

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Determination of the cost
of basic local
telecommunications service,
pursuant to Section 364.025,
Florida Statutes.

DOCKET NO. 980696-TP
ORDER NO. PSC-98-1303-PHO-TP
ISSUED: October 8, 1998

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on Monday, September 28, 1998, in Tallahassee, Florida, before Commissioner E. Leon Jacobs, Jr., as Prehearing Officer.

APPEARANCES:

J. JEFFRY WAHLEN, ESQUIRE, Ausley & McMullen, Post Office Box 391, Tallahassee, FL 32302
On behalf of ALLTEL, Northeast Florida Telephone Company, Incorporated; and Vista-United Telecommunications.

TRACY J. HATCH, ESQUIRE, 101 North Monroe Street, Suite 700, Tallahassee, FL 32301-1549
On behalf of AT&T Communications of the Southern States, Inc.

PHILLIP CARVER, ESQUIRE, c/o Ms. Nancy Sims, 150 South Monroe Street, Suite 400, Tallahassee, FL 32301
On behalf of BellSouth Telecommunications, Inc.

NORTON H. HORTON, JR., ESQUIRE, Messer, Caparello & Self Law Firm, Post Office Box 1876, Tallahassee, FL 32302
On behalf of American Communications Services, Inc.- Jacksonville, d/b/a e.spire™ Communications, Inc.

CHARLES J. BECK, ESQUIRE, DEPUTY PUBLIC COUNSEL, Office of Public Counsel, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of Citizens of the State of Florida

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On behalf of Florida Competitive Carriers Association

DOCUMENT NUMBER-DATE

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REC'D-REGISTRATION REPORTING

LAURA L. GALLAGHER, ESQUIRE, 310 North Monroe Street,
Tallahassee, FL 32301
On behalf of Florida Cable Telecommunications Association

DAVID B. ERWIN, ESQUIRE, 127 Riversink Road,
Crawfordville, FL 32327
On behalf of Frontier Communications of the South, Inc.;
GTC, Inc.; ITS Telecommunications Systems, Inc.; and TDS
Telecom-Quincy Telephone Company.

KIMBERLY CASWELL, ESQUIRE, One Tampa City Center, Tampa,
FL 33601
On behalf of GTE Florida Incorporated

RICHARD D. MELSON, ESQUIRE, Hopping Green Sams & Smith,
123 South Calhoun Street, Tallahassee, FL 32301
On behalf of MCI Telecommunications Corporation and
MCImetro Access Transmission Services, Inc.;
(collectively, MCI).

MICHAEL A. GROSS, ESQUIRE, Assistant Attorney General,
Office of the Attorney General, PL-01 The Capitol,
Tallahassee, FL 32399-1050
On behalf of Office of the Attorney General

CHARLES REHWINKEL, ESQUIRE, 1313 Blairstone Road,
Tallahassee, FL 32301; and JOHN FONS, ESQUIRE, Ausley &
McMullen, 225 South Calhoun Street, Tallahassee, FL 32301
On behalf of Sprint-Florida, Incorporated.

SUZANNE F. SUMMERLIN, ESQUIRE, 1311-B Paul Russell Road,
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On behalf of Supra Telecommunications and Information
Systems, Inc.

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FL 32302-2095
On behalf of Time-Warner Axs of Florida, L.P.

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On behalf of Worldcom, Inc.

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On behalf of the Commission Staff

PREHEARING ORDER

I. CONDUCT OF PROCEEDINGS

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

II. CASE BACKGROUND

Pursuant to the terms of Chapter 98-277, General Laws of Florida, which became law on May 28, 1998, the Legislature directed the Commission to conduct various studies which are to be submitted to the Legislature by February 15, 1999. One study requires the Commission to determine and report the total forward-looking cost of providing basic local telecommunications services on a geographic basis no larger than a wire center, using a cost proxy model to be selected by the Commission after notice and opportunity for hearing. This docket was established to make that determination. A formal administrative hearing will be held October 12-16, 1998, beginning at 9:30 a.m. each morning, in Room 148, Betty Easley Conference Center, Tallahassee, Florida.

III. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

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

of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 364.183, Florida Statutes.

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

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

- 1) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 364.183, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.
- 2) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- 3) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- 4) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information.

Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.

- 5) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Records and Reporting's confidential files.

