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April 12, 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. 990649B-TP

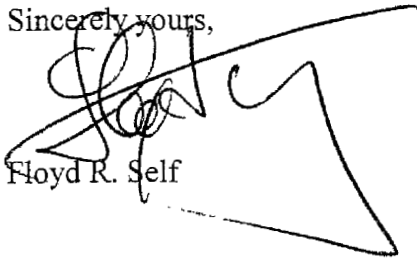
Dear Ms. Bayó:

Enclosed for filing on behalf of KMC Telecom III, LLC are an original and fifteen copies of KMC Telecom III, LLC's Prehearing Statement in the above referenced docket. Also enclosed is a 3 1/2" diskette with the document on it in WordPerfect 9.0.

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

Thank you for your assistance with this filing.

Sincerely yours,


Floyd R. Self

FRS/amb
Enclosures
cc: 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. 990649B-TP
Filed: April 12, 2002

PREHEARING STATEMENT OF KMC TELECOM III, LLC

KMC Telecom III, LLC, through undersigned counsel, submits this prehearing statement.

A. APPEARANCES

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On behalf of KMC Telecom III, LLC

B. WITNESSES

Witness

Issues

Frank Wood
(Rebuttal)

1, 2a, 9(a)(1)-(2) and (5)-(8)

C. EXHIBITS

KMC does not intend to present any exhibits, but reserves the right to introduce exhibits, if necessary, as may be required by cross examination, later filed testimony, completion of discovery, or new issues identified at the prehearing conference.

D. BASIC POSITION

Facilities based competitors such as KMC need certain UNEs purchased from the ILECs, and those UNEs need to be priced in a manner that makes them affordable to use. Likewise, the UNE rates that are at or above corresponding end user rates do not help, and in fact, make it

difficult to impossible to effectively compete with the ILECs. The proposed Sprint and Verizon UNE pricing proposals for the key UNEs required by KMC are anticompetitive and should not be adopted.

KMC has been unable to perform the necessary detailed analysis of the cost studies that it would like to undertake. However, KMC does have three basic recommendations for the pricing decisions the Commission must make for Sprint and Verizon. First, KMC recommends that in analyzing the cost studies the Commission should interpret the data, construe any necessary assumptions, and otherwise make any necessary policy decisions in a manner that leads to results that promote competition.

Second, the final UNE prices to CLECs cannot be set at levels that are above the corresponding ILEC retail rates.

Third, the Commission should carefully consider the proposed geographic deaveraging for loop prices, and if necessary, adopt more rather than fewer bands.

In the final analysis, only this Commission has the resources that can comprehensively and meaningfully evaluate the Sprint and Verizon UNE proposals. KMC urges the Commission to conduct this needed evaluation and set new UNE rates at levels that will help give customers a real competitive choice.

The positions that KMC provides on the following issues set forth for consideration in this docket apply to both Sprint and Verizon.

E. ISSUES AND POSITIONS

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

KMC's Position: The proposed Sprint and Verizon UNE rates are usually higher, and in some cases substantially higher than the rates charged for the corresponding end user local services. Prices at these levels look like a price squeeze when compared to the UNE prices now proposed. While the Commission must set rates consistent with the law, and while end user retail rates are not presently before the Commission, the Commission must nevertheless not set UNE prices in a vacuum. If this Commission sets UNE prices as proposed by Sprint and Verizon, the CLECs will not be able to effectively compete with these ILECs, and customers will be the ultimate losers.

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

KMC's Position: The Commission should geographically deaverage UNEs consistent with the law but in a manner that also promotes competition.

Issue 2(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).

KMC's Position: All loops, subloops, and any UNE combinations containing loops or subloops should be deaveraged.

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

KMC's Position: Agree with AT&T/WorldCom/FDN but applied to both Sprint and Verizon.

Issue 3(b): Should a cost study for xDSL-capable loops make distinctions based on loop length and/or the particular DSL technology to be deployed?

KMC's Position: Agree with AT&T/WorldCom/FDN but applied to both Sprint and Verizon.

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

KMC's Position: Agree with AT&T/WorldCom/FDN but applied to both Sprint and Verizon.

Issue 4(b): How should access to such subloop elements be provided, and how should prices be set?

KMC's Position: Agree with AT&T/WorldCom/FDN but applied to both Sprint and Verizon.

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

KMC's Position: No specific position at this time; however, any cost study for signaling networks and call related databases, as well as for any UNE, should be based on forward-looping economic cost, which assumes the most efficient telecommunications technology currently available and the lowest cost network configuration.

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

KMC's Position: 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?

Issue 7(a): network design (including customer location assumptions);

KMC's Position: No position at this time.

Issue 7(b): depreciation;

KMC's Position: No position at this time.

