

LAW OFFICES
MESSER, CAPARELLO & SELF
A PROFESSIONAL ASSOCIATION

215 SOUTH MONROE STREET, SUITE 701
POST OFFICE BOX 1876
TALLAHASSEE, FLORIDA 32302-1876
TELEPHONE: (850) 222-0720
TELECOPIER: (850) 224-4359
INTERNET: www.lawfla.com

January 3, 2002

BY HAND DELIVERY

Ms. Blanca Bayó, Director
The Commission Clerk and Administrative Services
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 990649A-TP

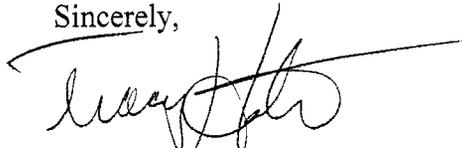
Dear Ms. Bayó:

Enclosed for filing on behalf of AT&T Communications of the Southern States, Inc. and MCI WorldCom, Inc. are an original and fifteen copies of AT&T and MCI's Joint Prehearing Statement in the above referenced docket. Also enclosed is a 3 1/2" diskette with the document on it in WordPerfect 9.0 format.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,



Tracy W. Hatch

TWH/amb

Enclosures

cc: Claudia Davant-DeLoach, Esq.
Donna McNulty, Esq.
Parties of Record

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

Docket No. 990649A-TP
Filed: January 3, 2001

JOINT PREHEARING STATEMENT OF AT&T AND MCI WORLDCOM

AT&T Communications of the Southern States, Inc. ("AT&T") and MCI WorldCom, Inc. ("MCI WorldCom"), through undersigned counsel, submit this joint prehearing statement.

A. APPEARANCES

Tracy W. Hatch, Esq.
Floyd R. Self, Esq.
Messer, Caparello & Self, P.A.
Post Office Box 1876
Tallahassee, FL 32302-1876

On behalf of AT&T Communications of the Southern States, Inc.

Donna McNulty, Esq.
MCI WorldCom, Inc.
The Atrium Building, Suite 105
325 John Knox Road
Tallahassee, FL 32303

Richard D. Melson, Esq.
Hopping Green & Sams, P.A.
Post Office Box 6526
Tallahassee, FL 32314

On behalf of MCI WorldCom, Inc.

B. WITNESSES

Witness

Issues

Greg Darnell
(Rebuttal)

1(a - b), 2(a - b), 5 (a-c)

John C. Donovan
(Rebuttal)

1(a-b), 2(a-b), 4 (a-b), 5(a-c), 6, 7

Joseph Gillan
(Rebuttal)

1(b)

Brian Pitkin
(Rebuttal)

1(a-b), 2(a-b), 4 (a-b), 5(a-c), 6, 7

C. EXHIBITS

<u>Number</u>	<u>Witness</u>	<u>Description</u>
GJD-1	Gregory J. Darnell	Professional Experience
GJD-2	Gregory J. Darnell	BellSouth Embedded Cost
JCD-1	John C. Donovan	Curriculum Vitae of John C. Donovan
JCD-2 (Confidential)	John C. Donovan	Analysis of BellSouth Attachment 3 Contractor Data
JCD-3	John C. Donovan	Picture of Above Ground Closure
JCD-4 (Confidential)	John C. Donovan	Underground Contract Labor
JCD-5 (Confidential)	John C. Donovan	Analysis of BellSouth Copper Cable Splicing Rates
JCD-6	John C. Donovan	Splicing Rate Letter from AMP Corporation
JCD-7	John C. Donovan	Proper Use of Outside Plant Copper Cable Stubs
JCD-8 (Confidential)	John C. Donovan	Summary of Issues, Recommendations and Impacts
JPG-1	Joseph Gillan	Claimed UNE Costs and Reported Expenses
JPG-2	Joseph Gillan	Relative UNE Penetration as of December 2001
BFP-1	Brian F. Pitkin	Curriculum Vitae of Brian F. Pitkin
BFP-2 (Confidential)	Brian F. Pitkin	Fiber EF&I Error Correction for Underground Fiber Cable

