1% to 5%	1% to 5%	5% to 10%
Winter Garden	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Winter Haven	1% to 5%	1% to 5%	15% to 20%	15% to 20%
Winter Park	1% to 5%	1% to 5%	15% to 20%	20% to 25%
Yankeetown	1% to 5%	1% to 5%	5% to 10%	15% to 20%
Youngstown-Fountain	1% to 5%	1% to 5%	5% to 10%	5% to 10%
Yulee	1% to 5%	1% to 5%	5% to 10%	10% to 15%
Zephyr Hills	> 0 to 1%	> 0 to 1%	1% to 5%	1% to 5%
Zolfo Springs	1% to 5%	1% to 5%	0	1% to 5%

Source: Responses to FPSC data requests.

APPENDIX D: SUMMARY OF COMPLAINTS FILED BY CLECs						
CLEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Adelphia	BellSouth	05/08/02	454256T	Service Delay-Porting back to BellSouth	07/09/02	Delay caused by BellSouth.
Allegiance	BellSouth	09/18/02	490855T	Customer trying to switch service to Allegiance	01/06/03	Service is working with Allegiance.
Allegiance	Verizon	04/24/03	529493T	Verizon threatening to disconnect Allegiance for non-payment of $221,452	05/27/03	Company is in bankruptcy. Being handled by the Court.
AT&T	BellSouth	05/29/02	457857T	Service Delay-Porting to AT&T	07/23/02	Has been ported to AT&T. Delay was due to incorrect handling of Memory Call Answer Service by BellSouth.
AT&T	BellSouth	08/26/02	020919-TP*	AT&T's request for arbitration concerning enforcement of interconnection agreements with BellSouth.	Active	Pending
AT&T	BellSouth	08/31/02	481725T	Service Delay-Porting to BellSouth	09/20/02	Delay caused by BellSouth
AT&T	BellSouth	01/23/03	513981T	Service delay porting back to BellSouth	02/25/03	Delay caused by BellSouth. A $69.80 credit was given.
AT&T	Verizon	06/19/02	455958T	Service Delay	10/07/02	AT&T could not provide this service. Customer has placed its service with Verizon.

APPENDIX D: SUMMARY OF COMPLAINTS FILED BY CLECs

CLEC	ILEC	Date Opened	Docket No. or CATS No.	Description of Complaint	Date Closed	Resolution
ATSI	BellSouth	09/09/02	459857T	Improper disconnect of service by BellSouth	09/25/02	Problem caused by BellSouth. Issued $35 credit.
Comcast	BellSouth	04/28/03	529868T	Porting to BellSouth-Comcast will not release the line	05/30/03	Customer had its service disconnected by Comcast after BellSouth installed a new number.
Delta Phones	BellSouth	06/30/03	030579-TP	Complaint against BellSouth concerning interconnection agreement, and petition for expedited relief by Delta Phones, Inc.	Active	Pending
e.spire Commun.	BellSouth	07/17/02	477707T	Service Delay-Porting to BellSouth	10/01/02	Service has been switched. Delay caused by e.spire.
e.spire Commun.	Verizon	08/09/02	020880-TP	Complaint of Verizon against e.spire. (Entire pleading was filed as proprietary.)	09/02/02	Complaint was withdrawn by Verizon. The docket was administratively closed.
Express Phone Service	Sprint	08/07/02	478310T	Repair Problem	10/07/02	Cable pair replaced.
Florida Digital Network	BellSouth	04/25/02	451638T	Billing problem with FDN, causing a delay in porting to BellSouth.	07/23/02	Billing problems with FDN have been settled. Customer has ported to BellSouth.
Florida Digital Network	BellSouth	04/30/02	452346T	Out of Service after relocating due to defective cable.	07/31/02	Cable problem caused by vendor.

APPENDIX D: SUMMARY OF COMPLAINTS FILED BY CLECs

CLEC	ILEC	Date Opened	Docket No. or CATS No.	Description of Complaint	Date Closed	Resolution
Florida Digital Network	BellSouth	05/13/02	455085T	Double Billing.	07/15/02	Billing issued resolved.
Florida Digital Network	BellSouth	06/03/02	458958T	Out of Service-Problem with switching service.	07/12/02	Problem caused by BellSouth. Has been ported back to BellSouth.
Florida Digital Network l	BellSouth	06/03/02	458984T	Service Delay-Porting to BellSouth	08/13/02	Customer has been ported.
Florida Digital Network	BellSouth	06/18/02	462148T	Service Delay-Porting to Fla. Digital	07/10/02	Customer has been ported. Delay caused by DSL freeze.
Florida Digital Network	BellSouth	06/19/02	462317T	Facility & Construction Charge Problem.	10/07/02	Estimate was delayed by BellSouth.
Florida Digital Network	BellSouth	12/20/02	020119-TP* 020578-TP* 021252-TP*	Petitions of Florida Digital Network and the Florida Competitive Carriers Association for expedited review and cancellation or suspension of BellSouth's Key Customer tariff.	Active	Pending
Florida Digital Network	BellSouth	04/01/03	520574T	BellSouth billing problem	05/28/03	Resolved at Informal Conference
Florida Digital Network	BellSouth	04/01/03	513858T	BellSouth billing problem	05/28/03	Resolved at Informal Conference
Florida Digital Network	BellSouth	05/22/03	533782T	Out of service condition has occurred several time lasting up to 4 days.	06/17/03	Trouble has been resolved.

