

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of
Petition by Metropolitan Fiber
Systems of Florida, Inc. for
arbitration with BellSouth
Telecommunications, Inc.
concerning interconnection, rates,
terms, and conditions, pursuant to:
the Federal Telecommunications
Act of 1996.

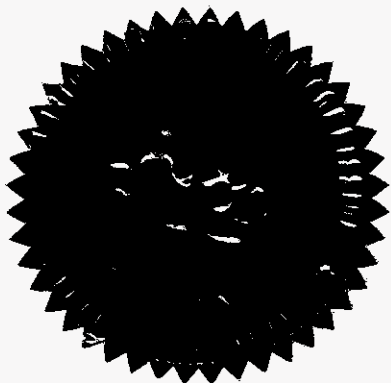
DOCKET NO. 960757-TP

Petition by AT&T Communications
of the Southern States, Inc. for
arbitration of certain terms and
conditions of a proposed agreement:
with BellSouth Telecommunications
Inc. concerning interconnection
and resale under the
Telecommunications Act of 1996.

DOCKET NO. 960833-TP

Petition by MCI Telecommunications:
Corporation and MCI Metro Access
Transmission Services, Inc. for
arbitration of certain terms and
conditions of a proposed agreement:
with BellSouth Telecommunications,
Inc. concerning interconnection
and resale under the
Telecommunications Act of 1996.

DOCKET NO. 960846-TP



PROCEEDINGS: SPECIAL AGENDA CONFERENCE

DOCUMENT NUMBER-DATE
04070 APR-98
FPCO-RECORDS/REPORTING

1 BEFORE: CHAIRMAN JULIA L. JOHNSON
2 COMMISSIONER J. TERRY DEASON
3 COMMISSIONER SUSAN F. CLARK
4 COMMISSIONER JOE GARCIA
5 COMMISSIONER E. LEON JACOBS, JR.

6 DATE: Monday, April 6, 1997

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8 TIME: Commenced at 1:30 p.m.
9 Concluded at 3:45 p.m.

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11 PLACE: Betty Easley Conference Center
12 Room 148
13 4075 Esplanade Way
14 Tallahassee, Florida

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REPORTED BY: H. RUTHE POTAMI, CSR, RPR
Official Commission Reporter

1 **PARTICIPATING:**

2 **CHARLIE PELLEGRINI and BETH KEATING, FPSC**

3 **Division of Legal Services.**

4 **WAYNE STAVANJA, ROBIN NORTON, MARYROSE**

5 **SIRIANNI, SUE OLLILA, VIC CORDIANO and LAURA KING,**

6 **FPSC, Division of Communications.**

7 **ANDREW MAUREY, PAT LEE and ANN CAUSSEAU,**

8 **FPSC, Division of Auditing and Financial Analysis.**

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I N D E X
MISCELLANEOUS

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ISSUES

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1 a physical collocation request under ordinary
2 circumstances.

3 Staff believes that it is also clear that
4 this time period was intended only as a guideline for
5 the parties; that the parties have the option of
6 negotiating a different time period and should attempt
7 to work out problems with the three-month time frame
8 between themselves on a case-by-case basis. Only if
9 the parties cannot agree to an acceptable time period
10 for collocation should the parties come to the
11 Commission to resolve a specific problem.

12 Staff does, however, believe that if the
13 parties do seek Commission assistance in resolving a
14 dispute over time periods for a particular collocation
15 request, BellSouth would be required to demonstrate
16 why the three-month time period is inadequate for that
17 specific request.

18 **CHAIRMAN JOHNSON:** Okay. Any questions,
19 Commissioners?

20 **COMMISSIONER DEASON:** I just want to make
21 sure that in Staff's recommendation, which I think is
22 there, is that Staff envisions it that normally 90
23 days is sufficient -- or three months, whatever the
24 terminology is -- but we do recognize there are going
25 to be circumstances where perhaps it is not, and it's

1 incumbent upon the parties to look at that situation
2 as reasonable people and come to an accommodation; and
3 if that cannot not be done, well, then it's going to
4 have to be brought to the Commission, and it's going
5 to be BellSouth's burden to show what the
6 circumstances are that necessitate a time period
7 exceeding what is specified in the order.

8 **MS. KEATING:** Exactly, Commissioner.

9 **CHAIRMAN JOHNSON:** Any other questions? Is
10 there a motion?

11 **COMMISSIONER DEASON:** I move Staff's
12 recommendation.

13 **COMMISSIONER CLARK:** Second.

14 **CHAIRMAN JOHNSON:** There's a motion and a
15 second. Any further discussion? Seeing none, all
16 those in favor signify by saying aye.

17 **COMMISSIONER DEASON:** Aye.

18 **COMMISSIONER CLARK:** Aye.

19 **COMMISSIONER JACOBS:** Aye.

20 **COMMISSIONER GARCIA:** Aye.

21 **CHAIRMAN JOHNSON:** Aye. Show it approved,
22 then, unanimously.

23 I think we'll go back, then to Item 1.

24 **MS. SIRIANNI:** Commissioners, this is
25 Staff's recommendation regarding BellSouth's

1 arbitration proceeding between MCI, MFS and AT&T to
2 set permanent rates for various unbundled network
3 elements.

4 As illustrated in the memo that I handed out
5 this morning, there have been a few changes in rates,
6 and those are on the attachments. I have some extra
7 copies if you do need another copy.

8 Staff's recommendation to set permanent
9 rates for the various unbundled network elements
10 contains several sections at the beginning of the
11 recommendation that are common to most of the UNEs at
12 issue in this proceeding.

13 Staff would point out that the outcome of
14 Sections 1 through 6 are common to most of the
15 recurring rates and were reflected in those.
16 Section 7 is relevant to most of the nonrecurring
17 rates at issue today and are flowing through to those.

18 Following Section 7 are the network elements
19 that we're setting permanent rates for, and that is
20 (a) through, I believe, (i). There's nine of them.
21 Staff would suggest that you proceed section by
22 section starting with Section 1, which is Cost of
23 Capital.

24 Staff is available to answer any questions.

25 **CHAIRMAN JOHNSON:** Okay. Section 1 begins

1 on Page 16, Cost of Capital. Any questions on Staff's
2 analysis?

3 I did have one question. It's more of a
4 clarification, but I didn't have an opportunity to
5 meet with Staff. On that second paragraph where we
6 talk about -- actually, I'm not certain as to what
7 we're trying to say here. We say "As the witnesses
8 appearing in this proceeding have interpreted the
9 provisions of the Act as expressly prohibiting the use
10 of traditional rate of return on rate-based
11 methodology as the cost standard."

12 Now, are we stating here what the witness'
13 position would be, or are we trying to interpret the
14 Act here? What are we doing here?

15 **MS. SIRIANNI:** Mr. Maurey will answer.

16 **MR. MAUREY:** Commissioner, that is the
17 witness' position.

18 **CHAIRMAN JOHNSON:** And you said it as if all
19 of the witnesses -- and I notice we referenced Cornell
20 and Billingsley.

21 **MR. MAUREY:** It's limited to those two
22 witnesses.

23 **CHAIRMAN JOHNSON:** But there was -- I guess
24 at best it's disputed as to what the Act requires?

25 **MR. MAUREY:** It's disputed whether embedded

1 costs can be used in setting prices, yes. I focused
2 purely on the cost of capital, and both witnesses
3 regarding cost of capital have taken the position that
4 we should look at marginal or incremental costs in
5 determining cost of capital.

6 **COMMISSIONER DEASON:** But you did provide
7 some comparative data as it relates to debt, and, in
8 fact, the embedded cost of debt is lower than your
9 going-forward cost of the debt; is that correct?

10 **MR. MAUREY:** That's correct .

11 **CHAIRMAN JOHNSON:** And does Staff have any
12 independent assessment of what the law provides? Like
13 could we look at the embedded cost of debt, or could
14 we --

15 **MR. MAUREY:** I think we can.

16 **CHAIRMAN JOHNSON:** -- or do we just leave
17 that alone?

18 **MR. MAUREY:** Well, in other states they have
19 used embedded cost in determining the cost of capital.

20 **CHAIRMAN JOHNSON:** But we didn't because the
21 parties --

22 **MR. MAUREY:** Well, neither of the witnesses
23 in this proceeding adopted embedded costs. So within
24 the context of the record, we used marginal costs as
25 the witness testified to.

1 **CHAIRMAN JOHNSON:** Okay. So we aren't
2 foreclosing -- to the extent we're in some other
3 proceeding, we aren't foreclosing that -- I'm not
4 saying we want to or don't want to. I just want to
5 make sure we aren't closing doors one way or the
6 other, and if we are, we're doing it because the law
7 requires us or allows us to.

8 **MR. MAUREY:** I'm speaking strictly to the
9 record in this case. I believe if another witness
10 came forward in another proceeding endorsing embedded
11 cost, then it would be within that record to possibly
12 recommend the use of embedded cost.

13 **COMMISSIONER CLARK:** How is it different
14 than rate making anyway? We always look at the
15 forward cost of debt -- or cost of capital. We're
16 always looking on a --

17 **MR. MAUREY:** Well, that's true on two of the
18 three categories here. On cost of equity certainly
19 we've always looked at the marginal cost of equity,
20 and on a capital structure we -- capital structure is
21 a forward-looking concept.

22 In cost of debt it's been measured on an
23 embedded basis in traditional ratemaking, meaning
24 you'd look at all of their outstanding issues --

25 **COMMISSIONER CLARK:** Okay.

1 **MR. MAUREY:** -- and the current coupon
2 rates.

3 **COMMISSIONER CLARK:** But you'd determine
4 whether you expect that to be the same in the period
5 you're setting rates for.

6 **MR. MAUREY:** Yes. And when we use projected
7 test years, we could make adjustments to those rates.

8 **COMMISSIONER CLARK:** Okay.

9 **CHAIRMAN JOHNSON:** So the only place it
10 would really become relevant would be in the cost of
11 debt analysis.

12 **MR. MAUREY:** Yes. Within the concept of
13 this recommendation, yes.

14 **CHAIRMAN JOHNSON:** Okay. I just wanted to
15 better understand that. Thank you.

16 **COMMISSIONER DEASON:** I move Staff on cost
17 of capital, including debt and equity in the capital
18 structure.

19 **CHAIRMAN JOHNSON:** Motion and a second. Any
20 further discussion? Seeing none, all those in favor
21 signify by saying aye. Show it approved unanimously.

22 Section 2, then, Staff, Depreciation on
23 Page 31.

24 **MS. LEE:** Depreciation begins on Page 31,
25 and I would like you to refer to Attachment A, which

1 is 188 and 189. This shows a comparison of all the
2 parties' positions included in the Staff
3 recommendation for life and salvage for each account.

4 **COMMISSIONER DEASON:** I think it's clear
5 what we're doing here is we're not setting
6 depreciation rates; we're looking at assumptions to be
7 used in setting what is determined to be a reasonable
8 expense amount for determining UNE prices.

9 **MS. LEE:** Absolutely.

10 **COMMISSIONER DEASON:** I move Staff's
11 recommendation.

12 **COMMISSIONER JACOBS:** Second.

13 **COMMISSIONER CLARK:** I have a question.
14 Look on Page 40 and 41 on your salvage values. You
15 drew a conclusion that I didn't get to. You indicated
16 Cunningham recommends a negative 15% but with a
17 Florida-specific of 12.

18 **COMMISSIONER DEASON:** What paragraph?

19 **COMMISSIONER CLARK:** I'm on --

20 **MS. LEE:** This is the last paragraph of that
21 page.

22 **COMMISSIONER CLARK:** I guess what confused
23 me is you say "For this reason, Staff recommends
24 acceptance of AT&T/MCI's recommended negative 11%.
25 What was the reason?"

1 **MS. LEE:** The reason for the negative 11 was
2 there was no justification in the filed studies to
3 support the negative 12, which was Mr. Cunningham's
4 proposal. Negative 11 is what the FCC had approved.
5 The negative 15 represented the nine-state simple
6 average.

7 The only reason I had with going with the
8 negative 11 is simply because there was no support in
9 the study for the negative 12.

10 **CHAIRMAN JOHNSON:** And what was the support
11 for the negative -- and I --

12 **MS. LEE:** Negative 11 is what the FCC
13 prescribed for BellSouth as a projection life in 1995.

14 **CHAIRMAN JOHNSON:** And I had the same
15 concern, or at least question that Commissioner Clark
16 just raised, and I did understand that we were tying
17 it to what the FCC had determined; but I was then
18 wondering whether we felt -- what they relied upon. I
19 mean, how did they reach the 11%, too?

20 **COMMISSIONER CLARK:** Why are you confident
21 that what the FCC came up with is the right number?

22 **MS. LEE:** For this particular account --
23 this is aerial cable fiber -- in my opinion, there is
24 no reason to think that the removal costs or the net
25 salvage is going to be any different for removing

1 aerial cable copper plant as there will be to remove
2 aerial cable fiber plant.

3 Aerial cable copper plant has a net salvage
4 of negative 11%, which I thought was just as
5 appropriate for the fiber plant. And, again, there
6 was no justification as to why BellSouth was
7 recommending negative 12. There's very limited
8 information on this account because it is a new
9 technology.

