

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into
pricing of unbundled network
elements (Sprint/Verizon track).

DOCKET NO. 990649B-TP
DATED: APRIL 12, 2002

STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-01-1592-PCO-TP, the Staff of the Florida Public Service Commission files its Prehearing Statement.

a. All Known Witnesses

David J. Draper on behalf of Commission staff.

b. All Known Exhibits

Exhibit DJD-1 - Telecommunications Index

Exhibit DJD-2 - Basic DCF Equation

Exhibit DJD-3 - Two-stage Annually Compounded DCF Model

Exhibit DJD-4 - DCF Calculation

Exhibit DJD-5 (Revised) - Capital Asset Pricing Model Cost of Equity

Exhibit DJD-6 (Revised) - Forward Looking Weighted Average Cost of Capital

c. Staff's Statement of Basic Position

Testifying staff recommends an appropriate forward-looking weighted average cost of capital for Sprint Florida and Verizon Florida for purposes of determining the appropriate cost of unbundled network elements (UNEs).

Non-testifying staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

d. Staff's Position on the Issues

For clarity of the Prehearing Order, staff has stated its positions on Sprint and Verizon separately.

DOCUMENT NUMBER-DATE

04087 APR 12 8

FPSC-COMMISSION CLERK

SPRINT

ISSUE 1: What factors should the Commission consider in establishing rates and charges for UNEs (including deaveraged UNEs and UNE combinations)?

STAFF: Staff takes no position at this time.

ISSUE 2: (a) What is the appropriate methodology to deaverage UNEs and what is the appropriate rate structure for deaveraged UNEs?

(b) For which of the following UNEs should the Commission set deaveraged rates?

- (1) loops (all);
- (2) local switching;
- (3) interoffice transport
(dedicated and shared);
- (4) other (including combinations).

STAFF: Staff takes no position at this time.

ISSUE 3: (a) What are xDSL capable loops?

(b) Should a cost study for xDSL-capable loops make distinctions based on loop length and/or the particular DSL technology to be deployed?

STAFF: Staff takes no position at this time.

ISSUE 4: (a) Which subloop elements, if any, should be unbundled in this proceeding, and how should prices be set?

(b) How should access to such subloop elements be provided, and how should prices be set?

STAFF: Staff takes no position at this time.

ISSUE 5: For which signaling networks and call-related databases should rates be set?

STAFF: Staff takes no position at this time.

ISSUE 6: Under what circumstances, if any, is it appropriate to recover non-recurring costs through recurring rates?

STAFF: Staff takes no position at this time.

ISSUE 7: What are the appropriate assumptions and inputs for the following items to be used in the forward-looking recurring UNE cost studies?

- (a) network design (including customer location assumptions);
- (b) depreciation;
- (c) cost of capital;
- (d) tax rates;
- (e) structure sharing;
- (f) structure costs;
- (g) fill factors;
- (h) manholes;
- (i) fiber cable (material and placement costs);
- (j) copper cable (material and placement costs);
- (k) drops;
- (l) network interface devices;
- (m) digital loop carrier costs;
- (n) terminal costs;
- (o) switching costs and associated variables;
- (p) traffic data;
- (q) signaling system costs;
- (r) transport system costs and associated variables;
- (s) loadings;
- (t) expenses;
- (u) common costs;
- (v) other.

STAFF: For issue 7(c) testifying staff takes the position that the appropriate cost of capital for Sprint Florida is 9.86%. This is based on a capital structure that is 60% common equity and 40% debt. The appropriate cost rate for common equity is 11.49% and the appropriate cost rate for debt is 7.43%.

Non-testifying staff takes no position at this time on issues 7(a) through (v).

ISSUE 8: What are the appropriate assumptions and inputs for the following items to be used in the forward-looking non-recurring UNE cost studies?

- (a) network design;
- (b) OSS design;
- (c) labor rates;
- (d) required activities;
- (e) mix of manual versus electronic activities;
- (f) other.

STAFF: Staff takes no position at this time.

ISSUE 9: (a) What are the appropriate recurring rates (averaged or deaveraged as the case may be) and non-recurring charges for each of the following UNEs?

- (1) 2-wire voice grade loop;
- (2) 4-wire analog loop;
- (3) 2-wire ISDN/IDSL loop;
- (4) 2-wire xDSL-capable loop;
- (5) 4-wire xDSL-capable loop;
- (6) 4-wire 56 kbps loop;
- (7) 4-wire 64 kbps loop;
- (8) DS-1 loop;
- (9) high capacity loops (DS3 and above);
- (10) dark fiber loop;
- (11) subloop elements (to the extent required by the Commission in Issue 4);
- (12) network interface devices;
- (13) circuit switching (where required);
- (14) packet switching (where required);
- (15) shared interoffice transmission;

- (16) dedicated interoffice transmission;
- (17) dark fiber interoffice facilities;
- (18) signaling networks and call-related databases;
- (19) OS/DA (where required).

(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?

STAFF: Staff takes no position at this time.

ISSUE 10: What is the appropriate rate, if any, for customized routing?

STAFF: Staff takes no position at this time.

ISSUE 11(A):

What is the appropriate rate if any, for line conditioning, and in what situations should the rate apply?

STAFF: Staff takes no position at this time.

ISSUE 11(B):

What is the appropriate rate, if any, for loop qualification information, and in what situations should the rate apply?

STAFF: Staff takes no position at this time.

ISSUE 12: Without deciding the situations in which such combinations are required, what are the appropriate recurring and non-recurring rates for the following UNE combinations:

- (a) "UNE platform" consisting of: loop (all), local (including packet, where required) switching (with signaling), and dedicated and shared transport (through and including local termination);
- (b) "extended links," consisting of:
 - (1) loop, DSO/1 multiplexing, DS1 interoffice transport;
 - (2) DS1 loop, DS1 interoffice transport;
 - (3) DS1 loop, DS1/3 multiplexing, DS3 interoffice transport.

STAFF: Staff takes no position at this time.

ISSUE 13: When should the recurring and non-recurring rates and charges take effect?

STAFF: Staff takes no position at this time.

VERIZON

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STAFF: Staff takes no position at this time.

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- (u) common costs;
- (v) other.

STAFF: For issue 7(c) testifying staff takes the position that the appropriate cost of capital for Verizon Florida is 9.63%. This is based on a capital structure that is 60% common equity and 40% debt. The appropriate cost rates for common equity and debt are 11.24% and 7.22%, respectively.

Non-testifying staff takes no position at this time on issues 7(a) through (v).

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e. Pending Motions

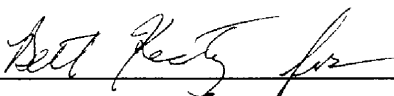
None.

f. Compliance with Order No. PSC-01-1592-PCO-TP.

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.

Respectfully submitted this _____ day of _____,

_____.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of **STAFF'S**
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