APPENDIX D: SUMMARY OF COMPLAINTS FILED BY CLECs						
CLEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Florida Digital Network	Sprint	04/29/03	523370T	Directory Assistance numbers listed incorrectly.	06/13/03	Corrected by Sprint
Florida Phone Service	BellSouth	03/06/03	520921T	BellSouth requesting an additional deposit of $48,000.	04/21/03	Additional deposit reduced to $2,000.
Florida Telephone	BellSouth	06/19/02	462327T	Service Delay-Freeze on the lines.	07/30/02	Service has been ported. All porting was frozen until BellSouth could cut over a new switch.
Global NAPS	BellSouth	11/07/02	021132-TP	GlobalNAPs' complaint and request for emergency declaratory statement regarding Bell-South's proposed denial of service.	02/07/03	Complaint was withdrawn by GNAPs. The docket was administratively closed.
Global Response	BellSouth	03/24/03	523964T	BellSouth billing problem	06/17/03	BellSouth credit Global Response $28,487 for billing errors.
IDC Delta	Sprint	06/02/03	536230T	Frequent extended outages.	06/26/03	Outages have been resolved. Cable was repaired.
IDS Telecom	BellSouth	05/16/02	455685T	Service Delay-Customer tried to port to IDS from Network Plus (going out of business). Then requested to be ported to BellSouth.	07/29/02	Intimal porting problem was with IDS. Has now ported to BellSouth.

APPENDIX D: SUMMARY OF COMPLAINTS FILED BY CLECs

CLEC	ILEC	Date Opened	Docket No. or CATS No.	Description of Complaint	Date Closed	Resolution
IDS Telecom	BellSouth	09/18/02	491083T	Loss of remote call forwarding	12/04/02	Internal communications problem between BellSouth & OneSource (Its agent)
IDS Telecom	BellSouth	09/30/02	493352T	Failure to resolve caller ID problem	10/22/02	Bad cable pair.
Intellitec	BellSouth	04/30/03	517687T	No dial-tone during conversion of customers.	06/16/03	Service was restored. BellSouth inadvertently disconnected one customer and provided a $27.60 credit.
Intellitec	BellSouth	05/01/03	525853T	Customer of Intellitec disconnected by BellSouth	05/19/03	Disconnection was accidental by BellSouth. Service restored.
KMC	BellSouth	10/18/02	483520T	Out of Service	10/29/02	Cable problem repaired by BellSouth
KMC Telecom	Verizon	06/28/02	474025t	Service Delay-Billing Problem	11/05/02	Verizon provided a credit of $356.75 & KMC credited the customer $245.30 for delayed installation.
KMC Telecom	Verizon	03/14/03	507168T	KMC reports repair & service issues with Verizon	05/27/03	Problems caused by bad cable in the campus building-Customer was responsible.
KX-TD.com Orlando Telephone	Qwest and US LEC	07/11/02	476537T	Improper Billing Practice	08/15/02	US LEC informed Qwest that KX-TD.com was not responsible for the charges. US LEC credited KX-TD.com for $59.25

APPENDIX D: SUMMARY OF COMPLAINTS FILED BY CLECs						
CLEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
MCI	BellSouth	01/29/03	030103-TP*	MCI's request for arbitration concerning complaint against BellSouth for alleged breach of interconnection agreements with respect to rates charged for certain high-capacity circuits.	Active	Pending
MCI	BellSouth	05/22/03	534693T	BellSouth disconnected primary line while installing a second line.	06/12/03	Service was restored. BellSouth provided a $60 credit.
MCI & USA Telephone	BellSouth	01/27/03	514478T	Customer disconnected without authorization. Number reassigned.	03/27/03	MCI had 3rd party verification for the transfer.
Met Comm	Verizon	08/23/02	485549T	Ordered flat rate lines, but Verizon charged for measured rate lines.	10/17/02	Verizon issued new orders correcting the service with no charge. No credit provided as problem was caused by Met Comm.
Mobile Phone Co.	BellSouth	02/03/03	515574T	Company cannot issue new orders as access to LENS has been denied.	02/28/03	Mobile Phone Co. had not removed the pic freezes and also owed BellSouth for past services. Bill has been paid and the freezes have been lifted.
Mpower	BellSouth	04/30/02	452344T	Service Delay-Porting to BellSouth	08/08/02	BellSouth's back log of orders has been resolved.

APPENDIX D: SUMMARY OF COMPLAINTS FILED BY CLECs						
CLEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
Mpower	BellSouth	05/20/02	456149T	Lies out of service, also porting back to BellSouth	07/10/02	Service is working and has been ported. Delay caused by both companies.
Mpower	BellSouth	06/18/02	462031T	Service Delay-Porting to BellSouth	07/18/02	Service has been ported. Delay caused by BellSouth.
Mpower	BellSouth	07/09/02	476043T	Service Delay-Porting to BellSouth	07/23/02	Service has been ported. Problem caused by Mpower.
Mpower	BellSouth	08/08/02	480643T	Service Delay-Porting to BellSouth	09/04/02	Delay caused by both companies. BellSouth issued a $3,592.52 credit for the problems.
Mpower	Verizon	10/04/02	494523T	Porting problem-Ownership of number	11/05/02	Ownership out of customer's control. Possible civil litigation.
NewSouth	Sprint	05/23/03	030457-TP	NewSouth complaint and request for enforcement of interconnection agreement with Sprint, and request for relief.	Active	Pending
NewSouth	Verizon	07/30/02	480416T	Out of Service	08/22/02	Problem was with customer's PBX.
Supra	BellSouth	04/30/02	452327T	BellSouth cut the DSL service	07/23/02	Has ported DSL service to BellSouth.
Supra	BellSouth	07/16/02	477385T	DSL Service Problem	08/28/02	Has been resolved with the customer.

