

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 990649B-TP  
ORDER NO. PSC-02-0568-PHO-TP  
ISSUED: April 25, 2002

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on April 19, 2002, in Tallahassee, Florida, before Commissioner Braulio L. Baez, as Prehearing Officer.

APPEARANCES:

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On behalf of Verizon Florida Inc.

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On behalf of Florida Cable Telecommunications Association, Inc.

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On behalf of the Commission.

#### PREHEARING ORDER

##### I. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, Florida Administrative Code, this Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

##### II. CASE BACKGROUND

On December 10, 1998, in Docket No. 981834-TP, the Florida Competitive Carriers Association (FCCA), the Telecommunications Resellers, Inc. (TRA), AT&T Communications of the Southern States, Inc. (AT&T), MCIMetro Access Transmission Services, LLC and WorldCom Technologies, Inc. (MCI WorldCom), the Competitive Telecommunications Association (Comptel), MGC Communications, Inc.

(MGC), Intermedia Communications Inc. (Intermedia), Supra Telecommunications and Information Systems (Supra), Florida Digital Network, Inc. (Florida Digital Network), and Northpoint Communications, Inc. (Northpoint) (collectively, "Competitive Carriers") filed their Petition of Competitive Carriers for Commission Action to Support Local Competition in BellSouth's Service Territory. Among other matters, the Competitive Carriers' Petition asked that this Commission set deaveraged unbundled network element (UNE) rates.

On May 26, 1999, this Commission issued Order No. PSC-99-1078-PCO-TP, granting in part and denying in part the Competitive Carriers' petition. Specifically, we granted the request to open a generic UNE pricing docket for the three major incumbent local exchange providers, BellSouth Telecommunications, Inc. (BellSouth), Sprint-Florida, Incorporated (Sprint), and GTE Florida Incorporated (GTEFL). Accordingly, this docket was opened to address the deaveraged pricing of UNEs, as well as the pricing of UNE combinations and nonrecurring charges. An administrative hearing was held on July 17, 2000, on the Part One issues identified in Order No. PSC-00-2015-PCO-TP, issued June 8, 2000. Part Two issues, also identified in Order No. PSC-00-2015-PCO-TP, were heard in an administrative hearing on September 19-22, 2000. On August 18, 2000, Order No. PSC-00-1486-PCO-TP was issued granting Verizon Florida Inc.'s (formerly GTEFL) Motion to Bifurcate and Suspend Proceedings, as well as Sprint's Motion to Bifurcate Proceedings, for a Continuance and Leave to Withdraw Cost Studies and Certain Testimony.

By Order No. PSC-01-1592-PCO-TP, issued August 2, 2001, the controlling dates for Phase III were established. By Order No. PSC-01-2132-PCO-TP, issued October 29, 2001, the issues were established and the Docket was divided into 990649A-TP, in which filings directed towards the BellSouth track would be placed, and 990649B-TP, in which filings directed towards the Sprint-Verizon track would be placed.

For purposes of the Verizon part of this docket, AT&T, WorldCom and FDN are collectively known as the "ALEC Coalition".

III. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 364.183, Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 364.183, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

1. Any party intending to utilize confidential documents at hearing for which no ruling has been made, must be prepared to present their justifications at hearing, so that a ruling can be made at hearing.

2. In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- a) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 364.183, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.

- b) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- c) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- d) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.
- e) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of the Commission Clerk and Administrative Services's confidential files.

#### IV. POST-HEARING PROCEDURES

Each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. If a

party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, Florida Administrative Code, a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 60 pages, and shall be filed at the same time.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties and Staff has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

VI. ORDER OF WITNESSES

Each witness will only take the stand once and present all of their testimony (direct, rebuttal, surrebuttal, or supplemental) at the same time.

Sprint Portion

Direct/Rebuttal/Surrebuttal/Supplemental

<u>Witness</u>	<u>Proffered By</u>	<u>Issues</u>
Michael R. Hunsucker <sup>1</sup> (Direct, Surrebuttal, and Supplemental)	Sprint	1, 2, 3, 4, 5, 6, 9, 12, and 13
Talmage O. Cox III <sup>1</sup> (Direct Only)	Sprint	7 and 9
Jimmy R. Davis <sup>1</sup> (Direct Only)	Sprint	8, 9, 10, 11, and 12
Michael Fuller <sup>1,2</sup> (Direct Only)	Sprint	5, 6, and 9(a)
Brian K. Staihr <sup>1</sup> (Direct and Rebuttal)	Sprint	7(c)
Kent W. Dickerson <sup>1</sup> (Direct and Surrebuttal)	Sprint	3, 7, 9, and 12

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<sup>1</sup>The testimony of witnesses Cox, Darnell, Davis, Dickerson, Draper, Fischer, Ford, Fuller, Hunsucker, Murphy/Tardiff, Sovereign, Staihr, Vander Weide, and Wood and will be moved into the record by stipulation. Cross-examination has been waived.

<sup>2</sup>Mr. Fuller adopted the direct testimony of Terry D. Talken.

**Overlapping Testimony**

<u>Witness</u>	<u>Proffered By</u>	<u>Issues</u>
David J. Draper <sup>1</sup> (Direct Only)	Staff	7(c)
Frank Wood <sup>1</sup> (Rebuttal Only)	KMC	1, 2(a), 9(a)(1)-(2) and (5)-(8)
George S. Ford <sup>1</sup> (Rebuttal, Surrebuttal, and Supplemental)	Z-Tel	7(c), 9(a), and 12(a)

**Verizon Portion**

**Direct/Rebuttal/Surrebuttal/Supplemental**

<u>Witness</u>	<u>Proffered By</u>	<u>Issues</u>
Dennis B. Trimble (Direct and Surrebuttal)	Verizon	1, 2, 3, 4, 5, 9(a) and (b), 10, 12, and 13
David G. Tucek (Direct and Surrebuttal)	Verizon	4, 5, 7(a) and (d)- (v), 9(a), and 12
Larry Richter and Terry R. Dye <sup>3</sup> (panel) (Direct and Surrebuttal)	Verizon	8, 9(a), 11, and 12
Allen E. Sovereign <sup>1</sup> (Direct and Surrebuttal)	Verizon	7(b)
James H. Vander Weide <sup>1</sup> (Direct and Rebuttal)	Verizon	7(c)

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<sup>3</sup>Mr. Dye adopted the direct testimony of Bert Steele.



Dr. Timothy J. Tardiff and Francis J. Murphy (panel)<sup>1</sup>  
(Surrebuttal and Supplemental)

Verizon 7

Rebuttal Only

August H. Ankum, Ph. D. (proprietary and public)	ALEC Coalition	1, 2 (a), 7 (a-c, g, k, m, o, v), and 8(a-f)
Gregory J. Darnell <sup>1</sup> (styled as "Direct")	ALEC Coalition	1 and 13
Warren R. Fischer <sup>1</sup>	ALEC Coalition	2(a-b), and 7(b-c, t-v)
Sid Morrison (styled as "Direct")	ALEC Coalition	8(a-f) and 9

VII. BASIC POSITIONS

VERIZON:

The purpose of this proceeding is to determine the costs Verizon incurs to provision unbundled network elements ("UNEs") and to set rates based on those costs. Verizon has submitted comprehensive recurring and non-recurring cost studies that accurately reflect Verizon's total element long run incremental cost ("TELRIC") of providing UNEs. No other party has introduced any competing cost studies and no party has been able to effectively criticize Verizon's cost studies. The costs that other companies may incur to provide UNEs are not probative of Verizon's costs of providing UNEs over its Florida network. Contrary to the view of the Alternative Local Exchange Carrier's ("ALECs"), the Commission cannot lawfully set UNE rates by reference to the rates of other companies here in Florida or in other states.

With regard to deaveraging, the Commission need not further deaverage Verizon's rates at this time, but can rely on the Florida Incumbent Local Exchange Carriers' ("ILECs") differing rates to fulfill its geographical deaveraging obligation. Further deaveraging without rationalizing Verizon's retail

rates will only produce greater arbitrage and will suppress competition in the residential market.

Verizon urges the Commission to adopt its deaveraging position and its proposed recurring and non-recurring rates for its provision of UNEs.

**SPRINT:**

A fundamental objective of the Telecommunications Act of 1996 is to open all markets, including local exchange markets, to competition. Section 251 of the Act provides new entrants alternative avenues for entering the local exchange market, including, by self-provisioning of facilities, by resale of the incumbent company's tariffed services and by obtaining unbundled network elements (UNEs) from the incumbent company. The focus of this proceeding is Sprint-Florida's costs and prices for UNEs, including geographically deaveraged costs and prices, where appropriate.

The forward-looking cost standard for UNEs provides a measure of the costs - both recurring and non-recurring costs - that would be incurred by Sprint-Florida to provide a particular network element. The 1996 Telecommunications Act requires that prices for UNEs be cost-based, and the FCC rules define cost-based to mean forward-looking economic costs (TELRIC plus a reasonable share of forward-looking common costs). It is also essential that UNE prices reflect forward-looking costs on a geographically deaveraged basis to the extent costs vary by geographic areas. Section 51.507(f) of the FCC Rules requires that UNEs be geographically deaveraged into at least three cost-related zones to the extent that a UNE's costs vary geographically.

The FCC rules further require that the rates for combinations of UNEs should be based on forward-looking economic costs. Although as a general principal, the rate for a UNE combination should be the sum of the rates for those UNE elements that comprise the combination, there are occasions where simply summing those individual UNEs is inappropriate.

The 1996 Act and the FCC's rules related to the pricing of UNEs do not require that Sprint-Florida's retail rate levels

or rate structures be consistent with its UNE prices to the extent that such inconsistency exists. As stated earlier, the focus of this proceeding is to establish Sprint-Florida's UNE prices consistent only with the requirements of the 1996 Act and the FCC's rules. Any attempt to achieve consistency between Sprint-Florida's retail rates and its UNE prices is misplaced in this proceeding.

The UNE prices being proposed by Sprint-Florida in this proceeding - both recurring and non-recurring, and both deaveraged and non-deaveraged - have been developed in compliance with the cost requirements of the 1996 Act and the FCC's costing and pricing standards. These proposed prices also take into account and reflect this Commission's previous decisions - including the Commission's decision in the BellSouth proceeding - regarding cost development and pricing and price structure issues.

**ALEC Coalition:**

UNE rate levels are critically important to local competition. Verizon'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, Verizon'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 Verizon provides itself.

