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November 5, 1999

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

Re: Docket No. 990649-TP

Dear Ms. Bayó:

Enclosed are an original and 15 copies of the Prehearing Statement of BellSouth Telecommunications, Inc. Please file this document in the captioned matter.

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 to the parties shown on the attached Certificate of Service.

Sincerely,

J. Phillip Carver
(AW)
J. Phillip Carver

Enclosures

cc: All parties of record
M. M. Criser, III
N. B. White
R. D. Lackey

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into pricing of unbundled network element)
Docket No.: 990649-TP)
Filed: November 5, 1999)

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

BellSouth Telecommunications, Inc., ("BellSouth" or "Company"), in compliance with the Order Establishing Procedure (Order No. PSC-99-1397-PCO-TP), issued July 20, 1999, hereby submits its Prehearing Statement for the above-styled matter.

A. Witnesses

BellSouth proposes to call the following witnesses to offer testimony on the issues in this docket:

<u>Witness</u>	<u>Issue(s)</u>
1. Alphonso J. Varner (Direct and Rebuttal)	1-3
2. D. Daonne Caldwell (Direct, Rebuttal and Surrebuttal)	3
3. Walter S. Reid (Direct and Surrebuttal)	3
4. Dr. Richard D. Emmerson (Direct and Rebuttal)	3
5. Jerry Hendrix (Direct, Rebuttal and Surrebuttal)	1-2

BellSouth reserves the right to call additional witnesses, witnesses to respond to Commission inquiries not addressed in direct or rebuttal testimony, witnesses to address issues not presently designated that may be designated by the Prehearing

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Officer at the prehearing conference to be held on November 15, 1999, and witnesses to address the pending 319 order of the FCC. BellSouth has listed the witnesses for whom BellSouth believes testimony will be filed, but reserves the right to supplement that list if necessary.

B. Exhibits

Alphonso J. Varner	AJV-1: BellSouth's Comments and Reply Comments in CC Docket 96-98
	AJV-2: Joint Reply Comments
	AJV-3: Comments of the United States Telephone Association
	AJV-4: Florida Fact Report
D. Daonne Caldwell	DDC-1: Interrelationships between TELRIC Calculation and Other Models
Walter S. Reid	WSR-1: Methodology for Computing Common Cost Factor
Walter S. Reid	WSR-2: Typical Shared and Common Costs
Richard D. Emmerson	RDE-1: Summary of Economic Cost Relationships
Jerry Hendrix	None

BellSouth reserves the right to file exhibits to any 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 Rules of this Commission.

C. Statement of Basic Position

In its January 25, 1999 decision, the Supreme Court vacated Rule 51.319 of the Federal Communications Commission ("FCC") that established the initial set of unbundled network elements ("UNEs") required to be made available either individually or on a combined basis. The FCC initiated a 319 proceeding to determine the list of UNEs that would be appropriate pursuant to the Supreme Court decision. On September 15, 1999, the FCC issued a press release to announce its decision in the 319 proceeding. The FCC order on this matter has not yet been issued. Moreover, there are certain policy considerations, including rate re-balancing and universal service, that should be considered in reaching any deaveraging decisions.

BellSouth's positions on the individually numbered issues in this docket are consistent with the Act, the pertinent rulings of the Supreme Court, the FCC and this Commission. Each of BellSouth's positions should be sustained by this Commission.

D. BellSouth's Position on the Issues

Issue 1: Deaveraging of UNEs:

- (a) Which UNEs, excluding combinations, should be deaveraged?**
- (b) Which UNE combinations, if any, should be deaveraged?**
- (c) Which is the appropriate basis for deaveraging UNEs?**
- (d) Should the degree of deaveraging be uniform for all UNEs?**
- (e) Should the degree of deaveraging be uniform for all affected ILECs for which deaveraged rates are appropriate?**
- (f) What other factors or policy considerations, if any, should be considered in determining deaveraged UNE rates?**
- (g) What supporting data or documentation should an ILEC provide with its deaveraging filing?**

Position 1(a): The unbundled loop should be considered for geographic deaveraging only after policy considerations have been addressed and only upon the outcome of the FCC's 319 proceeding.

Position 1(b): Based on the final outcome of the FCC's 319 proceeding and the consideration of policy issues, BellSouth will provide currently combined UNEs involving loops on a geographically deaveraged basis.

Position 1(c): If deaveraging must occur, the appropriate basis should be the market conditions as they exist within each of the designated geographic areas. The determination of the geographic areas can be made using geographic market and cost differences.

Position 1(d): No. Market conditions in the different geographic areas are not the same for all UNEs and, therefore, the degree of deaveraging should not be uniform for all UNEs.

Position 1(e): No. Because there are differences among the ILECs, the degree of price deaveraging should not be uniform for all affected ILECs.

Position 1(f): The three primary policy considerations to be addressed are the outcome of the FCC 319 proceeding, implementation of an appropriate universal service funding mechanism, and rebalancing of basic local exchange service rates.

Position 1(g): Cost studies to support the designation of geographic areas and market or industry data to support the proposed prices for each geographic area will be required.

Issue 2: How can one determine which UNEs an ILEC “currently combines” (51.315(b), versus those which are “not ordinarily combined in the incumbent LEC’s network” (51.315(c))?

Position: When the FCC's 319 Order is issued, it should be clear what UNEs ILECs must provide and what UNEs must remain connected. “Currently combined” refers to combinations that physically exist in BellSouth's network for the existing customer that the ALEC wishes to serve. Newly installed loops, ports and transport

elements are not currently combined. Moreover, Rule 51.315(c) was vacated by the Eighth Circuit and remains vacated today.

Issue 3: Cost Studies:

(a) What guidelines and specific requirements should be imposed on non-recurring cost studies, if any, required to be filed in this proceeding?

(b) For which UNEs should the ILECs submit cost studies sufficient to deaverage those UNEs identified in Issues 1(a) and 1(b)?

(c) To the extent not included in Issue 3(b), should the ILECs be required to file recurring cost studies for any remaining UNEs, and combinations thereof, identified by the FCC in its forthcoming order on the Rule 51.319 remand?

(d) To the extent not included in Issue 3(b), should the ILECs be required to file non-recurring cost studies for any remaining UNEs, and combinations thereof, identified by the FCC in its forthcoming order on the Rule 51.319 remand?

(e) When should the cost studies identified in Issues 3(b), (c) and (d) be filed?

Position 3(a): The Commission has previously ruled that the appropriate methodology for developing costs for UNEs is TSLRIC plus shared and common. This methodology is long run and reflects an efficient, forward-looking network.

Position 3(b): Until the FCC's 319 order is issued, BellSouth should be required to submit UNE cost studies and market or industry data to support BellSouth's designated geographic areas solely for the loop element.

Position 3(c): Only those unbundled network elements specifically identified in the FCC's 319 Order when that order is issued should be studied, and then only after certain policy issues are considered.

Position 3(d): No.

Position 3(e): Cost studies and market or industry data should be filed 120 days from the date the Order is received.

E. Stipulations

None

F. Pending Motions

None

G. Other Requirements

None

Respectfully submitted this 5th day of November, 1999.

BELLSOUTH TELECOMMUNICATIONS, INC.

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**CERTIFICATE OF SERVICE
Docket No. 990649-TP**

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