APPENDIX D: SUMMARY OF COMPLAINTS FILED BY CLECs

CLEC	ILEC	Date Opened	Docket No. or CATS No.	Description of Complaint	Date Closed	Resolution
Supra	BellSouth	08/02/02	477209T	Improper Disconnect	01/13/03	Customer was disconnected for non-pay. BellSouth will reconnect the service upon payment of the toll & local charges.
Supra	BellSouth	08/05/02	481635T	Problem with moving a line. Also out of service.	08/22/02	Delay caused by BellSouth. Out of service caused by both companies.
Supra	BellSouth	10/14/02	495049T	Companies won't disconnect customer's old line.	10/14/02	Problem resolved and credit provided to customer.
Supra	BellSouth	10/14/02	495405T	Delay porting to Supra-Freeze on line	11/05/02	Delay caused by Supra's Chapter 11 problems.
Supra	BellSouth	10/16/02	496827T	Customer wants service disconnected and billing corrected.	11/07/02	Supra to refund deposit after its bankruptcy plan is approved.
Supra	BellSouth	12/18/02	021249-TP	Supra's complaint against BellSouth for non-compliance with FPSC Order PSC-02-0878-FOF-TP.	Active	Pending
Supra	BellSouth	01/03/03	511037T	BellSouth's failure to repair Supra's customers in a timely manner	04/09/03	Service has been repaired. BellSouth technicians accused of making remarks about Supra.
Supra	BellSouth	02/12/03	517266T	Customer wants DSL service from BellSouth. BST wants him to change his local service to them before it will give him DSL.	03/27/03	BellSouth does not have to provide DSL service per Docket No. 001305-TP.

APPENDIX D: SUMMARY OF COMPLAINTS FILED BY CLECs

CLEC	ILEC	Date Opened	Docket No. or CATS No.	Description of Complaint	Date Closed	Resolution
Supra	BellSouth	02/21/03	518690T	Problems with calling features	03/27/03	Conflicting codes on the service order caused delays in the vertical services.
Supra	BellSouth	03/10/03	521288	Supra reports its customers have suffered many outages.	04/10/03	Outside plant failures caused the majority of the problems. Problem has been resolved and a $20 credit provided.
Supra	BellSouth	04/18/03	030349-TP	Complaint by Supra regarding BellSouth's alleged use of carrier-to-carrier information.	Active	Pending
Supra	BellSouth	06/03/03	030482-TP*	Supra's emergency complaint against BellSouth for allegedly filing false usage data numbers with the Commission in Docket No. 990649A-TP.	Active	Pending
Talk America	BellSouth	07/09/02	475996T	Service Delay-Porting to Talk America	07/29/02	Customer has been ported. Delay caused by DSL service problem.
Talk America	BellSouth	02/12/03	515244T	Service Delay-Porting to Talk America, also customer was out of service.	03/14/03	Porting was completed and a $37.10 credit provided for being out of service.
Tallahassee Telephone Exchange (TTE)	Sprint	06/26/02	473425T	No copper facilities available.	07/10/02	Problem was with TTE who provided Sprint incorrect information.

APPENDIX D: SUMMARY OF COMPLAINTS FILED BY CLECs

CLEC	ILEC	Date Opened	Docket No. or CATS No.	Description of Complaint	Date Closed	Resolution
Tallahassee Telephone Exchange	Sprint	07/30/02	020837-TP	Tallahassee Telephone Exchange, Inc.'s request for arbitration concerning complaint against Sprint for alleged over billing and failure to comply with interconnection agreement.	12/19/02	Sprint's motion to dismiss without prejudice was granted.
Tallahassee Telephone Exchange	Sprint	01/09/03	511245T	Sprint is providing DSL service to its customers while denying similar service to TTE's customers.	03/06/03	No anti-competitive behavior of Sprint. Companies have reached an agreement on procedures.
TelData	BellSouth	05/05/03	531195T	BellSouth overcharging TelData	06/03/03	BellSouth provided a credit of $237,896 for over billing.
Teleport Communications Group, Inc. and TCG South Florida	Verizon	09/20/02	021006-TP	TCG's petition for expedited enforcement of interconnection agreement with Verizon.	12/06/02	Verizon's motion to dismiss was granted.
USA Telecom	BellSouth	10/18/02	497118T	Improper disconnect of service by BellSouth	10/29/02	BellSouth problem. Credit issued.
USA Telecom	Sprint	04/14/03	527433T	Couldn't port number due to billing dispute.	04/15/03	Customer disconnected for non-pay.
Winstar	Verizon	04/02/02	446752T	Service Delay-Porting to Verizon	10/23/02	Porting occurred on 04/17/02. Inadvertently left open, should have been closed.

APPENDIX D: SUMMARY OF COMPLAINTS FILED BY CLECs						
CLEC	**ILEC**	**Date Opened**	**Docket No. or CATS No.**	**Description of Complaint**	**Date Closed**	**Resolution**
XO Florida	BellSouth	06/27/02	473796T	Service Delay-Porting to BellSouth	09/26/02	BellSouth refused to port service due to a previous large bill. Has ported to another CLEC.

