

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

OCTOBER 14, 2002

RE: Docket No. 990649B-TP - Investigation into pricing of unbundled network elements (Sprint/Verizon track).

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

RECOMMENDATION: UNE rates should be set using the forward-looking cost standards authorized by Section 252(d)(1) of the 1996 Telecommunications Act, the FCC's rules and orders implementing that section of the Act, and the court decisions that affect those rules and orders. Z-Tel's sanity test should be rejected. ~~Rates should not be compared to those set in other states.~~ However, rates set within the state for other ILECs may prove useful as a gauge of reasonableness, so long as caution is used to ensure that such rates are truly comparable.

MODIFIED

Approved with the deletion of language struck through.

DOCUMENT NUMBER - DATE

11102 OCT 14 2002

REC'D - COMMISSION CLERK

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

Judy Bradley
[Signature]
[Signature]
J. Terry Deason
Michael A. Paley

DISSENTING

Judy Bradley 7b + 7c
J. Terry Deason 7b

REMARKS/DISSENTING COMMENTS: *On the Commission's own motion, staff's oral motion to strike Verizon's 10/9/02 letter was granted. Commissioners Deason and Bradley dissented on issue 7(b). Commissioner Bradley dissented on issue 7(c).*

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

RECOMMENDATION: Staff recommends that the ALEC Coalition's three zone deaveraging proposal, modified as necessary to acknowledge use of staff's recommended loop costs, be adopted. Staff's recommended assignment of wire centers to rate zones is shown in Appendix C of its September 25, 2002 memorandum.

APPROVED

ISSUE 2(b): For which of the following UNEs should the Commission set deaveraged rates?

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

RECOMMENDATION: Staff recommends that the recurring costs of all varieties of loops and subloops below DS3, and combinations containing such loops, should be deaveraged.

APPROVED

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

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

RECOMMENDATION: For the purposes of this proceeding, xDSL-capable loops are all copper loops that do not contain any impediments such as repeaters, load coils, or excessive bridged tap. Moreover, while it may be reasonable for loop prices to vary by loop length, it is not necessary that a cost study for copper-based xDSL-capable loops make distinctions based on loop length or the particular DSL technology an ALEC intends to put on the loop.

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

RECOMMENDATION: Staff recommends that Verizon Florida Inc. (Verizon) should be required to unbundle the following subloop elements:

- Intra-building House Cable
- Intra-building Riser Cable
- 2-wire Feeder
- 2-wire Distribution
- 2-wire Drop
- 4-wire Feeder
- 4-wire Distribution
- 4-Wire Drop
- Dark Fiber Feeder
- Dark Fiber Distribution

Staff believes the prices proposed by Verizon for these subloop elements should be modified to reflect staff's recommended changes in all other applicable issues.

APPROVED

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

RECOMMENDATION: Staff recommends Verizon be required to provide access to subloop elements at any technically feasible point, including the main distribution frame, that does not threaten network reliability and security. Due to the customer-specific nature of providing access to subloop elements, prices for access to subloops should be on an individual case basis with this Commission arbitrating any disputes of technical feasibility, network reliability, and pricing in arbitration proceedings. Staff also recommends that these rates be filed with this Commission in the appropriate interconnection agreements or amendments to such agreements on a going-forward basis.

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

RECOMMENDATION: Staff recommends that Verizon's proposal be accepted. This recommendation pertains to the UNEs to be offered, not the rates. The rates may be impacted by findings made in other issues.

APPROVED

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

RECOMMENDATION: The Commission may set recurring rates that recover a portion of non-recurring costs through recurring charges. Staff recommends that inclusion of non-recurring costs in recurring rates may be considered where the resulting level of nonrecurring charges would constitute a barrier to entry.

APPROVED

ISSUE 7(a): 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).

RECOMMENDATION: Staff recommends that the network design reflected in ICM-FL be accepted for purposes of establishing recurring UNE rates in this proceeding, subject to staff's adjustments in other issues.

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

(b) Depreciation.

RECOMMENDATION: The appropriate projection lives and net salvage values staff recommends to be used in the development of Verizon's forward-looking recurring UNE cost studies are those shown on Tables 7(b)-1 and 7(b)-2 of staff's September 25, 2002 memorandum.

MODIFIED

Approved with modification to staff recommended economic lives on Circuit Equipment from 8 years to 9 and Poles from 35 years to 36. Commissioners Deason and Bradley dissented.

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

(c) Cost of capital.

RECOMMENDATION: For Verizon, the appropriate forward-looking cost of capital is 9.63% based on a cost rate for common equity of 11.24%, a debt cost rate of 7.22%, and a capital structure consisting of 60% equity and 40% debt.