IV. POST-HEARING PROCEDURES

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

A party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 50 pages, and shall be filed at the same time.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

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

exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

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

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

VI. ORDER OF WITNESSES

<u>Witness</u>	<u>Company</u>	<u>Issues</u>
Topic: Cost Models		
Joseph Gillan (Direct and Rebuttal)	FCCA	1, 2, and 3
Richard T. Guepe (Direct)	AT&T	1, 3, 5a, and 6
Don J. Wood (Direct)	AT&T/MCI	2, 3, 4c, o, p, q, r, s, t, 5(b)
Dr. Kevin Duffy-Deno (Direct and Rebuttal)	BellSouth	2
Peter F. Martin (Direct and Rebuttal)	BellSouth	1, 2, 3, 5, 6(a), and 6(c)
Dr. Robert M. Bowman (Direct and Rebuttal)	BellSouth	2
Meade C. Seaman (Direct and Rebuttal)	GTEFL	1, 2, 3, 5(a) and the general policy considerations related to these and all other issues in this docket.
Steven A. Olson (Direct)	GTEFL	Financial results supporting witness Seaman's recommendations on Issue 2.

<u>Witness</u>	<u>Company</u>	<u>Issues</u>
Dr. Brian K. Staihr (Direct and Rebuttal)	Sprint	1, 2 and 3
William J. Barta (Direct and Rebuttal)	FCTA	2, 3, 4 and 5
Don J. Wood/Brian F. Pitkin (Rebuttal)	AT&T	2, 3, 4c, o, p, q, r, s, t, and 5(b)
William E. Taylor (Rebuttal)	BellSouth	2, 3, 4 and 5
Carl R. Danner (Rebuttal)	GTEFL	Rebuttal to AT&T witness Guepe and Florida Competitive Carriers Association witness : Gillan. : :
Francis J. Murphy/Timothy J. Tardiff (Rebuttal)	GTEFL	Critique of HAI Model
Carl H. Laemmler (Rebuttal)	Sprint	4
James W. Sichter (Rebuttal)	Sprint	2 and 3
<u>Topic: Cost Model Inputs</u>		
D. Daonne Caldwell (Direct and Rebuttal)	BellSouth	2 and 4
Michael R. Norris (Direct) -	GTEFL	4(s)
David G. Tucek (Direct and Rebuttal)	GTEFL	4(c)-(r) and (t); 5(b)
James Wells (Direct and Rebuttal)	MCI	4
Kenton W. Dickerson (Direct and Rebuttal)	Sprint	4
Art Lerma (Rebuttal)	AT&T	4(c) and (s)

<u>Witness</u>	<u>Company</u>	<u>Issues</u>
Catherine E. Petzinger (Rebuttal)	AT&T	4 (o)
Georgetown Consulting Group, Inc. (Jamshed K. Madan, Michael D. Dirmeier, and David C. Newton) (Rebuttal)	BellSouth	All
<u>Topic: Depreciation</u>		
Michael J. Majoros, Jr. (Direct and Rebuttal)	AT&T/MCI	4 (a)
G. David Cunningham (Direct and Rebuttal)	BellSouth	4 (a)
Allen E. Sovereign (Direct and Rebuttal)	GTEFL	4 (a)
<u>Topic: Cost of Capital</u>		
John I. Hirschleifer (Direct and Rebuttal)	AT&T/MCI	4 (b)
James H. Vander Weide (Direct and Rebuttal)	GTEFL	4 (b)
Dr. Randall S. Billingsley (Direct and Rebuttal)	BellSouth and Sprint	4 (b)
<u>Topic: Small LEC Proposal</u>		
Dennis Curry (Direct and Rebuttal)	ALLTEL	1, 5a and 6
Kelly Goodnight (Direct)	Frontier	1, 5a and 6
R. Mark Ellmer (Direct)	GTC	1, 5a and 6
Dan Weaver (Direct)	ITS	1, 5a and 6
Lynne G. Brewer (Direct)	Northeast	1, 5a and 6
Jeffrey L. Jung (Direct)	TDS/Quincy	1, 5a and 6
Daniel C. Weaver (Direct)	Vista-United	1, 5a and 6

<u>Witness</u>	<u>Company</u>	<u>Issues</u>
William D. Huttenhower (Direct)	Vista-United	1, 5a and 6