Pending dockets with an * may be closed in the near future (Mid to late October).

Q:\Reports\Competition\Complaints2002-03.wpd

APPENDIX E: LIST OF CERTIFICATED CLECS AS OF 6/30/03

1 Com, Inc. d/b/a 1 Com South, Inc.
1-800-RECONEX, Inc. d/b/a USTEL
360networks (USA) inc.
A+ Communications, Inc.
A.R.C. Networks, Inc. d/b/a InfoHighway
Access Communications, LLC.
Access Integrated Networks, Inc.
Access Point, Inc.
AccuTel of Texas, Inc.
ACN Communication Services, Inc.
Actel Wireless, Inc.
Adelphia Business Solutions of Florida, Inc.
Adelphia Business Solutions of Jacksonville, Inc.
Adelphia Business Solutions Investment, LLC
Adelphia Telecommunications of Florida, Inc.
Advanced Tel, Inc. d/b/a EATEL
Advantage Group of Florida Communications, L.L.C.
Advent Consulting and Technology, Inc.
Adventist Health System/Sunbelt, Inc. d/b/a Florida Hospital Medical Center
Airface Communications Inc.
AirTIME Technologies, Inc.
Allegiance Telecom of Florida, Inc.
ALLTEL Communications, Inc.
Alpha Fiber Inc.
Alternative Access Telephone Communications Corp. d/b/a AA Tele-Com
Alternative Phone, Inc.
Alternative Telecommunication Services, Inc. d/b/a Second Chance Phone
Alticomm, Inc.
AMAFLA Telecom, Inc.
America's Wireless Choice, Inc.
American Fiber Network, Inc.
American Fiber Systems, Inc.
American Phone Services Corp.
AmeriMex Communications Corp.
ANEW Broadband, Inc.
Annox, Inc.
Armour E611 Incorporated
Arrow Communications, Inc. d/b/a ACI
Asset Channels-Telecom, Inc.
Atlantic Telecommunication Systems, Inc. d/b/a ATS

APPENDIX E: LIST OF CERTIFICATED CLECS AS OF 6/30/03

Atlantic.Net Broadband, Inc.
Atlas Communications, Ltd.
ATN, Inc. d/b/a AMTEL NETWORK, INC.
AT&T Communications of the Southern States, LLC d/b/a AT&T
Auglink Communications, Inc.
Available Telecom Services, Inc.
Azul Tel, Inc.
Backbone Communications Inc.
BAK Communications, LLC
Baldwin County Internet/DSSI Service, L.L.C.
Bar-Lyn Enterprises Inc d/b/a Swiftphone
Basic Phone, Inc.
Baytel Communications, Inc.
Beauty Town, Inc. d/b/a Anns Communication
Bellerud Communications, LLC
BellSouth BSE, Inc.
BellSouth Telecommunications, Inc.
Birch Telecom of the South, Inc. d/b/a Birch Telecom and d/b/a Birch
Broadview Networks, Inc.
Broadwing Local Services Inc.
Broward Business Service, Inc. dba Festival Telephone Services, Inc. and dba Communication Service Centers BT Communications Sales LLC
Budget Phone, Inc.
BudgeTel Systems, Inc.
BullsEye Telecom, Inc.
Burno, Inc. d/b/a Citywide-Tel
Business Communications, Inc.
Business Telecom, Inc. d/b/a BTI
Buy-Tel Communications, Inc.
C.E.F. Answering and Telecommunications Service Inc.
C.I.O., Inc.
C2C Fiber of Florida, Inc.
Cable & Wireless USA, Inc.
Calpoint (Florida), LLC
Campus Communications Group, Inc.
CariLink International, Inc.
CAT Communications International, Inc.
Cbeyond Communications, LLC
Cellutel Communications Inc
Centennial Florida Switch Corp.
CeriStar, Inc.

APPENDIX E: LIST OF CERTIFICATED CLECS AS OF 6/30/03

Choctaw Communications, Inc. d/b/a Smoke Signal Communications
CI2, Inc.
Ciera Network Systems, Inc.
Cinergy Communications Company
City of Daytona Beach
City of Gainesville, a municipal corporation d/b/a GRUCom
City of Lakeland
City of Ocala
City of Quincy d/b/a netquincy d/b/a netquincy.com d/b/a www.netquincy.com
City of Tallahassee
CityNet Telecom, Inc.
clertech.com.inc. d/b/a clertech.com
CM Tel (USA) LLC
Cogent Communications of Florida LHC, Inc.
Colmena Corp. of Delaware
Columbia Telecommunications, Inc. d/b/a axessa
Comcast Business Communications, Inc.
Comcast Phone of Florida, LLC d/b/a Comcast Digital Phone
Comm South Companies, Inc. d/b/a Florida Comm South
Commodity Partners Inc.
Communications Xchange, LLC
COMUSA, Inc.
Consolidated Networks, Inc.
Coral Telecom, Inc. d/b/a TruComm Southeast
Cordia Communications Corp.
Covista, Inc.
Cox Florida Telcom, L.P. d/b/a Cox Communications
Coyote Metro, LLC d/b/a INET Local Phone Service
Credit Loans, Inc. d/b/a Lone Star State Telephone Co.
CTC Communications Corp.
Cypress Communications Operating Company, Inc.
D-Tel, Inc.
David A. Chesson and Ted J. Moss d/b/a Phone-Out/Phone-On
Deland Actel, Inc. (TX435)
Delta Phones, Inc.
DialTek, LLC d/b/a DTK Telecommunications, LLC
Dialtone Telecom, LLC
DIECA Communications, Inc. d/b/a Covad Communications Company
Direct Telephone Company, Inc.
Direct-Tel USA, LLC
Direct2Internet Corp.

