

MINUTES OF
SPECIAL COMMISSION CONFERENCE, WEDNESDAY, APRIL 18, 2001
COMMENCED: 9:30 a.m.
ADJOURNED: 4:00 p.m.

COMMISSIONERS PRESENT: Chairman Jacobs
Commissioner Deason
Commissioner Jaber

1 DOCKET NO. 990649-TP - Investigation into pricing of unbundled network elements.

Critical Date(s): None

Commissioners Assigned: JC DS JB
Prehrg Officer JC

Staff: CMP: Marsh, Davis, Dowds, King
ECR: Lee, Lester, C. Romig
LEG: B. Keating, Knight
PAI: Fogleman, Ollila, D. Watts

(Participation is limited to Commissioners and Staff.)

ISSUE A: What is the current state of the law with regard to the use of a forward-looking cost methodology for computing rates for unbundled network elements?

RECOMMENDATION: The FCC rules regarding the use of a forward-looking cost methodology for computing rates for unbundled network elements, including the use of an efficient network configuration as a facet of total element long-run incremental cost (TELRIC), remain in effect. The United States Court of Appeals for the Eighth Circuit stayed its decision rejecting the TELRIC standard pending the disposition of any petitions for certiorari. Petitions were filed and certiorari was granted by the Supreme Court. However, the FCC and the 8th Circuit are in agreement on the use of a forward-looking cost methodology, and that aspect of FCC Rule 51.505(b) will be unaffected by the Supreme Court's review.

DECISION: The recommendation was approved.

ISSUE B: Based on the current state of the law set forth in issue A, what is the Commission's authority to establish rates for unbundled network elements at this time?

RECOMMENDATION: Pursuant to 47 U.S.C. §§ 251(c)(2)(D), 251(c)(3), and 252(d), as well as Section 364.161, Florida

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Statutes, the Commission has the authority to establish rates for unbundled network elements at this time. It is unlikely that the rates as established would be adjusted for at least 2 years, given the Supreme Court's past time frame for deciding such issues, and the process for then bringing the matter before the Commission. As outlined in Issue A, the FCC's rules regarding pricing methodology remain in effect as a result of the Eighth Circuit Court of Appeals stay of its decision invalidating the use of the most efficient network configuration.

DECISION: The recommendation was approved.

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.

DECISION: The recommendation was approved.

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 those UNEs recommended to be deaveraged in Issue 2(b) be deaveraged into three zones using the methodology described in staff's memorandum dated April 6, 2001 in this issue.

DECISION: The recommendation was approved as modified. The final scenario ("Collapsing Original Zones 1 and 2 into New Zone 1 and Collapsing Original Zones 3 and 4 into New Zone 3") on staff handout, attached to the vote sheet, was approved.

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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 below DS3, sub-loops, and combinations containing such loops, should be deaveraged in this proceeding.

DECISION: The recommendation was 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: At the present time, xDSL-capable loops are designed copper loops that are 18,000 feet in length or shorter that do not contain any impediments such as repeaters, load coils, or excessive bridged taps. A cost study for copper-based xDSL-capable loops may make distinctions based on loop length.

Staff recommends that BST be required to submit a cost study for hybrid copper/fiber xDSL-capable loops within 120 days from the order in this proceeding. Staff also recommends that BST be required to file modified versions of its xDSL nonrecurring cost studies, which exclude 1) the DLR, 2) a test point, and 3) order coordination. ~~Further, BellSouth should submit a proposed charge, if any, for a guarantee that the DSL loop will not be rolled to another facility.~~ The nonrecurring items should be provided in conjunction with the aforementioned hybrid copper/fiber recurring cost study within 120 days of the date of the order in this proceeding. Thereafter, an expedited hearing should be scheduled to address whether revisions and true-ups are warranted to the DSL rates the Commission sets in

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this instant proceeding. The refiling should include all BellSouth assumptions used in developing the recurring and nonrecurring costs, the basis and source data for BST's input values, and a clear identification and listing of all input values.

DECISION: The recommendation was approved as modified. Further, at the request of an ALEC, BellSouth will provision an SL-1 loop and guarantee not to convert it to an alternative technology.

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: See staff's recommendation in Issue 3(a).

DECISION: As noted in decision for 3(a).