Verizon's filing fails to comply with the FCC's pricing rules and is not an open, verifiable and auditable model. Most fundamentally, Verizon's model, the Integrated Cost Model ("ICM"), does not model the least-cost, most-efficient network design and cannot be used to produce UNE rates that comply with the FCC's pricing rules. In general, Verizon's UNE rates proposed in this proceeding are excessively high, are many times higher than Verizon's rates in other jurisdictions the UNE rates proposed by Verizon, and are inconsistent with UNE

prices for other states in Verizon's local exchange territory and inconsistent with UNE prices set for other ILECs in the state of Florida. This is inappropriate. Verizon is the nation's largest ILEC and should be able to capitalize on the efficiencies of scale and scope afforded by the size of its operations. Given that the former GTE operations now operate as part of Verizon, the studies and rates should be evaluated not just against the FCC's TELRIC standard, but against Verizon filings in other states as well as those of similar large ILECs such as BellSouth. Such comparisons can point the Commission to inconsistencies in company positions that may adversely affect the public interest in Florida. Essentially, these other rates act as a "sanity check" for the Commission when it sets TELRIC-based rates for Verizon.

The ICM as filed in this proceeding is not auditable. Moreover, certain types of assumptions are embedded in the software program and cannot be altered in order to compare various possible outcome scenarios. Consequently, Verizon's proposed rates are based on "black box" calculations that have not been audited or verified by Staff or intervenors. This is in comparison to other Verizon states, in which Verizon has provided models that are completely open and which can be audited and edited on a cell-by-cell basis.

AT&T/WorldCom/FDN, instead, propose, on an interim basis not subject to true-up, that the Commission apply the rates found in Exhibit GJD-2 for recurring UNEs, which are those that AT&T and WorldCom proposed in the BellSouth 120-day proceeding. For UNE elements not contained in this exhibit, the Commission should apply the rates it determined in its BellSouth UNE Orders. The AT&T/WorldCom rate proposal in Docket No. 990649A-TP is consistent with FCC pricing rules and the UNE prices set for Verizon in other state proceedings, and will encourage the development of local competition. Given the demographic and geographic structure of Verizon-Florida and BellSouth's Florida territory, it is reasonable to assume that cost-based UNE rates in Verizon's Florida territory should be slightly less than cost-based UNE rates in BellSouth's Florida territory. Further, Verizon is larger than BellSouth and should, therefore, enjoy additional economies of scale in several respects, which should serve to further lower

Verizon's forward-looking cost as compared to BellSouth's. Therefore, BellSouth Florida UNE rates, as proposed by AT&T/WorldCom/FDN, should be established for monthly recurring UNE rates on an interim basis not subject to true-up, until a direct determination of TELRIC can be made for Verizon's Florida territory. Verizon's non-recurring rates should be reduced in accordance with the proposal made by Sidney L. Morrison.

**FDN:** It is vital in setting rates for unbundled network elements ("UNEs") that the Commission ensure that all areas of Florida are able to experience the benefits of competition. The Commission should not allow the time and effort it has devoted to setting UNE rates in the BellSouth region to be undermined by the allowance of excessive UNE rates in Sprint's region. Sprint proposes two-wire analog loop rates of \$21.22 in Band 1, \$34.52 in Band 2, and \$68.81 in Band 3. This far exceeds what Sprint currently charges and what BellSouth is allowed to charge. While Sprint would like to ascribe these cost differences to differences in scale and geographic markets, a significant cause of the inflated costs is rooted in Sprint's cost models.

While Sprint purports to utilize forward-looking network design assumptions in accord with FCC pricing principles, its cost studies deviate in significant respects from forward-looking TELRIC principles and pricing approaches adopted by the FCC. For instance, Sprint's Loop Cost Model (SLCM) uses a grid approach to customer locating and grouping customers that overstates loop costs. Sprint also fails to use forward-looking fill factors for distribution and feeder cable and digital loop carriers, thus, failing to take advantage of the efficiencies provided by least cost, forward looking technology. Sprint's nonrecurring charges are also based on its embedded network design and fail to utilize efficient practices. In addition, for some loops, such as those served by remote switches, Sprint does not propose a UNE rate at all. Instead, Sprint utilizes individual case basis pricing for those loops which fails to ensure that such rates will be just, reasonable, and forward-looking. The exorbitant nature of the ICB rates will preclude the ability of a competitor to service that customer. In addition, the ICB

approach inserts unwarranted uncertainty and unnecessary delay into the ALEC's efforts to serve customers.

If the Commission makes needed corrections to Sprint's cost inputs and outside plant investment algorithms, and applies geographic deaveraging not only to loops, but also to subloops and dedicated transport, ALECs should have more reasonable UNE prices to choose from when crafting competitive entry plans.

**KMC**: 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.

**FCTA:**

The FCTA intervened in this docket to represent the interests of its members who are certificated ALECs offering service in Florida. Although the FCTA offered testimony and participated more actively in the initial BellSouth phase of this proceeding, cable affiliated ALECs have over time tended to be more facilities-based carriers and rely less on UNEs than many other ALECs. Nevertheless, the FCTA has continued to monitor this docket closely in order to respond to potential issues which may impact its ALEC members. As of the filing date for prehearing statements, the FCTA does not intend to raise any new issues not raised by the other parties or the Commission. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

Based on the limited resources available to them, ALECs must be selective of the markets they enter. For that reason, there is a growing degree of "competition" among states that want meaningful customer choice for the efforts of ALECs. In addition to violating the applicable legal standard, absurdly high UNE rates would create a barrier to market entry and lead resource-conscious ALECs to concentrate on other, more financially attractive markets.

Verizon's proposed rates do not pass a sanity test. The sanity test, derived from the FCC's "TELRIC test" or "benchmark test" that is used extensively to validate TELRIC compliance of UNE rates in the agency's review of 271 applications, is based on the sensible proposition that, since UNE rates are to be cost-based, there should be a consistent relationship between costs and UNE rates. A comparison of the costs of Verizon and BellSouth to provide UNEs, uniformly measured, shows that Verizon's costs of providing UNEs are no higher than BellSouth's. Yet, Verizon's proposed rates far exceed those approved by this Commission for BellSouth. While Z-Tel does not contend that the FCC's cost model - an important tool used for the TELRIC Test -- Z-Tel asserts that

the sanity test renders Verizon's proposed rates facially suspect.

In computing UNE rates, the cost of capital is an important element of the cost studies in which small changes can materially alter most UNE rates. The cost of capital analyses in this phase of the proceedings should follow the well-reasoned cost of capital analysis that this Commission developed and adopted in the BellSouth phase of this proceeding. Applying the cost of capital analysis earlier, the cost of capital for Verizon and Sprint should fall in the range of 8.0% to 8.5%, with Sprint's cost of capital possibly being slightly higher than Verizon's.

**COVAD:**

Covad concurs with the Statement of Basic Position contained in the Prehearing Statement of AT&T Communications of the Southern States, Inc., World Com, Inc. and Florida Digital Network, Inc. (collectively, "the ALEC Coalition").

**STAFF:**

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.

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.



VIII. ISSUES AND POSITIONS

For clarity of the Prehearing Order, the issues and positions on the Verizon part of the docket has been presented first followed by the issues and positions on the Sprint part of the docket.

VERIZON PORTION

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

**VERIZON:**

First, the Commission should consider the effect of UNE rates on the preservation and advancement of universal service and the development of fair and efficient competition. As long as implicit subsidies remain in local rates, ALECs will cream-skin the low-cost, high-price business customers and largely ignore residential customers. Deaveraging will only exacerbate this effect, thereby undermining efficient competition and universal service goals. The Commission can continue to rely on the cost and rate differences among Florida ILECs to fulfill the Federal Communications Commission's ("FCC") deaveraging requirement.

Second, UNE rates should reflect a reasonable share of common costs, and should be deaveraged only for UNEs that exhibit material variations in cost based on geography.

Third, each UNE rate must reflect a balance of (1) cost causation principles; (2) the opportunity for cost recovery; and (3) ease of administration.

**ALEC Coalition:**

UNE rates should equal the forward-looking economic cost of providing the network element and should be calculated using an open and verifiable scorched-node cost model. The FCC has directed that computerized cost models allow one to alter inputs and determine the effect on cost estimates. The ICM, however, is not a transparent, verifiable, reliable model, open to review and capable of accommodating changed inputs and

assumptions. Moreover, there is a large number of errors in the ICM, which creates unreasonably high UNE rates.

The ICM does not model the least-cost, most-efficient network design and cannot be used to produce UNE rates that comply with the FCC's pricing rules or this Commission's previous UNE pricing decisions. Verizon's ICM and witnesses continue to rely on GTE's embedded operations and fail to reflect the post-BellAtlantic/GTE merger environment. Verizon, as the nation's largest ILEC, should be able capitalize on the efficiencies of scale and scope afforded by the size of its operations.

The Commission should apply the FCC's pricing rules and TELRIC principles delineated in the FCC's First Report and Order and reject Verizon's attempts to erect additional barriers to competitive local telecommunication market entry through the establishment of non-cost based and unreasonably high UNE rates.

**KMC:** The proposed 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 Verizon, the CLECs will not be able to effectively compete with these ILECs, and customers will be the ultimate losers.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

While Z-Tel does not suggest that it be used to set the

absolute value of rates, Z-Tel recommends that the Commission take into account the sanity test formulated by Dr. George Ford. The test examines the relationship between the costs of BellSouth and Verizon to provide UNE rates, as measured by publicly available output reports of the FCC's HCPM cost model, on the one hand, and the rates in effect for BellSouth and the rates proposed by Verizon, on the other. Verizon, which has costs roughly similar to those of BellSouth, has not justified proposed rates that are so very far above those approved by the Commission for BellSouth. The disparity in UNE rates between BellSouth-Florida and Verizon-Florida simply does not compute.

**COVAD:**

With regard to this issue, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.

**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).

**VERIZON:**

- (a) The Commission has two options for establishing UNE rates for Verizon. The better option is for the Commission to retain a single rate for Verizon to accompany the different cost-based rates established for BellSouth and Sprint. In this way, the Commission would establish at least three zones, each of which reflects different cost characteristics. (The FCC has never ruled that multiple zones are required for each carrier.) Since this option

would result in UNE rates that are more rationally aligned with retail rates, it would mitigate the potential for ALEC rate arbitrage.

If the Commission rejects this option, then Verizon recommends that the Commission establish three cost-based zones for its service area. Under this proposal, all wire centers in which the average cost of the UNE is less than the statewide average would be mapped to Zone 1. Wire centers in which the average cost is between the statewide average and 200% of that average would be mapped to Zone 2; and wire centers in which the average cost is greater than 200% of the statewide average would be mapped to Zone 3.

- (b) Only loop prices should be considered for deaveraging, because only loop costs show significant variation between different geographic areas. Verizon believes the parties agree on this point.

**ALEC Coalition:**

- (a) The Commission should reject Verizon's statewide average rate proposal, and instead require Verizon to geographically deaverage UNE loop rates at the wire center level, using a defined measure of cost variation that creates zones based on cost differences. The objective of UNE loop rate deaveraging should be to place loops with similar cost characteristics in the same deaveraged rate zone so that the rates paid for wholesale UNE loops more closely reflect their FLEC. The Commission must not approve the application of a deaveraging methodology where only a limited number of geographic areas have competitive activity and where it is not economical outside those areas.
- (b) All loops, subloops and UNE combinations containing loops or subloops should be deaveraged.