BFP-3 (Confidential)	Brian F. Pitkin	Stub Cable Correction for Underground Cooper Cable
BFP-4 (Confidential)	Brian F. Pitkin	Material Loading Development Comparison for Underground Metallic Cable
BFP-5 (Confidential)	Brian F. Pitkin	Comparison of BellSouth Inflation Loading to AT&T-WorldCom
BFP-6 (Confidential)	Brian F. Pitkin	DLC In-Plant Factor Development
BFP-7 (Confidential)	Brian F. Pitkin	Comparison of BellSouth Inputs to AT&T- WorldCom Inputs
BFP-8-A (Confidential)	Brian F. Pitkin	Cooper Labor & EF&I Costing – Underground 24 Gauge
BFP-8-B (Confidential)	Brian F. Pitkin	Fiber Labor & EF&I Costing - Underground
BFP-8-C (Confidential)	Brian F. Pitkin	Pole Costing Comparison
BFP-8-D (Confidential)	Brian F. Pitkin	Buried EF&I Costing Comparison
BFP-8-E (Confidential)	Brian F. Pitkin	Conduit Costing Comparison
BFP-8-F (Confidential)	Brian F. Pitkin	Manhole Costing Comparison
BFP-9 (Confidential)	Brian F. Pitkin	Sharing Correction for buried Structure An Example of Rural Zone, Normal Terrain, Backhoe Trench
BFP-10 (Confidential)	Brian F. Pitkin	Unbundled Network Elements Recurring Cost Summary

D. BASIC POSITION

UNE rate levels are critically important to local competition. BellSouth's Florida exchange network is fundamentally an inherited resource, which enjoys substantial economies of scale and scope and may still be a natural monopoly in many respects. One of the core reasons that the Telecommunications Act requires incumbents to offer UNEs is so that these inherited scale and scope economies can be *shared* by all providers. Without access to UNEs, BellSouth's exclusive network would provide it essentially an insurmountable advantage. Indeed, the future of local competition is directly related to UNE rates, for these rates will determine whether other entrants are provided access to this critical network resource equal to that which BellSouth provides itself.

Previously in this docket, the Commission ordered BellSouth to re-file its cost model using a "bottoms-up" approach including all assumptions because it was troubled by BellSouth's use of linear in-plant factors that distort UNE costs between rural and urban areas. Yet, BellSouth's new filing still fails to comply with the Commission's FL UNE Order in a number of significant ways. The Commission should require BellSouth to use forward-looking inputs and to run its model using the single most efficient network design, and should set TELRIC-compliant rates as proposed by the ALECs in Exhibit BFP-10. This includes setting the daily usage file rates at zero, because BellSouth already is adequately compensated by the common cost factor to maintain its daily usage file systems. The Commission should set TELRIC-compliant rates for BellSouth's technically feasible "hybrid copper/fiber xDSL-capable loop" offering. Finally, the Commission should ensure that inflation is set appropriately rather than rely upon BellSouth's high and unreliable rate.

The Commission has before it an opportunity and an obligation to set UNE rates at a level that is both consistent with TELRIC and allows competitive carriers a meaningful opportunity to compete in the local market. The future of local competition in Florida depends upon it.

E. ISSUES AND POSITIONS

ISSUE 1(a). Are the loop cost studies submitted in BellSouth's 120-day filing compliant with Order No. PSC-01-1181-FOF-TP?

AT&T/MCI's Position: No. In the FL UNE Order, the Commission ordered BellSouth to re-file its BSTLM and BSCC to explicitly model all cable and associated supporting structure engineering and installation placements, instead of using ratios to develop engineered, furnished and installed costs (EFI) as was done in the previous proceeding. The Commission ordered BellSouth to refile its model using a "bottoms-up" approach including all assumptions because it was troubled by BellSouth's use of linear in-plant factors that distort costs between rural and urban areas.

BellSouth's cost model fails to comply with the FL UNE Order in a number of significant ways (see Exhibit JCD-8):

- 1) BellSouth used a linear Engineering Factor;
- 2) BellSouth's Structure Inputs fail to comply primarily because of its inappropriate treatment of "Miscellaneous Contractor Charges." BellSouth's Structure Inputs also contain a number of other errors; and
- 3) BellSouth used non-compliant Copper Cable and Fiber Cable Costs.

ISSUE 1(b). Should BellSouth's loop rate or rate structure, previously approved in Order No. PSC-01-2051-FOF-TP, be modified? If so, to what extent, if any, should the rates or rate structure be modified?

AT&T/MCI's Position: Yes, BellSouth's loop rate and rate structure should be modified. The Commission should require BellSouth to use forward-looking inputs and to run the model using the single most efficient network design.

As explained more fully in the prefiled testimony of witnesses Pitkin and Donovan, the Commission should

- 1) Require BellSouth to correct the algorithm errors in the BSTLM;
- 2) Reject BellSouth's loading factors and rely on the corrections developed by witnesses Pitkin and Donovan;
- 3) Reject BellSouth's installation and engineering factors for DLC equipment and rely on the more appropriate factors previously sponsored by witnesses Pitkin and Donovan;
- 4) Reject BellSouth's inputs and rely on witness Donovan's inputs.

