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December 9, 1997

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

RE: **Docket Nos. 960833-TP/960846-TP/960757-TP
960916-TP and 971140-TP**

Dear Ms. Bayo:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s Prehearing Statement, which we ask that you file in the captioned docket.

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

Sincerely,

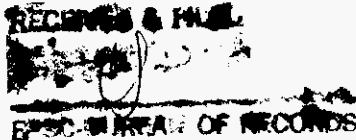
Nancy B. White (ke)

Nancy B. White

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- RCH _____
- SEC 1
- WAS _____
- OTH _____

Enclosures

cc: All Parties of Record
A. M. Lombardo
R. G. Beatty
W. J. Ellenberg



DOCUMENT NUMBER-DATE

12588 DEC-95

FPSC-RECORDS/REPORTING

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petitions by AT&T) Docket No. 960833-TP
 Communications of the Southern)
 States, Inc., and MCI) Docket No. 960846-TP
 Telecommunications Corporation,)
 MCI Metro Access Transmission)
 Services, Inc., for arbitration)
 of certain terms and conditions)
 of a proposed agreement with)
 BellSouth Telecommunications,)
 Inc. concerning interconnection)
 and resale under the)
 Telecommunications Act of 1996)

In the matter of) Docket No. 960757-TP
)
 MFS Communications Company, Inc.)
)
 Petition for Arbitration Pursuant)
 to 47 U.S.C. § 252(b) of)
 Interconnection Rates, Terms, and)
 Conditions with)

BellSouth Telecommunications, Inc.)

In the Matter of) Docket No. 960916-TP
 Petition by American)
 Communications Services, Inc.)
 and American Communications)
 Services of Jacksonville, Inc.)
 for Arbitration with BellSouth)
 Telecommunications, Inc.)
 pursuant to the)
 Telecommunications Act of 1996)

In re: Petition by MCI Metro Access) Docket No. 971140-TP
 Transmission Services, Inc., to Set)
 Non-Recurring Charges for)
 Combination of Network Elements)
 to Set Non-Recurring Charges for)
 Combination of Network Elements)
 with BellSouth Telecommunications, Inc.) Filed: December 9, 1997
)

DOCUMENT NUMBER-DATE

12588 DEC-95

FPSC-RECORDS/REPORTING

**PREHEARING STATEMENT OF
BELLSOUTH TELECOMMUNICATIONS, INC.**

BellSouth Telecommunications, Inc. ("BellSouth"), in compliance with the Order Consolidating Dockets, Establishing Procedure, Denying Request for Oral Argument and Establishing Tentative List of Issues ("Order"), issued October 21, 1997 submits its Prehearing Statement for Docket Nos. 960833-TP, 960846-TP, 960757-TP, 960916-TP and 971140-TP.

A. WITNESSES

BellSouth proposes to call the following witnesses to offer direct and rebuttal testimony on the issues in these dockets.

<u>Witnesses</u>	<u>Subject/Issue</u>
A. J. Varner (Direct and Rebuttal)	Issue 1
D. Daonne Caldwell (Direct and Rebuttal) and William P. Zarakas (Direct)	Issue 1
Eno Landry (Direct and Rebuttal)	Issue 1
Walter S. Reid (Direct and Rebuttal)	Issue 1
Daniel M. Baeza (Direct)	Issue 1

David Garfield (Direct)	Issue 1
Ellis E. Smith (Direct)	Issue 1
Dorissa C. Redmond (Rebuttal)	Issue 1
G. David Cunningham (Rebuttal)	Issue 1
Randall Billingsley (Rebuttal)	Issue 1

BellSouth reserves the right to call additional rebuttal witnesses, witnesses to respond to Commission inquiries not addressed in direct or rebuttal testimony and witnesses to address issues not presently designated that may be designated at the prehearing conference to be held on January 14, 1998. BellSouth has not designated any witness for the Tentative Issue 2 because on December 2, 1996, the Commission voted to consider this issue in a separate proceeding. At the prehearing conference, BellSouth will designate the portions of its direct testimony and attendant exhibits that will be withdrawn because of this development.

