

MINUTES OF JUNE 13, 2002

COMMISSION CONFERENCE

COMMENCED: 9:30 a.m.

ADJOURNED: 10:30 a.m.

COMMISSIONERS PARTICIPATING: Chairman Jaber
Commissioner Deason
Commissioner Palecki

1 Docket No. 990649A-TP - Investigation into pricing of unbundled network elements (BellSouth track).

Critical Date(s): None

Commissioners Assigned: Jaber, Deason, Palecki
Prehearing Officer: Jaber

Staff: CMP: Marsh, Bloom, P. Davis, Dowds, King
ECR: P. Lee
GCL: Knight, B. Keating

ISSUE 1(a): Are the loop cost studies submitted in BellSouth's 120-day filing compliant with Order No. PSC-01-1181-FOF-TP?

RECOMMENDATION: Yes. However, staff believes a number of adjustments are necessary before the study meets both the letter and the spirit of the Commission's previous order in this docket. These adjustments are listed in the text of staff's memorandum dated June 3, 2002.

ISSUE 1(b): Should BellSouth's loop rates or rate structure previously approved in Order No. PSC-01-2051-FOF-TP be modified? If so, to what extent, if any, should the rates or rate structure be modified?

RECOMMENDATION: No. The loop rates and rate structure previously approved in Order No. PSC-01-2051-FOF-TP should remain in place. BellSouth's 120-day filing, if left unaltered, results in increased rates for some unbundled network elements. The discrete input changes recommended by ALEC witnesses that staff believes are supported by credible evidence and testimony, when implemented, result in both increases and decreases in rates that cannot be completely explained based on the record of this proceeding.

ISSUE 2(a): Are the ADUF and ODUF cost studies submitted in BellSouth's 120-day compliance filing appropriate?

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ISSUE 2(b): Should BellSouth's ADUF and ODUF rates or rate structure previously approved in Order No. PSC-01-2051-FOF-TP be modified? If so, to what extent, if any, should the rates or rate structure be modified?

RECOMMENDATION: BellSouth should be allowed to recover the cost of providing DUF services through specified rates. Accordingly, it was appropriate for BellSouth to file a cost study in support of those rates. Staff recommends that the DUF cost studies submitted in BellSouth's 120-day compliance filing are appropriate with certain adjustments. First, the cost study should be adjusted to remove costs for software development which have already been amortized. Second, the cost study should be adjusted to reflect BellSouth's actual growth experience in DUF messages. The existing DUF rates should be modified to reflect these adjustments. The resulting rates are shown in Table 2-4 of staff's memorandum.

ISSUE 3(a): Is the UCL-ND loop cost study submitted in BellSouth's 120-day filing compliant with Order No. PSC-01-1181-FOF-TP?

ISSUE 3(b): What modifications, if any, are appropriate and what should the rates be?

RECOMMENDATION: The UCL-ND cost study submitted by BellSouth appears to comply with the Commission's directives in Order No. PSC-01-1181-FOF-TP. If the Commission concludes in Issue 1(b) that BellSouth's loop rates and rate structure should not be modified, the rates for the various UCL-ND elements should be those found in Table 3-1 of staff's memorandum, which use loading factors. If the Commission concludes in Issue 1(b) that changes in BellSouth's loop rates and rate structure should be made based on the bottoms-up study, the rates for the various UCL-ND elements are those shown in Appendix A.

ISSUE 4(a): What revisions, if any, should be made to NIDs in both the BSTLM and the stand-alone NID cost study?

ISSUE 4(b): To what extent, if any, should the rates or rate structure be modified?

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RECOMMENDATION: Staff recommends that the stand-alone NID rates be adjusted to include exempt materials. The appropriate rates for the stand-alone NID are those found in Table 4-1 of staff's memorandum. No adjustment should be made to the cost considered in the BSTLM for the NID provisioned with the loop. The appropriate rates for the NID provisioned with the loop are those rates ordered by the Commission in Order No. PSC-01-2051-FOF-TP.

ISSUE 5(a): What is a "hybrid copper/fiber xDSL-capable loop" offering, and is it technically feasible for BellSouth to provide it?

ISSUE 5(b): Is BellSouth's cost study contained in the 120-day compliance filing for the "hybrid copper/fiber xDSL-capable loop" offering appropriate?

ISSUE 5(c): What should the rate structure and rates be?

