Florida Digital Network

August 22, 2001

Ms. Blanca Bayó, Director
Division of the Commission Clerk &
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

by overnight delivery

Re: Docket No. 010098-TP – Petition by Florida Digital Network, Inc. for arbitration of certain terms and conditions of proposed interconnection and resale agreement with BellSouth Telecommunications, Inc. under the Telecommunications Act of 1996.

Dear Ms. Bayó,

Please find enclosed for filing in the captioned docket an original and seven (7) copies of Florida Digital Network, Inc.'s Late-filed Exhibit No. 13 and Notice of Filing Late-filed Exhibit No. 13.

If you have any questions regarding this Notice or the Petition, please call me at 407-835-0460.

Sincerely,

Matthew Feil
Florida Digital Network
General Counsel

390 N. Orange Avenue Suite 2000 & 200 Orlando, Florida 32801
407.835.0300 Fax 407. 835.0309 www.floridadigital.net

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition of Florida Digital Network, Inc., for Arbitration of Certain Terms and Resale Agreement with BellSouth Telecommunications, Inc. Under the Telecommunications Act of 1996	)	Docket No. 010098-TP
	)	Served: August 22, 2001

FLORIDA DIGITAL NETWORK, INC'S NOTICE OF FILING LATE-FILED HEARING EXHIBIT NO. 13

Florida Digital Network, Inc. ("FDN") hereby files the attached as its Late-filed Hearing Exhibit No. 13 in the captioned docket.

Certificate of Service

I hereby certify that a true and complete copy of this Notice and FDN's Late-filed Hearing Exhibit No. 13 was served on the following by overnight delivery and electronically this 22nd day of August 2001.

Mr. James Meza, III
C/o Ms. Nancy H. Sims, Dir., Reg. Relations
150 South Monroe Street, Suite 400
Tallahassee, FL 32301-1556

Ms. Felicia Banks
Florida Public Service Comm'n
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Matthew Feil
Florida Digital Network
390 North Orange Avenue
Suite 2000
Orlando, FL 32801
(407) 835-0460

AFFIDAVIT OF MICHAEL P. GALLAGHER IN SUPPORT OF LATE-FILED HEARING EXHIBIT NO. 13 IN DOCKET NO. 010098-TP

STATE OF FLORIDA
COUNTY OF ORANGE

BEFORE ME, the undersigned authority, personally appeared Michael P. Gallagher, as CEO of Florida Digital Network, Inc., who after being duly sworn, did state under oath:

1. I am the same Michael P. Gallagher who testified before the Florida Public Service Commission in the hearing held August 15, 2001, in Docket No. 010098-TP.

2. I ~~am~~ have prepared the attached Late-filed Exhibit No. 13.

3. All of the information in the attached Late-filed Exhibit No. 13 is true and correct to the best of my knowledge, and I would opine in support thereof.

FURTHER AFFIANT SAYETH NOT:

Michael P. Gallagher
CEO, Florida Digital Network, Inc.

Sworn to and subscribed before me this 21st day of August, 2001, by Michael P. Gallagher, as CEO of Florida Digital Network, Inc., and who is personally known to me.

Notary's Signature
Notary's Name: Carol A. Kelley

Notary's Stamp:

Carol A Kelley
My Commission CC953890
Expires August 08, 2004

LATE-FILED HEARING EXHIBIT NO. 13

As a late-filed hearing exhibit, the Commission requested the parties submit cost and other relevant data for installing 8-port DSLAMs at BellSouth remote terminals.

Summary

The spreadsheets that follow reflect FDN's one-time cost estimates and analysis of earnings before interest, taxes, depreciation and amortization (EBITDA) for collocating 8-port DSLAMs at BellSouth remotes. FDN maintains that even with optimistic assumptions, the cash flow generated per 8-port DSLAM unit is negative and will not support the costs FDN would incur to provide the DSL service notwithstanding considerations for a rate of return on capital and depreciation.

Assumptions

The assumptions embedded in the spreadsheets include, but are not limited to, the following: 1) BellSouth would promptly provide FDN remote terminal location and remote-by-remote serving address information, 2) BellSouth would waive non-recurring charges for site and power augment facilities in every case, 3) BellSouth would timely complete (within 90 days or less of collocation application) every FDN remote collocation request, including those which necessitated construction of adjacent space/facilities changes. FDN maintains that the testimony in this proceeding does not support these enumerated assumptions; however, FDN has for purposes of formulating a less complicated business case assumed each to be true, though doing so paints a less realistic picture.