- KMC:** (a) The Commission should geographically deaverage UNEs consistent with the law but in a manner that also promotes competition.

- (b) All loops, subloops, and any UNE combinations containing loops or subloops should be deaveraged.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

- (a) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (b) Z-Tel adopts the position of AT&T, WorldCom, and FDN.

**COVAD:**

- (a) Covad concurs with the methodology and rate structure recommendations contained within the Rebuttal Testimony Warren R. Fischer filed on January 30, 2002 on behalf of the ALEC Coalition (Mr. Fischer's testimony will hereinafter be referred to as "the Fischer Rebuttal Testimony"). As set forth in that testimony, the Commission should reject Verizon's statewide average rate proposal, and instead require Verizon to geographically deaverage UNE loop rates at the wire center level.
- (b) All loops, subloops, and UNE combinations containing loops or subloops should be deaveraged.

**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?

**VERIZON:**

- (a) An xDSL-capable loop is a basic 2-wire or 4-wire UNE loop that possesses electrical characteristics that allow for

the transmission of xDSL-based technology signals.

- (b) No. As a matter of public policy, the characteristics of a specific technology to be placed on a UNE loop should never be a driver for pricing the UNE facility. Deaveraging loop prices based on the technology used on them only leads to increased arbitrage and administrative difficulties.

**ALEC Coalition:**

- (a) xDSL capable loops are loops that are capable of providing xDSL services without any modification.
- (b) No specific position at this time; however, any cost study for xDSL-capable loops, as well as for any UNE, should be based on the forward-looking economic cost, which assumes the most-efficient telecommunications technology currently available and lowest-cost network configuration.

- KMC:**
- (a) Agree with AT&T/WorldCom/FDN.
  - (b) Agree with AT&T/WorldCom/FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

No position.

**COVAD:**

- (a) xDSL capable loops are loops that can be used to provide xDSL services. In a forward-looking network, the loops used to provide xDSL services are identical or nearly identical to those used to provide voice grade services. In a forward-looking network, such facilities include both "clean copper loops" and fiber-fed digital loop

carrier (DLC) based loops.

- (b) No. The cost to an ILEC of providing xDSL capable loops does not change with changes in DSL technology. Accordingly, the 2 and 4-wire loops sold to the ALECs for the provisioning of xDSL services are precisely the same loops that would be sold for analog services, and their pricing should reflect this. Further, analog loops are not priced by loop-length, and xDSL loops should be treated in the same way. The Commission should adopt costs for all loops, including xDSL capable loops, that reflect the efficient provisioning of such loops in a forward-looking network architecture. In a forward-looking network, a cost study for xDSL-capable loops should not make distinctions based on loop length or on the particular xDSL 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?

**VERIZON:**

- (a) Verizon has proposed rates for three subloop elements for both 2-wire and 4-wire UNE loops: (1) feeder; (2) distribution; and (3) drop. Verizon has also provided rates for use of its intra-building house and riser cable.
- (b) Access to subloop elements may occur at various points; because such access is extremely customer-specific, it must be evaluated on a case-by-case basis. A situation-specific ALEC application process will determine the specific labor and/or capital costs for which the ALEC is responsible.

**ALEC Coalition:**

No specific position at this time; however, any cost study

for subloops, as well as for any UNE, should be based on the forward-looking economic cost, which assumes the most-efficient telecommunications technology currently available and lowest-cost network configuration.

**KMC:** (a) Agree with AT&T/WorldCom/FDN.  
(b) Agree with AT&T/WorldCom/FDN.

**FCTA:**  
No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**  
No position.

**COVAD:**  
Covad has no specific position on these sub-issues at this time. Any cost study, however—whether for subloops or any other UNE—should be based on forward-looking economic costs. Such forward-looking costs assume the most efficient telecommunications technology currently available and the lowest cost network configuration.

**STAFF:**  
Staff takes no position at this time.

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

**VERIZON:**  
Verizon has proposed TELRIC-based prices for access to its SS-7 signaling network and for the databases required by the FCC. Because customer requirements for access to Verizon's advanced intelligent network ("AIN") service creation environment and associated databases vary with customer requirements, Verizon has not proposed prices for such access; arrangements and rates, instead, will be determined on a case-by-case basis.



**ALEC Coalition:**

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-looking economic cost, which assumes the most-efficient telecommunications technology currently available and lowest-cost network configuration. Moreover, Verizon's proposed rate structure for these UNES is unacceptable, because it requires separate queries for set-up and transport. For ease of administration, the structure should be one price for set -up and transport queries.

**KMC:** 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.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

Z-Tel adopts the position of AT&T, WorldCom, and FDN.

**COVAD:**

Covad has no specific position on this issue at this time. Any cost study, however—whether for signaling networks or call-related databases—should be based on forward-looking economic costs. Such forward-looking costs assume the most efficient telecommunications technology currently available and the lowest cost network configuration.

**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?

**VERIZON:**

Generally, it is not appropriate to recover non-recurring, customer-specific costs for non-reusable assets or services through recurring rates. If a cost is incurred only once, it should be recovered through a concurrent one-time payment. Including one-time costs (e.g., service ordering costs or special construction costs) in a recurring rate structure can put recovery of that cost in jeopardy, since there is no assurance that the specific customer will continue to use the service with which the recurring rate is associated. Likewise, other customers that did not cause the costs to be incurred should not be responsible for recovery of such costs.

**ALEC Coalition:**

Generally, recovery of one-time costs incurred for the benefit of one customer should be through non-recurring costs. One time costs incurred for the benefit on many customers or that provides Verizon future value, such as the removal of load coils and bridge tap for the provision of basic and advanced services, is investment and should be recovered through recurring rates over the life of the investment. If the Commission finds high NRCs after application of proper rate design, they may be recovered over a reasonable period or in several installments.

**KMC:** Agree with AT&T/WorldCom/FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

Z-Tel adopts the position of AT&T, WorldCom, and FDN.

**COVAD:**

Generally, recovery of one-time costs incurred for the benefit of one customer should be through non-recurring costs. One time costs incurred for the benefit of many customers or that

provide Verizon future value--such as the removal of load coils and bridge tap for the provision of basic and advanced services--is investment and should be recovered through recurring rates over the life of the investment. If the Commission finds high nonrecurring rates after application of proper rate design, these should be recovered over a reasonable period or in several installments.

**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.

**VERIZON:**

The appropriate depreciation inputs and assumptions (item (b)) are set forth in Verizon witness Mr. Sovereign's Direct

Testimony. Verizon witness Dr. Vander Weide's Direct Testimony sets forth Verizon's cost of capital (12.95%) and target capital structure (25% debt and 75% equity) (item (b)). All other enumerated items are discussed in Verizon witness Mr. Tucek's Direct Testimony and the associated recurring cost study.

**ALEC Coalition:**

- (a) The ICM fails to determine the actual location of any customers, and erroneously assumes that customers are equally distributed throughout a fixed arbitrary grid. This results in an excessive amount of plant being modeled and placed to locations where customers do not exist. The ICM fails to consider that for larger buildings, it is less expensive to place the remote terminal on the customer premises, thus avoiding the use of expensive copper feeder and distribution facilities.
- (b) The Commission should reject Verizon's financial reporting lives for depreciation and should require Verizon to re-run its cost studies using the range of FCC approved lives. Alternatively, the Commission should adopt the lives approved for BellSouth in Docket No. 990649A-TP.
- (c) The Commission should reject Verizon's use of a 12.95% cost of capital and should require Verizon to re-run its cost studies using a cost of capital no higher than the 10.24% approved for BellSouth and no lower than the 8.8% approved for Verizon in New Jersey. The Commission should require that equity comprise no more than 60% of Verizon's capital structure.
- (d) No position at this time.
- (e) No position at this time because Verizon's ICM is not a transparent, verifiable, reliable model, and it is not open to review and capable of accommodating changes to inputs and assumptions.
- (f) No position at this time because Verizon's ICM is not a

transparent, verifiable, reliable model, and it is not open to review and capable of accommodating changes to inputs and assumptions.

- (g) Verizon's fill factors are generally too low and do not reflect a forward-looking, least-cost network built for a reasonable projection of actual demand. Verizon has included large amounts of spare facilities to accommodate anticipated growth in demand by future customers, which is inappropriate in a TELRIC setting. Because the ICM's algorithms are cumbersome if not impossible to audit, one cannot determine for the various components of the loop what the fill factors are, and, specifically, how and where in the model the fill factors are applied. The Commission should find the fill factors to be no lower than 90%.
- (h) No position at this time because Verizon's ICM is not a transparent, verifiable, reliable model, and it is not open to review and capable of accommodating changes to inputs and assumptions.
- (i) No position at this time because Verizon's ICM is not a transparent, verifiable, reliable model, and it is not open to review and capable of accommodating changes to inputs and assumptions.
- (j) No position at this time because Verizon's ICM is not a transparent, verifiable, reliable model, and it is not open to review and capable of accommodating changes to inputs and assumptions.
- (k) Verizon's assumed drop lengths are too long. The length of drop and entrance cables modeled by ICM is not accurate and is too long. No position at this time regarding a specific recommendation because Verizon's ICM is not a transparent, verifiable, reliable model, and it is not open to review and capable of accommodating changes to inputs and assumptions.
- (l) No position at this time.
- (m) Next Generation IDLC technology, not UDLC technology as

Verizon proposed, is the least-cost, forward-looking technology. Verizon's studies fail to reflect an appropriate concentration ratio for IDLC-based loops. The ICM inappropriately assumes that DLC equipment is placed beyond a predetermined fiber-copper cross-over point; however, this assumption cannot be easily changed within the ICM. Moreover, the ICM fails to place the remote terminal as close to the customer as possible to capitalize on the efficiencies of the relatively inexpensive fiber facilities, and therefore assumes too much copper in the feeder and distribution links. Further, the ICM hard-codes the use of a secondary serving area interface, which increases the use of copper facilities.

- (n) No position at this time.
- (o) The GTD-5 should be eliminated from the forward-looking, least-cost technology mix. The appropriate weighing for new switches and growth lines is 72% and 28% respectively.

Verizon's rate proposal that requires ALECs to purchase features on an a la carte basis is generally anticompetitive and artificially inflates recurring and non-recurring charges and should be rejected. Monthly switch port charges should include the availability and use of all features.

The current and forward-looking switching and transport architecture for voice and advanced services includes ATM switching and transport. Therefore, the Commission should require Verizon to include ATM transport and switching costs in the development of tandem switching rates and interoffice transport.

- (p) No position at this time.
- (q) No position at this time.
- (r) No position at this time.
- (s) No position as to the appropriateness of Verizon's

loading factors other than our review of Verizon's workbooks containing loading factors for loop material and placement cost calculations indicates that Verizon has provided no explanation of how these loading factors were derived.

