State of Florida

Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: June 28, 2001
TO: All Parties of Record
All Interested Persons
FROM: Wayne D. Knight, Staff Counsel
RE: Docket No. 990649-TP - Investigation into pricing of unbundled network elements.

At the request of AT&T, staff has documented the adjustments made by Commission staff to the BellSouth cost studies to produce the rates contained in Appendix A of staff's April 6, 2001, recommendation. It should be noted that some errors were found after Agenda Conference in staff's adjustments. Thus, the attached changes will not produce the exact rates contained in the recommendation.

WDK/anc
Attachment

ATTACHMENT
PRE-AGENDA STAFF CHANGES TO BELLSOUTH'S COST STUDY

Note: Staff determined that there were errors in the pre-agenda changes that have since been corrected. The changes below will not produce the proposed rates contained in staff's recommendation.

RECOMMENDED LIVES AND SALVAGE VALUES

Issue 7(b): Depreciation

Open the BellSouth Cost Calculator. On the menu bar, drop down the menu for Inputs and go into Factors. When that screen is up, on the menu bar is a drop down menu for Source. From that drop down menu open the Capital Cost Calculator. Once opened, go to Edit Inputs. Click the tab for Account Specific Inputs. Change the Economic Life and Future Net Salvage (%) for each account name. Table 1 shows staff's recommended changes to the life and salvage value for each account.

Table 1

Account	Life Value	Salvage Value
Motor Vehicles	8	16
Special Purpose Vehicles	7	0
Garage Work Equipment	12	0
Other Work Equipment	15	0
Buildings	45	0
Furniture	15	10
Office Support Equipment	11.5	5
Office Communications Equipment	7	10
Computers	4.5	2
Digital ESS	13	0
Operator Systems	10	0
Radio	9	(5)
Circuit DDS	8	2
Circuit Digital	9	0
Circuit Analog	7.5	0

Station Apparatus	6	0
LPBX	6	5
Other Terminal Equipment	6	5
Poles	36	(55)
Aerial Cable Metallic	18	(14)
Aerial Cable Fiber	20	(14)
Undg. Cable Metallic	23	(8)
Undg. Cable Fiber	20	(8)
Buried Cable Metallic	18	(7)
Buried Cable Fiber	20	(7)
Submarine Cable Metallic	18	(5)
Submarine Cable Fiber	20	(5)
Intrabldg. Ca. Copper & Fiber	20	(10)
Conduit	55	(10)

COST OF CAPITAL

Issue 7(c): Cost of Capital

Open the BellSouth Cost Calculator. On the menu bar, drop down the menu for Inputs and go into Factors. When that screen is up, on the menu bar is a drop down menu for Source. From that drop down menu open the Capital Cost Calculator. Once opened, go to Edit Inputs. Click the tab for Basic Inputs. Change Cost of Equity to 12.20%, Debt Interest Rate to 7.30% and the Cost of Money to 10.24%.

TAXES

Issue 7(d): Tax Rate

Open the BellSouth Cost Calculator. On the menu bar, drop down the menu for Inputs and go into Factors. When that screen is up, on the menu bar is a drop down menu for Source. From that drop down menu open the Capital Cost Calculator. Once opened, go to Edit Inputs. Click the tab for Basic Inputs. Change the Income Tax rate to 38.57%.

From the Source drop down menu, open the Shared and Common Cost Application and go to Edit Inputs. Click on Ad Valorem Factor and then click on Edit Inputs. Here you will need to

change the Ad Valorem Tax to 0.009515.

From the Factors screen, click on the tab labeled Global. Change the Gross Receipts Tax rate to 1.0015.

SWITCHING CHANGES

Issue 7(o): Switching Costs and Associated Variables

Open the BellSouth Cost Calculator. On the menu bar, drop down the menu for Inputs and go into Material Investments. When that screen is up, click on the tab labeled Material Investments. Click on element B.4.10's Volume Sensitive value. A source file will show. The source file should be FLST_SST_U.xls. Open the file. Click on the tab labeled WP10 Inputs. On Line 87, Average Minutes per Centrex Intercom Call, the Amount column should be change to zero. On Line 112, Percent of All Lines Using at Least One Class Modem Feature, the Amount should be change to 23%. On Line 113, Percent of All Lines With Remote Call Forwarding, the Amount should be change to 0.13%.

Click on the tab labeled Hardware Study. This page should be the same as exhibit JHP-03. For the Class Modem Card, the Capacity (lines) should be 435.75 and the Utilization should be 100%. For the DMS, the Utilization should be change for the following to equal the amount shown in Table 2.

Table 2

DMS Feature	Utilization
6-Port Conference Circuit	100%
3-Port Conference Circuit	100%
Calling Waiting Tone	100%

For the 5ESS, the Utilization should be change for the following to equal the amount shown in Table 3.