10 But simply based on -- and, again, if you
11 would look -- the net salvage for those accounts --
12 (pause). Okay. For the fiber, we are even saying the
13 net salvage will be lower, the negative net salvage
14 will be lower in that case, than it will be for the
15 copper plant.

16 There's very limited information on this,
17 but, again, I just didn't think that the removal costs
18 were going to be any more for the fiber as for the
19 copper. It is very feasible that it should be even
20 less than negative 11.

21 **COMMISSIONER CLARK:** Why is that?

22 **MS. LEE:** It's possible that the removal
23 costs incurred with the fiber cable will even be less
24 than what you have incurred for copper.

25 **COMMISSIONER CLARK:** I thought you said it

1 just the opposite; it was possible that copper was
2 going to be less than the fiber.

3 **MS. LEE:** No. I'm sorry. That the fiber
4 will be less than the copper.

5 **COMMISSIONER CLARK:** I think we --

6 **COMMISSIONER DEASON:** No. I made the motion
7 to approve Staff. I mean, I'm not that enamored of
8 11% negative salvage or 12%. I don't think it makes
9 that much difference. So if somebody wants to make a
10 friendly amendment, I'll accept it.

11 **COMMISSIONER CLARK:** I was just -- there was
12 a conclusion there, and it said "for this reason," and
13 I was having trouble finding the reason is really what
14 it amounted to.

15 **CHAIRMAN JOHNSON:** There's a motion. Is
16 there a second?

17 (Simultaneous comments.)

18 **COMMISSIONER CLARK:** Second.

19 **CHAIRMAN JOHNSON:** Oh. There's a motion and
20 second. Any further discussion?

21 **COMMISSIONER JACOBS:** I don't have any real
22 difference on this. I'm wondering, as a continuing
23 theme throughout as opposed to the deployment
24 standards and procedures that are going to be employed
25 by BellSouth going forward, i.e., to what extent

1 copper is going to continue to be a major facility
2 that is going to be used as opposed to fiber and where
3 it's going to be used, and I'm very interested to see
4 how -- well, I was very interested to see how your
5 analysis took on that.

6 It appears to me that the more we allow
7 copper to remain as a deployment facility and the
8 shorter the lives -- is that --

9 **MS. LEE:** Let me see if I can restate what
10 you said. The continued deployment of copper
11 facilities will give you a longer life of copper --

12 **COMMISSIONER JACOBS:** Okay.

13 **MS. LEE:** -- not a shorter life.

14 **COMMISSIONER JACOBS:** You're right. I'm
15 sorry. You're right.

16 **MS. LEE:** Yes.

17 **COMMISSIONER JACOBS:** Okay. And I consider
18 that to be a good thing, because you're getting better
19 use of existing plant.

20 **MS. LEE:** Exactly.

21 **COMMISSIONER JACOBS:** Overall it's going to
22 cause you to have lower --

23 **MS. LEE:** Yes.

24 **COMMISSIONER JACOBS:** Okay. That's it.

25 **CHAIRMAN JOHNSON:** There's a motion and a

1 second. All those in favor signify by saying aye.

2 COMMISSIONER DEASON: Aye.

3 COMMISSIONER CLARK: Aye.

4 COMMISSIONER JACOBS: Aye.

5 COMMISSIONER GARCIA: Aye.

6 CHAIRMAN JOHNSON: Aye. Show it approved
7 unanimously.

8 Tax Factors, Page 42 and 43.

9 COMMISSIONER DEASON: I have a question on
10 Page 43. The last paragraph, basically Staff is
11 indicating -- since the evidence in this record does
12 not contain the Florida-specific tax factors, Staff
13 recommends the use of the following Florida-specific
14 tax factors, but then in the paragraph there at the
15 top of that page it indicates that Exhibit 13 contains
16 the Florida-specific.

17 I'm just trying to find out what information
18 is in the record, what evidence is in the record, and
19 is Staff's recommendation based upon evidence in the
20 record.

21 MS. CAUSSEAU: Commissioner, this
22 recommendation does contain the Florida-specific
23 factors, and that is why we're recommending their use.

24 COMMISSIONER DEASON: Well, that's what I
25 thought, but I was a little thrown by the phrase "that

1 the evidence in this record does not contain -- I'm
2 sorry. It does. I'm misreading it. I'm sorry. I
3 got new glasses. (Laughter) I'm sorry.

4 I move Staff.

5 **COMMISSIONER CLARK:** Wait a minute. I was
6 confused as to -- I just missed something. Why is
7 that quote in the beginning of the recommendation? I
8 could not for the life of me figure out what it had to
9 do with taxes.

10 **MS. CAUSSEAU:** My reason for putting it in
11 was that in a prior docket you had chosen the TSLRIC
12 model and had discounted, if you will, the Hatfield
13 model. A great deal of the testimony of some of the
14 witnesses in deposition indicated that they had at
15 least taken inputs from the Hatfield model.

16 One of Bell's problems with the Hatfield
17 model earlier was that it did not contain
18 Florida-specific information, yet in this particular
19 docket Bell had used an average of nine state-specific
20 factors. And I just was trying to clarify that
21 anything related to Hatfield should not be included
22 and that Bell's criticism was that the Hatfield model
23 produces nonFlorida-specific and yet they used a
24 nonFlorida-specific income tax factor.

25 **COMMISSIONER CLARK:** Well, I took this to

1 relate to -- they mention TSLRIC, but it deals with
2 deaveraging unbundled elements. I just didn't
3 understand what it --

4 **MS. SIRIANNI:** Commissioner Clark, I believe
5 it was more of a lead-in to where she was going with
6 it, what we did previously, and that the Hatfield was
7 rejected. This is what the Commission said. We said
8 TSLRIC. Hatfield was proposed by parties. It was
9 rejected. I believe she was just going through what
10 had transpired in the past, what the Commissioners had
11 done in the past proceeding.

12 **COMMISSIONER CLARK:** And how does that
13 relate to taxes?

14 **MS. SIRIANNI:** I don't believe there's any
15 direct relationship other than the fact it just lays
16 out what this Commission had done previously. This
17 was the type of cost studies that we had adopted. We
18 said TSLRIC should be adopted by -- what -- we should
19 do TSLRIC and was just leading up as to what the
20 Commission had done. I don't believe there's any
21 direct relationship to the taxes that she's proposing
22 in this issue.

23 **COMMISSIONER CLARK:** Okay.

24 **COMMISSIONER GARCIA:** I found that I usually
25 can't go wrong when I second on tax issues of

1 Commissioner Deason.

2 **COMMISSIONER JACOBS:** I'll second.

3 **COMMISSIONER DEASON:** Thank you.

4 **CHAIRMAN JOHNSON:** There's a motion and
5 second. Any further discussion? All those in favor
6 signify by saying aye.

7 **COMMISSIONER DEASON:** Aye.

8 **COMMISSIONER CLARK:** Aye.

9 **COMMISSIONER JACOBS:** Aye.

10 **COMMISSIONER GARCIA:** Aye.

11 **CHAIRMAN JOHNSON:** Aye. Show it approved
12 unanimously.

13 Shared and Common Costs on Page 44, starting
14 on Page 44.

15 **MS. SIRIANNI:** Commissioners, this portion
16 deals with BellSouth's shared and common costs. Staff
17 recommends that BellSouth reduce its network operating
18 expenses by an additional 30% and its general and
19 administrative expenses by an additional 15%.

20 Staff also recommends that the costs of the
21 LCSC be excluded from the shared and common costs and
22 that no shared cost be included in the labor rates.
23 Instead, shared costs should be reflected in the
24 shared cost factors.

25 Based on these adjustments, Staff recommends

1 that BellSouth use a common cost factor of 5.12% and
2 shared cost factors shown on Attachment B, Page 191 of
3 Staff's recommendation.

4 **COMMISSIONER GARCIA:** I move it.

5 **COMMISSIONER DEASON:** I have a question or
6 two. I'm looking at Page 56 of the recommendation and
7 the bottom of the second paragraph on that page.
8 Staff alludes to the fact that "based upon the reasons
9 stated above and the evidence in the record." Can you
10 review for me exactly what the reasons are for making
11 this adjustment?

12 **MS. SIRIANNI:** Sure. Staff reviewed the
13 filing, and Staff has found that BellSouth did use
14 forward-looking technology in their cost study and
15 that we believe that they have accounted for some
16 reductions and expenses in these accounts.

17 However, we also looked at what AT&T and MCI
18 provided in the record, and they brought out several
19 different -- which -- let's see -- which is discussed
20 on the previous -- as to why these expense accounts
21 should be reduced further.

22 Staff looked at those and believes that
23 there was some validity in further reductions.
24 Staff --

25 **COMMISSIONER DEASON:** And what's the reasons

1 for the further reductions? Because BellSouth is
2 becoming -- more and more competition is coming to
3 bear on their total operations? Or what are the
4 reasons specifically why there need to be further
5 reductions?

6 **MS. SIRIANNI:** Staff believes that BellSouth
7 could become more efficient in its operations as it
8 faces competition, and that they have, in fact, shown
9 several things in the record that they are going
10 towards that. They talk about an 11,300 force
11 reduction that they are going to take --

12 **COMMISSIONER DEASON:** They've already
13 accounted for that. I mean, they're --

14 **MS. SIRIANNI:** Right; they have accounted
15 for that. Staff believes that further reductions in
16 these expense accounts could be taken in the future.
17 And just like Mr. Maurey had --

18 **COMMISSIONER DEASON:** We just had a
19 discussion this morning in internal affairs where we
20 were concerned about some service criteria, some
21 measurements for the BellSouth, and the question was
22 raised, is there any correlation between Staff
23 reductions and inability to meet some of these
24 criteria.

25 I guess my concern is that to the extent we

1 assume there's going to be further staff reductions,
2 it's almost like we're mandating it, because if
3 they're going to recover their cost -- they have to
4 provide these at the rate that we say, and they don't
5 have a choice of getting into the business or not
6 doing this. They have to provide it, if a competitor
7 wants to purchase these elements, at the rates that we
8 say.

9 So my concern is are we, in effect,
10 mandating further Staff reductions which are going to
11 affect the overheads which then ultimately flow
12 through to these rates, and are we sending a signal
13 then that service may suffer for your incumbent
14 customers, but so be it. That's my concern.

15 **MS. SIRIANNI:** Commissioner Deason, I don't
16 believe that that's the case. I think by reducing
17 these expenses further what we're saying is that
18 BellSouth needs to become more efficient and take
19 these other productivity measures to become more
20 productivity --

21 **COMMISSIONER GARCIA:** Productive.

22 **MS. SIRIANNI:** Become more productive, and
23 that as they face competition, that there is not much
24 of a choice for them other than to do that. And these
25 rates that we're setting here in the shared and common

1 costs that apply, these are for the unbundled network
2 elements.

3 Just as Mr. Maurey said, we're doing this in
4 an environment to provide unbundled network elements
5 to competitors who are going to enter the market. A
6 lot of the elements that we're setting rates for,
7 these competitors have no other choice but to go to
8 BellSouth, the incumbent local exchange company, to
9 get these elements.

10 **COMMISSIONER DEASON:** Or they can resell or
11 they can build their own infrastructure. I mean,
12 they --

13 **MS. SIRIANNI:** That's correct. They --

14 **COMMISSIONER DEASON:** -- do have a choice.
15 But we know that BellSouth has to provide it at these
16 rates.

17 **MS. SIRIANNI:** That's correct. They do have
18 a choice to do resale from BellSouth, if they're in
19 that territory, or build their own network. Building
20 their own network is a choice for some competitors.
21 It's not for others.

22 **COMMISSIONER DEASON:** And I understand that.
23 But being fairly subjective, are we not, in trying to
24 determine what -- how more efficient BellSouth should
25 be?

1 **MS. SIRIANNI:** I will agree with you that
2 this is my opinion. This is subjective, you know,
3 whether these reductions range from, you know, zero to
4 what AT&T suggested in this docket.

5 This is a judgment call, and I will agree
6 with you there. But this is based on the record that
7 I analyzed and that I looked at, and I believe that
8 there is room for these adjustments by BellSouth based
9 on what I heard at hearing and based on depositions
10 that --

11 **COMMISSIONER DEASON:** But do we have
12 evidence other than just subjective that shows in hard
13 numbers that BellSouth's costs are at an inefficient
14 level and that it would be competitively unfair to
15 allow that level of cost to be flowed through in the
16 form of overheads to UNEs? Do we have anything that
17 shows that BellSouth is inefficient?

18 **MS. SIRIANNI:** Not particularly to say that
19 they're inefficient, but I think that there is room
20 for them to become more efficient. And I think that
21 one of the examples that AT&T used was that they
22 looked at the number of -- I believe, the number of
23 access lines through -- they looked at a trend
24 analysis over the years from like 1986 to -- 1989
25 through 1996. Let me find it here. (Pause) On

1 Page 54.

2 And all of these expense accounts shows that
3 the expenses per access line over this time period
4 indicates that BellSouth will continue to reduce the
5 expenses in these accounts on a going-forward basis,
6 and Staff believes that there's some validity to that.