- (t) Verizon has overstated the maintenance and support factors for recurring UNE costs by overstating operating expenses using a "tops-down" methodology. Verizon also overstates the investment values used to calculate the capital carrying costs of support assets. The Commission should reject Verizon's use of C.A. Turner indices to inflate investment and its use of ICM investment in expense-to-investment calculations. The Commission should require Verizon to derive forward-looking expenses through a "bottoms up" determination of the expenses needed to operate and support a forward-looking network.
- (u) The Commission should reject Verizon's common cost recovery of 14.09% as excessive. The Commission should require Verizon: 1) to properly account for its realized and expected merger savings and to determine a common cost factor that is consistent with Verizon being one of the largest ILECs in the country; 2) to use the common cost factor based on total regulated revenue with consideration given to a smaller allocation of common costs to UNE loops; 3) to apply the common cost factor to deaveraged rates as a percentage; and 4) to remove lobbying, legal, and regulatory costs from its common cost factor that are adverse to ALEC interests.
- (v) No position at this time regarding EELs because Verizon's ICM is not a transparent, verifiable, reliable model, and it is not open to review or capable of accommodating changes to inputs and assumptions.

**KMC:** (a) - (v) Agree with AT&T/WorldCom/FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right

to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

- (a) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (b) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (c) As to Issue 7(c), Z-Tel contends that the Commission should reject the cost of capital proposed by Verizon and Sprint. The Commission should look to harmonize its decision in the BellSouth track with that of this proceeding when calculating the appropriate cost of capital to be used when setting UNE rates. At a minimum, the Commission should not violate the principles it set forth for estimating the cost of capital in the BellSouth track. Based on the application of the same Commission methodology used earlier in this proceeding, Sprint and Verizon's cost of capital should fall in the range of 8.0% to 8.5%, with Sprint's cost of capital possibly being slightly higher than Verizon's.
- (d) No position.
- (e) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (f) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (g) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (h) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (i) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (j) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (k) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (l) No position.
- (m) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (n) No position.
- (o) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (p) No position.
- (q) No position.
- (r) No position.
- (s) No position.
- (t) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (u) Z-Tel adopts the position of AT&T, WorldCom, and FDN.
- (v) Z-Tel adopts the position of AT&T, WorldCom, and FDN.

**COVAD:**



- (a) Network design should be based on actual network characteristics which account for differences in population density and concurrent differences in the costs of provisioning service to various customers. A network model—such as the one Verizon used in this docket—that assumes an equal distribution of customers across an imaginary grid, dramatically overstates the cost of provisioning service to some customers while dramatically understating the cost for others. A hypothetical network like this results in reported prices that are anticompetitive because the prices do not account for the fact that ALECs must first gain a revenue foothold in the areas where provisioning costs are low before being able to expand into higher cost areas and thereby bring competition to all the citizens of Florida.
- (b) With regard to this issue, Covad concurs with the assumptions and inputs set out in the Fischer Rebuttal Testimony.
- (c) With regard to this issue, Covad concurs with the assumptions and inputs set out in the Fischer Rebuttal Testimony.
- (d) Covad has no specific position on this issue at this time.
- (e) With regard to this issue, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.
- (f) With regard to this issue, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.
- (g) With regard to this issue, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.
- (h) With regard to this issue, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.

- (i) With regard to this issue, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.
- (j) With regard to this issue, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.
- (k) With regard to this issue, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.
- (l) Covad has no specific position on this issue at this time.
- (m) With regard to this issue, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.
- (n) Covad has no specific position on this issue at this time.
- (o) With regard to this issue, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.
- (p) Covad has no specific position on this issue at this time.
- (q) Covad has no specific position on this issue at this time.
- (r) Covad has no specific position on this issue at this time.
- (s) Covad has no specific position on this issue at this time.
- (t) Covad concurs with the assumptions and inputs set out in the Fischer Rebuttal Testimony.
- (u) Covad concurs with the assumptions and inputs set out in

the Fischer Rebuttal Testimony.

- (v) With regard to this issue, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.

**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).

**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.

**VERIZON:**

Verizon witness Mr. Richter's Direct Testimony and the associated non-recurring cost study set forth the appropriate assumptions and inputs to be used in the forward-looking non-recurring cost study used by Verizon to set UNE rates in this proceeding.

**ALEC Coalition:**

NRCs should be based on forward-looking, least-cost processes and exclude the need for expensive labor-intensive manual processes. It is unreasonable for Verizon, the largest ILEC in the nation, to propose rates based on ordering and provisioning costs that are largely attributable to manual processes, and which substantially exceed those of other similarly-situated ILECs. Further, this Commission and the FCC require that ILECs provide electronic and seamless

ordering and provisioning to the extent possible. Verizon's proposal fails this objective. Costs also are overstated based on an excessive cost of capital rate, and for Verizon's financial reporting lives for its depreciative component of its NRC capital cost factor. Verizon's non-recurring cost model is needlessly complex, contains hard-coded values that make it impossible to determine their source or veracity, and includes unreasonable and unsupported assumptions and unsubstantiated work times. Because we are unable to determine how Verizon developed these costs, Verizon may have included OSS-related charges that should be addressed at a later date, as the Commission has previously determined. Verizon's cost model overstates ordering charges by approximately 50% and overstates provisioning charges by more than 66%.

The Commission should reduce all of Verizon's NRCs that are specific to ordering activities to 50% and those specific to provisioning activities to 33% of Verizon's proposed rate. The Commission should apply these two "reduction factors" for those NRCs not specifically recalculated. For specifically recalculated NRCs, the Commission should require Verizon to use rates set forth on page 7 of the pre-filed testimony of Sidney L. Morrison. The Commission should reject Verizon's National Open Market Centers expenses, or alternatively require Verizon to adjust costs for appropriate cost of capital and depreciation assumptions.

**KMC:** (a) - (f) Agree with AT&T/WorldCom/FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

Z-Tel adopts the position of AT&T, WorldCom, and FDN.

**COVAD:**

With regard to these issues, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.

**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/DSL 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?

**VERIZON:**

- (a) The appropriate recurring rates for the aforementioned UNEs are set forth in Verizon witness Mr. Trimble's Direct Testimony; the appropriate non-recurring rates are set forth in Verizon witness Mr. Steele's Direct Testimony, which has been adopted by Mr. Dye.
- (b) No. There are no known additional elements that meet the "necessary and impair" standard identified in the Telecommunications Act of 1996.

**ALEC Coalition:**

The Commission should set Verizon's recurring UNE rates as proposed in Exhibit GJD-2, and set the remaining Verizon recurring UNEs at the rates approved by the Commission for BellSouth in Order No. PSC-01-1181-FOR-TP, issued May 25, 2001, and Order No. PSC-01-2132-PCO-TP, issued October 29, 2001. The Commission should establish these monthly recurring UNE rates on an interim basis, not subject to true-up, until a direct determination of TELRIC can be made for Verizon-FL's territory.

For non-recurring rates for the unbundled loop (exchange-basic-initial/ ordering and service connection), unbundled port (exchange-basic-initial/ ordering and service connection) and EEL (initial/ ordering and service connection), the Commission should set rates as recommended in Issue 8.

- (b) No position at this time.

- KMC:**
- (a) Agree with AT&T/WorldCom/FDN.
  - (b) Agree with AT&T/WorldCom/FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt

any position properly stated by any other party.

**Z-TEL:**

- (a) Z-Tel asserts that Verizon's proposed UNE rates are severely overstated. A "sanity test," derived from the FCC's TELRIC test, indicates Verizon's loop and switching rates should be no higher than the Commission-approved UNE rates for BellSouth. An analysis using the FCC's HCPM model and outputs for BellSouth and Verizon shows that the cost for BellSouth and Verizon to provide UNEs in Florida are more alike than different. In fact, the cost of UNEs in Verizon's territory are typically less than in BellSouth's costs. Therefore, the rates that Verizon charges for UNEs should be similar to, or less than, that which BellSouth charges.
- (b) No position.

**COVAD:**

- (a)
  - 1-7 The recurring rate for 2-wire and 4-wire xDSL capable loops should be the same as the rate for 2-wire and 4-wire voice grade loops, and these rates should apply to all DSL loops regardless of technology or loop length. The recurring rate for a 2-wire ISDN/DSL loop should be the same as the rate for a 2-wire voice grade loop plus an incremental cost to account for network elements not present in a standard voice grade loop.  
  
The Commission should adopt nonrecurring costs for all loops, including xDSL capable loops, that reflect the efficient provisioning of such loops in a forward-looking network architecture.
  - 8-19 With regard to these issues, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.
- (b) Covad has no specific position on this issue at this time.

**STAFF:**

Staff takes no position at this time.

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

**VERIZON:**

Verizon is no longer required to offer Operator Services/Directory Assistance on an unbundled basis because it offers customized routing throughout its territory. Verizon has not received any requests for customized routing since 1996. As such, it is not necessary to establish costs and prices for this service; it will instead be priced on a case-by-case basis.

**ALEC Coalition:**

No position at this time.

**KMC:** Agree with AT&T/WorldCom/FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

No position.

**COVAD:**

Covad has no specific position at this time.

**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?



**VERIZON:**

Verizon witness Mr. Steele sets forth the appropriate loop conditioning rate in his Direct Testimony, which has been adopted by Mr. Dye. This rate will apply whenever Verizon needs to condition loops to allow requesting carriers to offer advanced services.

**ALEC Coalition:**

The FCC's UNE Remand Order states that a forward-looking network would not require voice-enhancing devices (i.e., disturbers such as load coils and repeaters) on loops of 18,000 feet or shorter. Any cost recovery for line conditioning, including non-recurring costs, must comply with the FCC's TELRIC pricing rules. Thus, there is no cost-based need to impose any recurring or nonrecurring line conditioning charges on loops that are less than 18,000 feet in length. Moreover, it would never be appropriate to recover any incremental line conditioning investment through a nonrecurring charge.

**KMC:** Agree with AT&T/WorldCom/FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

No position.

**COVAD:**

With regard to this issue, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.

**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.

**VERIZON:**

In this proceeding, Verizon has proposed (through its witness Mr. Dye) to include a reasonable pro-rata share of Verizon's loop qualification costs (discussed in Verizon witness Mr. Richter's Direct Testimony) in each ALEC line sharing order. Verizon understands that recovery of OSS costs will be addressed in a separate proceeding.

**ALEC Coalition:**

No position at this time.

**KMC:** Agree with AT&T/WorldCom/FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

No position.

**COVAD:**

A forward-looking network would have no need to manually pull loop qualification information under any circumstances, and it would therefore be inappropriate for the Commission to set any rate at all for manual loop qualification, except in circumstances where manual loop information is specifically requested by an ALEC. For manual loop qualification under these circumstances only, the Commission should adopt the rates of \$43.10 (w/o Reservation Facility Number) or \$45.72

(w/ Facility Reservation Number) as set forth for BellSouth in Order No. PSC-01-1181-FOR-TP. For mechanized loop qualification information, the Commission should adopt the rate of \$0.6757 as set forth for BellSouth in Order No. PSC-01-1181-FOR-TP.