The Commission should require these corrections so that the BSTLM would produce results that are consistent with TELRIC and satisfy the FL UNE Order. The appropriate rates are set forth in Exhibit BFP-10, attached to witness Pitkin's prefiled testimony.

ISSUE 2(a). Are the ADUF and ODUF cost studies submitted in BellSouth's 120-day compliance filing appropriate?

AT&T/MCI's Position: No. BellSouth is adequately compensated for its cost to maintain daily usage file systems by the common cost factor. The creation of a separate DUF charge allows BellSouth to double recover costs and creates an additional barrier to entry.

ISSUE 2(b). Should BellSouth's ADUF and ODUF rates or rate structure, previously approved in Order No. PSC-01-2051-FOF-TP, be modified? If so, to what extent, if any, should the rates or rate structure be modified?

AT&T/MCI's Position: Yes. Because ADUF and ODUF costs are already being recovered through the common cost factor, the ADUF and ODUF rates previously approved by the Commission should be modified and set at zero.

ISSUE 3(a). Is the UCL-ND loop cost study submitted in BellSouth's 120-day filing compliant with Order No. PSC-01-1181-FOF-TP?

AT&T/MCI's Position: No position at this time.

ISSUE 3(b). What modifications, if any, are appropriate, and what should the rates be?

AT&T/MCI's Position: See position for Issue 1(b).

ISSUE 4(a). What revisions, if any, should be made to NIDs in both the BSTLM and the stand-alone NID cost study?

AT&T/MCI's Position: Because the BSTLM explicitly models the costs of NIDs and drops, BellSouth should be required to exclude those items from the exempt material loading factor. Otherwise, BellSouth double counts these investments.

ISSUE 4(b). To what extent, if any, should the rates or rate structure be modified?

AT&T/MCI's Position: Because the BSTLM explicitly models the costs of NIDs and drops, BellSouth should be required to exclude those items from the exempt material loading factor. Otherwise, BellSouth double counts these investments.

ISSUE 5(a). What is a "hybrid copper/fiber xDSL-capable loop" offering, and is it technically feasible for BellSouth to provide it?

AT&T/MCI's Position: BellSouth admits that it is technically feasible for BellSouth to provide its "hybrid copper/fiber xDSL-capable loop" offering. (Kephart Direct, page 3).

ISSUE 5(b). Is BellSouth's cost study contained in the 120-day compliance filing for the "hybrid copper/fiber xDSL-capable loop offering appropriate?

AT&T/MCI's Position: No. BellSouth's offering is inappropriate for several reasons.

First, BellSouth's proposal is too rigid because (i) BellSouth only offers to provide this product using a 16-port DSLAM, even though there are many other sizes of DSLAMs, (ii) BellSouth arbitrarily decided that each ALEC must have a dedicated DSLAM, and (iii)

BellSouth arbitrarily decided that the offering is only provided with between 1 and 4 DS1s between the DSLAM and the Central Office and those facilities are dedicated to the ALEC that purchased the DSLAM. Second, ALECs must be able to purchase packet transport at a rate that reflects the economies of scale enjoyed by BellSouth. Third, this offering would cost ALECs about \$150 per month per ADSL. This seriously impedes an ALEC's ability to compete against BellSouth's Fast Access DSL service, which is offered for just under \$50.00 per month. Fourth, the only new rate that should apply to this offering is the DSLAM, which does not comply with TELRIC as proposed.

ISSUE 5(c). What should the rate structure and rates be?

AT&T/MCI's Position: The only rate that needs to be determined is for the shared use of the DSLAM. The Commission previously has determined all other rate elements necessary to provide this offering.

ISSUE 6. In the 120-day filing, has BellSouth accounted for the impact of inflation consistent with Order No. PSC-01-2051-FOF-TP?

AT&T/MCI's Position: No. BellSouth uses inflation rates that are too high as well as unreliable. Moreover, BellSouth's proposed inflation rates use unsupported historical data from 1997, rather than using more recent supportable data, to estimate future inflation.

ISSUE 7. Apart from Issues 1-6, is BellSouth's 120-day filing consistent with the Orders in this docket?

AT&T/MCI's Position: No position at this time.

F. PENDING MOTIONS

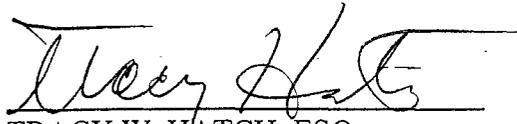
AT&T and MCI WorldCom have no pending motions.

G. REQUIREMENTS THAT CANNOT BE COMPLIED WITH

All requirements of the procedural order have been met by AT&T and MCI WorldCom.