B. EXHIBITS

<u>Witness</u>	<u>Document Indicator</u>	<u>Title of Exhibit</u>
A. J. Varner	AJV-1	Florida Rate and Cost Analysis
	AJV-2	Florida Rate and Cost Analysis Unbundled Network Elements Ordered at the Same Time

Eno Landry	EL-1	View of End User with BellSouth Service
D. Daonne Caldwell and William P. Zarakas (Direct)	P-1	Cost Studies (Proprietary)
	P-2	Description of Unbundled Network Elements
	P-3	Florida TSLRIC plus Shared and Common Cost-Nonrecurring
	P-4	BellSouth TELRIC Calculator
	P-5	Florida Operational Support Systems
	P-6	BellSouth Cost Study Process - TSLRIC/TELRIC Calculation
Walter S. Reid	WSR-1	BellSouth's Methodology for Computing Common Cost Factor
	WSR-2	Typical Shared and Common Costs
	WSR-3	Shared Costs Factors
	WSR-4	Wholesale Common Cost Factor Calculation
	WSR-5	Work Force Group Factors
	WSR-6	Shared Cost Comparison
Daniel M. Baeza	DMB-1	Feeder Utilization
	DMB-2	Utilization
David Garfield	None	
Ellis E. Smith	None	

Dorissa C. Redmond	DCR-1	R. S. Means Building Construction Cost Data
	DCR-2	Actual General Contractor Cost Estimates
	DCR-3	Property Management Collocation HVAC Guidelines
G. David Cunningham	GDC-1	Economic Lives
	GDC-2	1995 and 1996 BellSouth Depreciation Studies
	GDC-3	Comparison of Projection Lives
	GDC-4	Projection Lives
Randall Billingsley	RSB-1	Regulatory and Economic Standards Used in Cost of Capital Analysis
	RSB-2	Nature and applicability of the Discounted Cash Flow Model In Cost of Equity Capital Analysis for Regulatory Proceedings
	RSB-3	DCF and CAPM DATA for Comparable Firm Group
	RSB-4	Comparable Firm Identification Criteria and Methodology
	RSB-5	Capital Asset Pricing Model Analysis of the Cost of Equity Capital
	RSB-6	Calculation of U.S. Treasury Bond Futures Implied Interest Rate
	RSB-7	Market Risk Premium Approach to Estimating the Cost of Equity Capital

RSB-8	Expected Market Risk Premium
RSB-9	Aaa vs. Treasury Bond Yields
RSB-10	Capital Structure
RSB-11	Billingsley Vita

BellSouth reserves the right to file exhibits to any additional testimony that may be filed under the circumstances identified in Section "A" above. BellSouth also reserves the right to introduce exhibits for cross-examination, impeachment, or any other purpose authorized by the applicable Florida Rules of Evidence and the Rules of this Commission.

C. STATEMENT OF BASIC POSITION

Following the passage of the Telecommunications Act of 1996 ("the Act"), BellSouth negotiated in good faith with a number of potential local service providers. Many of those negotiations were successfully concluded with the signing of interconnection agreements between the parties. As of October 30, 1997 BellSouth has signed approximately 240 interconnection and/or resale agreements with a variety of companies in BellSouth, with approximately 130 applicable to Florida. For AT&T, MCI, ACSI, MFS and Sprint, the negotiations resulted in petitions for arbitration. Specifically, the Commission arbitrated issues between BellSouth and these companies and issued orders.

In the arbitration proceedings, the Commission ordered prices for UNEs and interconnection to be based on BellSouth's Total Service Long Run

Incremental Cost ("TSLRIC") studies. The Commission set permanent rates, with the exception of those functions for which BellSouth did not provide a TSLRIC study. In those instances, the Commission set interim rates based on either the Hatfield study results with modifications or BellSouth's tariff. The Commission found that TSLRIC is the "appropriate costing methodology" and ordered BellSouth to file TSLRIC cost studies for those rates for which interim rates were set. (December 31, 1996 Final Order on Arbitration for consolidated Docket Nos. 960833-TP (AT&T), 960846-TP (MCI) 960916-TP (ACSI), at page 33.