7 **COMMISSIONER DEASON:** Did BellSouth project
8 any forward-looking reductions in the amount of
9 historical embedded overhead costs?

10 **MS. SIRIANNI:** They proposed the work force
11 reduction, and there were some other reductions in
12 other accounts which I did not look at closely. I
13 only looked at the expense accounts that were --.

14 **COMMISSIONER CLARK:** I took this analysis to
15 be that BellSouth projected a number, and AT&T/MCI
16 came up with their scorch node way of looking at it,
17 and that with respect to -- you thought that a scorch
18 node was inappropriate because it is appropriate to
19 take account of the way the system is today and not
20 the way it would be if we had the opportunity to
21 rebuild it from the central office everywhere.

22 And so you were unpersuaded that AT&T/MCI
23 was the correct number, and you were not persuaded,
24 likewise, that the BellSouth number was the correct
25 number because of competition having the effect of

1 driving them to incorporate more efficiencies and, in
2 fact, the reduction in their work force is evidence of
3 that striving for more efficiencies and the trend is
4 for it to be coming down.

5 So you rejected their number and you sort of
6 take what I call the Gulf Power technique, and that's
7 where we had a situation where we had -- the inventory
8 of coal was at issue, and Gulf Power took the position
9 a 90-day nameplate burn was as much inventory as you
10 should have, and Staff took the view that 45 days was
11 enough and you could get through any crisis you had on
12 that 45 days; and the Commission said we don't think
13 either one of them is correct so we're going to take
14 some middle ground, and it's there that the judgment
15 has been implemented by the Staff.

16 Is that a correct recounting of what you
17 have come up with? And then the question for us is,
18 do we think that kind of analysis is appropriate to
19 make the --

20 **MS. SIRIANNI:** That's correct.

21 **COMMISSIONER CLARK:** -- judgment call here.

22 **COMMISSIONER JACOBS:** I think there's an
23 added piece as well, and I think the added piece is
24 critical; that the elements that we're dealing with in
25 this docket, as stated in the analysis on Page 56,

1 these UNEs are basically monopoly products of this
2 company still, so that while they're going forward
3 into competition, they're going to have a pretty
4 strong hold on the marketplace for these elements.
5 And I think that has a lot to do with the kind of --
6 so their costs to provide these elements are going to
7 be pretty straightforward, but the revenues are going
8 to basically be taking advantage of a monopoly
9 marketplace. Is that a correct -- I don't want to put
10 words in your mouth.

11 **MS. SIRIANNI:** I believe on that page I had
12 stated that the majority of the elements that
13 permanent rates are being set for are monopoly
14 elements and that Bell is the only company that an
15 ALEC can go to.

16 **COMMISSIONER JACOBS:** So that in the context
17 of shared and common costs, you have -- these costs
18 are going to be spread out over increasing volume.

19 **MS. SIRIANNI:** As competition increases I
20 would hope that more and more competitors would buy
21 elements.

22 **COMMISSIONER JACOBS:** Right; more and more
23 people are going to buy these --

24 **MS. SIRIANNI:** Right.

25 **COMMISSIONER JACOBS:** -- but in terms of the

1 LEC having to provide these UNEs, nobody else is going
2 to be competing with them to provide these UNEs, so
3 they're going to have more and more entrants that are
4 going to buy more and more of these products, but
5 these G&A expenses are going to -- are not going to
6 grow in proportion to fashion -- is that a --

7 **MS. SIRIANNI:** I suppose you could look at
8 it that way.

9 **COMMISSIONER JACOBS:** That's not -- that's
10 the outcome to that conclusion, that these G&A
11 expenses are going to -- are going to not grow in as
12 fast a fashion as the in companies' UNEs is going to
13 grow and, therefore, relative sharing of those costs
14 is going to be spread out over a bigger volume of
15 revenue. That's how I look at it. Is that
16 reasonable?

17 **COMMISSIONER DEASON:** Well, what you're
18 taking from one hand you may be giving with the other
19 in the sense that they may be getting UNE revenue, but
20 the reason that the competitors are purchasing the
21 UNEs is to provide service to customers who before
22 were customers of the incumbent company. So you're
23 going to be taking revenues away from that source.

24 Hopefully the end result of competition is
25 going to be there's going to be more revenue for

1 everyone because it's going to stimulate more usage of
2 the network and new services and --

3 **COMMISSIONER GARCIA:** But in -- essentially
4 you're -- something that you are selling retail you're
5 now having to sell wholesale.

6 **MS. SIRIANNI:** Wholesale.

7 **COMMISSIONER JACOBS:** Exactly.

8 **MS. SIRIANNI:** I believe that the way that
9 Commissioner Clark summed it up is pretty much Staff's
10 position on this on the shared and common costs and
11 what Staff proposed.

12 We propose more of a middle ground. We were
13 not persuaded one way or the other towards BellSouth
14 or towards AT&T and MCI. We took more of a middle
15 ground approach.

16 **COMMISSIONER DEASON:** Well, back to a
17 previous question, because I don't know that I got an
18 answer.

19 Were there projected reductions or
20 going-forward reductions in the amount of overheads
21 that were projected by BellSouth over and above the
22 11,300 Staff reduction? I thought that was already
23 there. That was done. They accounted for that. They
24 showed that. Were there -- in their numbers, were
25 there any further assumptions concerning more

1 efficiencies or Staff reductions or anything along
2 those lines?

3 **MS. SIRIANNI:** In several of the accounts --
4 I'd have to look that up -- they took a 2.9% reduction
5 for increased productivity. AT&T argued that they
6 should have accounted for more productivity in the
7 future than the 2.9% in those certain accounts. And
8 Bell's response was instead of taking more into
9 account, higher productivity rate, they used the
10 11,003 to account for what would happen in the future.

11 So in a sense, in all the accounts I would
12 say overall, no, and in some of the accounts they took
13 the 2.9% reduction.

14 **COMMISSIONER DEASON:** Now, does that 2.9%
15 for some accounts, is that comparable to your 30% and
16 your 15%, or is that two different comparisons
17 altogether?

18 **MS. SIRIANNI:** I would have to say that it's
19 two different comparisons. I'm taking the 30% and the
20 15% in the various accounts as an overall reduction in
21 expenses in those accounts.

22 The 2.9 was in a long list of other either
23 additions or reductions that they had. I mean, that
24 was -- they had inflation and then, of course some
25 productivity. So when it all balanced out, it didn't

1 go in the negative, it went in the positive.

2 **COMMISSIONER DEASON:** Do we have anything in
3 the record that shows the historical level of overhead
4 expenses for this company over a three-year period or
5 four-year period, or whatever?

6 **MS. SIRIANNI:** I believe that they'd go back
7 to 1995. (Pause) I'm sorry. I think it's 1996. I
8 have data that goes -- 1996. I would also --

9 **COMMISSIONER DEASON:** What does the data
10 show?

11 **MS. SIRIANNI:** Pardon me?

12 **COMMISSIONER DEASON:** What does that data
13 show?

14 **MS. SIRIANNI:** It shows for each expense
15 account the total expenses and the expenses for each
16 plant-specific account. And this is -- what it does
17 is then it takes the 1996 data, it annualizes it,
18 because they used a 10-month of data, and then they
19 do -- they take it and they normalize it for things
20 such as hurricane -- I forget which hurricane it
21 was -- but the Olympics and several events that were
22 unknown at the time, and then they grow that by --
23 take a growth rate; they grow it.

24 And then they have the 11,300 reductions and
25 then another set of the reductions which they say are

1 attributed to just normal operations. And I don't
2 have any great detail as to what is included in those,
3 but just the normal ongoing operations, and that's
4 going to be as far back --

5 **COMMISSIONER DEASON:** What I'm getting at is
6 as I understand your recommendation, you think there's
7 room for more efficiencies, and you're incorporating
8 that into your recommendation; and the reason there
9 are going to be more efficiencies is that the
10 competition is going to require that BellSouth be more
11 efficient. Is that basically correct?

12 **MS. SIRIANNI:** That's correct.

13 **COMMISSIONER DEASON:** Okay. Do we have any
14 historical information? Because, I mean, BellSouth
15 has been subject to competition for some time.
16 Historically have we shown that there have actually
17 been efficiencies from year to year, and how does that
18 compare to your recommended --

19 **MS. SIRIANNI:** I believe --

20 **COMMISSIONER DEASON:** -- 30%?

21 **MS. SIRIANNI:** I'm sorry. I believe that
22 BellSouth itself states somewhere in the
23 recommendation that they have -- let's see -- (pause)
24 on Page 55, that BellSouth has accounted -- this is
25 the second full paragraph -- that BellSouth has

1 accounted for some productivity based on the fact that
2 it has decreased its number of employees per 10,000
3 access lines from 1992 through 1996 from 40 to 28, and
4 this reflects in part the 11,300 force reduction.

5 So, I mean, I think BellSouth itself is
6 saying that there's a trend here. From 1992 to 1996
7 they've had a decrease in the number of employees per
8 access lines, and I think that that shows them going
9 towards trying to become more efficient. I don't see
10 any reason why that trend won't continue in the
11 future.

12 **COMMISSIONER DEASON:** So they've decreased
13 their number of employees per 10,000 access lines from
14 40 to 28 over a four-year period?

15 **MS. SIRIANNI:** That's correct.

16 **COMMISSIONER DEASON:** Is that something less
17 than a 10% reduction per year? I'm just trying to get
18 a feel for your 50 and 30. It just seems to me that
19 that's a pretty high percentage efficiencies that are
20 being incorporated into your recommendation.

21 **MS. SIRIANNI:** The overall effect of that, I
22 mean, if you look at, say, the common cost factor,
23 that BellSouth proposed a 5.30 common cost factor and
24 Staff is proposing a 5.12%. So AT&T proposed, I
25 think, a 4.70. So, I mean, Staff believes that it was

1 more conservative on the side of Bell in its proposal
2 here than, you know, going to the extreme.

3 The 4.70 is what AT&T proposed. So, I mean,
4 while the reductions may seem steep when you look at
5 them on a separate expense account by expense account,
6 the overall effect does not -- Staff doesn't believe
7 that the effect is that great a magnitude. And also
8 in the shared cost factors.

9 Actually, it's hard to compare the shared
10 cost factors because Staff shifted the shared labor
11 rates into the shared cost factors so that the
12 nonrecurring charges would not be as high. So it's a
13 little more difficult to look at --

14 **COMMISSIONER DEASON:** That's another area I
15 had questions about. What is the effect of Staff's
16 recommendation concerning the shared -- you're
17 recommending that that -- how are you recommending
18 that be accounted for?

19 **MS. SIRIANNI:** I'm recommending that the
20 shared labor factors be eliminated and the accounts,
21 that the shared labor factors -- that the costs were
22 spread over to determine the shared labor factors be
23 reattributed to different accounts that are then
24 included in the shared factor.

25 So those costs are -- only thing that

1 happens is they're being shifted from a shared labor
2 factor and then subsequently being applied to
3 nonrecurring charges. They're being applied to the
4 shared labor -- to the shared factor and being applied
5 to recurring charges.

6 It has the effect of reducing the
7 nonrecurring charges a bit, and Staff believes that
8 it's appropriate for a couple of reasons. One, it --
9 we were unable to in some cases tell exactly what part
10 of that non -- the shared labor factor was -- had to
11 do with nonrecurring costs, and so we believe that by
12 applying it just all to the recurring, it would be
13 appropriate. And for another reason, it lowers the
14 nonrecurring charge, which could help promote
15 competition and let competitors in the market.

16 So Bell does not -- they still recover those
17 costs. It's just the recurring rates instead of
18 nonrecurring rates.

19 **COMMISSIONER JACOBS:** The great benefit of
20 that is that you avoid an excessive up-front
21 recurring -- nonrecurring charge.

22 **MS. SIRIANNI:** That's correct, Commissioner
23 Jacobs.

24 **COMMISSIONER DEASON:** But to the extent that
25 the costs are incurred by Bell up front and they will

1 be getting recovery over an extended period of time,
2 is that a distortion in -- because we're supposed to
3 base these rates upon costs -- is that a distortion
4 between having the rate reflect costs and how the
5 costs are incurred and the timing of those costs
6 incurring?

7 **MS. SIRIANNI:** Staff does not believe that
8 it is; that, I mean --

9 **COMMISSIONER DEASON:** Well, is there a
10 carrying cost associated with the fact that these
11 costs are incurred up front as a nonrecurring cost but
12 their recovery of those costs are being spread over a
13 number of years in the recurring cost factor?

14 The very nature of a nonrecurring cost is
15 that it's what it takes right now to do something to
16 provide --

17 **MS. SIRIANNI:** Right.

18 **COMMISSIONER DEASON:** -- and you can incur
19 it one time, and normally under regulation -- I know
20 we're no longer under regulation -- but you would
21 require the customer to pay that up front when they
22 cause that cost to be incurred.

23 **MS. SIRIANNI:** Right.

24 **COMMISSIONER DEASON:** Staff is recommending
25 we no longer do that, that we sever that and we go to

1 a situation with the effort of trying to reduce the
2 nonrecurring cost, which is going to spur competition.