APPENDIX E: LIST OF CERTIFICATED CLECS AS OF 6/30/03

Dominion Telecom, Inc.
Double Link Communications, Inc.
DPI-Teleconnect, L.L.C.
DSL Internet Corporation d/b/a DSLi
DSL Telecom, Inc.
DSLnet Communications, LLC
DukeNet Communications, LLC
DV2, Inc.
E.Com Technologies, LLC d/b/a Firstmile Technologies, LLC
Eagle Communications, Inc. d/b/a Eagle Telco, Inc.
Eagle Telecommunications, Inc.
Easy Telephone Services Company
El Paso Networks, LLC
ElectroNet Intermedia Consulting, Inc.
Electronic Technical Services (E.T.S.)
eMeritus Communications, Inc.
Enhanced Communications Network, Inc. d/b/a Asian American Association
Enron Telecommunications, Inc.
EPICUS, Inc. d/b/a EPICUS
Ernest Communications, Inc.
Esodus Communications, Inc. d/b/a Excelink Communications d/b/a Instatone
essential.com, inc.
Essex Acquisition Corporation
Essex Communications, Inc. d/b/a eLEC Communications
Everest Broadband Networks of Florida, Inc.
Excel Telecommunications, Inc.
Express Phone Service, Inc.
EZ Talk Communications, L.L.C.
F.J.M.R. Investments, Inc. d/b/a Sunshines Communications Network
Fair Financial LLC d/b/a Midstate Telecommunications
Fast Connections, LP
Fast Phones, Inc. of Alabama
FeroNetworks, Inc.
Fiber Media, LLC
First Choice Local Communications Inc.
FLATEL, Inc. d/b/a Florida Telephone Company d/b/a Oscatel d/b/a Telephone USA
Florida City-Link Communications, Inc.
Florida Digital Network, Inc. d/b/a FDN Communications
Florida Multi-Media Services, Inc. d/b/a Florida Multi Media
Florida Municipal Power Agency
Florida Phone Service, Inc.

APPENDIX E: LIST OF CERTIFICATED CLECS AS OF 6/30/03

Florida Phone Systems, Inc.
Florida Public Telecommunications Association, Inc.
Florida Telephone Services, LLC
Focal Communications Corporation of Florida
Fort Pierce Utilities Authority d/b/a GigaBand Communications
Foxtel, Inc.
FPL FiberNet, LLC
France Telecom Corporate Solutions L.L.C.
Frontier Communications of America, Inc.
Ganoco, Inc. d/b/a American Dial Tone
Georgia Public Web, Inc.
Georgia Telephone Services, Inc.
Global Connection, Inc of America
Global Crossing Local Services, Inc.
Global Crossing Telemanagement, Inc.
Global Dialtone, Inc. d/b/a Atlantic Phone
Global Metro Networks Florida, LLC
Global NAPS, Inc.
Global Telecom Systems, Inc.
Globalcom Inc. d/b/a GCI Globalcom Inc.
Globaltron Communications Corporation
Globcom, Inc.
GoBeam Services, Inc.
Grande Communications Networks, Inc.
Granite Telecommunications, LLC
Group Long Distance, Inc.
GTC Telecom, Inc. d/b/a Curbside Communications
Gulf Coast Telecom, Inc.
Harbor Communications, LLC
Hayes E-Government Resources, Inc.
Heritage Technologies, Ltd.
High Tech Communications of Central Florida, Inc.
Hosting-Network, Inc.
HTG Services, L.L.C.
I-Link Communications, Inc.
ICG Telecom Group, Inc.
IDS Telcom LLC
IDT America, Corp. d/b/a IDT
Image Access Communications, Inc. d/b/a NewPhone
Intellicall Operator Services, Inc. d/b/a ILD
Intelligence Network Online, Inc.

APPENDIX E: LIST OF CERTIFICATED CLECS AS OF 6/30/03

Intellitec Consulting Inc. d/b/a STS
Intelogistics Corp.
Interactive Services Network, Inc. d/b/a ISN Communications
InterCept Communications Technologies, Inc.
Intercontinental Communications Group, Inc. d/b/a Fusion Telecom
Interlink Telephony, Inc.
Intermedia Communications, Inc.
International Exchange Communications, Inc. d/b/a IE Com
International Telcom, Ltd.
International Telnet, Inc.
Intertoll Communications Network Corporation
Intrado Communications Inc.
ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom d/b/a Grapevine
ITS Telecommunications Systems, Inc.
Kenarl Inc. d/b/a Lake Wellington Professional Centre
Kernan Associates, Ltd. d/b/a St. Johns Estates
Kevin M. Brown d/b/a Miracle Communications
King Communications & Services, Inc.
KingTel, Inc.
Kissimmee Utility Authority
KMC Data LLC
KMC Telecom III LLC
KMC Telecom V, Inc.
Knology of Florida, Inc.
Laser Telecom, LLC
LecStar Telecom, Inc.
Level 3 Communications, LLC
LightWave Communications, LLC
Lightyear Communications, Inc.
Lionhart of Miami, Inc. d/b/a Astral Communications
Litestream Technologies, LLC
Local Line America, Inc.
Looking Glass Networks, Inc.
LPGA International Communications, LLC
M/C Southern Communications, Inc.
Madison River Communications, LLC
Max-Tel Communications, Inc. d/b/a Florida's Max-Tel Communications, Inc.
MCI WorldCom Communications, Inc.
MCI WorldCom Network Services, Inc.
MCImetro Access Transmission Services LLC
McGraw Communications, Inc.

