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June 26, 2000

VIA HAND DELIVERY

Blanca S. Bayo, Director
Division of Records and Reporting
Betty Easley Conference Center
4075 Esplanade Way
Tallahassee, Florida 32399-0870

Re: Docket No.: 990649-TP

Dear Ms. Bayo:

On behalf of Florida Competitive Carriers Association, AT&T, MCI Worldcom, Intermedia and Z-Tel, enclosed for filing and distribution are the original and 15 copies of the following:

- ▶ Joint Prehearing Statement of Florida Competitive Carriers Association, AT&T, MCI, Intermedia and Z-Tel.

Please acknowledge receipt of the above on the extra copy of each and return the stamped copies to me in the envelope provided. Thank you for your assistance.

Yours truly,

Joseph A. McGlothlin

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL

In re: Investigation into pricing of
unbundled network elements.

Docket No. 990649-TP
Filed: June 26, 2000

**Joint Prehearing Statement of Florida Competitive Carriers Association,
AT&T, MCI Worldcom, Intermedia and Z-Tel**

The Florida Competitive Carriers Association (FCCA), AT&T Communications of the Southern States, Inc. (AT&T), MCI WorldCom, Inc. (MCIW), Intermedia Communications, Inc. (Intermedia), and Z-Tel Communications, Inc. (Z-Tel), pursuant to Order No. PSC-00-0540-PCO-TP, jointly file their Prehearing Statement.

A. APPEARANCES:

JOSEPH A. MCGLOTHLIN and VICKI GORDON KAUFMAN, McWhirter, Reeves, McGlothlin, Davidson, Decker, Kaufman, Arnold & Steen, P.A. 117 South Gadsden Street, Tallahassee, Florida 32301. (Attorneys for Florida Competitive Carriers Association)

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RICHARD D. MELSON, Hopping Green Sams & Smith, P.A., Post Office Box 6526, Tallahassee, Florida 32314. (Attorneys for MCI WorldCom, Inc.)

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DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

B. WITNESSES:

On Behalf of the Florida Competitive Carriers Association: None.

On Behalf of AT&T and MCIW:

<u>Witness</u>	<u>Issue</u>
John I. Hirshleifer	7(c)
Jeffrey King	5, 6, 13
Michael J. Majoros, Jr.	7(b)

On Behalf of Intermedia: None.

On Behalf of Z-Tel:

<u>Witness</u>	<u>Issue</u>
Dr. George S. Ford	5

C. EXHIBITS:

On Behalf of the Florida Competitive Carriers Association: None.

On Behalf of AT&T, and MCIW:

John I. Hirshleifer

JH-1	Curriculum Vitae
JH-2	Telephone Holding Companies
JH-3a	BellSouth Bond Yields
JH-3b	GTE Bond Yields
JH-4	3 Stage DCF Estimates of Cost Equity
JH-5	Estimated Betas for the Comparable Companies
JH-6	Risk Premium Computed from Expected Market Return
JH-7	Expected Long-Run One-Month Treasury Bill Yield for September 1999
JH-8	Stock Market Premium Analysis
JH-9	Model Estimates of Cost Equity
JH-10	Capital Structure of Telephone Holding Companies
JH-11	Model Estimates of Cost Capital

Michael J. Majoros, Jr.

MJM-1	Appearances Before Regulatory Agencies Related to Depreciation
MJM-2	Participation as Negotiator in FCC Depreciation Rate

	Prescription Conferences
MJM-3	Curriculum Vitae
MJM-4	Depreciation Reserve Percent
MJM-5	BellSouth/GTE - Florida Telephone Plant Related Rates
MJM-6	Society of Depreciation Professionals - Annual Meeting
MJM-7	Comparison of TFI's Fiber Feeder Forecasts
MJM-8	Track Record - Comparison of Actual Retirements and Additions
MJM-9	Comparison of BellSouth's Metallic Cable Forecast to Actual Retirements
MJM-10	Florida Projection Life Comparison - Recommended Inputs for BellSouth/GTE - Florida

On Behalf of Intermedia: None.

On Behalf of Z-Tel: None.

