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ORIGINAL

September 23, 1998

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 980696-TP

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Sprint-Florida, Inc.'s Amended Prehearing Statement. Also enclosed is a diskette containing the above-referenced Amended Prehearing Statement originally typed in Word 97 format, which has been saved in Rich Text format for use with Word Perfect.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

Yours truly,



John P. Fons

ACK _____

RFA 2

APP _____

CAF _____

CMU Key

CTR JPP/ka

EAG 2 enclosures

LEG 2

LIN 5cc: All parties of record

OPC transcript of aud 980696 byo.doc

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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

10527 SEP 23 1998

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Determination of the Cost of)	DOCKET NO. 980696-TP
Local Telecommunications Service,)	FILED: September 23, 1998
pursuant to Section 364.025, Florida)	
Statutes)	
_____)	

SPRINT-FLORIDA'S AMENDED PREHEARING STATEMENT

Sprint-Florida, Inc ("Sprint-Florida"), pursuant to Order No. PSC-98-0813-PCO-TP, submits the following Amended Prehearing Statement:

A. WITNESS: Sprint-Florida is sponsoring the direct and rebuttal testimony of Dr. Brian K. Staihr (Issues 1,2 and 3) and Kent W. Dickerson (Issue 4), and is co-sponsoring the direct and rebuttal testimony of Dr. Randall S. Billingsley (Issues 4(b)). In addition, Sprint-Florida is sponsoring the rebuttal testimony of James W. Sichter (Issues 2 and 3) and Carl H. Laemeli (Issue 4).

B. EXHIBITS: Sprint-Florida through it's witnesses, is sponsoring the following exhibits:

<u>Witness</u>		<u>Exhibit</u>
	<u>Direct</u>	
Dr. Brian K. Staihr -	BKS - 1	BCPM Version 3.1
	<u>Rebuttal</u>	
	BKS - 1A	Footnotes
	BKS - 2	FCC "Ex parte" documents
	BKS - 3	FCC's analysis and Sprint's Response
	BKS - 4	Example of geocode variance

DOCUMENT NUMBER-DATE

10527 SEP 23 1998

FPSC-RECORDS/REPORTING

- BKS - 5 Sprint comments to FCC
- BKS - 6 Explanation of geocode and placement process
- BKS - 7 Example of HAI model customer lot distribution
- BKS - 8 Minimum Spanning Tree
- BKS - 9 Steiner Tree Examples
- BKS - 10 BCPM MST approach

Direct

- Kent W. Dickerson - KWD - 1 Summary of Study Inputs and Results

Rebuttal

- KWD - 1 Expense and Investment Comparison

Rebuttal

- Carl H. Laemeli - CHL - 1 Footnotes
- CHL - 2 Comparison of Sprint and HAI Plant Mix Inputs
- CHL - 3 Comparison of Sprint and HAI Sharing Fractions
- CHL - 4 AT&T Response to Sprint Data Request

Rebuttal

- James W. Sichter - JWS - 1 Wire Center-Maps

Direct

- Dr. Randall S. Billingsley RSB - 1 Regulatory and Economic Standards Used in Cost of

	Capital Analysis
RSB – 2	Nature and Applicability of the DCF Model in Regulatory Proceeding
RSB – 4	DCF and CAPM Data for Sprint-FL Comparable Firm Portfolio
RSB – 5	Comparable Firm Identification Criteria and Methodology
RSB – 6	Capital Asset Pricing Model Analysis of the Cost of Equity Capital
RSB – 7	Treasury Bond Futures Interest Rate
RSB – 8	Market Risk Premium Approach to Estimating the Cost of Equity Capital
RSB – 9	Expected Market Risk Premium
RSB – 10	Expected Market Risk Premium
RSB – 12	"A" vs. Treasury Bond Yields
RSB – 14	Sprint-FL Capital Structure
RSB – 16	Market Value Capital Structure of Sprint-FL Comparables
RSB – 17	Curriculum Vitae