APPENDIX E: LIST OF CERTIFICATED CLECS AS OF 6/30/03

McLeodUSA Telecommunications Services, Inc.
Melbourne Venture Group, LLC d/b/a SwiftTel
Mercury Long Distance, Inc.
Meridian Telecom, Inc.
MET Communications, Inc.
Metric Systems Corporation
Metro Teleconnect Companies, Inc.
Metromedia Fiber Network Services, Inc.
Metropolitan Fiber Systems of Florida, Inc.
Metropolitan Telecommunications of Florida, Inc. d/b/a MetTel
Microsun Telecommunications, Inc.
Midwestern Telecommunications, Incorporated
Momentum Business Solutions, Inc.
Movie, Television & Graphics Corp. d/b/a M.T.G.
Mpower Communications Corp.
MSN Communications, Inc.
MY-TEL INC.
Myatel Corporation
MYCOMP INS AGENCY CORP.
National Telecom & Broadband Services, LLC
National Telecom, LLC
NationNet Communications Corporation
Navigator Telecommunications, LLC.
Net One International, Inc.
Network International Solutions, Inc.
Network Multi-Family Security Corporation d/b/a Priority Link
Network Operator Services, Inc.
Network Telephone Corporation
NetworkIP, L.L.C.
New Access Communications LLC
New Connects, Inc.
New Edge Network, Inc. d/b/a New Edge Networks
NewSouth Communications Corp.
nii Communications, Ltd.
North American Telecommunications Corporation
North American Telecommunications Corporation d/b/a Southeast Telephone Company
North County Communications Corporation
NOS Communications, Inc. d/b/a International Plus d/b/a O11 Communications d/b/a The Internet Business Association d/b/a I Vantage Network Solutions
Novus Communications, Inc.
NOW Communications, Inc.

APPENDIX E: LIST OF CERTIFICATED CLECS AS OF 6/30/03

NTERA, Inc.
NUI Telecom, Inc.
NuStar Communications Corp.
NuVox Communications, Inc.
O1 Communications of Florida, Inc.
O1 Communications of Florida, LLC
Ocius Communications, Inc.
OCMC, Inc. d/b/a One Call Communications, Inc., OPTICOM, 1-800-MAX-SAVE, Advanttel, RegionTel, LiveTel, and SuperTel
Oltronics, Inc.
One Call Communications, Inc. d/b/a Opticom, a Division of One Call Communications, Inc.
OnePoint Communications-Georgia, LLC d/b/a Verizon Avenue
OneStar Long Distance, Inc.
OnFiber Carrier Services, Inc.
OpTel (Florida) Telecom, Inc. d/b/a OpTel
Orlando Telephone Company
Oronoco Networks, Inc.
Pacific Centrex Services, Inc.
PaeTec Communications, Inc.
Palm Beach Community College
Pan American Telecom, Incorporated
Phantom Networks, Inc.
Phone 1 Smart LLC
Phone Club Corporation
Phone-Link, Inc.
Pilgrim Telephone, Inc.
PNG Telecommunications, Inc. d/b/a PowerNet Global Communications
Preferred Carrier Services, Inc. d/b/a Telefonos Para Todos and d/b/a Phones For All
Premiere Network Services, Inc.
Primus Telecommunications, Inc.
Pro Telecom, Inc.
ProfitLab, Inc.
Progress Telecom Corporation
Public Telephone Network, Inc.
Quality Telephone Inc.
Quantum Phone Communications, L.L.C.
QuantumShift Communications, Inc.
Qwest Communications Corporation
Qwest Interprise America, Inc.
Qwik.net ALEC, Inc.
R & D Network Services, Inc.

APPENDIX E: LIST OF CERTIFICATED CLECS AS OF 6/30/03

RCN Telecom Services, Inc.
Re-Connection Connection
Rebound Enterprises, Inc. d/b/a REI Communications
Reliant Communications, Inc.
ReTel Communications, Inc.
Rightlink USA, Inc.
Ring Connection, Inc.
Saluda Networks Incorporated
Sandhills Telecommunications Group, Inc. d/b/a SanTel Communications
SATCOM Communication Corporation d/b/a SATCOM Communication
SBA Broadband Services, Inc.
SBC Telecom, Inc.
ServiSense.com, Inc.
Seven Bridges Communications, L.L.C.
Shands Teaching Hospital and Clinics, Inc.
Smart City Networks
Smart City Solutions, LLC
Solution Telecom, Inc
Source One Communications, Inc. d/b/a Quick Connects
Southeastern Services, Inc.
Southern Light, LLC
Southern ReConnect, Inc.
Southern Telcom Network, Inc.
Southern Telecom, Inc. d/b/a Southern Telecom of America, Inc.
Spectrotel, Inc.
Speedy Reconnect, Inc.
Sprint Communications Company Limited Partnership
Strategic Technologies, Inc.
Sun-Tel USA, Inc.
Suntel Metro, Inc.
Super-Tel.Com, Inc.
Supra Telecommunications and Information Systems, Inc.
Symtelco, LLC
T-Netix, Inc.
T3 Communications, LLC d/b/a Tier 3 Communications d/b/a Naples Telephone and d/b/a Fort Myers Telephone
TAC License Corp.
Talk America Inc.
Talk and Pay, Inc.
Talk Unlimited Now, Inc.
TalkingNets Holdings, LLC