As indicated in the spreadsheets, FDN also assumes: 1) FDN would price its DSL/Internet Access service at the same rate as BellSouth, 2) a 75% per unit "fill" factor, 3) Sales, General & Administrative (SG&A) costs of 30% of revenue generated, and 4) maintenance costs and Internet access costs. FDN believes these assumptions are reasonable and conservative. FDN and other CLECs would likely have to price DSL/Internet Access services below BellSouth's comparable services in order to compete for customers, just as FDN and CLECs do when pricing voice services. The "fill" factor, or the percentage of facilities utilized by customers, would be driven down on average over time as additional ports were added and facilities augmented to serve prospective new customers. SG&A costs, which includes costs for sales, sales support, billing, customer care, and the like, were estimated at 30% of revenue generated because that figure is in line with FDN's experience for voice services. Since collocated DSLAM equipment will require FDN technicians' repair, maintenance and monitoring, FDN included an estimate for maintenance costs consistent with deployment over an MSA as discussed below. The Internet access cost represents the approximate cost paid or incurred by FDN for ISP service and is included to insure consistency in the comparison of service rates.

Discussion:

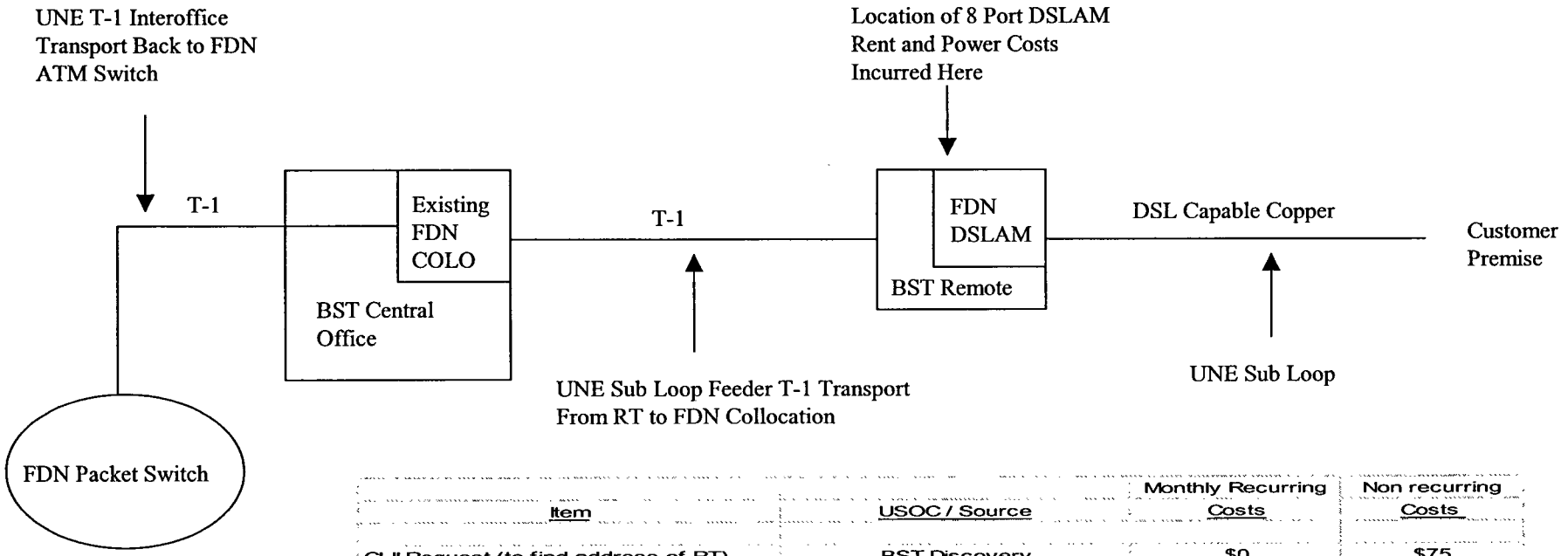
FDN received price quotes for two different 8-port DSLAMs through Phillips Electronics, a long-time distributor of telecommunications equipment to FDN and many other carriers. The first quote was for about $6,900 for an 8-port Occam Networks DSLAM. The product quoted was new and not widely distributed. The second quote was for $9,008 for an 8-port AdTran DSLAM. The two products have different features and capabilities. FDN's spreadsheets incorporate the $6,900 quote. The product vendor estimated a $2,000 installation charge. As indicated on the spreadsheet, collocation and UNE costs are taken from BellSouth discovery responses in this docket and the new UNE rates the Commission approved in Docket No. 990649-TP.

As a practical business matter, it would not make sense for FDN or any other CLEC to collocate 8-port DSLAMs in thousands of BellSouth remotes for the reasons Mr. Gallagher explained in his testimony. Therefore, in evaluating the discussion below, the Commission must put the hypothetical 8-port DSLAM business case into a somewhat real-world perspective. This is a business case. This is not the experiment BellSouth engaged in when it first began locating 8-port DSLAMs in remote terminals to test the DSL product and technology and to assess customer interest. Having established that consumers are, in fact, interested in DSL, BellSouth no longer deploys 8-port facilities.