**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, DS0/1 multiplexing, DS1 interoffice transport;
  - (2) DS1 loop, DS1 interoffice transport;
  - (3) DS1 loop, DS1/3 multiplexing, DS3 interoffice transport.

**VERIZON:**

The monthly recurring charge ("MRC") for an UNE platform ("UNE-P") arrangement or an EEL will equal the sum of the MRCs for the individual UNES required to create the specific platform or EEL. Non-recurring charges associated with the UNE-P and EELs are set forth in Verizon witness Mr. Steele's Direct Testimony, which has been adopted by Mr. Dye.

**ALEC Coalition:**

- 1) The Commission should set Verizon's recurring UNE rates as proposed in Exhibit GJD-2, and set the remaining Verizon recurring UNES at the rates approved by the Commission for BellSouth in Order No. PSC-01-1181-FOR-TP, issued May 25, 2001, and Order No. PSC-01-2132-PCO-TP, issued October 29, 2001. The Commission should establish

these monthly recurring UNE rates on an interim basis, not subject to true-up, until a direct determination of TELRIC can be made for Verizon-FL's territory.

For non-recurring rates for the unbundled loop (exchange-basic-initial/ordering and service connection), unbundled port (exchange-basic-initial/ordering and service connection) and EEL (initial/ordering and service connection), the Commission should set rates as recommended in Issue 8.

- 2) Regarding EELs, Verizon's rates for multiplexing are a multiple of those charged by other ILECs and by Verizon itself in other jurisdictions. The source of the inflated costs cannot be determined with certainty. See also position for Issue 12(1).

**KMC:** Agree with AT&T/WorldCom/FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

- (a) Z-Tel asserts that Verizon's proposed UNE rates are severely overstated. A "sanity test," derived from the FCC's TELRIC test, indicates Verizon's loop and switching rates should be no higher than the Commission-approved UNE rates for BellSouth. An analysis using the FCC's HCPM model and outputs for BellSouth and Verizon shows that the cost for BellSouth and Verizon to provide UNEs in Florida are more alike than different. In fact, the cost of UNEs in Verizon's territory are typically less than in BellSouth's costs. Therefore, the rates that Verizon charges for UNEs should be similar to, or less than, that which BellSouth charges.
- (b) Z-Tel adopts the position of AT&T, WorldCom, and FDN

**COVAD:**

With regard to these issues, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.

**STAFF:**

Staff takes no position at this time.

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

**VERIZON:**

The Commission-ordered rates should take effect consistent with the terms of the Commission's final order approving those rates. The best approach for quick and easy implementation of these new rates would be simply to inform the ALECs of the rate change by distributing notices of the revised rates or by posting them on Verizon's website.

**ALEC Coalition:**

The rates advocated by AT&T/WorldCom should be established for monthly recurring UNE rates on an interim basis, until a direct determination of TELRIC can be made for Verizon's Florida territory. The rates for recurring and non-recurring charges should become effective on the date of the Commission vote.

**KMC:** Agree with AT&T/WorldCom/FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

Z-Tel adopts the position of AT&T, WorldCom, and FDN.

**COVAD:**

With regard to this issue, Covad concurs with the position taken by the ALEC Coalition in its Prehearing Statement.

**STAFF:**

Staff takes no position at this time.

**SPRINT PORTION**

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

**SPRINT:**

UNE rates should be based on Sprint-Florida's forward-looking economic costs as required by Section 252(d)(1) of the Telecommunications Act of 1996 and the FCC rules implementing the Act. This requirement applies to deaveraging UNEs, as well as combinations of UNEs.

**FDN:** The SLCM does not model the least-cost, most-efficient network design and cannot be used to produce UNE rates that comply with the FCC's pricing rules or this Commission's previous UNE pricing decisions. While stating that it utilizes forward-looking network assumptions, Sprint instead relies on its embedded operations. Sprint fails to make the necessary adjustments to its cost studies to bring it in accord with forward-looking TELRIC principles.

**KMC:** The proposed Sprint 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, the CLECs will not be able to effectively compete with these ILECs, and customers will be the ultimate losers.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**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).

**SPRINT:**

(a) UNE prices should be deaveraged to the extent necessary to avoid significant deviations between the rate that is charged and the actual forward-looking costs of providing that element in a specific geographic area. At a minimum, prices should be deaveraged into at least three zones.

(b) Sprint-Florida believes that the forward-looking economic costs of a number of UNEs vary by geographic area. However, because the ALECs have expressed an interest in deaveraged rates for only loops and loop combinations, Sprint-Florida is proposing that only the recurring rates for loops and related combinations be deaveraged. This proposal is consistent with the Commission's order in the BellSouth UNE proceeding.

**FDN:** (a) The Commission should adopt Sprint's geographic

deaveraging proposal for the UNE loop costs in Sprint's service territory. No wire center-level loop cost should exceed (or fall short of) the average loop rate within a zone by more than 20%. This results in 9 zones for a 2-wire loop. The modifications that FDN proposes to Sprint's UNE cost studies may affect the number of zones and the wire center breakdown. Sprint should be required to rerun its deaveraging methodology after final UNE costs are determined.

Sprint admits that there is geographic cost variation not only for loops, but subloops and dedicated transport as well. Sprint should be required to apply its 20% rate banding methodology to all rate elements individually, such as 4-wire loops, DS0 loops and interoffice facilities, and DS1 loops and interoffice facilities. Under this approach each of the above rate elements would have a different number of rate bands based on the rate element's cost, and not the 2-wire loop center costs.

At a minimum, the Commission should require geographic deaveraging of UNE loop rates similar to what the Commission adopted in Docket No. 990649A-TP, regarding BellSouth's UNE rates. However, in any case, the Commission must not approve the application of a deaveraging methodology where only a limited number of geographic areas have the lowest UNE prices available and competitive activity is not economically viable for ALECs seeking to serve outside those small areas.

- (b) As noted above, all loops, subloops, interoffice transport and UNE combinations containing loops, subloops and/or transport should be deaveraged, because there are cost differences between different geographic areas for those UNES.

**KMC**: (a) The Commission should geographically deaverage UNES consistent with the law but in a manner that also promotes competition.

- (b) All loops, subloops, and any UNE combinations containing loops or subloops should be deaveraged.



**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**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?

**SPRINT:**

(a) As a general and practical matter, at this time xDSL-capable loops are copper loops that are generally 18,000 feet in length or shorter and do not contain any DSL inhibiting devices. As network technology evolves, this definition of an xDSL loop will also evolve to reflect these technology and provisioning changes.

(b) No.

**FDN:** xDSL-capable loops are loops that are capable of providing xDSL services over both copper, fiber and mixed copper/fiber facilities without any modification. FDN's position is that a cost study should not make any distinction based on loop length and/or the particular DSL technology to be deployed.

**KMC:** (a) Agree with FDN.  
(b) Agree with FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly

raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**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?

**SPRINT:**

- (a) Sprint-Florida has developed costs and is proposing rates for feeder and distribution subloop elements because, if there is any demand, it will be for these elements. These rates do not include the costs of interconnecting these subelements to the ALEC's network.
- (b) It is not feasible at this time for Sprint-Florida to develop a generic forward-looking cost for subloop interconnection. Until such time as there is meaningful demand for subloop interconnection, Sprint-Florida proposes to price this interconnection on an individual case basis.

**FDN:** Per the discussion in Issue 2, subloop rates should be geographically deaveraged. Sprint should be required to provide the same subloop elements that the Commission required BellSouth to provide in Docket No. 990649A-TP.

- KMC:** (a) Agree with FDN.  
(b) Agree with FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**STAFF:**

Staff takes no position at this time.

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

**SPRINT:**

Sprint-Florida proposes UNE rates for the following call-related database items:

- 911/E911
- STP Ports and STP Switching (SS7 Interconnection)
- Database Query Services

**FDN:** Stipulate to Sprint's position.

**KMC:** Stipulate to Sprint's position.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**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?

**SPRINT:**

To the extent that high, non-recurring charges are a significant barrier to competitive entry, it may be appropriate to require some portion of non-recurring charges be recovered through recurring rates. However, absent such circumstances, non-recurring costs should be recovered through non-recurring rates.

**FDN:** Generally, recovery of one-time costs should be through non-recurring costs. High NRCs are significant barriers to entry, most of which can be avoided by proper rate design. If

the Commission finds high NRCs after application of proper rate design, they may be recovered over a reasonable period or in several installments.

**KMC**: Agree with FDN.

**FCTA**:

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**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.

**SPRINT:**

The appropriate assumptions and inputs that should be used in the development of forward-looking economic recurring costs are those set forth in the cost studies filed by Sprint-Florida on November 7, 2001, and as explained in the prefiled testimony of Sprint-Florida witnesses Michael Hunsucker, Kent Dickerson, Brian Staihr, Talmage Cox, Jimmy Davis and Terry Talken (Mr. Talken's testimony to be adopted by Michael Fuller).

**FDN:**

- (a) The SLCM utilizes a grid approach that does not account for actual grouping of customers. As a result, grid boundaries may cut across natural population clusters. Under this approach, serving areas based on grids may require separate facilities to serve customers that are in close proximity, but that happen to fall in different grids. Thus, a gridding approach cannot reflect the most cost-effective method of distributing customers into serving areas. The Commission should require Sprint to use a clustering methodology, rather than a grid-based methodology, to determine serving areas.

Sprint also models its recurring cost study for stand-alone UNE loops based on 100% use of universal digital loop carrier while its retail loop rates presume use of integrated digital loop carrier. The use of UDLC drives up the cost of loops by requiring digital to analog conversions in the central office as well as use of manual cross connects. Sprint models its rates for UNE-P on use of IDLC and should be required to do the same for stand-alone unbundled loops.

- (b) Stipulate to Sprint's position.
- (c) The Commission should reject Sprint's use of a 12.26% cost of capital and should require Sprint to re-run its cost studies using a cost of capital no higher than the

10.24% approved for BellSouth and no lower than the 8.82% cost of capital recently ordered by the New Jersey Board of Public Utilities and the 8.42% cost of capital the New Hampshire Public Service Commission requested of Verizon as a condition to providing a favorable 271 recommendation to the FCC. A 12.26% cost of capital is not reflective of the current economic climate. The Commission should require that equity comprise no more than 60% of Sprint's capital structure.

- (d) Stipulate to Sprint's position.
- (e) Sprint assumes that 90% of underground and buried feeder and distribution cables will be assigned to Sprint and only 10% assigned to other utilities. For the plowing construction technique used for placing buried feeder and distribution cables, Sprint states that 100% will be dedicated to Sprint and its customers because when plowing, the trench is closed over during the placement of the cable, thus eliminating the possibility of other entities placing cable in the same trench. For poles, Sprint assumes that 31% of structure is assigned to Sprint, and 69% assigned to other utilities.

