State of Florida

Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: May 31, 2001
TO: All Parties of Record
All Interested Persons
FROM: Wayne D. Knight, Staff Counsel
RE: Docket No. 990649-TP - Investigation into pricing of unbundled network elements.

The attached document contains a list of the adjustments made by Commission staff to the BellSouth cost studies to implement the Commission's decisions made at the April 18, 2001 Agenda. The rates shown in the Appendix A of Order No. PSC-01-1181-FOF-TP, issued May 24, 2001, were produced using these changes.

WDK/anc
Attachment

ATTACHMENT
POST-AGENDA STAFF CHANGES TO BELLSOUTH'S COST STUDY

SHARED COST OF ACCESS TERMINAL

Issue 4(b):   Modification to staff recommendation:

Those charges that pertain to the provisioning of an access terminal are to be split 50/50 between Bell and the CLEC. (i.e., reduce the proposed charges in which costs of terminal are included by 50%).

Under non-recurring labor tab for access terminals, workbook fl-usl.xls.

A.2.* elements: inputs_engineering line 19, column e (first install)-reduce value by 50%.

inputs_connect&test, lines 29-38, columns f, g, h, and i--reduce value by 50%; lines 42-45, column e--reduce value by 50%.

input_mat. cost, line 28, column g--reduce value by 50%.

input_misc, line 15, column c--reduce value by 50%.

Under non-recurring labor tab for access terminals, workbook fluntw.xls.

A.15.1 element, inputs_site survey-site setup, lines 22, 30, 38, 46, 54, 61, column e--reduce value by 50%.

input_gt line 46 column e--reduce value by 50%

inputs_misc, line 15, column c--reduce value by 50%

REMOVAL OF INFLATION/DEFLATION FACTORS

Issue 7(s):   In addition to adopting staff's recommendation, the commission also opted to exclude all adjustments associated with inflation/deflation. This decision affects numerous inputs shown below. The result of all these adjustments is that all inputs will be based on 1998 levels.

Disconnect Factor

Read only file - discon99.xls, at top of file. Annual telco COE labor inflation rate, year 2000-2111. Set all to 0.0%. Flow through to rates.

Same change must be made in the database to make all disconnect factors = 1

Investment Inflation Loadings

Miscellaneous tab, in read-only spreadsheet inflationmeth.xls:

Tab with digital circuit pair gain & digital circuit other accounts, columns labeled a, b, c, d--set to 0 for each of the two accounts.

In sheet with other accounts, columns a, b, c -- set to 0.

The result should be that the investment inflation loading is equal to 1.

Expense Development Factor

spreadsheet expprj00:

Column i, year 1999 inflation -- set to 0.

Column r, year 2000 inflation -- set to 0.

Column aa, year 2001 inflation -- set to 0.

Column jj -- year 2002 inflation -- set to 0.

spreadsheet expdvf00:

For each account, perform the following calculation: (2000 total projection + 2001 total projection + 2002 total projection)/3 = average expense projection. The result goes into the next spreadsheet.

Manually input the expense development factor into the shared and common cost application.

Investment Development Factor

Under tab curr~book cost Spreadsheet invprj00, set all values for all accounts to 1; if account was zero, leave as zero. Projected average investment 2000-2002--get results from line 18 for all associated accounts. Input values into spreadsheet invdvf00.xls read only file 2002-2002 projected investment column for associated accounts. Next column investment development factor--these are used in shared and common cost application.

Plant Specific Factor

Spreadsheet plsp99ey.xls (read only file)

Using a similar procedure as for expense development factor, for all accounts under 6110 (6112, 6113, 6114, 6115, 6116) total the 5 accounts for each year, then take the average of the three years. Follow the same procedure for the remaining accounts in this spreadsheet.

Under tab exp projections: using ratio for Florida--use expense projections that we calculated in to BellSouth column, developed a ratio, and applied to the Florida column which flowed through the spreadsheet.

Under tab Florida, line 36, column for associated accounts, for plant specific factors. Input results on line 36 into the model

Labor rates menu

Convert read only worksheet sfac&lab to writeable file. tab infl factor-- plant and cost groups, 1999 through 2002--change inflation rate to 1. (divide value by itself). This produces new labor rates.

Shared and Common Cost Factors

Although the changes made above flowed into the shared and common cost calculator, the values were overridden to reflect those initially filed by BellSouth.

In Microsoft access, open the correct scenario. Under the folder shrdcomm open database shrdcmn.mdb.

In the table common cost factor, set wholesale common cost factor to 6.24%, the commission-approved factor. (It is necessary to delete the formulas to override them.)

In the table shared cost factor, set the shared cost factors to the original factors filed by BellSouth.

LOOP CONDITIONING

Issue 11:   Modifications to staff rec:

(a)   Eliminate element A.17.1, load coil removal on loops < 18 kft [retain rate for loops > 18 kft]

spreadsheet fl-ulm.xls, tab wp100, lines 9-15, columns d, f -- set values to 0.

(b)   For remaining applicable loop modification rates, use 50 pairs instead of staff recommended 25 pairs

spreadsheet fl-ulm.xls, tab input_service inquiry -- lines 7-9, 14, column i, input the amount 50

tab inputs_engineering, lines 7, 8, 9, 11, 16 - column i - set values to 50
tab inputs_connect&test, line 8, 13, 34, 39 - column h - set values to 50.
tab inputs_travel, line 7, column g - set value to 50.