VII. BASIC POSITIONS

AG: The Attorney General is not taking a position at this time as to which cost proxy model the Florida Public Service Commission (FPSC) should adopt for Universal Service funding purposes. However, the Attorney General's statement of basic position deals with the proper and consistent matching of revenue sources to the costs of facilities which are used to produce those revenues. The Attorney General stresses to the FPSC that the costs of the major facilities used to provide the services included in the definition of Universal Service are shared/joint/common costs of each of those services. Specifically, the costs of the loop and non-traffic-sensitive central office equipment (NTS-COE) facilities represent costs that are joint/shared/common among many services, including intraLATA toll, intrastate switched access, interstate switched access, as well as local services like basic local exchange service and vertical services.

The appropriate revenues to use in any comparison analysis of Universal Service revenues and costs depends upon the portion of the cost of the joint/shared/common facilities (including the loop and NTS-COE facilities) included in the cost proxy model.

The Attorney General's position is that if the cost proxy model selected by the FPSC includes the entire costs of the loop and NTS-COE facilities, the applicable revenues to be used as a comparison (i.e. benchmark) to those costs must be the revenues from all services which use, share and benefit from the use of the loop and NTS-COE facilities. Both the FCC-State Joint Board¹ and the

¹The FCC-State Joint Board is made up of both state commissioners and FCC commissioners.

FCC properly concluded that recovery of the cost which includes the shared facilities costs should be benchmarked against the revenues earned from all of the services that share those facilities. The FCC specifically stated:

As the Joint Board recommended, the revenue benchmark should take account not only of the retail price currently charged for local service, but also of other revenues the carrier receives as a result of providing service, including vertical service revenue and interstate and intrastate access revenues.²

We include revenues from discretionary services in the benchmark for additional reasons. . . . Revenues from services in addition to the supported services should, and do, contribute to the joint and common costs they share with the supported services.³

To give the FPSC an idea of the magnitude of these revenues, the FCC has found that the nationwide revenue benchmark for residential services should be approximately \$31. The FCC specifically stated:

[W]e have determined that the revenue benchmark should be calculated using local service, access, and other telecommunications revenues received by ILECs, including discretionary revenue. Based on the data we have received in response to the data request from the Federal-State Joint Board in CC Docket 80-286 (80-286 Joint Board) on

²¶200, Report and Order, CC Docket No. 96-45, FCC 97-157, adopted May 7, 1997, released May 8, 1997 (hereinafter referred to as the *Universal Service Order*).

³¶261, *Universal Service Order*, FCC 97-157. The imputed access revenues associated with the facilities whose costs are included in the study should be included for toll services which do not actually pay an access charge (such as the toll services provided by the same LEC who is providing the local facility).

universal service issues, it appears that the benchmark for residential services should be approximately \$31 and for single-line businesses should be approximately \$51.⁴
(Citation Omitted)

ALLTEL: For ALLTEL, the cost of basic local telecommunications service appropriate for a permanent state universal service fund should be computed using the embedded cost model proposed by the small LECs. Using that method, ALLTEL's total embedded cost of universal service was calculated to be \$38,533,609 and the average cost per line per month is \$41.97.

AT&T: Legislation enacted in 1998 requires the FPSC to determine and report to the legislature the total forward-looking cost of providing basic local telecommunications service in Florida. AT&T believes that the costs for BellSouth, GTE, Sprint-United and Sprint-Centel should be determined by both using the HAI cost proxy model as filed by AT&T, and the inputs proposed by AT&T's and MCI's witnesses. Based on the comparison of these costs to the revenue generated by the services offered by these ILECs, there is no need for a separate universal service fund for any of these companies at this time.

BELL SOUTH: BellSouth believes that the Florida Public Service Commission (the "Commission") should adopt a cost proxy model that engineers a forward looking network that is capable of actually transmitting telephone calls in a quality manner and that is based on realistic inputs. The end result should be a sustainable and sufficient universal service fund as required by the Telecommunications Act of 1996.

BellSouth proposes that the Commission adopt BellSouth's universal cost calculations for submittal to the Florida legislature. Specifically, BellSouth urges the Commission to select the Benchmark Cost Proxy Model ("BCPM") Version 3.1 model as the appropriate cost model for determining the total forward-looking cost of

⁴¶267, Universal Service Order, FCC 97-157.

providing basic local telecommunications service. The BCPM 3.1 model was designed for this purpose and meets the criteria set forth in the Federal Communications Commission's ("FCC") Universal Service Order of May 8, 1997.