APPENDIX E: LIST OF CERTIFICATED CLECS AS OF 6/30/03

Tallahassee Community College
Tallahassee Memorial Telephone Company
Tallahassee Telephone Exchange, Inc.
TCG South Florida
Tel West Communications, LLC
TeleCents Communications, Inc.
Telecom Connection Corp.
TeleConex, Inc. d/b/a TeleConex
TELECUBA, INC.
Telefyne Incorporated
Telepak Networks, Inc.
Telephone One Inc.
Telephone Systems of Georgia, Inc.
Teligent Services, Inc.
TelQuest Communications, Corp.
TelSouth Communications, Inc.
Telsys, Inc.
Terra Telecommunications Corp.
THC Merger Corp. d/b/a THC Internet Solutions
The Gulas Group, L.L.C.
The Mobile Phone Company, Inc.
The Other Phone Company, Inc. d/b/a Access One Communications
The Sunshine State Telephone Company, L.L.P.
The Ultimate Connection, L.C. d/b/a DayStar Communications
Tiburon Telecom, Inc.
Time Warner Cable Information Services (Florida), LLC d/b/a Time Warner Cable Information Services d/b/a Time Warner Cable d/b/a Time Warner Communications
Time Warner Telecom of Florida, L.P.
TotalCom America Corporation
Touch 1 Communications, Inc.
Trans National Communications International, Inc.
Transparent Technology Services Corporation d/b/a North Palm Beach Telephone Company
Tristar Communications Corp.
U.S. TelePacific Corp. d/b/a TelePacific Communications
Unicom Communications, LLC
United Communications HUB, Inc.
United States Telecommunications, Inc. d/b/a Tel Com Plus
Universal Access, Inc. d/b/a UAI of Florida, Inc.
Universal Telecom, Inc.
University Club Communications, LLC
US LEC of Florida Inc.

APPENDIX E: LIST OF CERTIFICATED CLECS AS OF 6/30/03

US South Communications, Inc.
USA Telecom, Inc.
USA Telephone Inc. d/b/a CHOICE ONE Telecom
Utilities Commission, New Smyrna Beach
Utility Board of the City of Key West d/b/a Keys Energy Services
VarTec Telecom, Inc. d/b/a VarTec Telecom, Inc. and Clear Choice Communications
VBNet, Incorporated
Verizon Florida Inc.
Verizon Select Services Inc.
VGM International, Inc.
VIVO-FLA, LLC
Volo Communications of Florida, Inc. d/b/a Volo Communications Group of Florida, Inc.
Vox2 Voice, L.C.
Vycera Communications, Inc.
W.G.I. Communications, Inc. d/b/a Boomerang Communications, Inc.
Wholesale Carrier Services, Inc.
WilTel Local Network, LLC
Winstar Communications, LLC
Wireless One Network Management, L.P.
WS Telecom, Inc. d/b/a eXpeTel Communications
XO Florida, Inc.
Xspedius Management Co. of Jacksonville, LLC
Xspedius Management Co. Switched Services, LLC
Yipes Enterprise Services, Inc.
Z-Tel Communications, Inc.
Zone Telecom, Inc.

GLOSSARY

Access Line	A telephone line extending from the telecommunications company's central office to a point of demarcation, usually on the customer's premises. (See also - "Local Loop")
ALEC	Alternative Local Exchange Company. Any company certificated by the Florida Public Service Commission to provide local exchange telecommunications service in the State of Florida on or after July 1, 1995. Pursuant to Law, the term ALEC was changed to CLEC on May 23, 2003.
Broadband	A descriptive term for evolving digital technologies offering consumers a single switched facility offering integrated access to voice, high-speed data services, video-demand services, and interactive information delivery services. Broadband is also used to define an analog transmission technique for data or video that provides multiple channels.
Central Office	CO. A telephone company facility housing the switching system and signaling equipment that provides telephone service for customers in the immediate geographical area.
CLEC	Competitive Local Exchange Company. Any company certificated by the Florida Public Service Commission to provide local exchange telecommunications service in the State of Florida on or after July 1, 1995. Pursuant to Law, the term ALEC was changed to CLEC on May 23, 2003.
Circuit	A fully operative two-way communications path.
Collocation	In a collocation arrangement, a competitor leases space at an incumbent local exchange carrier's (LEC's) premises for its equipment.
Dark Fiber	Optical Fiber through which no light is transmitted and which, therefore, no signal is being carried. The fibers that the carrier is using immediately are "lit," and those currently that are unused are left "dark."
DS	Digital Signal (level). A hierarchy of digital signal speeds used to classify capacities of digital lines and trunks. The fundamental speed is DS-0, which is a voice grade channel. The full hierarchy is as follows: DS-1, DS-1C, DS-2, DS-3, DS-4.
Exchange	A central office or group of central offices, together with the subscriber's stations and lines connected thereto, forming a local system which