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

RECOMMENDATION: BellSouth should be required to unbundle the following subloop elements, consistent with the FCC's Third Report and Order: Network Interface Device, Sub-Loop Feeder, Sub-Loop Distribution, Intra-building Network Cable, Network Terminating Wire, and unbundled sub-loop concentration. Prices should be set as determined by the Commission's rulings on Issues 4(b), 7 and 8.

DECISION: The recommendation was approved.

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

RECOMMENDATION: Access to the subloop elements should be provided in the manner proposed by BellSouth via an access terminal. However, parties should be required to submit proposals within 120 days addressing the network reliability and security concerns expressed by BellSouth for approval and inclusion in interconnection agreements.

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DECISION: The recommendation was approved as modified. The cost will be shared 50/50 between BellSouth and the ALEC.

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

RECOMMENDATION: UNE rates should be set for CCS7 signaling transport, 800 access, Line Information Database access, BellSouth Calling Name Database service, E911 service, Local Number Portability Query service, and Advanced Intelligent Network databases. Access to AIN SCPs should be offered through mediation mechanisms. BellSouth should not be required to offer a UNE for directory assistance since it provides customized routing service.

DECISION: The recommendation was approved.

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

RECOMMENDATION: In accordance with FCC rules, the Commission may set recurring rates that recover a portion of non-recurring costs through recurring charges. Where non-recurring costs are included in recurring rates, an ILEC should be indifferent where safeguards exist that ensure full cost recovery. Inclusion of non-recurring costs in recurring rates should be considered where the resulting level of nonrecurring charges would constitute a barrier to entry. However, the record in this proceeding does not contain criteria from which to determine when non-recurring rates in fact amount to a barrier to entry.

DECISION: The recommendation was approved.

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

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(a) network design (including customer location assumptions);

RECOMMENDATION: As discussed in the analysis portion of staff's memorandum dated April 6, 2001, we recommend that the BSTLM reflects a reasonable network design based on customer locations, and overall generates reasonable estimates of the costs of outside plant facilities. Although a single network design is optimal, we recommend that the three scenarios submitted by BellSouth on August 16, 2000, as modified to incorporate all of staff's other adjustments, are appropriate. However, consistent with staff's recommendation in Issue 3, BellSouth should develop a study that yields the costs of hybrid fiber/copper xDSL-capable loops.

DECISION: The recommendation was approved.

ISSUE 7: 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 forward-looking recurring UNE cost studies are those shown on Tables 7(b)-1 and 7(b)-2 of staff's memorandum dated April 6, 2001.

DECISION: The recommendation was approved.

ISSUE 7: 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: The appropriate forward-looking cost of capital for BST is 10.24%.

DECISION: The recommendation was approved.

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ISSUE 7: 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 following Florida-specific tax rates should be used as inputs: a combined state and federal income tax rate of 38.57% and an ad valorem and other tax rate of .9515%. Also, the tax referred to as "gross receipts tax" should be labeled, "revenue-based taxes." The tax referred to as "state utility tax" should be labeled, "gross receipts tax" and set at 2.5% of the revenues to which it applies, if any, and the tax referred to as "PSC fee" should be labeled, "regulatory assessment fees" and set at .15%.

DECISION: The recommendation was approved.

ISSUE 7: 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;

(f) structure costs;

(h) manholes;

RECOMMENDATION: The appropriate assumptions and inputs for structure sharing, structure costs, and manholes are the loading factors identified by BellSouth, as modified by staff's recommendation in Issue 7(s).

DECISION: The recommendation was approved.

ISSUE 7: 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: See staff's recommendation in Issue 7(e).

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

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

RECOMMENDATION: See staff's recommendation in Issue 7(i).

DECISION: See vote in 7(i).

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

(k) drops;

(l) network interface device

RECOMMENDATION: At this time, the appropriate assumptions and inputs for drops and network interface devices (NIDs) are the material prices identified by BellSouth. However, staff recommends that when BellSouth refiles the BellSouth Telecommunications Loop Model (BSTLM) and the BellSouth Cost Calculator (BSCC) within 120 days of the date of the order in this proceeding, as addressed in Issue 7(s), BellSouth should identify and explain all necessary revisions that should be made to NIDs (both in the BSTLM and in its standalone NID study). If revisions are necessary, BellSouth should, as appropriate, submit modified versions of the BSTLM and the BSCC. If BellSouth believes that no corrections are warranted, a detailed explanation reconciling the apparent inconsistencies noted in staff's analysis should be provided.

