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November 13, 1998

Mrs. Blanca S. Bayo, Director  
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Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0950

Re: Undocketed Special Project 980000A-SP

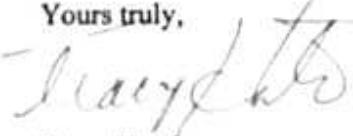
Dear Mrs. Bayo:

Enclosed for filing please find an original and fifteen (15) copies of AT&T Communications of the Southern States, Inc.'s Final Comments in the above-referenced Special Project.

Copies of the foregoing are being served on the parties of record in accordance with the attached certificate of service.

Thank you for your assistance with this matter.

Yours truly,

  
Tracy Hatch

ACK \_\_\_\_\_  
AFA 2  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CMH Marsh TH:kfj  
Enclosures  
CTR \_\_\_\_\_  
EAG \_\_\_\_\_  
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OPC \_\_\_\_\_  
RCH 2  
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OTH \_\_\_\_\_

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cc: Parties of Record

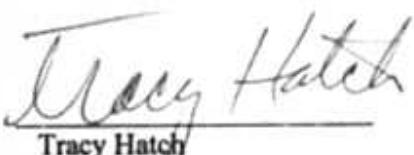
DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

**CERTIFICATE OF SERVICE**  
Special Project 980000A-SP

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished via U.S. Mail this 13<sup>th</sup> day of November, 1998 to the persons on the following pages:

  
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ORIGINAL

In re: Fair and Reasonable Residential )  
Basic Local Telecommunications Rates )  
Docket No. 980000A-SP  
File: November 13, 1998

**FINAL COMMENTS OF AT&T COMMUNICATIONS  
OF THE SOUTHERN STATES, INC.**

**I. INTRODUCTION**

As stated in the legislation that passed this past session, the Commission is to file a report with the Speaker of the House and the President of the Senate, stating its conclusions as to the fair and reasonable Florida residential basic local telecommunications service rate, considering affordability, the value of service, comparable residential basic local telecommunications rates in other states, and the cost of providing residential basic local telecommunications services in this state, including the proportionate share of joint and common costs. In these comments, AT&T is providing information to this Commission on what it believes is the cost to the major ILECs of providing residential basic local telecommunications service in this state. Last, AT&T is providing information as to the current cost and mark-up over cost of access service in this state, as charged by the ILECs. In addition to the comments set forth below, AT&T also adopts the final comments filed by the Florida Competitive Carriers Association.

DOCUMENT NUMBER-DATE

## **II. COST OF RESIDENTIAL BASIC LOCAL TELECOMMUNICATIONS SERVICE**

AT&T has looked at the issue of what it costs ILECs to provide residential basic local telecommunications service, and has used what it filed in the Universal Service Fund proceeding to determine cost. AT&T filed the HAI model and cost studies in Docket No. 980696-TP, which is the proceeding opened to determine the cost of basic local telecommunications service in order to determine if any explicit universal service support is warranted for any of the ILECs operating in Florida.

## **III. COST OF SERVICE USING THE HAI MODEL**

AT&T and WorldCom/MCI are jointly sponsoring the use of the HAI model, in order to determine the cost of providing basic local telecommunications service to customers in Florida. The model and cost studies have previously been filed in docket No. 980696-TP. The HAI model is a computer model that provides an accurate and reliable means of determining the economic cost of providing basic local telecommunications service specific to discreet geographic areas within the state. The forward-looking economic costs are calculated based on Total Service Long run Incremental Cost principles, and use a consistent set of assumptions, procedures and input data. The model constructs a "bottom up" estimate of the pertinent costs based upon detailed data describing demand quantities, network component prices, operational costs, network operations costs, and other factors affecting the costs of providing basic local telecommunications service.

The cost studies performed by AT&T and MCI include all costs associated with providing residential basic local telecommunications service. Included in the statewide company average numbers are the costs for the basic line and dial tone, the cost to call local customers within the local calling area, the cost of providing vertical features, the cost to provide intraLATA toll service, the cost to provide interLATA toll service, both for intrastate and interstate, white page listing, the cost to provide directory assistance and operator assistance, and the cost to provide emergency 911 service.

The results of the cost studies produced by the HAI model are detailed by wire center in Attachment A to these comments. Using the cost studies that result from running the HAI model using inputs recommended by AT&T and MCI, the statewide company cost for each of the four major ILECs operating in Florida is as follows:

- BellSouth                         \$15.43
- GTE                                 \$15.37
- Sprint-United                     \$19.08
- Sprint-Centel                     \$26.87

#### **IV. COST TO PROVIDE SWITCHED ACCESS SERVICE**

One last issue concerning the cost to provide residential basic local telecommunications service is the cost to provide switched access service. As this Commission is well aware, the ILECs have asserted for years that switched access charges must be priced with a large mark-up over cost in order to support their efforts to provide residential basic local telecommunications service. A review of implicit

subsidies would not be complete without evaluating the subsidy provided by switched access charges. This assertion will be addressed next year, as a result of the efforts of this Commission and the Florida Legislature. In order to put the issue in perspective, AT&T below provides the current prices for switched access in this state, and the cost to provide such service. The cost figures that AT&T has used are the numbers presented by the ILECs to the Legislature in past years.