The FCC determined that the following structure sharing percentages were appropriate for USF determination (§241, 243 USF Inputs Order):

We adopt the following structure sharing percentages that represent what we find is a reasonable share of structure costs to be incurred by the telephone company. For aerial structure, we assign 50 percent of structure cost in density zones 1-6 and 35 percent of the costs in density zones 7-9 to the telephone company. For underground and buried structure, we assign 100 percent of the cost in density zones 1-2, 85 percent of the cost in density zone 3, 65 percent of the cost in density zones 4-6, and 55 percent of the cost in density zones 7-9 to the telephone company.

The Commission should apply the FCC's structure sharing percentages. Understating the structure sharing percentages increases the investment cost in the model since the telephone company bears more than its forward-looking share of the structure costs.

- (f) No position at this time.
- (g) Sprint's fill factors are generally too low and do not reflect a forward-looking, least-cost network built for a reasonable projection of actual demand. Sprint has included large amounts of spare facilities to accommodate anticipated growth in demand by future customers, which is inappropriate in a TELRIC setting. Use of digital loop carrier and fiber feeder allow for carriers to better manage capacity eliminating the need for excess spare capacity. The Commission should find the fill factors to be no lower than 90%. Sprint also assumes use of two residential lines per household and six business lines per business which far exceed current levels of demand.
- (h) No position at this time.
- (i) If the Commission declines to adjust the fill factors for dark fiber, then the Commission must reduce the material and placement costs for fiber cable in the recurring loop and interoffice facility (IOF) cost studies to preclude double recovery for Sprint. Also Sprint weighs its feeder plant mix too much towards higher cost underground and buried cable.
- (j) Sprint's copper cable costs are overstated because Sprint assumes that there will be two distribution pairs per residence both fully wired back to the SAI. Sprint weighs its feeder plant mix too much towards higher cost underground and buried cable.
- (k) No position at this time.
- (l) No position at this time.
- (m) Sprint states that its DLC inputs are appropriately

modified to reflect a lower cost GR-303 Integrated DLC (IDLC) configuration. Sprint does not model its stand alone UNE loop model on such a configuration and instead uses a much more expensive UDLC configuration.

- (n) No position at this time.
- (o) No position at this time.
- (p) No position at this time.
- (q) No position at this time.
- (r) No position at this time.
- (s) No position at this time.
- (t) Sprint has overstated the maintenance and support factors for recurring UNE costs by overstating operating expenses using a "top-down" methodology. The Commission should require Sprint to derive forward-looking expenses through a "bottom up" determination of the expenses needed to operate and support a forward-looking network. Sprint's maintenance expense component also does not properly reflect annual productivity increases.
- (u) No position at this time.
- (v) No position at this time.

**KMC:** (a), (c), and (e)-(v) Agree with FDN. Stipulate to Sprint's position on Issues 7(b) and 7(d).

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**Z-TEL:**

As to Issue 7(c), Z-Tel contends that the Commission should



reject the cost of capital proposed by Verizon and Sprint. The Commission should look to harmonize its decision in the BellSouth track with that of this proceeding when calculating the appropriate cost of capital to be used when setting UNE rates. At a minimum, the Commission should not violate the principles it set forth for estimating the cost of capital in the BellSouth track. Based on the application of the same Commission methodology used earlier in this proceeding, Sprint and Verizon's cost of capital should fall in the range of 8.0% to 8.5%, with Sprint's cost of capital possibly being slightly higher than Verizon's.

**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.

**SPRINT:**

The appropriate assumptions and inputs that should be used in the development of forward-looking, non-recurring costs are those set forth in the cost studies filed by Sprint-Florida on November 7, 2001, and as explained in the prefiled direct testimony of Sprint-Florida witnesses Kent Dickerson and Jimmy Davis.

**FDN:** NRCs should be based on forward-looking, least-cost network

design and processes and exclude the need for expensive labor-intensive manual intervention. Sprint's assumption of use of 100% UDLC for stand alone UNE loops significantly increases the non-recurring costs for such loops by requiring use of manual cross connects.

Sprint admits that its OSS is not fully automated and asserts that it is holding back on full automation due to a lack of demand. Clearly Sprint's cost study is not reflecting use of least cost, forward-looking technology. As a result, there is an excessive amount of manual intervention. Sprint assumes that an excessive amount of orders will not flow through, thus significantly overstating NRCs.

Sprint's work times used in support of its NRCs were based on a combination of subject matter expert ("SME") input and observation. The SME input was based on informal input from SMEs. No formal instructions were given to the SMEs nor were they required to assume use of efficient practices. No adjustments were made to the work times to reflect possible bias or use of forward-looking processes. No statistical or third party review of the work times was conducted.

What Sprint characterizes as "time and motion studies" was unstructured observation of technicians completing certain tasks. The observations were ancillary to review of other aspects of technicians' work such as safety practices. Furthermore, no effort was made to discern whether the work times reflected use of forward-looking, efficient practices.

The Commission should adjust Sprint's NRCs to reflect forward-looking network design assumptions and processes. Sprint's NRCs should also be adjusted to reflect greater use of dedicated outside plant and dedicated central office plant.

**KMC:** (a)-(f) Agree with FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly

raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**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/DSL 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?

**SPRINT:**

- (a) The appropriate recurring and non-recurring rates for the listed UNEs (where required) and interconnection at issue in this proceeding are set forth in Exhibits MRH-1, MRH-2, MRH-3 and MRH-4 to the prefiled direct testimony of Michael R. Hunsucker, dated November 7, 2001, and in the revised Exhibits MRH-1 and MRH-2 to the supplemental direct testimony of Michael R. Hunsucker, dated April 10, 2002. The appropriateness of these rates is discussed in Mr. Hunsucker's direct and supplemental direct testimony.
- (b) No.

**FDN:**

- (a) The Commission should adjust Sprint's recurring UNE rates and nonrecurring UNE rates to correct for the errors noted above.

For loops served by Sprint's remote switches, the Commission should require Sprint to charge the applicable UNE loop recurring and nonrecurring rates.

In addition, for fiber interoffice facilities, Sprint's ring network should be modeled on the use of higher capacity OC48 facilities to accommodate base-load traffic, and the deployment of smaller rings to accommodate incremental traffic. Sprint should also be required to assume use of least cost, forward-looking technology. Sprint's fill factors for interoffice facilities should be increased to 85%. Also rates for dark fiber loops and interoffice transport should be reduced to reflect the fact that Sprint is already recovering capacity costs for these facilities via its loop and interoffice facility rates. The fill factor for dark fiber loops and interoffice facilities should be 100%.

- (b) The Commission should consider requiring Sprint to provide hybrid fiber/copper and copper/copper loops consistent with the Commission's requirements for BellSouth in Docket No. 990649A-TP.

**KMC:** (a)-(b) Agree with FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**STAFF:**

Staff takes no position at this time.

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

**SPRINT:**

Sprint-Florida proposes three non-recurring charges for customized routing, namely; switch analysis charge, host switch translations and remote switch translations. These charges are set forth in the Cost Study, Volume I, Tab VIII. NRC, pages 26 and 27.

**FDN:** No position at this time.

**KMC:** No position at this time.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**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?

**SPRINT:**

The appropriate non-recurring rates for line conditioning are set forth in Exhibit MRH-1 to the prefiled direct testimony of Michael R. Hunsucker, dated November 7, 2001, and in the revised Exhibit MRH-1 to the supplemental direct testimony of Michael R. Hunsucker, dated April 10, 2002. The situations in which the rate should apply are described in the prefiled direct testimony of Jimmy R. Davis, dated November 7, 2001.

**FDN:**

A forward-looking network would not require voice-enhancing devices (i.e., disturbers such as load coils and repeaters) and use of bridged tap on loops. Sprint claims the forward-looking model it bases its cost models on utilizes next generation digital loop carrier with a fiber crossover point at 12,000 feet. Such a network would not require use of inhibitors. Thus, there should be no charge for loop conditioning regardless of loop length. Any cost recovery for line conditioning, including non-recurring costs, must comply with the FCC's TELRIC pricing rules. The forward-looking recurring costs of such loops provide cost recovery for the ILEC, and there is no need to impose a separate non-recurring rate. If the Commission nevertheless allows a charge for loop conditioning, the charge should be based on the assumption that multiple loops will be conditioned at a time, regardless of loop length. The charge should also be assessed as a recurring charge.

**KMC:** Agree with FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**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?

**SPRINT:**

The appropriate non-recurring rate for loop qualification information is set forth in Exhibit MRH-1 to the prefiled direct testimony of Michael R. Hunsucker, dated November 7, 2001, and in the revised Exhibit MRH-1 to the supplemental direct testimony of Michael R. Hunsucker, dated April 10, 2002. The rate should apply any time an ALEC requests loop qualification information.

**FDN:**

Since inhibitors should not be present in a forward-looking network, there would be no need for loop qualification in a forward-looking network. Therefore, Sprint should not be allowed to impose a loop qualification charge. To the extent the Commission permits Sprint to impose any charge for loop qualification, it should reject the inflated charges proposed by Sprint and set any permissible charge for access to Sprint's loop qualification information as if the ALEC were getting full electronic access to databases that would include the information.

**KMC:** Agree with FDN.

**FCTA:**

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**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.

**SPRINT:**

(a) The appropriate recurring and non-recurring rates for "UNE platform" are set forth in Exhibit MRH-1 to the prefiled direct testimony of Michael R. Hunsucker, dated November 7, 2001, and in Revised Exhibit MRH-1 to the supplemental direct testimony of Michael R. Hunsucker, dated April 10, 2002.

(b) The appropriate recurring and non-recurring rates for "extended links" are set forth in Exhibit MRH-1 to the prefiled direct testimony of Michael R. Hunsucker, dated November 7, 2001, and in the revised Exhibit MRH-1 to the supplemental direct testimony of Michael R. Hunsucker, dated April 10, 2002. The appropriateness of these rates is discussed in Mr. Hunsucker's direct and supplemental direct testimony.

**FDN:**

(a) Recurring charges for UNE combinations should be the sum of the recurring charges for the UNE components. The nonrecurring charge for UNE combinations where the UNE combination already exists in Sprint's network should be zero or at most provide for a nominal service order charge.

(b) Recurring charges for UNE combinations should be the sum of the recurring charges for the UNE components. The nonrecurring charge for UNE combinations where the UNE



combination already exists in Sprint's network should be zero or at most provide for a nominal service order charge.

**KMC**: (a) Agree with FDN.  
(b) Agree with FDN.

**FCTA**:

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**STAFF**:

Staff takes no position at this time.

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

**SPRINT**:

Sprint-Florida recommends that it be required to file UNE rates that conform to any Commission order 60 days after release of that order. The rates would become effective on the date they are filed.

**FDN**: The Commission should adopt the procedure used in the BellSouth phase of this docket.

**KMC**: Agree with FDN.

**FCTA**:

No position. Nevertheless, the FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief: (1) to respond to any new issues generated by the evidence at the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

**STAFF**:

Staff takes no position at this time.