BellSouth further proposes that the model be run initially on a wire center basis. The goal should be to move the basis of support calculations from a wire center basis to that of a smaller geographic area. BellSouth is also recommending BellSouth-specific inputs that reflect BellSouth's provisioning practices and costs in Florida.

It is critically important that the Commission determine the appropriate cost of universal service. Consumers will be ill served if the costs are underestimated.

e.spire: In determining the cost of basic local telecommunications service for purposes of universal service support, the Commission should consider all services so as not to create a need when one does not exist.

FCCA: An assessment of the need for universal service support that does not take into account the full family of profitable exchange services would lead to an artificial and erroneous depiction of the economics of local exchange service, resulting in demands by ILECs for expensive and unwarranted support mechanisms. Also, to avoid creating competitive distortions between ILECs and ALECs, UNE prices and the cost of local exchange service must be determined consistently, using the same costing basis and methodology. Accordingly, a proxy model appropriate to the task of determining the cost of basic local telecommunications service must have two fundamental properties. First, it should recognize that the network facilities used to provide local exchange service inherently provide other services, too. To accomplish this, the cost analysis should identify the full cost of the typical family of exchange services. Second, the same costing basis and methodology should be applied to both the cost of local exchange service and the derivation of UNE prices. Among other things, the same geographic unit should be used for both.

FCTA: The Florida Legislature has directed the FPSC to determine and report the total forward-looking economic costs of providing basic local telecommunications service in Florida. FCTA's testimony addresses the inputs that are most likely to influence the cost estimates submitted under the Benchmark Cost Proxy Model, Version 3.1 ("BCPM 3.1") and the Hatfield Model, Version 5.0a ("HM 5.0a"). The testimony recommends modifications to develop more reliable forward-looking cost estimates. The testimony also rebuts incumbent LEC assertions concerning the need for a universal service fund at this time.

The Florida Legislature has requested this study of the cost of basic local telecommunications service in the context of gathering information to evaluate the need for and size of any permanent universal service fund in Florida. At this time, the Legislature has only asked the FPSC to determine the forward looking cost of service and not to establish a fund or quantify the size of any fund. Those additional steps may or may not be taken at a later date as determined by the Legislature. Accordingly, while proposing certain adjustments to the cost estimates in this proceeding, FCTA opposes the establishment of a permanent mechanism without further inquiry into the need for a fund taking into account the incumbent LECs' overall profitability in serving residential subscribers, the degree of competition, the extent to which competition has eroded the LECs' ability to maintain universal service, the appropriate revenue benchmark, the appropriate affordability threshold, and opportunities for rate rebalancing.

FRONTIER: The basic position of Frontier is that the determination of the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism should be through the use of an embedded cost study for Frontier and other Florida LECs that serve fewer than 100,000 access lines.

GTC: The basic position of GTC is that the determination of the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism should be through the use of an embedded cost study for GTC and other Florida LECs that serve fewer than 100,000 access lines.

GTEFL:

In making its decision in this proceeding, the Commission should remain aware of the ultimate reason why it must choose a proxy model to determine the cost of providing local service--to help the Legislature establish a universal service support mechanism. The model results must be sufficient to preserve, maintain, and advance universal service, as required by Florida law and the Telecommunications Act. The Commission should thus test the adequacy of a forward-looking cost model by comparing its results to today's costs of supporting universal service, which are reflected in GTEFL's current rates. To the extent that model results fall short of replacing all of today's implicit subsidies, they must be adjusted to accommodate this goal. GTEFL does not believe a universal service mechanism can be determined solely through the use of a forward-looking proxy model, nor does it believe the Legislature intended such a result.

With regard to the model choice itself, GTEFL believes that company-specific models and company-specific costs should be used to calculate the cost of providing services. However, given the Legislative directive to choose a proxy model, GTEFL believes that BCPM, populated with company-specific inputs, is the most reasonable approach.

In no event should the Commission adopt the Hatfield Model. The Commission has rejected this Model in other dockets because of, among other things, its understatement of costs and its inaccessibility. These problems--and many more--still plague the Model. A Model that produces results that are less than half of GTEFL's costs is simply not credible.