	furnishes means of telephonic intercommunication without toll charges between subscribers within a specified area, usually a single city, town, or village.
InterLATA	Telecommunications services that originate and terminate in different local access and transport areas (LATAs).
Intermodal	The use of more than one form of carrier to transport telecommunication services from origination to termination.
Internet Protocol	Refers to all the standards that keep the Internet running. Describes software that tracks the Internet address of nodes, routes outgoing messages, and recognizes incoming messages.
IntraLATA	Telecommunications services that originate and terminate in the same Local Access and Transport Area
Last Mile	An imprecise term that typically means the link between an end-user and the telephone company central office-local, long distance, or internet.
LATA	Local Access and Transport Areas. Geographic regions which presented the post-divestiture service areas of the 22 Bell operating companies (BOCs). All telephone service within a LATA is defined as exchange service, while all telephone service between LATAs is defined as interexchange service. LATAs are loosely based on standard metropolitan statistical areas (SMSAs).
LEC	Local Exchange Company or Carrier, Local exchange telecommunications company. Means any company certificated by the commission to provide local exchange telecommunications service in this state on or before June 30, 1995.
Local Loop	A circuit connecting telephone equipment to a switching facility or distribution point. (See also - “Access Line”)
OC	Optical Carrier. A hierarchy of optical signal speeds used to classify capacities of optical lines and trunks.
OSS	Operations Support System. Methods and procedures (mechanized or not) which directly support the daily operation of the telecommunications infrastructure. The average local exchange company has hundreds of OSSs, including automated systems supporting order negotiation, order processing, line assignment, line testing and billing.

Packet Switching	A data transmission method whereby a channel is occupied only for the duration of transmission of "packets" of data. The packet switch sends the different packets from different data sources along the best route available, in no particular order. At the other end, the packets are reassembled to form the original message which is then sent to the receiving computer. Because packets need not be sent in a particular order, and because they can go by any route as long as they reach their destination, packet switching networks can choose the most efficient route and send the most efficient number of packets down that route, before switching to another route to send more packets.
PBX	Private Branch eXchange. A small version of a telephone company's larger central switching office that is owned by the customer.
POTS	Plain Old Telephone Service. The basic service supplying single line telephones, telephone lines and access to the public switched network.
PSTN	Public Switched Telephone Network. The telephone network that provides switching and transmission facilities to the general public.
RBOC	Regional Bell Operating Company. Originally, one of seven regional holding companies which were created in 1984 as part of the breakup of AT&T. After mergers and acquisitions, there are now 5 regional holding companies; BellSouth, SBC Communications, Ameritech, Verizon and Qwest.
Resale	Buying local and/or long distance phone lines in quantity at wholesale rates then selling them to someone else.
Section 271	Section of the Telecommunications Act of 1996 specifying the standards that must be met by a regional Bell Operating Company prior to in-region, interLATA entry. The standard seeks to measure whether the barriers to competition that Congress sought to eliminate with the 1996 Act have in fact been fully eliminated and whether there are objective criteria to ensure that competitive local exchange carriers will continue to have nondiscriminatory access to the facilities and services they will need from the Bell Operating Company in order to enter and compete in the local exchange market.
Switch	A mechanical, electrical or electronic device which opens or closes circuits, completes or breaks an electrical path, or selects paths or circuits.
Switched Access	Telephone company provided exchange access services that offer switched interconnections between local telephone subscribers and long

	distance or other companies. Long distance companies use for origination and termination of ordinary user-dialed calls. Switched access is the single largest cost item for the long distance industry.
Tariff	A statement by a communications company that sets forth the services offered by that company, and established customer rates, terms, and conditions under which regulated services are provided, and state general obligations of the company and customer. Tariffs are subject to review by regulatory agencies and must be followed by the common carrier to ensure nondiscrimination between customers.
TELRIC	Total Element Long Run Incremental Cost. A method of figuring out what phone service should cost based on incremental cost of equipment and labor, not counting the embedded cost of old cost.
TS	Transport Stream. Synonymous with DS in North America.
UNE	Unbundled Network Element. The Telecommunications Act of 1996 requires that the incumbent local exchange companies unbundle their network elements and make them available to the competitive local exchange companies on the basis of incremental cost. UNEs are defined as physical and functional elements of the network, e.g., Network Interface Devices, local loops and subloops, circuit-switching and switch ports, interoffice transmission facilities, signaling and call-related databases, OSSs, operator services and directory assistance, and packet or data switching. (Newton)
UNE-L	Unbundled Network Element - Loop.
UNE-P	Unbundled Network Element - Platform. When combined into a complete set in order to provide an end-to-end circuit, the UNEs constitute a UNE-P.
Universal Service	This term describes the financial support mechanisms that constitute a universal fund which helps to compensate telephone companies or other communication entities for providing access to telecommunications services at reasonable and affordable rates throughout the country, including rural, insular, high cost areas, and to public institutions.
VoIP	Voice over Internet Protocol. The technology used to transmit voice conversations over a data network using the Internet Protocol.
Wireline	A term used to describe the technology used by a company to provide telecommunications services; it is synonymous with “landline” or land

based technology, which "refers to standard telephone and data communications systems that use in-ground and telephone pole cables in contrast to wireless cellular and satellite services." (Techweb.com)