Table 3

5ESS Feature	Utilization
6-Port Conference Circuit	100%
3-Port Conference Circuit	100%

For the 5ESS, the Capacities should be change for the following to equal the amount shown in Table 4.

Table 4

5ESS Feature	Capacity
30-Second Announcement	288
60-Second Announcement	288
DSU2/RAF/BRCS	732
6-Port Conference Circuit	336
3-Port Conference Circuit	924

LABOR WORKTIMES

Issue 8(d): Required Activities

Open the BellSouth Cost Calculator. On the menu bar, drop down the menu for Inputs and go into Material Investments. When that screen is is up, click on the tabs labeled Material Investments and Non-Recurring Labor Hours. Click on an element's Volume Sensitive value or NR-Install value and the corresponding worksheet will show as the source. In the worksheet there will be four tabs: Inputs_Service Inquiry, Inputs_Engineering, Inputs_Connect&Test, and Inputs_Travel. In the tabs, find the category and reduce the first and additional Installation and the first and additional Disconnect by staff's recommended adjustments.

Table 5 shows the category of the worktime activity and the value to reduce the worktime by. Table 6 shows the worksheets with the corresponding elements.

Table 5

Category	Staff's Recommended Adjustments
CRSG Incremental Time	Eliminate Work Times
CRSG	Reduce by 55%
LCSC	Reduce by 75%
SAC	Reduce by 50%
AFIG	Reduce by 50%
CPG	Reduce by 50%
UNEC Provisioning Variables	Eliminate Work Times
UNEC	Reduce by 45%
WMC	Reduce by 65%
CO I&M	Reduce by 20%

SSI&M	Reduce by 35%
Travel	No Adjustment
All Other Work Groups	Reduce by 45%

Table 6

Worksheet	Element
FL_2W	A.1.1, A.1.2
FL-USL	A.2.1, A.2.2, A.2.11, A.2.14, A.2.15, A.2.17, A.2.18, A.2.19, A.2.20, A.2.21, A.2.24, A.2.25, A.2.29, A.2.30, A.2.32, A.2.40, A.2.42
FL-NID	A.2.13, A.2.44, A.2.45
ULC-IN	A.3.12, A.3.13, A.3.14, A.3.15, A.3.16, A.3.17, A.3.18, A.3.19, A.3.20, A.3.21, A.3.22
FL-4W	A.4.1, A.10.1
FL_DIG	A.5.1, A.5.6
FL-XDSL	A.6.1, A.6.5, A.6.6, A.7.1, A.7.5, A.7.6, A.8.1, A.8.5, A.8.6, A.13.1, A.13.7, A.13.8, A.13.9, A.13.10, A.13.11, A.14.1, A.14.7, A.14.8, A.14.9, A.14.10, A.14.11
LP-DS1NONREC	A.9.1
DS1FDR	A.9.2, A.12.5
USLC-OUT	A.12.1, A.12.2, A.12.3, A.12.4, A.12.6, A.12.7, A.12.8, A.12.9, A.12.10, A.12.11
FLUNTW	A.15.1
DS3ULL	A.16.1, A.16.2
OC3ULL	A.16.4, A.16.5
OC12ULL	A.16.7, A.16.8
OC48ULL	A.16.10, A.16.11, A.16.13
STSULL	A.16.15, A.16.16
FL-ULM	A.17.1, A.17.2, A.17.3, A.17.4, A.17.5, A.17.6

CHNLZ1-0	A.18.1, A.18.2, A.18.3, A.18.4
CHNLZ3-1	A.18.5, A.18.6
FLST_SST_P	B.1.1, B.1.2, B.1.3, B.1.4, B.1.5, B.1.6, B.1.7, P.1.2, P.3.2, P.4.2
IO_VG2	D.2.1, D.2.2
IO_DS0	D.3.1, D.3.2
IO_DS1	D.4.1, D.4.2
2W_LCNONREC	D.5.1
4W_LCNONREC	D.5.2
DS3_LC	D.5.7, D.5.8
OC3_LC	D.5.10, D.5.11
OC12_LC	D.5.13, D.5.14
OC48_LC	D.5.16, D.5.17, D.5.19
STS_LC	D.5.21, D.5.23
DS1_LCNONREC	D.5.24
IO-DS3	D.6.1, D.6.2
IO-OC3	D.7.1, D.7.2
IO-OC-12	D.8.1, D.8.2
IO-OC-48	D.9.1, D.9.2, D.9.4
IO-STS-1	D.10.1, D.10.2
IO-VG4	D.12.1, D.12.2
800-FL	E.1.1, E.1.2, E.1.3, E.1.4, E.1.5, E.1.6, E.1.7, E.1.8, E.1.9, E.1.10
LIDB-FL	E.2.1, E.2.2, E.2.3
CCS7-FL	E.3.1, E.3.2, E.3.3, E.3.4, E.3.7, E.3.8, E.3.9, E.3.10, E.3.11
FLCNAM	E.4.1, E.4.2, E.4.3, E.4.4, E.4.5
FL-LNP	E.6.1, E.6.2, E.6.3
SCRLCCFL	G.9.1
FLSCR	G.11.1, G.11.2, G.11.4