IX. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
			<u>Direct</u>
Dennis B. Trimble	Verizon	_____ (DBT-1)	Common Cost Calculation
		_____ (DBT-2)	Verizon's MRCs
		_____ (DBT-3) Confidential	Deaveraging Proposal
		_____ (DBT-4)	Wholesale UNE P r i c i n g Schedule
Terry R. Dye *adopted B.I. Steele's Testimony	Verizon	_____ (BIS-1)	Wholesale Non- recurring Rate Summary
		_____ (BIS-2)	Wholesale Non- r e c u r r i n g R a t e s - Supporting Detail
		_____ (BIS-3)	Rate Support for Recovery o f N M C Shared/Fixed and Loop Qualification Costs
David G. Tucek	Verizon	_____ (DGT-1)	M a i n Components of I C M - F L ' s M o d e l e d Network

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
David G. Tucek	Verizon	_____	ICM - FL 's Modeling Process
		(DGT-2)	
Larry Richter	Verizon	_____	ICM-FL
		(DGT-3)	
Allen E. Sovereign	Verizon	_____	Verizon's Non- recurring Cost-Study
		(LR-1)	
James H. Vander Weide	Verizon	_____	Verizon's Depreciation Lives and Salvage Values
		(AES-1)	
Kent W. Dickerson	Sprint	_____	Comparison of Verizon and Last-FPSC- Prescribed Lives
		(AES-2)	
James H. Vander Weide	Verizon	_____	DCF for S&P Industrials
		(JWV-1)	
Kent W. Dickerson	Sprint	_____	DCF for Telecommunica t i o n s Companies
		(JWV-2)	
Kent W. Dickerson	Sprint	_____	Qualifications
		(KWD-1)	
Kent W. Dickerson	Sprint	_____	Cost Study Binders Vols. I, II and III (Revised Vol. II, Tab II Loops and Tab X Cost Summary)
		(KWD-2)	

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Kent W. Dickerson	Sprint	_____ (KWD-3)	S p r i n t - Florida, Inc. Issues/Witness List
Michael R. Hunsucker	Sprint	_____ (MRH-1)	Network Element Price List Sprint- Florida
		_____ (MRH-2)	Sprint-Florida Loop Banding M o d u l e P r o p o s e d Deaveraged Loop Rates
		_____ (MRH-3)	Sprint-Florida Loop Banding Module - Deaveraged Loop Rates - Non-Collapsed
		_____ (MRH-4)	Interoffice Transport
Brian K. Staihr	Sprint	_____ (BKS-1)	S p r i n t - Florida, Incorporated - Book Value C a p i t a l Structure as of June 30, 2001

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Brian K. Staihr	Sprint	<hr/> (BKS-2)	S p r i n t - F l o r i d a , Incorporated - Cost of Debt as of June 25 through July 9, 2001
		<hr/> (BKS-3)	S p r i n t - F l o r i d a , Incorporated - Market Value C a p i t a l Structure as of June 25 through July 9, 2001
			Comparable Group Market- to-Book Ratios as of June 25 through July 9, 2001
		<hr/> (BKS-5)	Comparable Group Risk Measures
		<hr/> (BKS-6)	Comparable G r o u p Discounted Cash Flow Analysis as of June 25 through July 7, 2001

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<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Brian K. Staihr	Sprint	<hr/> (BKS-7)	The Discounted Cash Flow Model- General Form and Quarterly Model
		<hr/> (BKS-8)	Risk Premium Analysis as of June 25 through July 9 , 2001/Interest Rates Implied by Prices or U.S. Treasury Bond Futures Contracts as of June 25 through July 9, 2001
		<hr/> (BKS-9)	Value Line Betas
		<hr/> (BKS-10)	S p r i n t Corporation - Common Stock Issuance Costs January 1967 t h r o u g h February 2001

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Brian K. Staihr	Sprint	<u>(BKS-11)</u>	S p r i n t - F l o r i d a , Incorporated W e i g h t e d M a r k e t   V a l u e C o s t   o f C a p i t a l   - M a r k e t   V a l u e C a p i t a l S t r u c t u r e   a n d C o s t   R a t e s   a s o f   J u n e   2 5 t h r o u g h   J u l y 9 , 2 0 0 1
Dr. George S. Ford	Z-Tel	<u>(GSF-1)</u>	Cost of Short- Term Debt
		<u>(GSF-2)</u>	Yields   o n T r e a s u r y   B o n d a n d   A a a   P u b l i c U t i l i t y   D e b t
		<u>(GSF-3)</u>	E l e m e n t s   o f S h o r t - T e r m D e b t
		<u>(GSF-4)</u>	Cost of Debt
		<u>(GSF-5)</u>	Betas
		<u>(GSF-6)</u>	M a r k e t   R i s k P r e m i u m
		<u>(GSF-7)</u>	I m p l i e d   Y i e l d f o r   T r e a s u r y b o n d   F u t u r e s
		<u>(GSF-8)</u>	Cost of Equity

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Dr. George S. Ford	Z-Tel	_____	C a p i t a l S t r u c t u r e
		(GSF-9)	
		_____	W e i g h t e d A v e r a g e   C o s t o f   C a p i t a l
		(GSF-10)	
		_____	H C P M   C o s t E s t i m a t e s   f o r B e l l S o u t h   a n d V e r i z o n
		(GSF-11)	
<u>Rebuttal</u>			
James H. Vander Weide	Verizon	_____	C o r r e c t i o n s   t o M r .   D r a p e r ' s D C F   A n a l y s i s
		(JVW-1)	
		_____	D C F   f o r   V a l u e L i n e   U n i v e r s e
		(JVW-2)	
		_____	D C F   f o r   S & P 5 0 0
		(JVW-3)	
August H. Ankum, Ph.D.	ALEC Coalition	_____	C u r r i c u l u m V i t a e
		(AHA-1)	
		_____	F i n a n c i a l A n a l y s i s (D e c l i n e s   i n m a r k e t c a p i t a l i z a t i o n)
		(AHA-2)	
		_____	R e l a t i v e P e r c e n t a g e   o f C u t o v e r   t o G r o w t h   L i n e s B a s e d   o n A m e r i t e c h P r o v i d e d G r o w t h   R a t e s
		(AHA-3)	



<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
August H. Ankum, Ph.D.	ALEC Coalition	_____	Comparison of Verizon's Recurring Costs in Florida, New York and New Jersey
		(AHA-4)	
		_____	Diagrams for Market Capitalization Decline and Total Market Capitalization
		(AHA-5)	
		_____	Fill Factors
		(AHA-6)	
		_____	COT and DLC Interfaces
		(AHA-7)	
		_____	IDLC Technical Papers
		(AHA-8)	
		_____	DS-1 Rate Comparison
		(AHA-9)	
_____	DS1 Fills		
(AHA-10)			
Confidential			
_____	Switch - Discounts Example		
(AHA-11)			
Confidential			
_____	Economic Lives		
(AHA-12)			
Confidential			
_____	Professional Background and Experience		
(GJD-1)			

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Gregory J. Darnell	ALEC Coalition	_____ (GJD-2)	Unbundled Network Elements Recurring Cost Summary
Warren R. Fischer	ALEC Coalition	_____ (WRF-1)	Background of Warren R. Fischer
		_____ (WRF-2) Confidential	Sprint Rate Banding Model- Recreated by Q S I Consulting. Populated with data for a 2- wire loop w/ NID for Verizon
		_____ (WRF-3) Confidential	Sprint Rate Banding Model- Recreated by Q S I Consulting. Populated with data for a 2- wire loop w/ NID for Verizon (Collapsed to Three Zones)

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Warren R. Fischer	ALEC Coalition	_____ (WRF-4) Confidential	Sprint Rate B a n d i n g Model- (Propri etary) Recreat ed by QSI Consulting. Populated with data for Hi Cap DS 1 for Verizon - Weighting on Total Access Lines
		_____ (WRF-5) Confidential	Sprint Rate Banding Model Recreated by Q S I Consulting. Populated with data for Hi Cap DS 1 for Verizon - Weighting on Total Access L i n e s (Collapsed to Three Zones)

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Warren R. Fischer	ALEC Coalition	<hr/> (WRF-6)	Excerpt from BellAtlantic's Form S-4 Filed with the SEC to Issue Shares in Conjunction with the Proposed Merger with GTE
Sidney L. Morrison	ALEC Coalition	<hr/> (SLM-1)	Verizon-Florida Wholesale Non-Recurring Study / Local Wholesale Elements Rate Summary
		<hr/> (SLM-2)	Verizon-Florida Wholesale Non-Recurring Study / Ordering-NOREC /Manual Order Processing-Work Sampling Summary
Brian K. Staihr	Sprint	<hr/> (BKS-1)	(Rebuttal) Comparable-Risk Firms-Comparisons
		<hr/> (BKS-2)	(Rebuttal) Reproduction of Mr. Draper's DCF Results

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
<u>Surrebuttal</u>			
David G. Tucek	Verizon	_____	Comparison of ICM-FL Modeled Investment with Reproduction Cost
		(DGT-1)	
		_____	Impact of Market Segmentation on DS-1 Requirements
		(DGT-2)	
		_____	Difference Between a 4:1 and a 6:1 Concentration Ratio
		(DGT-3)	
		_____	Impact of High target Fill Factors
		(DGT-4)	
		_____	Comparison of Modeled Investment per Line
		(DGT-5)	
		_____	Impact of C.A. Turner and Calibration on Fixed Allocator
		(DGT-6)	
Dr. Timothy J. Tardiff and Francis J. Murphy	Verizon	_____	Tardiff C.V.
		(Murphy/ Tardiff-1)	

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Dr. Timothy J. Tardiff and Francis J. Murphy	Verizon	_____	Murphy C.V.
		(Murphy/ Tardiff-2)	
		_____	Synthesis Model's Understatement of Loop Investment
		(Murphy/ Tardiff-3)	
Kent W. Dickerson	Sprint	_____	Synthesis Model's Inability to Reflect Zone Cost differences
		(Murphy/ Tardiff-4)	
Dr. George S. Ford	Z-Tel	_____	Florida Density Comparison
		(KWD-4)	
Dr. George S. Ford	Z-Tel	_____	Yield Averages, Yield Spreads and Yield Changes from March-May 2000
		(GSF-SR1)	
		_____	Components of Short-Term Debt
		(GSF-SR2)	
		_____	Regression Results
(GSF-SR3)			
_____	Nominal GDP		
(GSF-SR4)			
_____	Choice of Comparables		
(GSF-SR5)			