APPROVED

Commissioner Bradley dissented

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

(d) Tax rates.

RECOMMENDATION: The appropriate inputs for Florida-specific tax rates should be as follows: a combined (composite) federal and state income tax rate of 38.58%, an ad valorem tax rate of 1.00%, and a Regulatory Assessment Fee rate of 0.15%.

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

(e) Structure sharing.

RECOMMENDATION: Staff recommends that the appropriate assumptions and inputs for structure sharing should be those proposed by Verizon, as discussed in the analysis portion of staff's September 25, 2002 memorandum.

APPROVED

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

(f) Structure costs.

RECOMMENDATION: Staff believes the assumptions and inputs for structure costs proposed by Verizon are appropriate and recommends that they be used in conjunction with staff's recommended changes in all other applicable issues.

APPROVED

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

(g) Fill factors.

RECOMMENDATION: Staff recommends accepting Verizon's proposed feeder and distribution cable sizing factors and any other fill factors addressed in this issue, with one exception. Consistent with what was ordered for BellSouth, staff recommends that the administrative fill be set at 1.0, since there is an adequate allowance for growth in the cable sizing factors.

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

(h) Manholes.

RECOMMENDATION: Staff believes the assumptions and inputs for manholes proposed by Verizon are appropriate and recommends that they be used in conjunction with staff's recommended changes in all other applicable issues.

APPROVED

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

(i) Fiber cable (material and placement costs);

(j) copper cable (material and placement costs).

RECOMMENDATION: The appropriate assumptions and inputs for fiber and copper cable material and placement costs to use in Verizon's cost studies filed in this proceeding are those identified by Verizon, as modified by staff's recommendation in Issue 7(s).

APPROVED

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

(k) Drops.

RECOMMENDATION: Staff recommends that the appropriate assumptions and inputs for drops should be those contained in Verizon witness Tucek's testimony and the accompanying cost study.

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

(l) Network interface devices.

RECOMMENDATION: Staff recommends that the appropriate assumptions and inputs for network interface devices (NIDs) should be the input values and assumptions contained in Verizon's cost study and study documentation.

APPROVED

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

(m) Digital loop carrier costs.

RECOMMENDATION: Staff recommends that the appropriate assumptions and inputs for digital loop carrier (DLC) costs should be the input values and assumptions for digital loop carrier cost contained in Verizon witness Tucek's testimony and the Verizon cost study; however, when calculating the rate for UNE-P, Verizon should assume an integrated DLC configuration.

APPROVED

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

(n) Terminal costs.

RECOMMENDATION: Staff believes that the assumptions and inputs for terminal costs proposed by Verizon are appropriate and recommends that they be used in conjunction with staff's recommended changes in all other applicable issues.

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

(o) Switching costs and associated variables.

RECOMMENDATION: The appropriate assumptions and inputs for switching costs and associated variables to be used in the forward-looking recurring UNE cost studies are those proposed by Verizon, incorporating staff's recommended changes in all other applicable issues.

APPROVED

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

(p) Traffic data.

RECOMMENDATION: The assumptions and inputs used by Verizon in their cost study for traffic data should be adopted.

APPROVED

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

(q) Signaling system costs.

RECOMMENDATION: Staff recommends that Verizon's proposed SS7 rates and rate structure be accepted, subject to changes that result from modifications to specific inputs that are addressed in other issues.

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

(r) Transport system costs and associated variables.

RECOMMENDATION: The appropriate assumptions and inputs for transport system costs and associated variables to be used in the forward-looking cost studies in this proceeding are those included in the cost studies filed by Verizon, with those modifications set forth in the text of the recommendation and in all other applicable issues.

APPROVED

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

(s) Loadings.

RECOMMENDATION: The appropriate assumptions and inputs for the loadings factors to use in Verizon's cost studies filed in this proceeding are those identified by Verizon, with the adjustments listed in the text of staff's recommendation.

APPROVED

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

(t) Expenses.

RECOMMENDATION: Staff believes that Verizon's tops-down modeling technique to estimate forward-looking expenses is reasonable. The use of C.A. Turner indices is appropriate to establish the historical relationship between

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expenses and investment. However, staff believes that use of ICM's calibration function yields expense-to-investment ratios calculated on an inconsistent basis. Accordingly, staff recommends for purposes of establishing Verizon's UNE rates in this proceeding, expense-to-investment factors should be derived with the calibration function disabled.

APPROVED

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

(u) Common costs.

RECOMMENDATION: The basic concept underpinning Verizon's calculation of the common cost factor based on expenses, not revenues, should be accepted. Verizon should consistently apply its common cost methodology in calculating deaveraged rates, such that each zone is allocated a common cost percentage, not a fixed amount. Verizon should be permitted to recover external relations and legal costs through its common cost factor.

