

ORIGINAL



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November 2, 1998

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

Re: Docket No. 980696-TP

Dear Ms. Bayo:

Enclosed for filing in the above-referenced docket are the original and 15 copies of Citizens' Post-Hearing Statement of Issues and Positions. A diskette in WordPerfect 6.1 is also submitted.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

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Sincerely,

Charles J. Beck
Deputy Public Counsel

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ORIGINAL

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
Filed: November 2, 1998

CITIZENS' POST-HEARING STATEMENT OF ISSUES AND POSITIONS

Pursuant to Rule 25-22.056(3), Florida Administrative Code, Florida's Citizens ("Citizens"), by and through Jack Shreve, Public Counsel, file this post-hearing statement of issues and positions:

Basic Position

* The cost of local service provided by the companies in this case consists mostly of joint or shared costs used to provide an array of services, not just local service, and includes costs assigned to the interstate jurisdiction. If 100% of such joint costs are used in this proceeding to determine the cost of local service, the revenues from all services benefitting from joint costs must be taken into account when considering the need for a universal service fund. This revenue benchmark is the same one recommended by the Federal/State Joint Board and used by the FCC for universal service purposes. *

12103 107-28

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 is set forth in the statute. *

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 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?

Position: * No position. *

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: * No position. *

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

Position * The FCC's projected lives should be used *

Discussion: The FCC's projected depreciation rates have a good track record based on comparing past projections to later actual experience. Majoros, Tr. 67-74. The substitution analysis prepared by Technology Futures, on the other hand, severely overestimated depreciation expense in the past. Majoros, Tr. 51-55. For example, the percent of 1987 circuit equipment surviving at the end of 1996 was nearly three times as great as predicted by Technologies Futures substitution analysis. It has a similar track record with fiber. Majoros, Tr. 52

(b) Cost of money

Position: * Debt and equity costs have dropped dramatically in recent years and should remain low for the foreseeable future. An overall cost of capital of 7.50% should be used. *

(c) Tax rates

Position: * No position *

(d) Supporting structures

Position: * No position *

(e) Structure sharing factors

Position: * A 50% factor should be used for buried cable. *

Discussion: The biggest area of dispute involves buried cable. The interexchange carriers admit that their 33% sharing figure is aggressive, but the figure of virtually 100% advocated by the local exchange companies is not reasonable, either Wells, Tr. 2625. Since the sharing amounts involve the forward-looking construction of a new network -- where the opportunities for sharing would be much greater than in the embedded network -- the Commission should use a sharing figure of approximately 50% for buried cable.

(f) Fill factors

Position: * A 60% utilization factor should be used for copper distribution. This represents more than an adequate amount of spare capacity for a forward-looking network. Wells, Tr. 2581 *

(g) Manholes

Position: * No position. *

(h) Fiber cable costs

Position: * No position. *

(i) Copper cable costs

Position: * No position. *

(j) Drops

Position: * No position. *

(k) Network interface devices

Position: * No position. *

- (l) Outside plant mix
Position: * No position *
- (m) Digital loop carrier costs
Position: * No position *
- (n) Terminal costs
Position: * No position *
- (o) Switching costs and associated variables
Position: * No position *
- (p) Traffic data
Position: * No position *
- (q) Signaling system costs
Position: * No position *
- (r) Transport system costs and associated variables
Position: * No position *
- (s) Expenses
Position: * No position *
- (t) Other inputs
Position: * No position *

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?

(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: Cost proxy models must be used for companies with 100,000 or more lines.

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?

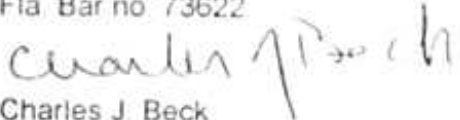
(b) If yes, for each of the LECs that serve fewer than 100,000 access lines, what cost results from using the input values identified in Issue 4 in the cost proxy model identified in Issue 2?

(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?

Position: * No position. *

Respectfully submitted,

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DOCKET NO. 980696-TP
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been furnished by U.S.
Mail or hand-delivery to the following parties on this 2nd day of November, 1998.


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