

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into pricing of )  
unbundled network elements. )  
\_\_\_\_\_ )

Docket No. 990649-TP

Filed: June 26, 2000

RECORDS AND  
REPORTING

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PREHEARING STATEMENT OF TIME WARNER TELECOM OF FLORIDA, L.P.

Time Warner Telecom of Florida, L.P. (Time Warner), pursuant to Florida Public Service Commission Order No. PSC-00-0540-PCO-TP and Order No. PSC-00-2015-PCO-TP, files this Prehearing Statement and states:

A. Witnesses

Time Warner will not call witnesses at the hearing.

B. Exhibits

Time Warner will not offer exhibits at the hearing.

C. Basic Position

Time Warner supports the Florida Public Service Commission's effort to establish reasonable rates for unbundled network elements and UNE combinations. Time Warner believes that the establishment of appropriate cost-based rates will promote fair and responsible competitive entry under the requirements of the Telecommunications Act of 1996. Forward-looking, cost-based rates will also protect the incumbent local exchange carriers as the providers of the facilities necessary to provision the unbundled network elements.

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- CAF \_\_\_\_\_
- CMP *[Signature]*
- COM 5
- CTR \_\_\_\_\_
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The issues to be addressed in this phase of the docket will significantly influence the cost estimates generated by each of the carrier's cost proxy models. To the detriment of Florida consumers, the implementation of above-cost UNE rates will slow, if not preclude, the competitive entry of alternative carriers. There should be no dispute that ALECs are financially unable to develop a ubiquitous telecommunications infrastructure from scratch. The costs of investing in duplicative facilities are prohibitive. The undertaking to construct duplicative loops and switching facilities is massive, time-consuming, and in many instances, uneconomical given the need to reach individual subscribers over wide areas. The ILECs had the luxury of growing their networks to meet demand over a period of more than a hundred years under an exclusive regulatory compact that provided ample funding from their ratepayers. Those privileges cannot and will not be extended to ALECs. Thus, in the interest of competitive development, it is imperative that reasonable, cost-based rates be established for access to the incumbent carriers' unbundled network elements and UNE combinations.

**D.F. Positions on the Issues**

**Issue 6:**

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

**Position:**

Time Warner acknowledges that, as a general principle, one-time costs should be recovered through nonrecurring charges. But it is a common practice in the telecommunications industry for carriers to recover nonrecurring costs through recurring charges. Time Warner

supports this form of cost recovery where appropriate in order to reduce the immediate financial burden that would be imposed upon the requesting party. Time Warner recommends that the Commission order that the expenses associated with the development of electronic gateways and systems enhancements to the incumbent carriers' Operations Support Systems are capitalized and recovered through recurring charges.

**Issue 7(b),(c), and (d):**

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

**(b) Position on Depreciation**

By adopting aggressive capital recovery rates, the ILECs have overstated the recurring capital costs that will be recovered from requesting carriers through higher than necessary UNE rates. Time Warner recommends that the FCC's prescribed projection lives and future net salvage rates for BellSouth and GTE should be adopted as model inputs in lieu of the carriers' proposed rates. The forward-looking depreciation lives and future net salvage estimates prescribed by the FCC are grounded in a comprehensive examination and offer an objective alternative to the incumbent carriers' proposed capital recovery rates.

**(c) Position on Cost of Capital**

The ILECs have assumed high costs of capital that also overstate the recurring capital costs. GTE and Sprint, in particular, have assumed an equity-rich capital structure in tandem with a high cost of equity. The carriers' assumptions regarding capital market conditions result in an inflated cost of capital that will be designed into the UNE rates charged to competing carriers. Time Warner recommends that the Commission adopt a more realistic

cost of capital based upon the testimony of Staff and other experts participating in the proceeding.

**(d) Position on Tax Rates**

The incumbent carriers' approach to estimating the currently effective ad valorem and property tax rates appears reasonable. The composite income tax factor used in the cost proxy models reflects a state corporate income tax rate of 5.5%. Time Warner does not challenge the incumbent carriers' model input values in these areas.

**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?

**Position:**

Time Warner believes that it is not necessary for the Commission to expand upon the FCC's minimum unbundling requirements for non-rural ILECs at this time. The Commission must ensure, however, that access to all unbundled network elements, is offered at competitive rates and acceptable service quality levels. If it is found otherwise, the Commission should initiate proceedings to investigate the unbundling of the network element at issue.

**Issue 13:**

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

**Position:**

The Commission should grant the ILECs a reasonable amount of time to modify their

billing and other administrative systems in order to process the demands of deaveraged UNE offerings. Time Warner recommends that the recurring and nonrecurring UNE rates should take effect 30 days to 90 days after the Commission issues its order in the proceeding.

**G. Stipulated Issues**

Time Warner has not stipulated to any issues with any party to the proceeding.

**H. Pending Motions**

Time Warner does not have pending motions or other matters its seeks action upon.

**I. Requirements of Orders**

Order No. PSC-00-0540-PCO-TP and Order No. PSC-00-2015-PCO-TP do not impose any requirement with which Time Warner cannot comply.

Respectfully submitted this 26th day of June, 2000.



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**CERTIFICATE OF SERVICE**  
**DOCKET NO. 990649-TP**

I **HEREBY CERTIFY** that a true and correct copy of the foregoing **Prehearing Statement of Time Warner Telecom of Florida, L.P.** has been served by U.S. Mail on this 26<sup>th</sup> day of June, 2000, to the following parties of record:

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