3 **MS. SIRIANNI:** Right; but one of the
4 problems that Staff had was we were unable to verify
5 what portion of the nonrecurring costs should be
6 included and if, in fact, all of the recurring cost --
7 expenses had been excluded.

8 So I don't -- I can't -- I don't know for
9 sure that all of the costs that were being used in the
10 shared labor factors were, in fact, nonrecurring
11 charges that happened up front. That was one of
12 Staff's problems, and that was one of our reasons for
13 shifting the cost to the shared factors.

14 **COMMISSIONER DEASON:** So you're saying
15 that -- you were unsure if those really were, in fact,
16 costs associated with nonrecurring activities.

17 **MS. SIRIANNI:** That's correct.

18 **COMMISSIONER DEASON:** And that just by them
19 making the adjustment, it just so happens to have the
20 beneficial effect of reducing nonrecurring costs.

21 **MS. SIRIANNI:** That's correct. BellSouth
22 should really be indifferent as to where they recover
23 those. They're going to recover those costs
24 regardless, based on the way Staff has done it. I
25 understand your concern that if they are nonrecurring

1 and that they are up front, that they may spread them
2 over the time; but Staff's main reason for doing that
3 is that we were unable to actually verify that they
4 were all nonrecurring.

5 **COMMISSIONER DEASON:** So you couldn't verify
6 it, so then you just -- whatever you couldn't verify,
7 you just then assumed that it was all attributable to
8 recurring?

9 **MS. SIRIANNI:** I don't think I would say we
10 assumed that it was -- that it was all to recurring.
11 I believe that some of them probably did have -- are
12 associated with nonrecurring, but given the fact that
13 we were unable to determine what amount, we
14 recommended them all be shifted to recurring and be
15 applied through the shared factor.

16 **COMMISSIONER DEASON:** And why is it that we
17 couldn't tell whether these shared labor factors were
18 attributable to recurring or nonrecurring or what
19 proportion? I mean, one would think that there's
20 probably some attributable to nonrecurring and some
21 attributable to recurring. But we're assuming the
22 ones that we couldn't identify it's just all
23 recurring.

24 **MS. SIRIANNI:** There just was not enough
25 evidence in the record to determine, I suppose,

1 that -- you could go on and on and you could go back,
2 and I'm sure now in retrospect there are probably
3 things that I could have asked for, I could have done,
4 that maybe could have helped me determine that amount,
5 but unfortunately that is not in the record; and when
6 it came time to make a decision I had to go with what
7 was in the record, and that's what Staff based its
8 recommendation on.

9 **COMMISSIONER DEASON:** Well, now, you say
10 what's in the record. There's nothing in the record
11 that says then it should all be attributable to
12 recurring either. I mean, you're just making --
13 you're making a policy recommendation.

14 **MS. SIRIANNI:** Well, I don't know that I
15 would call it a policy. This is -- this
16 recommendation has to do with this proceeding in this
17 docket, this arbitration between BellSouth and these
18 ALECs, and I don't think that this is a policy
19 decision --

20 **COMMISSIONER DEASON:** Well, is there a
21 number anywhere in the record that shows generally the
22 split between recurring and nonrecurring, and what is
23 that? Is it 60/40, 30/70 or --

24 **MS. SIRIANNI:** I don't know that I could
25 point to one place that there is a split between

1 recurring and nonrecurring. The model, the shared and
2 common cost model that BellSouth submitted, is a very
3 complex model, and they go through probably three or
4 four attributions of assigning investment -- or
5 expense accounts to various investment accounts, and
6 it was a very complex process; and Staff did its best
7 to try to understand the model. And to -- you know,
8 we spent hours and hours in deposition going through
9 the model and understanding, and to the best of our
10 knowledge, we could not determine a split between how
11 they separated between recurring and nonrecurring.

12 I believe that I thought that we had all the
13 information we needed to determine that. It's not
14 there. You know, it is a judgment call to some
15 degree. You know, I do agree that the whole idea of
16 the shared and common costs and what's being done here
17 to some degree is a judgment call, but that's my
18 opinion, so --

19 **COMMISSIONER DEASON:** Well, obviously in
20 BellSouth's model and their assumptions there's a
21 certain allocation between -- for the shared labor
22 factor there's a certain allocation of the result as
23 an allocation of cost between recurring and
24 nonrecurring; is that correct? I mean, has the
25 effect --

1 **MS. SIRIANNI:** That --

2 **COMMISSIONER DEASON:** -- of putting certain
3 costs in the recurring category and certain cost costs
4 in the nonrecurring category. That's not right?

5 **MS. SIRIANNI:** Well, what they do is they
6 take -- if I'm not mistaken here, they take the salary
7 and wages; they base it on the salary and wages, I
8 think, from 1995. They take those. They -- oh, no;
9 I'm sorry -- the 1996. They -- I believe that they --
10 let me just -- (pause) --

11 **COMMISSIONER JACOBS:** If I may.

12 **MS. SIRIANNI:** Just one second. (Pause)
13 They take the direct -- it is the 1995 salaries and
14 wages and benefits. They calculate the direct labor
15 rates, and they divide those by the total hours worked
16 for each work group. They've separated them into
17 different work groups. And actually I have a list of
18 those that they're in the -- they're attached to
19 testimony of Witness Reid's.

20 They inflate the 1995 direct labor rates by
21 approximately 3% to get the 1996 direct labor rates.
22 Then they inflate the 1996 direct labor rates by a
23 range of inflation factors to get the 1997 to 1999
24 direct labor rates. They range anywhere from, I
25 think, like 3 to 5%.

1 Then they take the shared costs that were
2 attributed to salary and wages that they accumulated
3 for each work force group, and then they divide those
4 shared costs that were attributed to the salary and
5 wages that they accumulated for each work force group
6 by the direct labor rates, and that gives the shared
7 labor factors.

8 And then they take those shared labor
9 factors and they multiply them by the direct salary
10 and wage portion of the labor rate for each of the
11 work force groups, and it's then added to the
12 incremental labor rate. They subsequently become part
13 of the nonrecurring charge. So, I mean, it's a --.

14 **COMMISSIONER DEASON:** And what's wrong that?
15 Why is that incorrect, that methodology --

16 **MS. SIRIANNI:** I didn't -- I don't believe
17 that the process that they used -- I have no reason to
18 believe that it's an incorrect process. Staff's major
19 concern with it is that we were unable to verify what
20 portion of it is nonrecurring and what portion is
21 recurring and if, in fact, they excluded all of the
22 recurring portion from it when they attributed the
23 shared -- when they do it based on the salary and
24 wages and they take and they attribute -- attribute
25 the salary and wages to the work force groups.

1 That's where -- that's the part that Staff
2 is unable to verify, when they start attributing the
3 salary and wages across -- I don't have any reason to
4 believe that the process they're using here to
5 actually have shared labor factors is, in fact, an
6 incorrect process.

7 There's nothing wrong inherently with them
8 doing it that way. It's just Staff's opinion that we
9 would rather see it done -- if, in fact, we can't
10 verify the numbers, then just do it -- include it in
11 the shared factors and have one factor. And yeah, at
12 the same time it does have the fact -- it does
13 decrease the nonrecurring costs that --

14 **COMMISSIONER DEASON:** Did they take the
15 shared labor factor and apply it to the time that
16 the -- labor time for each activity whether it be
17 recurring or nonrecurring, correct? Isn't that how
18 they applied the shared labor -- maybe you should
19 explain to me how they apply the shared labor factor.

20 **MS. SIRIANNI:** They take the shared labor
21 factor and they -- let me make sure I have this right.
22 When they go from their TSLRIC to their TELRIC, which
23 TELRIC is what they call it when they have TSLRIC plus
24 shared and common costs -- and they add in -- I guess
25 they multiply -- they take the shared labor factor and

1 they multiply it by the times, I guess you could say.
2 I'd have to have one of the -- in front of me to
3 actually -- yeah. Thank you. (Document produced.)

4 One second. (Pause)

5 **MR. PELLEGRINI:** Would it be appropriate to
6 take a short break so that Staff can take a look for
7 the information?

8 **CHAIRMAN JOHNSON:** Do you need a break? Are
9 you suggesting you need one?

10 **MS. SIRIANNI:** It's up to you all. I mean,
11 I just was trying to see if I could explain it better,
12 so I was trying to look in the actual numbers to see
13 where they did a calculation.

14 **COMMISSIONER GARCIA:** I'd love to take five.

15 **CHAIRMAN JOHNSON:** We'll take a five-minute
16 break, or do you need more than that? Ten minutes?

17 **MS. SIRIANNI:** Five is fine.

18 **CHAIRMAN JOHNSON:** Five is fine; five-minute
19 break.

20 (Brief recess.)

21 - - - - -

22 **CHAIRMAN JOHNSON:** We are going to go back
23 on the record. Staff?

24 **COMMISSIONER DEASON:** Commissioners, let me
25 say, first of all, I want to apologize for going

1 through in this much detail. I didn't intend for it
2 to get into this much detail. I guess my bottom line
3 concern -- and, Staff, feel free to jump in at any
4 time -- my bottom line concern on the subject matter
5 that we were just discussing before the break has to
6 do with the recommendation to attribute the shared
7 labor factors all to recurring charges.

8 It seems to me that intuitively when you're
9 talking about shared costs, that some probably should
10 be allocated to recurring activities and some should
11 probably be allocated to nonrecurring activities.
12 That's intuitively what I would think. Now, what
13 proportion goes where, I can't tell you.

14 Staff has -- and this is certainly not
15 critical of Staff in the least -- they have struggled
16 with this and tried to go through the models, which
17 are very complex, and tried to follow through exactly
18 how this is done; and, as I understand Staff, is that
19 they could not follow it -- and not that it's their
20 fault, it's just the fact that there's just a limited
21 amount of resources, time, and information; and when
22 you're going through a hearing, sometimes you don't
23 have the forethought to get every little bit of
24 information that you would like to have.

25 The bottom line is that Staff is

1 recommending that in an abundance of caution and as a
2 conservative nature just to make the allocation such
3 that all of the shared costs are being allocated to
4 recurring activities, and it has the beneficial effect
5 of keeping nonrecurring costs at a minimum.

6 And I'm not faulting that logic. There's
7 certain -- there's logic to that. The difficulty I'm
8 having, though, is that I would think intuitively
9 that there should be some costs allocated to recurring
10 and some costs allocated to nonrecurring.

11 We're laboring here with the responsibility
12 to set these prices at cost, and my concern is that if
13 you just arbitrarily -- I'm not saying it's the wrong
14 thing to do, but if you just arbitrarily say, "We
15 can't follow it; therefore, we're just going to
16 allocate it all to recurring," are we somehow
17 violating the responsibility to set prices at cost?
18 Because it's going to have the result of reducing
19 nonrecurring and increasing recurring, and then you
20 have to ask the question, then, are those prices
21 really reflective of cost.

22 And I don't think it's -- it's not a
23 situation where you're allocating costs so that Bell
24 is not going recover them; it's just that you're
25 allocating them such that they're going to recover,

1 but it's going to be being recovered as recurring
2 charges as opposed to nonrecurring.

3 Any argument could be made that perhaps
4 they're indifferent about that. I don't know. My
5 guess would be that if they had a model and showed you
6 that it fell out a certain way, they probably think
7 that's the way the costs are and that's the way that
8 the costs should be recovered.

9 I can't go in and say, defend BellSouth's
10 position, or show where BellSouth's position is wrong.
11 I think we're all having a little bit of frustration
12 with this because it is exceedingly complex, and we
13 have a limited amount of time and resources to deal
14 with these very difficult issues. That's what my
15 concern is.

16 I was trying to ask questions to educate
17 myself a little bit more about the mechanics involved.
18 I don't think that's a real fruitful exercise or that
19 we need to engage in and utilize our time here today.
20 Just suffice it to say that I have a concern with the
21 bottom line conclusion of Staff to result in all of
22 these shared costs being allocated to the recurring
23 category.

24 **COMMISSIONER CLARK:** That is the shared
25 labor costs, right?

1 **MS. SIRIANNI:** That's right. As I was
2 saying, the shared labor costs were on the
3 nonrecurring rates, the shared factors applied to
4 recurring, and then the common cost applies to both
5 recurring and nonrecurring.

6 I just would add one thing in that Staff
7 doesn't believe that we would be setting rates that
8 were not based on appropriate costs. It's Staff's
9 belief that since we were unable to verify exactly
10 what portion would be nonrecurring and if, in fact,
11 all the recurring had been excluded, that those costs
12 will be recovered, it just will be as recurring; and
13 Staff believes that that's appropriate.

14 **COMMISSIONER DEASON:** Let me ask a question:
15 What if you have a situation where you have someone
16 subscribing to UNEs? They have a very minimal
17 recurring -- I mean, sorry; nonrecurring -- and
18 they're going to -- and BellSouth goes through all of
19 the activity of setting up all of these UNEs and
20 whatever labor is involved, the shared labors,
21 et cetera, of setting it up, and then they subscribe
22 for three or four months and then they say, we don't
23 want it anymore. Is BellSouth out anything at that
24 time?