Dated this 3rd day of January, 2002. :

Respectfully submitted,



TRACY W. HATCH, ESQ.
FLOYD R. SELF, ESQ.
MESSER, CAPARELLO & SELF, P. A.
Post Office Box 1876
Tallahassee, FL 32302-1876
(850) 222-0720

Attorneys for AT&T Communications .of the
Southern States, Inc.

and

Donna McNulty, Esq.
MCI WorldCom, Inc.
The Atrium Building, Suite 105
325 John Knox Road
Tallahassee, FL 32303

Richard D. Melson, Esq.
Hopping Green & Sams, P.A.
Post Office Box 6526
Tallahassee, FL 32314

On behalf of MCI WorldCom, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of AT&T and MCI's Joint Prehearing Statement in Docket 990649A-TP has been served on the following parties by Hand Delivery (*) and/or U. S. Mail this 3rd day of January, 2002.

Wayne Knight, Esq.*
Division of Legal Services, Room 370
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Nancy B. White**
c/o Nancy H. Sims
BellSouth Telecommunications, Inc.
150 South Monroe Street, Suite 400
Tallahassee, FL 32301

Claudia Davant-DeLoach, Esq.
AT&T
101 N. Monroe St., Suite 700
Tallahassee, FL 32301

Jim Lamoureux, Esq.
AT&T
1200 Peachtree St., Suite 8068
Atlanta, GA 30309

Jeffrey Whalen, Esq.
John Fons, Esq.
Ausley Law Firm
P.O. Box 391
Tallahassee, FL 32302

Michael A. Gross
Vice President, Regulatory Affairs
& Regulatory Counsel
Florida Cable Telecommunications Assoc., Inc.
246 E. 6th Avenue
Tallahassee, FL 32301

Kimberly Caswell
Verizon Select Services
P.O. Box 110, FLTC0007
Tampa, FL 33601-0110

Donna McNulty, Esq.
WorldCom
The Atrium Building, Suite 105
325 John Knox Road
Tallahassee, FL 32303

Mr. Brian Sulmonetti
WorldCom, Inc.
6 Concourse Parkway, Suite 3200
Atlanta, GA 30328

Marc W. Dunbar, Esq.
Pennington, Moore, Wilkinson, Bell &
Dunbar, P.A.
P.O. Box 10095
Tallahassee, FL 32302-2095

Charles J. Rehwinkel
Sprint-Florida, Incorporated
MC FLTHO0107
P.O. Box 2214
Tallahassee, FL 32399-2214

Mark Buechele
Supra Telecom
1311 Executive Center Drive, Suite 200
Tallahassee, FL 32301

Carolyn Marek
Vice President of Regulatory Affairs
Southeast Region
Time Warner Communications
233 Bramerton Court
Franklin, TN 37069

Ms. Wanda Montano
US LEC of Florida, Inc.
6801 Morrison Blvd
Charlotte, NC 28211-3599

Vicki Kaufman, Esq.
Joe McGlothlin, Esq.
McWhirter, Reeves, McGlothlin,
Davidson, Rief & Bakas, P.A.
117 S. Gadsden Street
Tallahassee, FL 32301

Patrick Wiggins
Charles Pellegrini
Katz, Kutter Law Firm
106 East College Avenue, 12th Floor
Tallahassee, FL 32301

Richard D. Melson
Hopping Green Sams & Smith, P.A.
P.O. Box 6526
Tallahassee, FL 32314

BlueStar Networks, Inc.
Norton Cutler/Michael Bressman
5 Corporate Centre
801 Crescent Centre Drive, Suite 600
Franklin, TN 37067

Mr. John Spilman
Broadslate Networks of Florida, Inc.
675 Peter Jefferson Parkway, Suite 310
Charlottesville, VA 22911

Ms. Catherine F. Boone
Covad Communications Company
10 Glenlake Parkway, Suite 650
Atlanta, GA 30328-3495

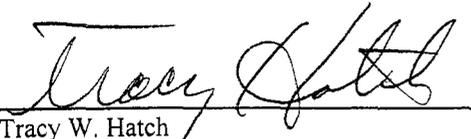
Florida Digital Network, Inc.
390 North Orange Avenue, Suite 2000
Orlando, Florida 32801

Mr. Don Sussman
Network Access Solutions Corporation
Three Dulles Tech Center
13650 Dulles Technology Drive
Herndon, VA 20171-4602

Rodney L. Joyce
Shook, Hardy & Bacon LLP
600 14th Street, NW, Suite 800
Washington, DC 20005-2004

Michael Sloan
Swidler & Berlin
3000 K Street, NW #300
Washington, DC 20007-5116

George S. Ford
Z-Tel Communications, Inc.
601 S. Harbour Island Blvd.
Tampa, FL 33602-5706


Tracy W. Hatch