On November 13, 1997, BellSouth filed TSLRIC studies, reflecting updated information, as well as TSLRIC plus shared and common costs, for the items listed under Issue No. 1. Additionally, BellSouth filed the residual recovery requirement ("RRR") for Issues 1(g), 1(h), and 1(l); and the non-recurring costs associated with operational support systems ("OSS") recovery. BellSouth has proposed prices for the unbundled network elements listed in Issue 1 based on these costs. BellSouth believes its proposal for pricing the various unbundled elements is consistent with the Act, with Florida Statutes, and with previous decisions by this Commission.¹

¹ On December 9, 1997, BellSouth filed a motion for leave to file revised testimony and exhibits to reflect two revisions to BellSouth's cost studies. These revisions were made in light of questions raised in hearings in a cost proceeding in Tennessee the week of November 16, 1997.

While BellSouth filed costs studies for the non-recurring portion of the combinations listed under Tentative Issue No. 2 in response to the Commission's March 19, 1997 Final Order on Motions for Reconsideration, requiring BellSouth to provide non-recurring charges that did not include duplicate charges or charges for functions or activities that AT&T and MCI do not need when two or more network elements are combined in a single order, on December 2, 1997, this Commission voted to remove that Issue from this proceeding.

D. BellSouth's Position on the Issue

Issue 1: What are the appropriate permanent recurring and nonrecurring rates for the following unbundled network elements:

- (a) Network Interface device (NID);
- (b) 2-Wire/4-Wire Loop distribution;
- (c) Virtual collocation;
- (d) Physical collocation;
- (e) Directory Assistance;
- (f) Dedicated transport (Nonrecurring only);
- (g) 4-Wire analog port;
- (h) 2-Wire ADSL - compatible loop; and
- (l) 2-Wire/4-Wire HDSL - compatible loop?

Position: BellSouth proposes that prices that cover total cost be set for these elements. BellSouth submits the following permanent recurring and nonrecurring rates:

	<u>Monthly Rate</u>	<u>Nonrecurring Rate</u>
(a) Network Interface Device (NID)	\$ 1.44	\$ 46.93/first \$ 14.55/each addtl
(b) 2-Wire/4-Wire loop distribution	\$ 12.57/2-wire \$ 16.90/4-wire	\$438.03/first/2-wire \$496.27/first/4-wire

(c) Virtual collocation	For complete rates, see Revised AJV-1	
(d) Physical collocation	For complete rates, see Revised AJV-1	
(e) Directory Assistance	\$46.62/DS-1 \$106.84/DSI facility termination	For complete rates, see Revised AJV-1
(f) Dedicated transport		\$261.22/first \$206.46 each addt'l
(g) 4-Wire analog port	For complete rates, see Revised AJV-1	
(h) 2-Wire ADSL Compatible loop	\$23.28	\$661.10/first \$532.71/each addt'l
(i) 2-Wire HDSL Compatible loop	\$17.73	\$661.10/first \$532.71/each addt'l
4-Wire HDSL Compatible loop	\$27.06	\$687.09/first \$559.32/each addt'l

E. STIPULATIONS

There are no stipulations of which BellSouth is aware.

F. PENDING MOTIONS

On December 9, 1997, BellSouth filed a Motion for Leave to File Revised Testimony and Exhibits.

G. OTHER REQUIREMENTS

BellSouth knows of no requirements set forth in any prehearing order with which it cannot comply.

Respectfully submitted this 9th day of December, 1997.

BELLSOUTH TELECOMMUNICATIONS, INC.

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CERTIFICATE OF SERVICE
DOCKET NOS. 960833-TP/960846-TP/960757-TP/960916-TP/971140-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by Federal Express this 9th day of December, 1997 to the following:

=====

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