

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Determination of the cost
of basic local
telecommunications service,
pursuant to Section 364.025,
Florida Statutes.

DOCKET NO. 980696-TP
ORDER NO. PSC-98-1008-PCO-TP
ISSUED: July 24, 1998

ORDER ESTABLISHING ISSUES

Pursuant to the terms of Chapter 98-277, General Laws of Florida, which became law on May 28, 1998, the Legislature directed the Commission to conduct various studies which are to be submitted to the Legislature by February 15, 1999. One study requires the Commission to determine and report the total forward-looking cost of providing basic local telecommunications services on a geographic basis no larger than a wire center, using a cost proxy model to be selected by the Commission after notice and opportunity for hearing.

On July 2, 1998, the Commission staff conducted a workshop with the parties to identify the issues that the Commission will decide through the administrative hearing process in this proceeding. At that workshop, staff and the parties were able to agree on which issues should be decided, with one exception. The disputed issue was proposed by the Florida Competitive Carriers Association (FCCA) and reads as follows:

Can the total forward-looking cost of providing basic local service be determined without considering the cost to provide associated services?

After the workshop, the parties were given an opportunity to present written comments on whether this issue should be included. Comments were received from BellSouth Telecommunications, Inc., the FCCA, Sprint-Florida, Incorporated, the Florida Cable Telecommunications Association, ALLTEL Florida, Inc., Northeast Florida Telephone Company, Vista-United Telecommunications, GTC, Inc., Frontier Communications of the South, Inc., ITS Telecommunications Systems, Inc. and TDS Telecom/Quincy Telephone.

Upon consideration, the FCCA's proposed issue does not appear appropriate for inclusion in this proceeding. The Commission has

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FPSC RECORDS/REPORTING

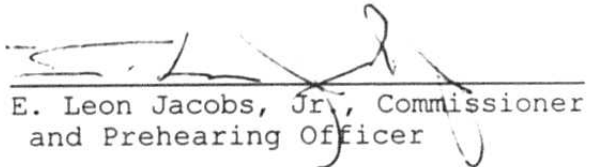
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been directed by the Legislature to determine the cost of providing basic local telecommunications service, not the costs of associated services. To the extent the costs of providing associated services are relevant to the determination of the cost of basic local telecommunications service, parties can address those matters within the context of the agreed upon issues. Accordingly, the issues specified in Attachment A to this Order shall be addressed in this proceeding. The FCCA's proposed issue shall not be addressed.

Based upon the foregoing, it is

ORDERED by Commissioner E. Leon Jacobs, Jr., as Prehearing Officer, that the issues specified in Attachment A to this Order shall be addressed in this proceeding.

By ORDER of Commissioner E. Leon Jacobs, Jr., as Prehearing Officer, this 24th day of July, 1998.


E. Leon Jacobs, Jr., Commissioner
and Prehearing Officer

(S E A L)

WPC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

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Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

ATTACHMENT A

ISSUES

1. What is the definition of the basic local telecommunications service referred to in Section 364.025(4)(b), Florida Statutes?
2. For purposes of determining the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism, what is the appropriate cost proxy model to determine the total forward-looking cost of providing basic local telecommunications service pursuant to Section 364.025(4)(b), Florida Statutes?
3. For purposes of determining the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism, should the total forward-looking cost of basic local telecommunications service pursuant to Section 364.025(4)(b), Florida Statutes, be determined by a cost proxy model on a basis smaller than a wire center? If so, on what basis should it be determined?
4. For purposes of determining the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism, for each of the following categories what input values to the cost proxy model identified in Issue 2 are appropriate for each Florida LEC?
 - (a) Depreciation rates
 - (b) Cost of money
 - (c) Tax rates
 - (d) Supporting structures
 - (e) Structure sharing factors
 - (f) Fill factors
 - (g) Manholes
 - (h) Fiber cable costs
 - (I) Copper cable costs
 - (j) Drops
 - (k) Network interface devices

- (l) Outside plant mix
 - (m) Digital loop carrier costs
 - (n) Terminal costs
 - (o) Switching costs and associated variables
 - (p) Traffic data
 - (q) Signaling system costs
 - (r) Transport system costs and associated variables
 - (s) Expenses
 - (t) Other inputs
5. (a) For purposes of determining the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism, for which Florida local exchange companies must the cost of basic local telecommunications service be determined using the cost proxy model identified in Issue 2?
- (b) For each of the LECs identified in (a), what cost results from using the input values identified in Issue 5 in the cost proxy model identified in Issue 2?
6. (a) For purposes of determining the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism, should the cost of basic local telecommunications service for each of the LECs that serve fewer than 100,000 access lines be computed using the cost proxy model identified in Issue 2 with the input values identified in Issue 4?
- (b) If yes, for each of the LECs that serve fewer than 100,000 access lines, what cost results from using the input values identified in Issue 4 in the cost proxy model identified in Issue 2?
- (c) If not, for each of the Florida LECs that serve fewer than 100,000 access lines, what approach should be employed to determine the cost of basic local telecommunications service and what is the resulting cost?