ITS:

The basic position of ITS is that the determination of the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism should be through the use of an embedded cost study for ITS and other Florida LECs that serve fewer than 100,000 access lines.

MCI:

Adopt AT&T's statement of basic position.

NORTH-

EAST:

For Northeast, the cost of basic local telecommunications service appropriate for a permanent state universal service fund should be computed using the embedded cost model proposed by the small LECs. That cost was \$ 65.87 per access line based on 1997 data.

SPRINT:

This proceeding is limited to the determination of the cost of providing universal service in Florida. As required by Section 364.025 (4)(b), Florida Statutes 1998, this cost determination is to be made using a cost proxy model to be selected by the Commission. Sprint-Florida, as one of the developers of the Benchmark Cost Proxy Model ("BCPM"), believes the BCPM Version 3.1 to be the most appropriate and accurate cost proxy model. This belief is supported by the record testimony and exhibits which demonstrate that the BCPM methodology and the Florida and Sprint-Florida specific input data provide an accurate estimate of the forward-looking economic cost of providing basic local exchange service in Florida. Using the BCPM Version 3.1, the estimated average monthly cost per line is \$31.88 for the Sprint-Florida service areas.

TDS/

QUINCY:

The basic position of Quincy is that the determination of the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism should be through the use of an embedded cost study for Quincy and other Florida LECs that serve fewer than 100,000 access lines.

TIME

WARNER:

Adopts FCTA's statement of basic position.

VISTA:

For Vista, the cost of basic local telecommunications service appropriate for a permanent state universal service fund should be computed using the embedded cost model proposed by the small LECs. That cost was \$ 65.65 per access line based on 1997 data.

WORLD-

COM:

Universal service support must take into account the full family of profitable exchange services so as to not inappropriately lead to expensive and unnecessary support mechanisms. The proxy model used in this proceeding must: (1) identify the full cost of the typical family of exchange services; and (2) apply the same analytical

approach to both the cost of local exchange service and the derivation of UNE prices by using the same geographic unit for both.

OPC: The cost of local service provided by the companies in this case consists mostly of joint or shared costs used to provide an array of services, not just local service, and includes costs assigned to the interstate jurisdiction. If 100% of such joint costs are used in this proceeding to determine the cost of local service, the revenues from all services benefitting from joint costs must be taken into account when considering the need for a universal service fund. This revenue benchmark is the same one recommended by the Federal/State Joint Board and used by the FCC for universal service purposes.

STAFF: None pending discovery. Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VIII. ISSUES AND POSITIONS

ISSUE 1: What is the definition of the basic local telecommunications service referred to in Section 364.025(4)(b), Florida Statutes?

AG: The Attorney General believes that the definition of "Basic local telecommunications service" as contained in §364.02(2) of the Florida Statutes is an appropriate definition of basic local telecommunication service as it is referred to in Section 364.025(4)(b) of the Florida Statutes.

ALLTEL: The definition of basic local telecommunications service in Section 364.025(4)(b), Florida Statutes, is as set forth in Section 364.02(2), Florida Statutes.

AT&T: Florida statute Section 364.02 defines basic local telecommunications service in the context of alternative regulation for local exchange carriers and it specifies

the obligations of incumbent local exchange carriers that choose alternative regulation. In this context, basic local telecommunications service is defined as that minimal service which carriers selecting alternative regulation must make available to consumers in the state of Florida. However, for the purposes of determining the size of a universal service subsidy, it is appropriate to include all forward-looking costs incurred to provide this functionality (the loop and the switch) to consumers. In other words, the full cost of the loop and switch to provide all services that can be furnished to consumers should be included. This approach provides for consistency between revenues and costs when determining whether a subsidy is needed, since the appropriate revenues to consider are all the revenues that a local telecommunications carrier can expect to receive in association with the provision of local exchange service. This is the same method to calculate the revenue benchmark that the FCC used (and the Federal/State Joint Board recommended) in determining the interstate benchmark.

BELL-
SOUTH:

Basic local telecommunications service is that defined in Section 364.02(2), Florida Statutes.

e.spire:

All services that are typically considered basic local services should be included in the definition.