D. STATEMENT OF BASIC POSITION:

Statement of Basic Position of FCCA, AT&T, MCIW, Intermedia and Z-Tel:

The significance of this docket cannot be overstated. To facilitate the near-term development of competition in the local exchange-- indeed, to make meaningful facilities-based competition possible-- it is essential that the Commission implement properly designed rates for unbundled network elements.

E. STATEMENT OF ISSUES AND POSITION:

Issue 5: For which signaling networks and call-related database should rates be set?

FCCA, AT&T, MCIW, Intermedia and Z-Tel:

The following list of UNEs should have rates established:
 Common Channel Signaling System 7(CCS7) Transport,
 including Signaling Transfer Points (STP)
 Toll Free Calling Database (i.e., 800)
 Line Information Data Base (LIDB)
 Calling Name Database (CNAM)

911/E911 Database
Local Number Portability (LNP)
Advanced Intelligent Network Database (AIN), including access to AIN switch triggers
Service Management Systems
Service Control Points
Service Creation Environment
Directory Assistance Database (DA)
Daily Usage Information (e.g., ADUF, ODUF, EODUF)

As the industry evolves additional databases may be required, for which future cost-based rates should also be established.

Issue 6: Under what circumstances, if any, is it appropriate to recover non-recurring costs through recurring rates?

FCCA, AT&T, MCIW, Intermedia and Z-Tel:

As a general matter, non-recurring costs should be recovered through non-recurring charges and recurring costs should be recovered through recurring charges. A problem arises when a non-recurring charge is so high that it presents a significant barrier to entry. Such a situation can largely be avoided by adherence to proper rate design – i.e., by applying TELRIC principles and by assuring that only costs actually caused by the new entrant are reflected in the charge. In those remaining instances in which (notwithstanding the recognition of the principle of cost causation and the application of proper rate design) the non-recurring charge would be at a level that would impede the development of competition by making entry difficult, it is sound policy to recover the non-recurring costs over a reasonable period of time through a recurring charge or through payments of the non-recurring charge in several installments.

Issue 7: What are the appropriate assumptions and inputs for the following items to be used in the forward-looking recurring UNE cost studies?

b) Depreciation

FCCA, AT&T, MCIW, Intermedia and Z-Tel:

BellSouth and GTE have proposed lives based on a methodology that has been discredited by experience. Their proposals would impede competition by overstating the costs of depreciation that would be recovered through UNE rates.

For BellSouth the projection lives should be those adopted for UNE's by the Commission in Table III of Order No. PSC-98-0604-FOF-TP, with the exception of fiber cable accounts, for which the FCC- approved life of 25 years should be employed.

For GTE, the Commission should use the projection lives and net salvage factors set forth in the FCC's 1995 prescription of GTE's depreciation rates.

c) Cost of Capital

FCCA, AT&T, MCIW, Intermedia and Z-Tel:

The midpoint of the forward-looking economic cost of capital for BellSouth is 8.54%; for GTE, the corresponding value is 8.66%.

d) Tax rates

FCCA, AT&T, MCIW, Intermedia and Z-Tel: Not at Issue

Issue 9(b): Subject to the standards of the FCC's Third Report and Order, should the Commission require ILECs to unbundle any other elements or combinations of elements? If so, what are they and how should they be priced?

FCCA, AT&T, MCIW, Intermedia and Z-Tel:

With the exception of network elements associated with line sharing, which by stipulation are not within the scope of this docket, these parties have not identified any elements or combinations of elements that should be subject to the unbundling requirement at this time beyond those delineated in Attachment A to Order PSC-00-0540-PCO-TP.

Issue 13: When should the recurring and non-recurring rates and charges take effect?

FCCA, AT&T, MCIW, Intermedia and Z-Tel:

The rates and charges should take effect on the earliest possible date following the Commission's decision. Interconnection agreements should be amended to incorporate the ordered rates and charges.

F. STIPULATED ISSUES: None.

G. PENDING MOTIONS: None.

H. OTHER MATTERS: None at this time.

I. ORDER ON PROCEDURE:

The undersigned have identified no requirements of the Order on Procedure with which the parties cannot comply.


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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Joint Prehearing Statement of Florida Competitive Carriers Association, AT&T, MCI, Intermedia and Z-Tel has been furnished by U. S. Mail this 26th day of June 2000, to:

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