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Dr. George S. Ford	Z-Tel	_____	Financial
		(GSF-SR6)	Statistics for
		_____	Regional Bell
		(GSF-SR7)	Companies and
		_____	Others
		(GSF-SR8)	Inputs for the
Dr. George S. Ford	Z-Tel	_____	DCF Analysis
		(GSF-SR9)	Two-Stage DCF
		_____	Results
		(GSF-SR10)	Comparison of
		(GSF-SR11)	Betas
Dr. George S. Ford	Z-Tel	_____	Average RBOC
		(GSF-SR12)	Beta Over Time
		_____	and Beta
		(GSF-SR13)	Coefficient of
Dr. George S. Ford	Z-Tel	_____	Variation Over
		(GSF-SR14)	Time
		(GSF-SR15)	Weighted
Dr. George S. Ford	Z-Tel	_____	Average Cost
		(GSF-SR16)	of Capital for
Dr. George S. Ford	Z-Tel	_____	Verizon and
		(GSF-SR17)	Sprint

Supplemental

Michael R. Hunsucker	Sprint	_____	Network
		Revised	Element Price
Michael R. Hunsucker	Sprint	(MRH-1)	List Sprint-
		_____	Florida
Michael R. Hunsucker	Sprint	_____	Sprint-Florida
		Revised	Loop Banding
Michael R. Hunsucker	Sprint	(MRH-2)	Module
		_____	Proposed
Michael R. Hunsucker	Sprint	_____	Deaveraged
		_____	Loop Rates

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Dr. George S. Ford	Z-Tel	_____ (GSF-SR12)	HCPM Cost Estimates For BellSouth and Verizon

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. STIPULATIONS AND PROPOSED STIPULATION

The parties to the Sprint portion of this docket have agreed to waive cross-examination of each other's witness and to submit this matter to the Commission for a determination based on the discovery responses, pre-filed testimony, prefiled exhibits, transcripts of depositions, including late-filed exhibits, of the following witnesses: staff witness David Draper; KMC witness Frank Wood; Z-Tel witness George Ford and Sprint witnesses Talmage Cox, Jimmy Davis, Kent Dickerson, Michael Hunsucker, and Brian Staihr, as well as the briefs to be filed in accordance with the Order Establishing Procedure in this Docket. The parties agree that these witnesses should be excused from attending the hearing and being subject to cross-examination. The identified witnesses are, therefore, excused.

The parties to the Verizon portion of this docket have agreed that the prefiled testimony of the following witnesses may be inserted into the record as though read, and the witnesses shall be excused from attending the hearing and being subject to cross-examination.: David J. Draper, Gregory J. Darnell, Warren R. Fischer, George S. Ford, Francis J. Murphy, Allen E. Sovereign, Timothy J. Tardiff, James H. Vander Weide, and Frank Wood. Therefore, these witnesses are also excused.



AT&T/WorldCom/FDN propose the following stipulations:

1) Monthly recurring UNE Rates as follows:

<b>Verizon – Florida</b>					
<b>Wholesale UNE Pricing Schedule</b>					
<b>OFFER TO STIPULATE CERTAIN RATES</b>					
Description	Ordering		Service Connection		Monthly Recurring Rate
	100%	Semi-	Initial	Add'l	
	Manual	Mech.	Unit	Unit	
<b>(6) LOCAL TRANSPORT</b>					
<b>Common/Shared Transport</b>					
<b>MRC - Transport Facility (per MOU times ALM)</b>					<b>\$0.0000008</b>
<b>MRC - Transport Termination (per MOU times Term)</b>					<b>\$0.0001046</b>
<b>Inter-office Dedicated Transport</b>					
<b>MRC - IDT DS-1 Transport Facility per ALM</b>					<b>\$0.30</b>
<b>MRC - IDT DS-1 Transport per Termination</b>					<b>\$27.04</b>
<b>MRC - IDT DS-3 Transport Facility per ALM</b>					<b>\$1.48</b>
<b>MRC - IDT DS-3 Transport per Termination</b>					<b>\$66.04</b>
<b>CLEC Dedicated Transport</b>					
<b>MRC - CDT DS-1</b>					<b>\$72.02</b>
<b>MRC - CDT DS-3</b>					<b>\$688.08</b>
<b>Multiplexing</b>					
<b>MRC - DS1 to Voice Grade Multiplexing</b>					<b>\$187.86</b>
<b>MRC - DS1 to DS3 Multiplexing</b>					<b>\$305.00</b>

2) DEAVERAGING.

All loops, subloops, and UNE combinations containing loops or subloops, should be deaveraged according to Verizon's deaveraging proposal identified in Exhibit DBT-3 attached to witness Trimble's prefiled direct testimony.

To date, Verizon has not accepted these proposed stipulations.

XI. PENDING MOTIONS

A. Verizon filed two separate Motions for Reconsideration of Order No. PSC-02-0510-PCO-TP.

XII. PENDING CONFIDENTIALITY MATTERS

Verizon's June 8, 2001, Request for Confidential Classification and Motion for Protective Order of Verizon's Integrated Cost Model (ICM-FL) Study, Binders 1 through 11.

Verizon's November 7, 2001, Request for Confidential Classification of Verizon's Responses to Staff's Amended First Set of Interrogatories Nos. 1, 2, 12, 14, 15, 20, 21, 54, 55, 66, and 67.

Verizon's November 7, 2001, Request for Confidential Classification of Verizon's Exhibit DBT-3 to Dennis Trimble's Direct Testimony.

Verizon's December 21, 2001, Request for Confidential Classification of Verizon's Response to Staff's First Request for Production of Documents No. 3.

Verizon's January 16, 2002, Request for Confidential Classification of certain information in response to Staff's Second Request for Production of Documents Nos. 27 and 44 and Second Set of Interrogatories No. 59.

Verizon's January 25, 2002, Request for Confidential Classification of certain information in response to Staff's Third Request for Production of Documents Nos. 49, 50, 53, 57, 58, and 59.

Verizon's February 27, 2002, Request for Confidential Classification of certain information in response to AT&T/WorldCom's First Set of Interrogatories No. 43 and First Request for Production of Documents, Nos. 3, 6, 13, and 14.

Verizon's February 28, 2002, Request for Confidential Classification of certain information in response to Staff's Fifth Set of Interrogatories No. 108.

Verizon's March 3, 2002, Request for Confidential Classification of certain information in response to Staff's Fifth Request for Production of Documents Nos. 65-67.

Verizon's March 18, 2002, Request for Confidential Classification of Verizon's Exhibit DGT-5 to surrebuttal testimony of David G. Tucek.

Verizon's April 15, 2002, Request for Confidential Classification of certain information in response to Staff's Seventh Request for Production of Documents Nos. 73, 78, and 92.

Verizon's April 23, 2002, Request for Confidential Classification of certain information in its supplemental responses to Staff's Eighth Set of Interrogatories (Nos. 242(b) and 274(b))

Verizon's April 23, 2002, Request for Confidential Classification and Motion for Protective Order of certain information in its supplemental responses to AT&T and MCI's First Set of Interrogatories (No. 32).

These pending confidentiality requests will be addressed by separate orders. Regarding the Verizon requests, rulings will be made upon anticipated modifications to the requests.

XIII. DECISIONS THAT MAY IMPACT COMMISSION'S RESOLUTION OF ISSUES

Iowa Utils. bd., et. al. v. FCC, 219 F.3d 744 (8th Cir. 2000).

XIV. RULINGS

A. VERIZON'S REQUEST FOR EXTENSION TO FILE RESPONSIVE TESTIMONY TO THE SUPPLEMENTAL TESTIMONY OF GEORGE S. FORD

By Order No. PSC-02-0504-PCO-TP, issued April 11, 2002, Verizon was given one week from the issuance of that Order in which

to file responsive testimony. At the prehearing conference, Verizon requested that it be given until Monday, April 22, 2002, to file testimony. No parties opposed the extension. Consequently, the extension was granted.

B. FCTA'S REQUEST TO BE EXCUSED

Upon request, FCTA has been excused from the prehearing in this matter.

C. AT&T/WORLDCOM'S MOTION TO COMPEL DISCOVERY FROM VERIZON FILED APRIL 3, 2002

The Motion was granted in part and denied in part. Verizon shall provide a response to Interrogatory No. 4, but that response is limited to the past two years. Verizon shall also produce a response to Interrogatory No. 42, but that response is limited to the ordering portion of OSS and any information that would help evaluate the reasonableness of design of Verizon's OSS system. The remainder of AT&T/WorldCom's Motion is denied.

D. AT&T/WORLDCOM'S SECOND MOTION TO COMPEL DISCOVERY FROM VERIZON FILED APRIL 8, 2002

AT&T/WorldCom's Second Motion to Compel is denied.

E. SPRINT'S MOTION FOR LEAVE TO FILE SUPPLEMENTAL DIRECT TESTIMONY

Although the time for filing a response had not expired at the time of the prehearing conference, no parties objected to the supplemental testimony. Consequently, the Motion for Leave to File Supplemental Testimony was granted.

F. OPENING STATEMENTS

The parties have waived opening statements.

G. Z-TEL'S MOTION TO COMPEL ANSWERS TO INTERROGATORIES AND  
REQUEST FOR EXPEDITED RULING

The answers Z-Tel seeks in its Motion to Compel would require Verizon Florida to run the Verizon New York Inc. cost model using Verizon Florida data and inputs to determine the resulting TELRIC cost estimates for each UNE in this proceeding. Such a request is unduly burdensome and Z-Tel is equally capable of fulfilling the request. See Rule 1.340(c), Florida Rules of Civil Procedure. Accordingly, the Motion to Compel Answers to Interrogatories and Request for Expedited Ruling is denied.

It is therefore,

ORDERED by Commissioner Braulio L. Baez, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission. It is further

ORDERED that Verizon's request to extend the filing of testimony responsive to the supplemental testimony of George S. Ford until April 22, 2002, is hereby granted. It is further

ORDERED that AT&T/WorldCom's Motion to Compel Discovery from Verizon filed April 3, 2002, is granted in part and denied in part, as set forth in the body of this Order. It is further

ORDERED that AT&T/WorldCom's Second Motion to Compel Discovery from Verizon filed April 8, 2002, is denied. It is further

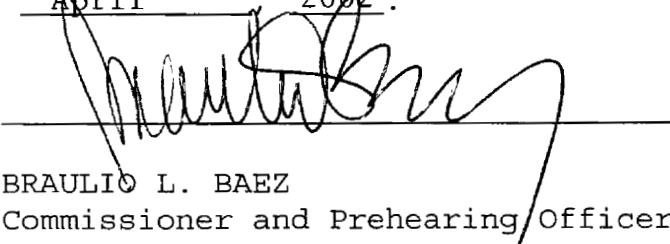
ORDERED that Sprint's Motion for Leave to File Supplemental Direct Testimony is granted. It is further

ORDERED that Z-Tel's Motion to Compel Answers to Interrogatories and Request for Expedited Ruling is denied. It is further

ORDERED that all outstanding discovery responses are due by April 23, 2002.

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By ORDER of Commissioner Braulio L. Baez, as Prehearing Officer, this 25th Day of April 2002.

  
BRAULIO L. BAEZ  
Commissioner and Prehearing Officer

( S E A L )

JKF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling

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or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.