APPROVED

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

(v) Other.

RECOMMENDATION: All matters raised by the parties have been addressed in other issues. Accordingly, no action is needed with regard to this issue.

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ISSUE 8(a), (b), and (e): 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;
- (e) mix of manual versus electronic activities.

RECOMMENDATION: The appropriate assumptions and inputs to be used in the forward-looking non-recurring UNE studies for determining network design, OSS design, and the mix of manual versus electronic activities, are those proposed by staff in Issue 8(d). Staff does not adjust the flow-through rates in its September 25, 2002 memorandum to reflect an updated and efficient OSS network. Instead, Issue 8(d) includes specific adjustments to work times and required activities which will offset OSS inefficiencies.

APPROVED

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

- (c) Labor rates.

RECOMMENDATION: The appropriate assumptions and inputs for labor rates to be used in the forward-looking non-recurring UNE cost studies should be those proposed by Verizon as discussed in the analysis portion of staff's September 25, 2002 memorandum.

APPROVED

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

- (d) Required activities.

RECOMMENDATION: Staff recommends reducing Verizon's minutes per order for the various NRC elements as described in its analysis. Verizon should also

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separately state its NRC disconnect charges consistent with Order No. PSC-98-0604-FOF-TP, issued April 29, 1998, and Order No. PSC-01-1181-FOF-TP, issued May 25, 2001.

APPROVED

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

(f) Other.

RECOMMENDATION: All matters raised by the parties have been addressed in other issues. Accordingly, no action is needed with regard to this issue.

APPROVED

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;

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- (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).

RECOMMENDATION: Staff's recommended recurring rates are contained in Appendix A-1 of its September 25, 2002 memorandum and staff's recommended non-recurring rates are contained in Appendix B-1.

APPROVED

ISSUE 9(b): Subject to the standards of the FCC's Third Report and Order, should the Commission require ILECs to unbundle any other elements or combinations of elements? If so, what are they and how should they be priced?

RECOMMENDATION: No. There are no other elements or combinations of elements that the Commission should require ILECs to unbundle at this time.

APPROVED

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

RECOMMENDATION: Staff recommends that rates for customized routing be determined on an individual case basis (ICB) as customized routing is requested.

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ISSUE 11(a): What is the appropriate rate if any, for line conditioning, and in what situations should the rate apply?

RECOMMENDATION: The appropriate rates for line conditioning are those recommended by staff in Appendix B-1 of its September 25, 2002 memorandum.

APPROVED

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

RECOMMENDATION: The appropriate rate for Verizon's mechanized loop qualification is \$0.51. This rate should apply as an additive on each ALEC xDSL loop order and each ALEC line-sharing order. The additive should remain in place until a total of 2.005 million ALEC xDSL loop orders and line-sharing orders have been processed within the old GTE serving territories. Verizon should provide staff with its forecasted demand for both ALEC originated xDSL loop orders and line-sharing orders and provide an estimate of when it believes it will cease to collect the \$0.51 additive charge. This information should be provided within 30 days after the issuance of the final order in this docket¹.

APPROVED

ISSUE 12(a): 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)?

RECOMMENDATION: The appropriate recurring rates for UNE-P will equal the sum of the monthly recurring charges for the individual UNEs that are required to create the platform, less \$1.39 to account for the cost saving

¹Staff will review the requested information and will advise the Commission accordingly.

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from using IDLC technology. The appropriate non-recurring charges are those recommended by staff in Appendix B-1 of its September 25, 2002 memorandum.

APPROVED

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

(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.

RECOMMENDATION: The appropriate recurring and non-recurring rates for EELS are those recommended by staff. Staff's recommended recurring rates are shown in Appendix A-1 of its September 25, 2002 memorandum, and staff's recommended non-recurring rates are shown in Appendix B-1.

APPROVED

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

RECOMMENDATION: Staff recommends that recurring and non-recurring rates and charges should take effect when existing interconnection agreements are amended to incorporate the approved rates, and the amended agreements are deemed approved by the Commission. For new interconnection agreements, the rates shall become effective when the agreements are deemed approved by the Commission. Pursuant to Section 254(e)(4) of the Telecommunications Act of 1996, a negotiated agreement is deemed approved by operation of law after 90 days from the date of submission to the Commission.

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ISSUE 14: Should this docket be closed?

RECOMMENDATION: Yes. Whether or not the Commission approves staff's recommendations in Issues 1 - 13, this docket should be closed after the time for filing an appeal has run.

MODIFIED

The Verizon portion of this docket is closed.