Rebuttal

RSB – 2	DCF and CAPM Data for Sprint-FL Comparable Firm Portfolio
RSB – 3	Comparable Firm Identification Criteria and Methodology

RSB - 4	Treasury Bond Futures Interest Rate
RSB - 6	Expected Market Risk Premium: "A" Rating Base
RSB - 8	A vs. Treasury Bond Yields
RSB - 10	Sprint-FL Capital Structure
RSB - 12	Market Value Capital Structure of Sprint-FL Comparables

C. BASIC POSITION: This proceeding is limited to the determination of the cost of providing universal service in Florida. As required by Section 364.025 (4)(b), Florida Statutes 1998, this cost determination is to be made using a cost proxy model to be selected by the Commission. Sprint-Florida, as one of the developers of the Benchmark Cost Proxy Model ("BCPM"), believes the BCPM Version 3.1 to be the most appropriate and accurate cost proxy model. This belief is supported by the record testimony and exhibits which demonstrate that the BCPM methodology and the Florida and Sprint-Florida specific input data provide an accurate estimate of the forward-looking economic cost of providing basic local exchange service in Florida. Using the BCPM Version 3.1, the estimated average monthly cost per line is \$31.78 for the Sprint-Florida service areas.

D-G. ISSUES AND POSITIONS:

Issue 1: What is the definition of the basic local telecommunications service referred to in Section 364.025(4)(b), Florida Statutes?

Position: The definition of basic local telecommunications service is the definition established by the Federal Communications Commission; namely (paraphrasing); single party service; voice grade access to the public switched network; Dial Tone Multi-frequency signaling or its functional equivalent; access to emergency services; access to operator services; access to interexchange service; access to directory assistance; and toll limitation service for certain customers. (Staihr)

Issue 2: For purposes of determining the cost of basic local telecommunications service appropriate for establishing a permanent universal

service mechanism, what is the appropriate proxy model to determine the total forward-looking cost of providing basic local telecommunications service pursuant to Section 364.025(4)(b), Florida Statutes?

Position: The BCPM Version 3.1, with Florida and Sprint-Florida specific inputs, is the appropriate cost proxy model for determining the total forward-looking cost of providing basic local telecommunications service in Sprint-Florida's service areas. (Staihr, Sichtler)

Issue 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?

Position: In order to assure that support for high-cost areas be adequately targeted, the cost of basic local telecommunications service should be determined on the basis of the census block group (CBG). However, there may be operational and administrative reasons to use the wire center at this time. (Staihr, Sichtler)

Issue 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

Position: The appropriate input values for each of the aforesaid categories are set forth in Exhibit KWD-1 sponsored by Kent W. Dickerson. (Dickerson, Billingsley, Laemeli)

Issue 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?

Position: The LECs with more than 100,000 access lines.

Issue 5(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?

Position: The cost results from using the input values set forth in Exhibit KWD-1 are identified in Exhibit KWD-1.

Issue 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?

Position: This issue does not apply to Sprint-Florida, so it has no position on this issue.

Issue 6(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?

Position: Not applicable.

Issue 6(c): If not, for each of the Florida LECs that serve fewer than 100,000 access liens, what approach should be employed to determine the cost of basic local telecommunications service and what is the resulting cost?

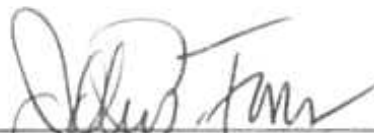
Position: Not applicable.

H. STIPULATIONS: Sprint-Florida is not aware of any pending stipulations at this time.

I. PENDING MOTIONS: Sprint-Florida is not aware of any pending motions at this time.

J. COMPLIANCE WITH ORDER ON PREHEARING PROCEDURE: Sprint-Florida does not know of any requirement of the Order on Prehearing Procedure with which it cannot comply.

Respectfully submitted this 23rd day of September, 1998.

A handwritten signature in black ink, appearing to read "John P. Fons", written over a horizontal line.

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and

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ATTORNEYS FOR SPRINT-FLORIDA,
INC.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by U.S. Mail or hand delivery (*) this 23rd day of September, 1998, to the following:

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