| <u>ILEC</u>   | <u>Price per MOU<br/>(ORIG + TERM)</u> | <u>Cost per MOU<br/>(ORIG + TERM)</u> | <u>MARK-UP<br/>(ORIG + TERM)</u> |
|---------------|--|---------------------------------------|----------------------------------|
| BellSouth     | \$0.049                                | \$0.004                               | 1125%                            |
| GTE           | \$0.096                                | \$0.004                               | 2300%                            |
| Sprint-United | \$0.100                                | \$0.004                               | 2400%                            |
| Sprint-Centel | \$0.100                                | \$0.004                               | 2400%                            |

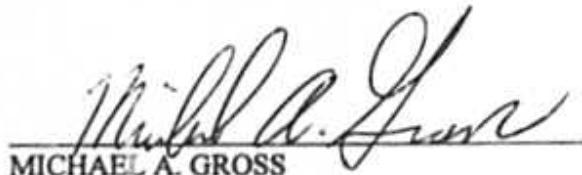
As these numbers show, the mark-up on this critical service is extremely high, and should be eliminated with the final determination of whether any explicit universal service support mechanism is warranted for these companies. AT&T believes that there no longer is any justification for charging these level of prices.

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## BELLSOUTH COSTS PER WIRE CENTER

ATTACHMENT A

980000A-SP

[Docket No. 980696-TP]

[D. Wood Exhibit DJW-5]

[Revised 10/6/98]

|           |           |           |           |
|-----------|-----------|-----------|-----------|
| PMBHFLTA  | \$ 12.33  | \$ 12.30  | \$ 12.61  |
| PMPKFLMA  | \$ 41.35  | \$ 41.29  | \$ 41.90  |
| PNCYFLCA  | \$ 20.32  | \$ 20.28  | \$ 20.65  |
| PNCYFLMA  | \$ 14.79  | \$ 14.76  | \$ 15.05  |
| PNSCFLBL  | \$ 12.95  | \$ 12.91  | \$ 13.21  |
| PNSCFLFP  | \$ 15.06  | \$ 15.03  | \$ 15.33  |
| PNSCFLHC  | \$ 21.99  | \$ 21.95  | \$ 22.31  |
| PNSCFLPB  | \$ 25.67  | \$ 25.62  | \$ 26.05  |
| PNSCFLWA  | \$ 16.79  | \$ 16.76  | \$ 17.07  |
| PNVDFLMA  | \$ 17.65  | \$ 17.62  | \$ 17.95  |
| PRRNFLMA  | \$ 15.67  | \$ 15.63  | \$ 15.95  |
| PRSNFLFD  | \$ 50.54  | \$ 50.48  | \$ 51.01  |
| PTSLFLMA  | \$ 18.31  | \$ 18.28  | \$ 18.60  |
| PTSLFLSO  | \$ 15.79  | \$ 15.75  | \$ 16.08  |
| SBSTFLFE  | \$ 55.93  | \$ 55.86  | \$ 56.52  |
| SBSTFLMA  | \$ 20.28  | \$ 20.24  | \$ 20.58  |
| SGKYFLMA  | \$ 33.76  | \$ 33.68  | \$ 34.42  |
| SNFRFLMA  | \$ 17.35  | \$ 17.32  | \$ 17.63  |
| STAGFLBS  | \$ 18.08  | \$ 18.04  | \$ 18.41  |
| STAGFLMA  | \$ 20.57  | \$ 20.53  | \$ 20.84  |
| STAGFLSH  | \$ 17.41  | \$ 19.37  | \$ 19.73  |
| STRTFLMA  | \$ 17.13  | \$ 17.09  | \$ 17.40  |
| SYHSFLCC  | \$ 100.88 | \$ 100.77 | \$ 101.73 |
| TRENFLMA  | \$ 48.63  | \$ 48.58  | \$ 49.01  |
| TTVLFLMA  | \$ 17.47  | \$ 17.44  | \$ 17.75  |
| VERNFLMA  | \$ 74.85  | \$ 74.76  | \$ 75.57  |
| VRBHFLBE  | \$ 15.59  | \$ 15.55  | \$ 15.90  |
| VRBHFLMA  | \$ 16.60  | \$ 16.57  | \$ 16.87  |
| WELKFLMA  | \$ 43.07  | \$ 42.98  | \$ 43.82  |
| WPBHFAN   | \$ 10.92  | \$ 10.88  | \$ 11.19  |
| WPBHFGLA  | \$ 14.45  | \$ 14.41  | \$ 14.73  |
| WPBHFGLR  | \$ 14.53  | \$ 14.50  | \$ 14.81  |
| WPBHFLLH  | \$ 13.26  | \$ 13.22  | \$ 13.54  |
| WPBHFLLLE | \$ 12.51  | \$ 12.47  | \$ 12.78  |
| WPBHFLLRB | \$ 12.96  | \$ 12.92  | \$ 13.24  |
| WPBHFLLRP | \$ 19.39  | \$ 19.35  | \$ 19.66  |
| WWSPFLHI  | \$ 20.86  | \$ 20.82  | \$ 21.19  |
| WWSPFLSH  | \$ 17.53  | \$ 17.50  | \$ 17.81  |
| YNFNFLMA  | \$ 58.54  | \$ 58.43  | \$ 59.49  |
| YNTWFMLA  | \$ 60.24  | \$ 60.17  | \$ 60.84  |
| YULEFLMA  | \$ 35.58  | \$ 35.52  | \$ 36.03  |