RECOMMENDATION:

Issue 5(a): A "hybrid copper/fiber xDSL-capable loop" is a configuration that allows an ALEC to provide xDSL services to its customers that are served off of a BellSouth digital loop carrier remote terminal (DLC RT). Such a configuration is technically feasible and consists of, at a minimum, copper loop facilities between an end user and the RT, a Digital Subscriber Line Access Multiplexer (DSLAM) located at the RT, and feeder facilities between the RT and the central office.

Issue 5(b): Yes. However, staff recommends that BellSouth not be required to unbundle either DSLAMs located in remote terminals, or packet switches located in its central offices.

Issue 5(c): If staff's recommendation in Issue 5(b) is approved, this issue becomes moot, as rates need not be established for a hybrid copper/fiber xDSL-capable loop. If staff's recommendation in Issue 5(b) is denied in part and the Commission orders BellSouth to unbundle its DSLAMs located in remote terminals, and BellSouth's "bottoms-up" loop studies are used to set rates, then BellSouth's "bottoms-up" cost study should be the basis for the rates

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and rate design, subject to any adjustments to the loop studies approved in Issue 1(a). If staff's recommendation in Issue 5(b) is denied and the Commission orders BellSouth to unbundle its DSLAMs located in remote terminals and packet switches located in central offices, and BellSouth's "bottoms-up" loop studies are used to set rates, then BellSouth should be required to refile its "bottoms-up" cost studies with the following modifications: (1) determine the cost of sharing subloop feeder from the RT to the central office, instead of requiring an ALEC to obtain a dedicated DS1 subloop feeder; (2) determine the cost of providing access to a DSLAM at a port-at-a-time; and (3) determine the cost of using a BellSouth packet switch at the central office to break out an ALEC's packets and deliver them to the ALEC's collocation facility.

If staff's recommendation in Issue 5(b) is denied in part and the Commission orders BellSouth to unbundle its DSLAMs located in remote terminals, and BellSouth's "bottoms-up" loop studies are not used to set rates, then: (1) the subloop distribution rate should be that rate contained in Order No. PSC-01-1181-FOF-TP; and (2) BellSouth should refile its DSLAM cost study and its cost study for a fiber-only DS1 subloop feeder to comport with the "tops-down" approach accepted in Order No. PSC-01-1181-FOF-TP. If staff's recommendation in Issue 5(b) is denied, and the Commission orders BellSouth to unbundle its DSLAMs located in remote terminals and packet switches located in central offices, and BellSouth's "bottoms-up" loop studies are not used to set rates, then BellSouth should be required to refile its cost studies based on the "tops-down" approach accepted in Order No. PSC-01-1181-FOF-TP with the following modifications: (1) determine the cost of sharing subloop feeder from the RT to the central office, instead of requiring an ALEC to obtain a dedicated DS1 subloop feeder; (2) determine the cost of providing access to a DSLAM a port-at-a-time; and (3) determine the cost of using a BellSouth packet switch at the central office to break out

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an ALEC's packets and deliver them to the ALEC's collocation facility.

ISSUE 6: In the 120-day filing, has BellSouth accounted for the impact of inflation consistent with Order No. PSC-01-2051-FOF-TP?

RECOMMENDATION: If the Commission concludes in Issue 1(b) that BellSouth's loop rates and rate structure should not be modified, the inflation rates used by BellSouth in its original filing remain appropriate. Therefore, any issue regarding inflation in this proceeding becomes moot.

However, if the Commission concludes in Issue 1(b) that changes to BellSouth's loop rates and rate structure should be made based on the "bottoms-up" study, a material-only inflation based on BellSouth's 1998 inflation forecast should be applied to the material investments (Table 6-1 of staff's memorandum). The engineering factors also should be adjusted to reflect projected inflationary impacts.

ISSUE 7: Apart from Issues 1-6, is BellSouth's 120-day filing consistent with the Orders in this docket?

RECOMMENDATION: Yes. Apart from Issues 1-6, BellSouth's 120-day filing is consistent with the Commission's Orders in this docket.

ISSUE 8: Should this Docket be closed?

RECOMMENDATION: Yes. If the Commission approves staff's recommendations in Issues 1-7, this track of this Docket may be closed (Docket No. 990649A-TP) after the time for filing an appeal has expired.

DECISION: The vote in this proceeding is held in abeyance for 60 days from 6/13/02 to allow negotiations for an agreement between the parties.

Commissioners participating: Jaber, Deason, Palecki