



ORIGINAL

Florida Cable Telecommunications Association

Steve Wilkerson, President

VIA HAND DELIVERY

June 26, 2000

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

RE: Docket No. 990649-TP

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of the Prehearing Statement of the Florida Cable Telecommunications Association. Copies have been served on the parties of record pursuant to the attached certificate of service.

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

Thank you for your assistance in processing this filing. Please contact me with any questions.

Sincerely,

Michael A. Gross
Vice President, Regulatory Affairs &

APP _____ Regulatory Counsel

CAF _____
CMP *Attala*
COM 5 MAG/mj

CTR _____
ECR _____ Enclosure

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cc: All Parties of Record
William J. Barta

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ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 990649-TP

Filed: June 26, 2000

PREHEARING STATEMENT OF THE FLORIDA
CABLE TELECOMMUNICATIONS ASSOCIATION

Florida Cable Telecommunications Association (FCTA), pursuant to Order No. PSC-00-0540-PCO-TP, issued on March 16, 2000, and Order No. PSC-00-2015-PCO-TP, issued on June 8, 2000, of the Florida Public Service Commission, files its Prehearing Statement and states:

A. Witnesses

The Florida Cable Telecommunications Association ("the FCTA") will present Mr. William Barta as its witness in this proceeding. The subject matter of Mr. Barta's testimony will address certain issues identified in the Commission's June 8, 2000 Order No. PSC-00-2015-PCO-TP). The issues to be addressed include Issue nos. 6, 7(b), 7(c), 7(d), 9(b), and 13 as defined in the Second Revised Order on Procedure (Order No. PSC-00-0540-PCO-TP).

B. Exhibits

As part of his prefiled testimony, Mr. Barta will sponsor five exhibits: Rebuttal Exhibit __ (WJB-1) through Rebuttal Exhibit __ (WJB-5). A brief description of the contents of the exhibits is provided below:

Rebuttal Exhibit__(WJB-1) Mr. Barta's qualifications

Rebuttal Exhibit__(WJB-2) FCC prescribed Projection lives and Future Net Salvage rates for BellSouth and GTE in Florida.

Rebuttal Exhibit__(WJB-3) A comparison between the balances of telecommunications plant in service and the total reserves as submitted by BellSouth and GTE to the FCC during the period 1991 through 1999.

Rebuttal Exhibit__(WJB-4) A graph illustrating the relationship between total cash operating expenses and total access lines in service for BellSouth and GTE during the period 1991 through 1999.

Rebuttal Exhibit__(WJB-5) A calculation of avoided retail costs that should be used for the purpose of establishing rates for unbundled network elements.

The FCTA and Mr. Barta believed that Issue nos. 7(t) and 7(u) were to be addressed in the June 8, 2000 prefiled testimony. Rebuttal Exhibit__(WJB-4) and Rebuttal Exhibit__(WJB-5) have been prepared in support of Mr. Barta's discussion of these issues in his prefiled testimony.

C. Basic Position

The FCTA supports the Commission's effort to establish reasonable rates for unbundled network elements and UNE combinations. The FCTA 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.

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 CLECs 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 have 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 CLECs. 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:

The FCTA 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. The FCTA supports this form of cost recovery where appropriate in order to reduce the immediate financial burden that would be imposed upon the requesting party. The FCTA 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.

ISSUES 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) 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. The FCTA 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): 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. The FCTA 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): 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%. The FCTA 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:

The FCTA 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. The FCTA 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

The FCTA has not stipulated to any issues with any party to the proceeding.

H. Pending Motions

The FCTA has no pending motions or other matters its seeks action upon.

I. Requirements of Order No. PSC--00-0540-PCO-TP and Order No. PSC-00-2015-

PCO-TP

There are no requirements of Order No. PSC-00-0540-PCO-TP and PSC-00-2015-PCO-TP

with which FCTA cannot comply.

Respectfully submitted this 26th day of June, 2000.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Prehearing Statement of the Florida Cable Telecommunications in Docket 990649-TP has been served upon the following parties by U.S. Mail this 26th day of June, 2000:

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