FLNPRCF	I.1.1, I.1.2
FLNPDID	I.2.1, I.2.2, I.2.4, I.2.5
FLRIPH	I.4.1, I.4.2, I.4.3
DKFFBRLL	J.1.2
DKFBRIOF	J.1.3
FLLQS1	J.3.3, J.3.4
DS1DS3FL	J.5.1, J.5.2, J.5.3, J.5.4
SMSACCFL	K.1.1, K.1.2, K.1.3, K.1.4, K.1.5, K.1.6, K.1.7, K.1.8
TOLKITFL	K.2.1, K.2.2, K.2.3, K.2.4, K.2.5, K.2.6, K.2.7, K.2.8, K.2.9, K.2.10, K.2.11, K.2.12, K.2.13, K.2.14, K.2.15
SO_FL	N.1.1, N.1.2
FL-OC	N.1.5, N.1.6
COMBOMREC	P.1.1, P.1.3, P.1.11, P.1.13, P.1.17, P.3.3, P.3.7, P.4.1, P.4.3, P.5.3, P.5.5, P.5.6, P.5.7, P.5.8, P.15.3, P.15.5, P.16.3, P.50.1, P.50.4, P.50.5
PSAINRC	P.17.1
PIOFDS1	P.17.4
PIOFDS1W	P.17.5
PIOFDS3	P.17.7
POIFDS3W	P.17.8
PVGLL	P.17.10
PLLDS1	P.17.11
PDS3STLL	P.17.12
PFEA_ACT	P.17.16
PVGIOF	P.17.17

LINE CONDITIONING

Issue 11: What is the appropriate rate if any, for line conditioning, and in what situations should the rate apply?

Open the BellSouth Cost Calculator. On the menu bar, drop down the menu for Inputs and go into Material Investments. When that screen is up, click on the tab labeled Material Investments. Click on element A.17.1's Volume Sensitive value and the file, FL.ULM.xls should be the source. Open the file. Click on the tab WP200. On line 25, # Loops Conditioned Not Recovered Elsewhere should be change to zero.

Click on the tab labeled Inputs_Service Inquiry. On Line 7 through 9, change # Pairs Deloaded/ Short to 25 and change # pairs Deloaded/ Long to 2. On Line 14, change # Pairs Deloaded/ Short to 25 and change # pairs Deloaded/ Long to 2.

Click on the tab labeled Inputs_Engineering. On Line 7 through 9, change # Pairs Deloaded/ Short to 25 and change # pairs Deloaded/ Long to 2. On Line 11, change # Pairs Deloaded/ Short to 25 and change # pairs Deloaded/ Long to 2. On Line 16, change # Pairs Deloaded/ Short to 25 and change # pairs Deloaded/ Long to 2.

Click on the tab labeled Inputs_Connect&Test. Tables 7 through 11 show the lines that need to be change with the corresponding column labels and values.

Table 7

Line Number	Install	Probability	# Pairs Deloaded/ Short
7		75%	
8	235.00		25
9	0		
10	0		
12		25%	
13	140.00		25
14	0		
15	0		

Table 8

Line Number	1st Install	Addnl. Install	Probability	# Pairs Deloaded/ Long
20			75%	

21	235.00			2
22	0			
23	0	0		
25			25%	
26	140.00			2
27	0			
28	0	0		

Table 9

Line Number	Install	# Bridged Taps	# Pairs Deloaded/ Short
33		0.50	
34	225.00		25
35	0		
36	0		
38		2.50	
39	165.00		25
40	0		
41	0		

Table 10

Line Number	1st Install	Addnl. Install	Probability	# Pairs Deloaded/ Long
46			10%	
47	235.00			25

48	0			
49	0	0		
51			90%	
52	140.00			25
53	0			
54	0	0		

Table 11

Line Number	1st Install	Addnl. Install	# of Bridged Taps	# of Pairs Deloaded/ Long
59			0.50	
60	225.00			25
61	0			
62	0	0		
64			1.5	
65	165.00			25
66	0			
67	0	0		

Click on the tab labeled Inputs_Travel. On Line 7, change # Pairs Deloaded/ Short to 25 and change # pairs Deloaded/ Long to 2.

Open the BellSouth Cost Calculator. On the menu bar, drop down the menu for Inputs and go into Material Investments. When that screen is up, click on the tab labeled Non-Recurring Labor Hours. Click on element J.3.3's NR-Install value and the file, FLLQS1.xls should be the source. Open the file. Click on the tab Inputs_Engineering. On line 7, Install should be change to 10.00. On line 10, Install should be change to 5.00.