Issue 7(c): cost of capital;

KMC's Position: No position at this time.

Issue 7(d): tax rates;

KMC's Position: No position at this time.

Issue 7(e): structure sharing;

KMC's Position: No position at this time.

Issue 7(d): structure costs;

KMC's Position: No position at this time.

Issue 7(e): fill factors;

KMC's Position: No position at this time.

Issue 7(h): manholes;

KMC's Position: No position at this time.

Issue 7(i): fiber cable (material and placement costs);

KMC's Position: No position at this time.

Issue 7(j): copper cable (material and placement costs);

KMC's Position: No position at this time.

Issue 7(k): drops;

KMC's Position: No position at this time.

Issue 7(l): network interface devices;

KMC's Position: No position at this time.

Issue 7(m): digital loop carrier costs;

KMC's Position: No position at this time.

Issue 7(n): terminal costs;

KMC's Position: No position at this time.

Issue 7(o): switching costs and associated variables;

KMC's Position: No position at this time.

Issue 7(p): traffic data;

KMC's Position: No position at this time.

Issue 7(q): signaling system costs;

KMC's Position: No position at this time.

Issue 7(r): transport system costs and associated variables;

KMC's Position: No position at this time.

Issue 7(s): loadings;

KMC's Position: No position at this time.

Issue 7(t): expenses;

KMC's Position: No position at this time.

Issue 7(u): common costs;

KMC's Position: No position at this time.

Issue 7(v): other.

KMC's Position: No position at this time.

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?

Issue 8(a): network design;

KMC's Position: No position at this time.

Issue 8(b): OSS design;

KMC's Position: No position at this time.

Issue 8(c): labor rates;

KMC's Position: No position at this time.

Issue 8(d): required activities;

KMC's Position: No position at this time.

Issue 8(e): mix of manual versus electronic activities;

KMC's Position: No position at this time.

Issue 8(f): other.

KMC's Position: 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?

Issue 9(a)(1)-(19): 2-wire voice grade loop; 4-wire analog loop; 2-wire ISDN/IDSL loop; 2-wire xDSL-capable loop; 4-wire xDSL-capable loop; 4-wire 56 kbps loop; 4-wire 64 kbps loop; DS-1 loop; high capacity loops (DS3 and above); dark fiber loop; subloop elements (to the extent required by the Commission in Issue 4); network interface devices; circuit switching (where required); packet switching (where required); shared interoffice transmission; dedicated interoffice transmission; dark fiber interoffice facilities; signaling networks and call-related databases; OS/DA (where required).

KMC's Position: No position at this time.

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?

KMC's Position: No position at this time.

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

KMC's Position: 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?

KMC's Position: Agree with AT&T/WorldCom/FDN but applied to both Sprint and Verizon.

Issue 11(b): What is the appropriate rate, if any, for loop qualification information, and in what situations should the rate apply?

KMC's Position: 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:

Issue 12(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);

KMC's Position: No position at this time.

Issue 12(b): extended links," consisting of:

Issue 12(b)(1)-(3): loop, DSO/1 multiplexing, DS1 interoffice transport; DS1 loop, DS1 interoffice transport; DS1 loop, DS1/3 multiplexing, DS3 interoffice transport.

KMC's Position: No position at this time.

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

KMC's Position: No position at this time.

F. PENDING MOTIONS

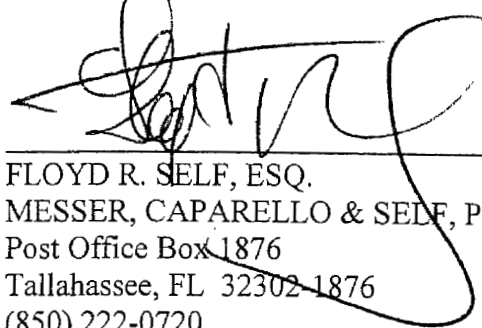
KMC Telecom III, LLC has no pending motions.

G. REQUIREMENTS THAT CANNOT BE COMPLIED WITH.

All requirements of the procedural order have been met by KMC Telecom III, LLC.

Dated this 12th day of April, 2002.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of KMC Telecom III, LLC's Prehearing Statement in Docket 990649B-TP has been served on the following parties by Hand Delivery (*), and/or U. S. Mail this 12th day of April, 2002.

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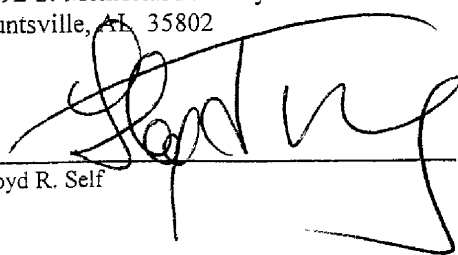
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