25 In their contracts are there penalties that

1 they have to pay to -- somehow to recognize the fact
2 that BellSouth incurred a lot of up-front costs that
3 they were going to recover over the life of the
4 contract, and now the contract has been terminated or
5 whatever? Is that the situation? Or how is that
6 done?

7 **MS. SIRIANNI:** Well, there's two things.
8 One, I believe that -- I'm not -- I can't say for
9 sure, but I would venture to say that there's probably
10 some kind of contract that a competitor signs to take
11 an unbundled network element or a service for a
12 certain amount of time, and there's probably a penalty
13 if they don't.

14 Second, those facilities are reusable, and
15 so once again a competitor comes in and buys that
16 facility, pays the nonrecurring costs -- charge all
17 over again. But I do believe that there is some type
18 of penalty if you don't fulfill the contract length of
19 time that you signed up with. I would have to check
20 the contract for sure, but --

21 **COMMISSIONER DEASON:** Well, I guess the
22 bottom line is that Staff is not convinced that
23 BellSouth's allocation is right. I'm not convinced
24 that BellSouth's allocation is wrong.

25 **COMMISSIONER JACOBS:** Can I ask a couple

1 questions? We're clear that the cost pool you're
2 looking at, that you're trying to redistribute, is an
3 accurate number, that you're trying to actually allow
4 charges for costs that are very real, and you feel
5 comfortable about those. The problem is actual
6 distinction of which part of those costs are recurring
7 and which part of that pool are nonrecurring. Is that
8 a correct statement?

9 **MS. SIRIANNI:** That's correct. Staff feels
10 comfortable with the costs provided by BellSouth with
11 the exception of its -- Staff's adjustments that we
12 proposed in the recommendation.

13 **COMMISSIONER JACOBS:** And the issue is --
14 and the issue that we're struggling with is whether or
15 not to allow charges for those costs that are weighted
16 towards nonrecurring versus recurring; is that
17 correct?

18 **MS. SIRIANNI:** Whether to allow a shared
19 labor factor which applies to nonrecurring rates which
20 makes the nonrecurring rate higher. That's what is at
21 question, right.

22 **COMMISSIONER JACOBS:** And the risk of that
23 is that in some way, form, or fashion, we would not
24 weight enough towards nonrecurring; is that correct?

25 **MS. SIRIANNI:** Well, by shifting them to

1 recurring, then you take risk, yes, that some -- that
2 maybe nonrecurring actually may now be in recurring.
3 But by doing the shared labor factors as they are,
4 there's also the risk that all of the recurring costs
5 have not been excluded, and you may be recovering some
6 of the recurring costs in nonrecurring.

7 **COMMISSIONER JACOBS:** Okay. So there's --

8 **MS. SIRIANNI:** And that's --

9 **COMMISSIONER JACOBS:** -- there's a flip
10 risk. Okay.

11 **MS. SIRIANNI:** Right, you could flip it.
12 And that's where Staff is a little uncomfortable that
13 we were unable to verify that, and so --.

14 **COMMISSIONER JACOBS:** Okay. And when it's
15 all said and done, it was the burden of the company to
16 make that as clear as possible, to eliminate as much
17 of that risk as possible by what it presented to us;
18 is that correct? And we're basically facing this
19 because we can't do that based on the presentation
20 that was made?

21 **MS. SIRIANNI:** Well, that's correct. It is
22 an arbitration between two companies, and it is up to
23 them to bring the information to us to be able to make
24 a determination.

25 **COMMISSIONER JACOBS:** Okay.

1 **CHAIRMAN JOHNSON:** Any other questions,
2 Commissioners? Is there a motion?

3 (Inaudible comment away from microphone.)

4 **COMMISSIONER GARCIA:** I move --

5 **COMMISSIONER DEASON:** Long time ago, right.

6 **CHAIRMAN JOHNSON:** Oh, did you? (Laughter)

7 Is there a second?

8 **COMMISSIONER CLARK:** Second.

9 **CHAIRMAN JOHNSON:** There's a motion and a
10 second, and we're going through --

11 **COMMISSIONER CLARK:** No, this is just the
12 shared and common cost.

13 **CHAIRMAN JOHNSON:** Shared and common cost
14 section?

15 **COMMISSIONER GARCIA:** (Nodding head.)

16 **CHAIRMAN JOHNSON:** Motion and second on
17 shared and common cost section. All those in favor,
18 signify by saying aye.

19 **COMMISSIONER CLARK:** Aye.

20 **COMMISSIONER JACOBS:** Aye.

21 **COMMISSIONER GARCIA:** Aye.

22 **CHAIRMAN JOHNSON:** Aye. Opposed?

23 **COMMISSIONER DEASON:** I'm going to vote nay
24 just to indicate my concern with the areas I asked
25 questions about, that being the allocation between

1 recurring and nonrecurring and the level of expense
2 reductions in general in the administrative expenses
3 as described on the bottom of Page 56 of the
4 recommendation.

5 **CHAIRMAN JOHNSON:** Okay. With that
6 explanation, we're on Page 61, Residual Revenue
7 Requirement.

8 **MS. OLLILA:** Commissioners, this section
9 addresses BellSouth's proposed residual revenue or
10 residual recovery requirement. This is the historical
11 cost that BellSouth proposes to recover in the
12 recurring rates for loops and ports.

13 Staff recommends that this residual recovery
14 requirement be excluded from the rates. Staff is
15 available to answer any questions.

16 **COMMISSIONER DEASON:** I move Staff.

17 **COMMISSIONER CLARK:** Second.

18 **CHAIRMAN JOHNSON:** Motion and a second. Any
19 further discussion? Seeing none, all those in favor
20 signify by saying aye.

21 **COMMISSIONER DEASON:** Aye.

22 **COMMISSIONER CLARK:** Aye.

23 **COMMISSIONER JACOBS:** Aye.

24 **COMMISSIONER GARCIA:** Aye.

25 **CHAIRMAN JOHNSON:** Aye. Show it approved

1 unanimously.

2 Section 6 -- or 7, Non --

3 **COMMISSIONER CLARK:** No, 6; Operational
4 Support Systems. I move Staff.

5 **COMMISSIONER GARCIA:** What page are you on?

6 **CHAIRMAN JOHNSON:** 67. Operational Support
7 Systems. There's a motion. Is there a second?

8 **COMMISSIONER DEASON:** I have one question;
9 hopefully, just one. I understand that the charges --
10 that there are no ordering charges associated with the
11 OSS, that it's not the subject matter of this
12 proceeding. My question is when and where are we
13 going to address that?

14 **MS. SIRIANNI:** Well, first of all, if the
15 companies can negotiate between themselves what rates
16 should be set --

17 **COMMISSIONER DEASON:** And hopefully they
18 will.

19 **MS. SIRIANNI:** -- and then we'll go from
20 there. If they can't solve that, then I'm sure
21 they'll be back in front of us with an arbitration
22 proceeding.

23 **COMMISSIONER DEASON:** I do have another
24 question. Is BellSouth under an obligation then to
25 process orders even though they don't have a rate in

1 place to recover the ordering charges associated with
2 OSS?

3 **MS. SIRIANNI:** I don't believe so. I will
4 say that MCI in their contract has language that
5 specifically says that BellSouth -- I'm not sure
6 exactly how it goes, but that they cannot charge any
7 additional rate for the ordering, preordering. So as
8 far as MCI goes --

9 **COMMISSIONER DEASON:** Their contract already
10 addresses it.

11 **MS. SIRIANNI:** Right. Of course, that's
12 only the term of the current contract that they're
13 under. But I don't believe that BellSouth would be
14 obligated to continue to process those orders, and I
15 don't believe that that's for the Commission here to
16 require them to do that even though there's no rate
17 set for that. I believe it's between the companies,
18 but they would have to agree on a rate.

19 **CHAIRMAN JOHNSON:** There's a motion on
20 Section 6. Was there a second?

21 **COMMISSIONER DEASON:** Second.

22 **CHAIRMAN JOHNSON:** There's a motion and
23 second. Any further discussion? Seeing none, all
24 those in favor signify by saying aye.

25 **COMMISSIONER DEASON:** Aye.

1 **COMMISSIONER CLARK:** Aye.

2 **COMMISSIONER JACOBS:** Aye.

3 **COMMISSIONER GARCIA:** Aye.

4 **CHAIRMAN JOHNSON:** Aye. Show it approved
5 unanimously.

6 **COMMISSIONER JACOBS:** I'm sorry. I guess I
7 will kind of follow up. We don't anticipate that this
8 will hold up proceeding forward under this agreement?
9 In other words, if they come to a roadblock, we can
10 expedite getting back here to resolve the OSS issue,
11 could we not?

12 **MS. SIRIANNI:** You're talking about the OSS?

13 **COMMISSIONER JACOBS:** Yes.

14 **MS. SIRIANNI:** Yes, Commissioners. I mean,
15 if they come back to us, we'll try to, you know, do
16 that as fast as we can. They first have to file with
17 us in order to -- before, you know, Staff can do
18 anything. We would not want the fact that there is no
19 charge for OSS to hold up competition.

20 **COMMISSIONER JACOBS:** My point exactly.

21 **MS. SIRIANNI:** I think that's your concern.

22 **CHAIRMAN JOHNSON:** Okay. Show that
23 Section 6 approved unanimously.

24 We're on Section 7, Nonrecurring Charges,
25 Disconnect Costs.

1 **MS. NORTON:** Commissioners, This item
2 addresses just the disconnect costs that are being
3 built into the installation charges under Bell's
4 proposal. The parties objected to having disconnect
5 costs incorporated into those on the basis that
6 there's an opportunity for Bell to overrecover their
7 costs and that the location lives associated with the
8 factor are in dispute.

9 Staff has recommended excluding disconnect
10 costs from the installation from the nonrecurring
11 charges. Including them in them is a standard
12 practice in end user tariffs, and for appropriate
13 reason it's more difficult to have a customer, an end
14 user customer, be sent an additional bill for the cost
15 of disconnecting, and it's just more accepted on an
16 end user basis to recover those up front.

17 However, with an ALEC relationship, the
18 termination of a particular element does not
19 necessarily mean that it's the termination of the
20 ILEC/ALEC contractual relationship. We believe it's
21 appropriate to let the parties negotiate specific
22 cost-based rates for disconnect and to set up separate
23 charges for them.

24 **COMMISSIONER CLARK:** I had a question on
25 that. You're saying they must negotiate this, and in

1 the meantime how do they recover these costs?

2 **MS. NORTON:** Well, at the time, there's
3 several things at issue. If there are -- if they do
4 need to actually disconnect, they can either negotiate
5 a rate right now or set up an interim rate, something
6 to get them through until they set permanent rates,
7 and they can do that themselves. They are free to do
8 that themselves.

9 **COMMISSIONER CLARK:** All right. We are
10 saying that this is a legitimate cost that should be
11 recovered? We're not going to include it in the
12 installation, but send the parties back to negotiate
13 this?

14 **MS. NORTON:** There's negotiations going on
15 all the time. I mean, there's things that will come
16 out of this and things that won't come out of this.
17 This docket --

18 **COMMISSIONER CLARK:** Let me ask you this:
19 Did we conclude that the costs they came up with for
20 disconnect were appropriate?

21 **MS. NORTON:** No.

22 **COMMISSIONER CLARK:** Okay.

23 **COMMISSIONER DEASON:** So we're not setting
24 any type of rate for disconnect, and to the --
25 allowing the parties to negotiate it. Hopefully there

1 are not going to be any disconnects for a while, but
2 who knows.

3 **MS. NORTON:** Commissioner, I would bet there
4 would be connects and disconnects all the time. It's
5 an ongoing, fluid process. One of the issues that
6 parties raised is that you, as an end user, paid for
7 your disconnect up front. If another party takes your
8 service and Bell wants to charge -- and the rates that
9 Bell has proposed include the cost of that disconnect
10 again, Staff agrees that perhaps that would be double
11 recovery. And to the extent the parties can and are
12 able to, and we believe they can, they can set
13 appropriate rates on that basis.

14 There's another factor in there in that the
15 costs that Bell has included involve the costs
16 associated with going out and actually physically
17 disconnecting, for example, a loop when -- in the
18 nonrecurring charges.

19 Loops are not physically disconnected every
20 single time one is idle for a period of time. And we
21 believe it's more appropriate to include those costs
22 in there, too. Staff has great faith that the parties
23 are fully capable of negotiating that and setting
24 those rates.

25 **COMMISSIONER DEASON:** I move Staff.

1 **COMMISSIONER CLARK:** Second.

2 **CHAIRMAN JOHNSON:** Motion and a second. Any
3 further discussion? All those in favor signify by
4 saying aye.

5 **COMMISSIONER DEASON:** Aye.

6 **COMMISSIONER CLARK:** Aye.

7 **COMMISSIONER JACOBS:** Aye.

8 **COMMISSIONER GARCIA:** Aye.

9 **CHAIRMAN JOHNSON:** Aye. Show it approved
10 unanimously.

11 Arguments specific to unbundled networks.

12 **COMMISSIONER CLARK:** What page are we on?