For FDN to rollout a DSL product, FDN would have to blanket a target market, such as one MSA. Jacksonville, for example, has roughly 650,000 business and residential access lines. Assuming 90% of these lines, or 585,000 lines, are served by either fiber-fed or copper-fed remotes, and making a further assumption of 500 lines served by the average remote, FDN estimates that there may be up to 1,170 remotes in the Jacksonville MSA in which FDN would have to collocate a DSLAM. According to the spreadsheet, a conservative non-recurring cost for collocating an 8-port DSLAM is $10,000 per remote, or roughly $11.7 million for collocating DSLAMs in all Jacksonville remotes. An $11.7 million capital outlay is insignificant for BellSouth, but sizeable for FDN. Capital for an 8-port plan could not realistically be obtained unless the business case supported it, which it does not. Moreover, the exercise of making simplifying assumptions to isolate the cost of just one initial installation veils the magnitude of collocating at so many remotes. In contrast, BellSouth did not leave its 8-port DSLAMs in its remotes, constantly expanding their capability. Rather, to provide service on a relatively ubiquitous basis, BellSouth undoubtedly installed new facilities when product experimentation was over.

As the spreadsheets reveal, even before any consideration for return on and return of capital invested, the cash flow generated per 8-port DSLAM unit is negative and will not support the costs FDN would incur to provide the DSL service. Indeed, EBITDA is significantly negative on a per unit basis: expected revenue of $270 per unit, but recurring cost of $542 per unit.

Diagram and Costs of CLEC Co-Location of DSLAM at BST Remote



Item	USOC / Source	Monthly Recurring Costs	Non recurring Costs
CLII Request (to find address of RT)	BST Discovery	$0	$75
Space Availability Report (to see if space is available in RT)	BST Discovery	$0	$232
Application Fee	BST Discovery	$0	$616
8 Port DSLAM	Phillips Electronics	$0	$6,900
Installation & Engineering for DSLAM	FDN or Vendor	$0	$2,000
Rent & Power for DSLAM at Remote	BST Discovery	$233	$0
Sub Loop Feeder DS-1 Transport back to FDN CO Collocation	BST USOC = USBFG	$43	$120
DS-1 Interoffice Transport from FDN Collocation to FDN Packet Switch	BST USOC = U1TF1	$90	$90
Security Access	BST Discovery	$0	$26
Totals		$366	$10,058

Item	USOC / Source	Monthly Recurring Costs	Non recurring Costs
CLII Request (to find address of RT)	BST Discovery	$0	$75
Space Availability Report (to see if space is available in RT)	BST Discovery	$0	$232
Application Fee	BST Discovery	$0	$616
8 Port DSLAM	Phillips Electronics	$0	$6,900
Installation & Engineering for DSLAM	FDN or Vendor	$0	$2,000
Rent & Power for DSLAM at Remote	BST Discovery	$233	$0
Sub Loop Feeder DS-1 Transport back to FDN CO Collocation	BST USOC = USBFG	$43	$120
DS-1 Interoffice Transport from FDN Collocation to FDN Packet Switch	BST USOC = U1TF1	$90	$90
Security Access	BST Discovery	$0	$26
Totals		$366	$10,058

Business Case Assumptions For Co-Location of 8 Port CLEC DSLAM at BST Remote Terminal (Note: figures are rounded)

Assumption		Comments
FDN Retail Price For DSL	$45	FDN Retail Price = BST Retail Price for ADSL
Potential Customers per Unit	8	8 Port DSLAM Yields 8 Potential Subscribers
Fill Factor per Unit	75%	Industry Factor for Average Usage of Network Assetts
Implied Number of Customers per Unit	6	75% of 8 Ports
Potential Revenue per Unit	$270	$45 x Number of customers
Cost of Sub Loop Distribution UNE per Customer	6	Cost of Copper from BST From RT to Customer
Total Cost Sub Loop Distribution UNE per Unit	36	No. of Customers x $6
Cost to Provide ISP Service per Customer	7	Estimate of Cost to Provide Web Bandwidth , E-Mail, & Other ISP services
Cost to Provide ISP Service per Unit	42	$7 x No. of Customers per Unit
FDN Operating Cost Per Customer per Month	3	3 Technicians per market at $225,000 per year fully loaded spread over 6600 customers per market per month
Total FDN Operating Costs per Unit	17	$3 per Customer x No. of Customers
SGA Costs at 30% of Revenue	$81	Industry Metric for Customer Acquisition as well as for Providing Customer Care and Billing

Profit and Loss Statement per Unit

Revenue	$270
Cost of Sub Loop Distribution UNE	$36
Cost of ISP Service per Unit	$42
Gross Margin	$192
FDN Charges from BST per Unit	$366
FDN Operating Costs Per Unit	$17
SG&A at 30% of Revenue	$81
EBITDA Per Unit	-$272

CAPEX per Unit

Sum of Total One Time Costs to Collocate DSLAM At BST Remote Terminal	**$10,058**