DECISION: The recommendation was approved.

ISSUE 7: 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: See staff's recommendation in Issue 7(k).

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be used in the forward-looking UNE cost studies in this proceeding are those included in the cost studies filed by BellSouth.

DECISION: The recommendation was approved.

ISSUE 7: 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: Staff recommends that UNE rates be set using BellSouth's loading factors shown on Tables 7(s) 1-3. In order to determine the magnitude of discrepancies between using loading factors as opposed to a bottoms-up approach for cable placements and associated structures, staff recommends that BellSouth be ordered to refile the BellSouth Telecommunications Loop Model (BSTLM) within 120 days of the date of the order in this proceeding. The revised model should explicitly model all cable engineering and installation placements and associated structures. Thereafter, an expedited hearing should be scheduled to address whether revisions and true-ups are warranted to the loop rates the Commission sets in this instant proceeding. The refiling should include all BellSouth assumptions used in developing the cable placements, the basis and source data for the revised input values, and a clear identification and listing of all input values.

DECISION: The recommendation was approved with the elimination of inflation-related adjustments to eliminate mismatches.

ISSUE 7: 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: The assumptions and inputs proposed by BellSouth should be accepted for purposes of this cost

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Category	Staff's Recommended Adjustments to BellSouth's Installation and Disconnect Work Groups and Work Times
CRSG Incremental Time	Eliminate work times
CRSG	Reduce work times by 55%
LCSC	Reduce work times by 75%
SAC	Reduce work times by 50%
AFIG	Reduce work times by 50%
CPG	Reduce work times by 50%
UNEC Provisioning Variables	Eliminate work times
UNEC	Reduce work times by 45%
WMC	Reduce work times by 65%
CO I&M	Reduce work time by 20%
SSI&M	Reduce work times by 35%
Travel	No Adjustment
All other work groups	Reduce work times by 45%

DECISION: The recommendation was approved.

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?

(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

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determining OSS design and the mix of manual versus electronic activities are those set forth by BellSouth.

DECISION: The recommendation was approved with the addition of language discussed at the conference.

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?

(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.

DECISION: No vote was taken.

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

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

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DECISION: The recommendation was approved with appropriate fallout adjustments.

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.

DECISION: The recommendation was approved.

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

RECOMMENDATION: The appropriate rates for customized routing are those proposed in Appendix A of staff's memorandum dated April 6, 2001.

DECISION: The recommendation was approved.

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

RECOMMENDATION: Staff recommends that the appropriate rates for line conditioning and loop make-up (LMU) information be developed using the various recommended input adjustments in the staff analysis portion of the recommendation dated April 6, 2001. Staff's proposed rates are shown in Appendix A. Furthermore, staff recommends that the next phase of

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BellSouth's mechanized LMU process be implemented no later than June 1, 2001, and BellSouth should report to this Commission specifically what enhancements have been made and describe in detail the capabilities of the revised LMU system. In addition, staff recommends that the rate for mechanized LMU information be interim until the time the Commission revisits the OSS cost recovery matters; accordingly, BellSouth should be required to track the revenues generated by this charge.

DECISION: The recommendation was approved with the exception of A.17.1. The conditioning charge for loops 18,000 feet or under is removed, and adjustments to A.17.3, A.17.5, and A.17.6 (Appendix A): change 25 pairs to 50 pairs.

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.

RECOMMENDATION: The appropriate recurring and nonrecurring rates for UNE combinations are those recommended in Appendix A of staff's April 6, 2001 recommendation.

DECISION: The recommendation was approved.

ISSUE 12: Without deciding the situations in which such combinations are required, what are the appropriate

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DECISION: The recommendation was approved.

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

RECOMMENDATION: The 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 approved by the Commission.

DECISION: The recommendation was approved as modified by staff at the conference.

ISSUE 14: Should this docket be closed?

RECOMMENDATION: No. This Docket should remain open to address UNE rates for Sprint and Verizon.

DECISION: The recommendation was approved.