13 **CHAIRMAN JOHNSON:** 73; Issue 1(a).

14 **MR. STAVANJA:** Commissioners, Issue 1(a)
15 addresses the recurring and nonrecurring rates and
16 charges for the network interface device.

17 In addition, there are two other elements
18 that rates or charges were set for; one being the
19 installation, when Bell installs a network interface
20 device for an ALEC, and when that occurs, a
21 cross-connect between the two network interface
22 devices. So there's two additional elements that
23 charges were set for.

24 Staff recommends that the Commission adopt
25 Staff's proposed rates for these elements.

1 **COMMISSIONER CLARK:** I move Staff. 1(a),
2 right?

3 **MR. STAVANJA:** Yes.

4 **COMMISSIONER DEASON:** Let me ask one
5 question. On Page 74, the first full paragraph is
6 talking about Witness Caldwell and the statement that
7 there is an average of one and a quarter lines per
8 customer and concluding that two protectors would have
9 to be modeled.

10 Does Staff disagree with that logic, and if
11 so, why?

12 **MR. STAVANJA:** Commissioner, a station
13 protector, there's one station protector for each line
14 that's terminated; and the way that Bell came up with
15 how much investment should be attributed to the
16 station protector, they went through a calculation and
17 said, well, we've got X number of lines and we've got
18 Y number of consumers, and they came out with an
19 average loop, number of loops per customer. And then
20 since it was greater than one, they rounded it up to
21 two and then multiplied two times the investment for
22 the station protector.

23 **COMMISSIONER DEASON:** You're concluding
24 that's overstating their investment?

25 **MR. STAVANJA:** Right. It should be a

1 one-to-one; you know, you've got one loop, you should
2 have one station protector, not two times every
3 customer. It should be one loop, one station
4 protector.

5 **COMMISSIONER DEASON:** But how do they build
6 their network, and since that if they know that
7 there's more and more customers going to be using more
8 than one line per location, are they having to put in
9 the infrastructure to allow for this? And then are we
10 setting the prices for them to recover what they
11 actually have invested?

12 **MR. STAVANJA:** I think that --

13 **COMMISSIONER DEASON:** Well, say, or actually
14 on a going-forward basis. All of this is
15 forward-looking. Is that going to be the basis of a
16 forward-looking network, or is there just going to be
17 more than one line per customer and that you have to
18 have the infrastructure to accommodate that?

19 **MR. STAVANJA:** I don't think that this
20 calculation is not allowing for anything like that,
21 because it merely is saying if you do order an
22 additional line, you will need a station protector,
23 and if so, you will pay for that amount of the
24 investment.

25 However, it should be to me a one-to-one

1 relationship. If a loop is installed, the station
2 protector should be installed; therefore, that's the
3 appropriate investment amount.

4 It's not as if Bell has put -- at least the
5 evidence doesn't show that Bell has gone and put,
6 automatically put, extra station protectors in place.
7 I mean, if that is the case, you know, I didn't see
8 that. And I think that what you're saying is if they
9 did put that in place, whether another loop, two loops
10 or one loop, you know, is being used, that they've got
11 that investment put in and they should recover it.

12 The evidence as I've seen it is that if
13 they've got X amounts of loops in service, there
14 should be X amount of station protectors in service,
15 and they should recover that investment. I'm not
16 saying that there's an investment that's out there
17 that they shouldn't recover. To my knowledge, it's
18 not out there is all I'm saying.

19 **COMMISSIONER DEASON:** I guess my question
20 goes to in a forward-looking network situation, is it
21 the most economical thing to do it for every customer
22 location you put in more than one protector, because
23 you know that the likelihood is there's going to be
24 more than one loop terminating at that point.

25 **MR. STAVANJA:** I don't know that Bell has

1 put more than one in each --

2 **COMMISSIONER DEASON:** This whole thing is
3 not what they historically embedded have done is what
4 is the forward looking network. And is that what Bell
5 is going to be -- is that the most efficient way to
6 provide service, given that people have computers and
7 that sort of thing, on a going-forward basis is it
8 most economical to have two protectors? When you go
9 out there to hook up service initially, is it the most
10 economic thing to go ahead and put in two protectors
11 and be done with it? Or is that not the efficient way
12 to provide service?

13 **MR. STAVANJA:** I guess that's a decision for
14 BellSouth to decide, whether the trend is that there's
15 going to be on occasion more and more loops per
16 residence or loops per building, and if so, would it
17 be more beneficial for them to go ahead and put that
18 investment --

19 **COMMISSIONER DEASON:** That's exactly the
20 question.

21 **MR. STAVANJA:** Right. And all I'm saying is
22 there's no evidence to say that that's the trend and
23 whether to go about that.

24 **COMMISSIONER DEASON:** All right. Thank you.

25 **CHAIRMAN JOHNSON:** Any other questions,

1 Commissioners? Was there a motion?

2 **COMMISSIONER CLARK:** Yes.

3 **CHAIRMAN JOHNSON:** There's a motion? Is
4 there a second?

5 **COMMISSIONER JACOBS:** Second.

6 **CHAIRMAN JOHNSON:** Motion and a second. Any
7 further discussion? Seeing none, and this is
8 Issue 1(a), all those in favor signify by saying aye.

9 **COMMISSIONER DEASON:** Aye.

10 **COMMISSIONER CLARK:** Aye.

11 **COMMISSIONER JACOBS:** Aye.

12 **COMMISSIONER GARCIA:** Aye.

13 **CHAIRMAN JOHNSON:** Aye. Show it approved
14 unanimously.

15 **MS. OLLILA:** Commissioners, Issue 1(b)
16 begins on Page 79 and it addresses BellSouth's --

17 **COMMISSIONER CLARK:** I have a question, and
18 I think it's important for the order. On Page 80, the
19 B section, recasting the loop sample, you say "Staff
20 agrees with AT&T and MCI that the inclusion of these
21 types of line might have resulted in a sample of
22 business lines which were loops," et cetera, but you
23 seem to agree with BellSouth that those customers
24 would likely be used -- served by DS-1s and DS-3s.

25 **MS. OLLILA:** That's correct.

1 **COMMISSIONER CLARK:** So you agreed with it.
2 I guess my thought was if they're right, it should
3 have been excluded, and there's nothing wrong with
4 them having excluded. I guess I don't understand why
5 you agree with AT&T and MCI that they should have --
6 well, maybe you don't. Maybe you just agree that will
7 result in a shorter line, but you don't agree that
8 that's the right way to do it.

9 **MS. OLLILA:** Well, I agree that it might
10 have resulted in a shorter loop length, and in the
11 interests of completeness in terms of modeling all of
12 their loops, I agree it probably should have been
13 included, but I don't think it makes enough difference
14 based on the way customers are likely to order.

15 **COMMISSIONER CLARK:** Well, I guess that's
16 the point, I thought. If you are basing it on what
17 they're likely to order, they're not going to use the
18 loops that would be included in the study; they're
19 going to use DS-1s and DS-3s; therefore, it is
20 entirely appropriate to exclude it from the study.

21 **MS. OLLILA:** Yes, that's correct.

22 **COMMISSIONER CLARK:** I agree with that. I
23 don't agree with the notion that it should have been
24 included in the study. If the evidence is clear that
25 when you have ESSX -- or when you have an ESSX --

1 **MS. OLLILA:** ESSX.

2 **COMMISSIONER CLARK:** -- coming through ESSX
3 or a business trunk, it's going to be DS-1 or DS-3.
4 If that's the way it is, then you shouldn't include it
5 in the sample.

6 **MS. OLLILA:** The reason I was a little
7 uneasy about excluding it is that -- I'm sure there's
8 small ESSX customers, and from that perspective maybe
9 it should have been included; but overall I agreed
10 with BellSouth that the majority in terms of numbers
11 of lines would be served by a DS-1 or a DS-3 and,
12 therefore, it didn't really make a difference.

13 **COMMISSIONER CLARK:** Well, you know, I think
14 the conclusion you reached is the correct -- I can
15 move Staff on 1(b).

16 **CHAIRMAN JOHNSON:** There's a motion on 1(b).
17 Is there a second?

18 **COMMISSIONER DEASON:** 1(b) goes to -- what
19 page of the recommendation is 1(b) completed on?

20 **MS. OLLILA:** Commissioner, 1(b) concludes on
21 Page 105.

22 **COMMISSIONER DEASON:** Okay. And I have a
23 question on Page 94.

24 **COMMISSIONER JACOBS:** Before then, just one
25 quick question. What did we conclude on fill factors?

1 **MS. OLLILA:** Pardon me?

2 **COMMISSIONER JACOBS:** What was your
3 conclusion on fill factors? I may have --

4 **MS. OLLILA:** On the distribution fill factor
5 I recommended that it be raised by 10%.

6 **COMMISSIONER JACOBS:** So they had 38 --

7 **MS. OLLILA:** .8.

8 **COMMISSIONER JACOBS:** So you said 48.8?

9 **MS. OLLILA:** 42.7%.

10 **COMMISSIONER JACOBS:** I just missed that.
11 Go ahead.

12 **CHAIRMAN JOHNSON:** Commissioner Deason?

13 **COMMISSIONER DEASON:** I have a question on
14 Page 94. I'm looking at the rate comparison there for
15 recurring rates, and I just need an explanation on why
16 Staff's recommended rate -- if these still are the
17 recommended rates; they may have been changed --

18 **MS. OLLILA:** No, sir, they're not.

19 **COMMISSIONER DEASON:** -- why these
20 recommended rates are even lower than BellSouth's
21 TSLRIC without any common or shared cost included.

22 **MS. OLLILA:** Well --

23 **COMMISSIONER DEASON:** Why do we have that
24 result?

25 **MS. OLLILA:** The way the model works, the

1 cost of capital was applied, the depreciation rates
2 were applied, the tax factors were applied, the shared
3 and common cost factors, and then the two changes that
4 I recommend; the fill factor as well as the second
5 change.

6 **COMMISSIONER DEASON:** So all of those just
7 accumulate, in fact, to where it's -- in fact, is even
8 less than what Bell's rate is without shared and
9 common. That's just of the result of all of the
10 adjustments?

11 **MS. OLLILA:** Yes, sir, that's it. And I
12 calculated the incremental effects of the different
13 changes for the loops. And basically the changes, the
14 technology type changes that I recommended, account
15 for between 26 and 39% of the difference between
16 BellSouth's TSLRIC rate plus shared and common.

17 **COMMISSIONER DEASON:** Okay. Thank you.

18 **CHAIRMAN JOHNSON:** Any other questions,
19 Commissioners?

20 **MS. OLLILA:** Commissioners, 1(h) addresses
21 the permanent recurring and nonrecurring rates for
22 2-wire ADSL. Staff is available to answer questions.

23 **CHAIRMAN JOHNSON:** We haven't voted on the
24 other.

25 **MS. OLLILA:** Oh, I'm sorry.

1 **CHAIRMAN JOHNSON:** Any other questions?

2 **COMMISSIONER DEASON:** Hold on just a second.

3 (Pause) I don't have any other questions.

4 **CHAIRMAN JOHNSON:** There was a motion --

5 **COMMISSIONER DEASON:** Second.

6 **CHAIRMAN JOHNSON:** -- and a second. Any
7 further discussion? All those in favor, signify by
8 saying aye.

9 **COMMISSIONER DEASON:** Aye.

10 **COMMISSIONER CLARK:** Aye.

11 **COMMISSIONER JACOBS:** Aye.

12 **COMMISSIONER GARCIA:** Aye.

13 **CHAIRMAN JOHNSON:** Aye. Show it approved
14 unanimously.

15 1(h).

16 **MS. OLLILA:** 1(h) addresses the appropriate
17 permanent recurring and nonrecurring rates for the
18 2-wire ADSL loop.

19 **COMMISSIONER CLARK:** I move Staff.

20 **COMMISSIONER JACOBS:** Second.

21 **CHAIRMAN JOHNSON:** Any questions? All those
22 in favor signify by saying aye.

23 **COMMISSIONER DEASON:** Aye.

24 **COMMISSIONER CLARK:** Aye.

25 **COMMISSIONER JACOBS:** Aye.

1 **COMMISSIONER GARCIA:** Aye.

2 **CHAIRMAN JOHNSON:** Aye. Show it approved
3 unanimously.

4 1(i) on Page 117.

5 **COMMISSIONER CLARK:** I move Staff.

6 **CHAIRMAN JOHNSON:** Is there a second?

7 **COMMISSIONER DEASON:** Second.

8 **CHAIRMAN JOHNSON:** Any discussion. Seeing
9 none, all those in favor signify by saying aye.

10 **COMMISSIONER DEASON:** Aye.

11 **COMMISSIONER CLARK:** Aye.

12 **COMMISSIONER JACOBS:** Aye.

13 **COMMISSIONER GARCIA:** Aye.

14 **CHAIRMAN JOHNSON:** Aye. Show it approved
15 unanimously.

16 What page is the next issue?

17 **MS. KING:** Page 125.

18 **CHAIRMAN JOHNSON:** I missed it.

19 **MS. KING:** The next element, Commissioners,
20 is physical collocation, which is discussed on 125
21 through 158. For its proposal BST used its TELRIC
22 calculator and cost estimating spreadsheets, while
23 AT&T/MCI used the collocation cost model. WorldCom,
24 on the other hand, did not provide cost data, but
25 proposed that the Commission permanently adopt the

1 interim rates and elements contained in the MFS/BST
2 agreement.

3 While the parties in this proceeding
4 generally agree that certain components are necessary
5 for physical collocation, there was significant
6 disagreement as far as cable lengths and materials and
7 items such as those. It was very difficult to do an
8 apples to apples comparison.

9 Staff's recommended elements and rates are
10 found on Page 154, and Staff has a minor modification
11 on Page 143, if you would go there, please.

12 On Page 143, approximately the middle of the
13 page, in the second paragraph there's a parenthetical
14 there, and the words "one sheet of plywood" should be
15 struck. And we're --

16 **COMMISSIONER GARCIA:** Let me just -- the
17 only problem I had with this one, and I guess it's
18 sort of a property rights argument or something. And
19 it just strikes me that these companies are on
20 BellSouth property; they have a right to be there, and
21 I think Staff appropriately, since it was apples to
22 oranges, sort of gave prices for each and let people
23 decide.

24 But it struck me that I thought you left no
25 option for BellSouth to decide what it wanted used

1 within its facilities, and I believe that that
2 decision did not adversely affect the player. And
3 when you consider all these costs, if BellSouth wanted
4 plasterboard in one and wire mesh at another center,
5 that I didn't think there was a problem in that. And
6 the decision by -- or the Staff's opinion on this sort
7 of left it all up to the other person.

8 And so I thought first it created confusion
9 because it lets you come in with a smorgasbord, sort
10 of saying, okay, I want -- one guy comes in and says,
11 I want plaster, the next one says I want wire mesh,
12 the next one says I want -- I don't remember what --
13 there were three options, right?

14 **MS. KING:** The fire rated is for code.

15 **COMMISSIONER GARCIA:** Right.

16 **MS. KING:** To meet code.

17 **COMMISSIONER GARCIA:** And I understand that.
18 If they have to meet code, Staff says you've got to
19 meet code. We're not addressing that. But it just
20 struck me that BellSouth's input should be important,
21 should have some input on the decision of what's going
22 to be done. It should not just be based on the person
23 who is building this within someone else's facility.
24 And I don't know how we can say it in here or even if
25 this allows for that.

1 **MR. PELLEGRINI:** I think, Commissioner
2 Garcia, that given whatever codes would be applicable
3 in a given location, that the intention is that the
4 parties would negotiate one of these structures.

5 **COMMISSIONER GARCIA:** But that's not what
6 happens, Charlie. Your wording is -- Staff, is very
7 specific, and it says -- correct me if I'm wrong.
8 Somewhere in there it says the ALEC will decide.

9 **MS. KING:** Yes, sir. In our recommendation
10 we said it would be left up to the ALEC to determine
11 whether they prefer a wire mesh cage or a gypsum board
12 cage, because we did not find Bell's arguments that
13 only wire -- or excuse me -- only gypsum is suitable
14 for collocation. We felt that --

15 **COMMISSIONER GARCIA:** I understand, and we
16 sort of took a medium ground on it. But on this one
17 it struck me that we could say something to the effect
18 of that both parties on whatever -- on whatever both
19 parties will agree, or on -- after consultation
20 parties will agree on whichever one they wish.

21 The whole point that it may already -- they
22 may have taken one way of doing something at one
23 facility, and it only seems natural to continue that
24 way of doing it while -- go ahead. Correct me if I'm
25 wrong, because -- speak up.

1 **MS. NORTON:** Commissioner, this -- Bell's
2 proposal to require gypsum wall is a change that's
3 made beginning with this particular filing. They have
4 traditionally allowed wire mesh. Wire mesh is
5 commonly used throughout, and there's ample record
6 evidence.

7 Our only purpose in listing -- making the
8 list of options there was to say that wire mesh in our
9 view is an acceptable form of cage construction, and
10 that was the only thing. It was to counter Bell's
11 proposal that it was not.

12 **COMMISSIONER GARCIA:** Right.

13 **MS. NORTON:** So I think that we've probably
14 accomplished what you seek here, which is there will
15 be discussion among the parties. What we felt --

16 **COMMISSIONER GARCIA:** Can we say that in
17 here? That's all I want.

18 **MS. KING:** We can put that in the record,
19 in --

20 **COMMISSIONER GARCIA:** Okay. I'd like that.
21 I'd like it that whatever they've decided comes to as
22 an agreement to both sides, because I just -- I
23 thought Staff was very fair in not forcing one issue
24 and left a choice, and it's sort of a decision of
25 several. And I think that when you get there -- and

1 I'm not a technician, and I think Staff doesn't even
2 hold itself to be a technician of wire meshing. But
3 they may get to a certain area or a certain business
4 center or a certain central office where, for whatever
5 reasons, they have decided outside of code to go with
6 one type of system, it's easier for them to operate
7 that system there for X reasons, and they want to
8 continue that system because they've done before, it
9 just seems natural to me that both parties say, all
10 right, what the heck, let's go with the gypsum, or,
11 let's go with the wire and -- is that all right?

12 **MS. NORTON:** Yes. They all need to be able
13 to come to an agreement at any rate, and our only
14 thing was that they --

15 **COMMISSIONER GARCIA:** Well, I didn't
16 think --

17 **MS. NORTON:** -- that all three were --

18 **COMMISSIONER GARCIA:** Right.

19 **MS. NORTON:** -- on the table.

20 **COMMISSIONER GARCIA:** Right, but all three
21 were on the table, and I got a feeling there were all
22 three on the table for the ALEC to decide which one
23 from the many it wished to pick. At least that's how
24 I read it. But you'll write it up that way. And with
25 that, I guess someone moved it and I'll second.

1 (Inaudible comment away from microphone.)

2 **COMMISSIONER GARCIA:** Then I'll move it.

3 **CHAIRMAN JOHNSON:** There's a motion and a
4 second.

5 **COMMISSIONER CLARK:** Who was the second? I
6 didn't hear any motion or a second.

7 **CHAIRMAN JOHNSON:** He just made a motion.

8 **COMMISSIONER CLARK:** Who seconded it?

9 **CHAIRMAN JOHNSON:** Maybe there wasn't --

10 **COMMISSIONER GARCIA:** I think I seconded my
11 own motion, because I said I'll second because I
12 thought there was -- someone had seconded.

13 **COMMISSIONER CLARK:** I had a question on
14 Page 143. I guess this is sort of along the same
15 lines as you have. It says "It's Staff's belief that
16 the ALEC may construct its own cage using its own
17 contractor."

18 **MS. KING:** Yes, ma'am. There was some
19 discussion on the record and in testimony that the
20 ALECs felt that they should be able to bring in their
21 own contractor to do the work and perhaps get a better
22 rate. You know, they would incur all the costs. And
23 we believe that using their own contractor is fine,
24 but that would have to be a BellSouth -- it would have
25 to meet the qualification that BellSouth has laid out

1 so BellSouth could protect its own equipment as well
2 as the equipment of other collocators.

3 **COMMISSIONER CLARK:** Well, clarify that for
4 me. The ALEC -- are we requiring BellSouth to offer
5 that as part of this agreement?

6 **MS. KING:** Yes, ma'am; and it's also
7 mentioned in their physical collocation guidelines
8 that an ALEC may use their own contractor --

9 **COMMISSIONER CLARK:** Oh, they've agreed to
10 that.

11 **MS. KING:** -- under certain criteria, yes,
12 ma'am.

13 **COMMISSIONER CLARK:** Okay.

14 **COMMISSIONER GARCIA:** I just thought that
15 the criteria was -- that we allowed them to set the
16 criteria, because I --

17 **MS. KING:** That's correct.

18 **COMMISSIONER GARCIA:** -- you know, I don't
19 think anyone should be able to go in there and create
20 a dust storm.

21 **MS. KING:** Right.

22 **COMMISSIONER GARCIA:** You know, because
23 their equipment is brand new, and everyone else has to
24 suffer.

25 **MS. NORTON:** No. Bell's guidelines

1 incorporate a process by which the ALEC can bring in
2 its own contractor.

3 **COMMISSIONER CLARK:** And Page 146, it wasn't
4 clear to me -- has BellSouth taken the position that
5 the power plant expansions are in recurring costs and
6 not nonrecurring costs?

7 **MS. NORTON:** This power element, I believe
8 that there was some -- as best as Staff can figure
9 out, AT&T was concerned that Bell was going to double
10 recover power plant expansion costs.

11 We went back into the physical collocation
12 guidelines, and the two items that were -- that they
13 thought where the double recovery would take place was
14 this power item plus the individual case basis space
15 prep fee. But Staff's reading of the guidelines is
16 that just that the power plant, the investment in the
17 power plant expansion, would be -- is designed to be
18 recovered in the power rate, which is recurring, and
19 that's appropriate.

20 **COMMISSIONER DEASON:** I have a question.
21 I'm looking at the rates themselves, which are found
22 on Pages 154 -- or starting on Page 154. Have these
23 rates been changed as a result of the update that we
24 received?

25 **MS. KING:** No, sir.

1 **COMMISSIONER DEASON:** Okay. I was just
2 looking through these rates, and I guess my
3 question -- first of all, the application fee/planning
4 fee, Staff's recommending a nonrecurring charge of
5 3,248.

6 **MS. NORTON:** That's correct.

7 **COMMISSIONER DEASON:** And I'm looking on
8 Page 155, and the AT&T/MCI position was 3,325.

9 **MS. NORTON:** That is correct.

10 **COMMISSIONER DEASON:** Staff is even lower
11 than -- what resulted in that?

12 **MS. NORTON:** Pardon me?

13 **COMMISSIONER DEASON:** Why is Staff --

14 **MS. NORTON:** That again is similar --

15 **COMMISSIONER DEASON:** -- lower than AT&T --

16 **MS. NORTON:** -- to the loops. Once you
17 apply the cost of capital and the depreciation changes
18 and the tax changes, that rate did fall out of that.

19 What we have done there -- and given the
20 discussion on shared and common costs, I don't think
21 you'll like this -- we've recommended --

22 **COMMISSIONER DEASON:** Shifting to a
23 recurring --

24 **MS. NORTON:** There were two proposals with
25 respect to the application fee. Bell called it the

1 application fee. AT&T had a different name. We
2 didn't presume to name it. We're talking about the
3 same thing with this planning fee.

4 Bell had proposed a one-time nonrecurring
5 charge that incorporated 87 and a half hours' worth
6 of manpower for its planning. AT&T and MCI were
7 adamantly opposed to that high a fee just to find out
8 whether or not they would have to incur more costs for
9 space preparation to get a firm estimate.

10 AT&T and MCI proposed a different form of
11 cost recovery for that. They proposed to recover only
12 a certain number of hours, 52, in a nonrecurring
13 format, to recover costs associated with the first
14 collocation request in a given central office that
15 would -- that was specific to that collocater; an
16 additional 66 hours, which would only have to be --
17 the labor would only be incurred with the first
18 collocation request, but would not -- and would not
19 have to be repeated with subsequent collocation
20 requests, planning cable lengths where the collocation
21 area is going to be.

22 There are a lot of costs that really are
23 only incurred the first time, but really benefit all
24 the subsequent collocaters, and for that AT&T proposed
25 a recurring charge; and Staff has gone with that rate

1 structure, a nonrecurring plus a recurring charge.

2 AT&T also included more work in their
3 up-front fee that would also be spread out over time
4 because it would benefit all the collocators that come
5 into that office.

6 So that low nonrecurring charge reflects a
7 fewer number of hours in the nonrecurring part, and
8 there's a recurring charge on that same page which
9 would be paid by every collocator on a monthly basis.

10 **COMMISSIONER CLARK:** I apologize, but that
11 was a phone call I had to take. Going back to
12 Page 146. You're saying the power plant expansions
13 are more appropriately recovered in the recurring
14 charges as they will benefit -- my question is, I took
15 it that you believe that the guidelines agree with
16 what you're saying there.

17 **MS. NORTON:** Yes. What -- AT&T thought the
18 guidelines said one thing. We believe they -- when we
19 went back and looked at it, and also we had asked
20 questions in discovery on this point when it was
21 raised. And with the deposition exhibits and going
22 back and looking at the guidelines, we believe that
23 BellSouth's proposal is appropriate and we think it
24 was just some unclear language, and we noted that in
25 the recommendation as well.

1 **COMMISSIONER CLARK:** Apparently there's --
2 the power plant expansions are -- BellSouth proposes
3 to get them -- have them recovered in the recurring
4 charges only.

5 **MS. NORTON:** The investment would be in the
6 recurring kilowatt hour rate, the power rate, which is
7 the way that that type of investment should be
8 recovered.

9 **COMMISSIONER CLARK:** So the order is going
10 to say "We have interpreted and have had confirmed by
11 BellSouth that it's their intention that power plant
12 expansions be recovered in the recurring charges, and
13 we believe that's appropriate."

14 **MS. NORTON:** That's correct.

15 **COMMISSIONER CLARK:** All right.

16 **COMMISSIONER DEASON:** So do we have a
17 motion?

18 **COMMISSIONER GARCIA:** Yeah, I do.

19 **CHAIRMAN JOHNSON:** Do we have more
20 questions?

21 **COMMISSIONER CLARK:** Yeah, I do. On
22 Page 152 on the security escorts, the minimum time
23 billed for an escort is half an hour. And this is --
24 I guess you would called it a blended rate. It would
25 be based on regular time, overtime and premium time

1 and --

2 **MS. KING:** No, ma'am. There's three
3 separate rates. AT&T proposed half-hour increments.
4 Staff is recommending quarter-hour increments. I'm
5 sorry. Bell proposed a half-hour increment, and we're
6 recommending quarter-hour increments, and there's a
7 separate rate for basic time, overtime and premium
8 time.

9 **COMMISSIONER CLARK:** Okay. I guess it
10 wasn't clear to me why you were using the quarter-hour
11 rate.

12 **MS. KING:** The only record support for the
13 half-hour rate was Bell was saying they proposed a
14 half-hour to match their tariff.

15 Staff believes a quarter of an hour is more
16 than an appropriate amount of time to escort someone
17 to their collocation area.

18 **COMMISSIONER CLARK:** Well, let me ask you
19 this: If it takes longer, they get charged for
20 longer, right?

21 **MS. KING:** In quarter-hour increments; yes,
22 ma'am.

23 **COMMISSIONER CLARK:** Okay. That's fine.
24 I'll second the motion.

25 **CHAIRMAN JOHNSON:** There's a motion and a

1 second. Any further discussion? Seeing none, all
2 those in favor signify by saying aye.

3 COMMISSIONER DEASON: Aye.

4 COMMISSIONER CLARK: Aye.

5 COMMISSIONER JACOBS: Aye.

6 COMMISSIONER GARCIA: Aye.

7 CHAIRMAN JOHNSON: Aye. Show it approved
8 unanimously.

9 I think we're on Page 159.

10 MS. KING: Yes, ma'am.

11 CHAIRMAN JOHNSON: Virtual --

12 MS. KING: On Page 159 is Staff's -- begins
13 Staff's virtual collocation proposal.

14 COMMISSIONER GARCIA: If there's no
15 question, I'll move it.

16 COMMISSIONER CLARK: I don't have any
17 questions.

18 COMMISSIONER DEASON: Just one second.

19 (Pause)

20 COMMISSIONER GARCIA: While he looks at
21 that, I just -- I want to thank Staff, because I made
22 them go through a rushed version of this with myself,
23 and it certainly made wading through this a lot
24 easier; not more enjoyable, just a lot easier.

25 COMMISSIONER DEASON: I have a question, and

1 I was trying to just mesh two different concepts here.
2 One deals with the idea that tariffed rates should not
3 apply, and BellSouth, if they want a uniform rate or
4 whatever, that -- a uniform tariff, that that
5 shouldn't dictate to us what we have included as a
6 price; is that correct?

7 **MS. NORTON:** That's correct.

8 **COMMISSIONER DEASON:** Okay. And then on
9 Page 161 in the middle there of that discussion it
10 says "Staff has not included that charge in this
11 recommendation as we do not believe that it requires
12 Commission approval if it is already tariffed." And
13 there we seem to be saying, well, we're just going to
14 rely on our tariff.

15 I know it's two different things, or I think
16 it's two different things. But in one situation we're
17 saying, "We don't care if you've got a tariff. We're
18 going to base it upon what we consider to be the
19 appropriate price based on cost." In another
20 situation, we're saying "Well, don't include that.
21 You've already got a tariff on file. Use your
22 tariff."

23 And are we -- is it -- explain that.

24 **MS. NORTON:** That structure charge per foot
25 of interduct is a tariffed element that was approved

1 separately and apart from all of this. It's Staff's
2 understanding that to the extent that we apply
3 cost-based rates, that that tariffed rate is still in
4 existence. It's not eliminating it once -- if
5 virtual --

6 **COMMISSIONER GARCIA:** You're just saying it
7 wasn't proven up here.

8 **MS. NORTON:** Right. That --

9 **COMMISSIONER GARCIA:** You didn't take a
10 tariffed rate when it was proved up in this
11 proceeding. You said "Well, this is the price that's
12 going to apply. However, if we didn't prove it up,
13 then the tariffed rate is fine."

14 **MS. NORTON:** I would say the tariffed rate
15 is not at issue here for that particular function, and
16 that it doesn't need approval again.

17 AT&T says Bell has put that structure charge
18 tariff rate incorporated into another rate. AT&T left
19 it out. But with respect to the virtual collocation
20 in the next issue, that tariff will not go away when
21 we approve these rates.

22 If you go with Staff's recommendation for
23 purposes of this contract, these are the virtual
24 collocation rates that will be in effect between
25 BellSouth and AT&T and MCI and WorldCom. But that

1 virtual collocation tariff still exists.

2 **COMMISSIONER DEASON:** Okay. Just explain to
3 me when do we rely on tariffs and when do we not rely
4 on tariffs.

5 **MS. NORTON:** You rely on tariffs if parties
6 agree to rely on tariffs for those who don't have
7 anything else. Those tariffs have been in effect for
8 many years now.

9 When you were asked to arbitrate this case
10 you had certain Section 251 and 252 requirements that
11 you needed -- that you need to apply when you consider
12 the cost and rates for this case, and we are saying
13 that we are bound to follow those. And the fact that
14 Bell has a separately approved tariff out there for
15 virtual collocation cannot override the requirements
16 for this arbitration.

17 **COMMISSIONER DEASON:** So if it's at issue,
18 it's based upon the costs associated, not the tariff.
19 If it's not at issue, the tariff is okay.

20 **MS. NORTON:** The tariff is okay.

21 **COMMISSIONER DEASON:** The tariff would
22 apply, but, I mean, if we don't address it
23 otherwise --

24 **MS. NORTON:** Yes, yes.

25 **COMMISSIONER DEASON:** -- in this

1 arbitration --

2 MS. NORTON: I understand your --

3 COMMISSIONER DEASON: -- the tariff is still
4 valid and it applies.

5 MS. NORTON: That's correct.

6 COMMISSIONER DEASON: But in a situation
7 where you're deviating from the tariff, you've got
8 cost information specific to this arbitration, and
9 you're saying that should be utilized.

10 MS. NORTON: That's correct.

11 COMMISSIONER GARCIA: That's what I said.
12 Mine was more convoluted. You said it much better.

13 COMMISSIONER DEASON: If there's a motion, I
14 can second it.

15 CHAIRMAN JOHNSON: Is there a motion?

16 COMMISSIONER CLARK: Second.

17 CHAIRMAN JOHNSON: There's a motion and a
18 second. Any further discussion? Seeing none, all
19 those in favor signify by saying aye.

20 COMMISSIONER DEASON: Aye.

21 COMMISSIONER CLARK: Aye.

22 COMMISSIONER JACOBS: Aye.

23 COMMISSIONER GARCIA: Aye.

24 CHAIRMAN JOHNSON: Aye. Show it approved
25 unanimously.

1 Back on physical collocation, I think,
2 Commissioner Garcia, it was your motion, but was there
3 a clarification you wanted made with respect to --

4 **COMMISSIONER GARCIA:** I think Staff agreed
5 to it, and I didn't think anybody had a problem with
6 it. They were going to make a clarification that it
7 was -- the choice of what was going to be done was
8 going to be left up to both BellSouth and the party
9 that wanted it constructed.

10 **CHAIRMAN JOHNSON:** Okay.

11 **COMMISSIONER GARCIA:** It will be something
12 reached mutually by both parties.

13 **MS. NORTON:** The order will make sure that
14 that was clear --

15 **CHAIRMAN JOHNSON:** Okay.

16 **MR. PELLEGRINI:** It also would be understood
17 that if the parties fail to reach an agreement, the
18 matter will be brought back to this Commission for
19 resolution.

20 **COMMISSIONER GARCIA:** That's fine.

21 **CHAIRMAN JOHNSON:** Okay. Very good. Are we
22 on directory assistance?

23 **MR. CORDIANO:** Yes, Commissioners.

24 **CHAIRMAN JOHNSON:** Page 166.

25 **MR. CORDIANO:** In Issue 1(e) Staff

1 recommends that we approve Staff's permanent recurring
2 and nonrecurring rates for the directory assistance
3 transport UNE.

4 **COMMISSIONER JACOBS:** Move Staff.

5 **COMMISSIONER CLARK:** Second.

6 **CHAIRMAN JOHNSON:** Motion and a second. Any
7 further discussion? All those in favor signify by
8 saying aye.

9 **COMMISSIONER DEASON:** Aye.

10 **COMMISSIONER CLARK:** Aye.

11 **COMMISSIONER JACOBS:** Aye.

12 **COMMISSIONER GARCIA:** Aye.

13 **CHAIRMAN JOHNSON:** Aye. Show it approved
14 unanimously.

15 **MR. CORDIANO:** Commissioners, in Issue 1(f)
16 Staff recommends that you approve Staff's permanent
17 nonrecurring rates for the dedicated transport UNE.

18 **COMMISSIONER GARCIA:** Move Staff.

19 **COMMISSIONER CLARK:** Second.

20 **CHAIRMAN JOHNSON:** Motion and a second. Any
21 further discussion? Show it approved unanimously.

22 **COMMISSIONER DEASON:** Can we back up for
23 just a second? We're moving a little fast. (Pause)
24 Okay; I'm fine.

25 **MR. STAVANJA:** Commissioners, Issue 1(g)

1 addresses the appropriate recurring and nonrecurring
2 rates and charges for the 4-wire analog port. Staff
3 recommends that the Commission adopt Staff's proposed
4 rates.

5 **COMMISSIONER CLARK:** Move Staff.

6 **COMMISSIONER JACOBS:** Second.

7 **CHAIRMAN JOHNSON:** There's a motion and
8 second on 1(g). Any further discussion?

9 **COMMISSIONER GARCIA:** I think Commissioner
10 Deason needs a moment.

11 **COMMISSIONER DEASON:** What page does 1(g)
12 begin on?

13 **MS. NORTON:** 176.

14 **COMMISSIONER DEASON:** (Pause) Okay. I'm
15 fine.

16 **CHAIRMAN JOHNSON:** There's a motion, and I
17 think there was a second.

18 **COMMISSIONER CLARK:** Second.

19 **CHAIRMAN JOHNSON:** Any further discussion?
20 All those in favor signify by saying aye.

21 **COMMISSIONER DEASON:** Aye.

22 **COMMISSIONER CLARK:** Aye.

23 **COMMISSIONER JACOBS:** Aye.

24 **COMMISSIONER GARCIA:** Aye.

25 **CHAIRMAN JOHNSON:** Aye. Show that, then,

1 approved unanimously.

2 **COMMISSIONER CLARK:** I move Staff on
3 Issue 2.

4 **CHAIRMAN JOHNSON:** Issue 2, close the
5 docket. Should the dockets be closed is the issue.

6 **COMMISSIONER GARCIA:** Second.

7 **CHAIRMAN JOHNSON:** Motion and a second.
8 Show it approved unanimously.

9 Are there any other matters to come before
10 the Commission?

11 **COMMISSIONER GARCIA:** I just wanted to
12 mention to Staff, I think some of Commissioner
13 Deason's discussion -- and, obviously, being an
14 accountant, his discussion of it was much more
15 thorough here today than what I had with Staff. But I
16 do think that there's a learning process here that's
17 going on, and Staff at times realizes when you get to
18 the end that maybe there could have been certain other
19 things done; but I think that it was a thorough job,
20 and it's something that I really appreciate the work
21 that they did.

22 It was readable, it was understandable, and
23 I want to congratulate Staff.

24 **CHAIRMAN JOHNSON:** Yeah, I want to echo
25 that. Staff did an excellent job. Ms. Sirianni did a

1 wonderful presentation. We appreciate that very, very
2 much, and the rest of the Staff an excellent job.

3 Thank you all again.

4 (Thereupon, the hearing concluded at
5 3:45 p.m.)

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1 STATE OF FLORIDA)
2 : CERTIFICATE OF REPORTER
3 COUNTY OF LEON)

4 I, H. RUTHE POTAMI, CSR, RPR Official
5 Commission Reporter,

6 DO HEREBY CERTIFY that the Special Agenda
7 Conference in Docket No. 960833-TP was heard by the
8 Florida Public Service Commission at the time and
9 place herein stated; it is further

10 CERTIFIED that I stenographically reported
11 the said proceedings; that the same has been
12 transcribed under my direct supervision; and that this
13 transcript, consisting of 96 pages, constitutes a true
14 transcription of my notes of said proceedings

15 DATED this 8th day of April, 1998.

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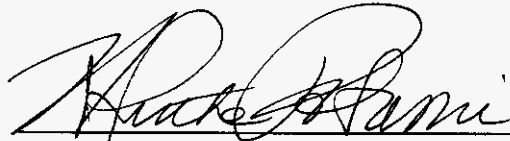
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