FCCA:

The Commission has discretion to define "basic local telecommunications service" for purposes of this docket in a way that includes the typical family of services that comprise "basic local telecommunications service." If the Commission determines it cannot so define the term, then it should report to the Legislature both the cost of basic local telephone service based on the more narrow "dial tone" concept and the cost that includes all facilities associated with other services, so that the Legislature will have the information needed to assess the pertinent economic relationships from both perspectives.

FCTA:

Section 364.025(4)(b), Florida Statutes, provides that the Commission shall determine and report to the Legislature the total forward-looking cost of providing "basic local telecommunications service." Issue one is

directed at determining the meaning of the phrase "basic local telecommunications service." The phrase is defined in Section 364.02(2) which states:

"Basic local telecommunications service" means voice-grade, flat-rate residential, and flat-rate single-line business local exchange services which provide dial tone, local usage necessary to place unlimited calls within a local exchange area, dual tone multifrequency dialing, and access to the following: emergency services such as "911," all locally available interexchange companies, directory assistance, operator services, relay services, and an alphabetical directory listing. For a local exchange telecommunications company, such term shall include any extended area service routes, and extended calling service in existence or ordered by the commission on or before July 1, 1995.

Consistent with principles of statutory construction, the definition contained in Section 364.02(3), Florida Statutes, should be utilized in this proceeding. The appropriate definition of "universal service" is a separate issue not specifically addressed in this proceeding. The support for universal service should not include support for any business line service and should be limited only to the first residential line.

FRONTIER: Frontier has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

GTC: GTC has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

GTEFL: "Basic local telecommunications service" is defined in section 364.02(2) of the Florida Statutes.

ITS: ITS has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

MCI: Adopt AT&T's position.

NORTH-
EAST:

The definition of basic local telecommunications service in Section 364.025(4)(b), Florida Statutes, is as set forth in Section 364.02(2), Florida Statutes.

SPRINT:

The definition of basic local telecommunications service is the definition established by the Federal Communications Commission; namely (paraphrasing); single party service; voice grade access to the public switched network; Dial Tone Multi-frequency signaling or its functional equivalent; access to emergency services; access to operator services; access to interexchange service; access to directory assistance; and toll limitation service for certain customers. (Staihr)

TDS/

QUINCY:

Quincy has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

TIME

WARNER:

Adopts FCTA's position.

VISTA:

The definition of basic local telecommunications service in Section 364.025(4)(b), Florida Statutes, is as set forth in Section 364.02(2), Florida Statutes.

WORLD-

COM:

The Commission should define "basic local telecommunications service" as including all services that typically comprise "basic local telecommunications service."

OPC:

The definition is set forth in the statute.

STAFF:

No position pending the Hearing.

ISSUE 2:

For purposes of determining the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism, what is the appropriate cost proxy model to determine the total forward-looking cost of providing basic local telecommunications service pursuant to Section 364.025(4)(b), Florida Statutes?

AG:

No position at this time.

ALLTEL: Consistent with the Company's positions on Issues 5a and 6, the Company has no position on this issue at this time.

AT&T: The HAI Model, sponsored by AT&T and MCI, should be used to determine the costs of basic local telecommunications service. This model calculates forward looking cost by designing a network capable of providing high quality basic local telecommunications service within the geographic area being studied. Generally accepted design and placement principles are applied, and the network investment is based only on the most recent commercially available technology and equipment. The HAI Model accurately calculates the least cost, most efficient means of meeting these objectives in a way that is highly specific to the area being studied but is not constrained by the historic or embedded costs of the incumbent local exchange company. :

BELL-
SOUTH: The BCPM 3.1 model is the appropriate cost proxy model to determine the total forward-looking cost of providing basic local telecommunications service.

e.spire: No position at this time.

FCCA: The appropriate proxy model is the HAI model, applied in a manner that encompasses the cost of facilities used to provide the full family of local exchange services.

FCTA: The appropriate cost proxy model is one that is consistent with forward looking economic costing principles and not a reflection of a blend of costing (i.e. embedded and TSLRIC) approaches. It should not incorporate less efficient technology than is currently available, work processes that are more labor intensive than existing automated procedures, or any types of past inefficiencies. Capital costs and operating expenses utilized by such a model must be reasonable on a forward looking basis.

FRONTIER: Frontier has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

GTC: GTC has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

GTEFL: Company-specific models and inputs, rather than proxy model and inputs, can best determine the forward-looking cost of providing basic local service. However, given the Legislature's directive to choose a proxy model, BCPM with company-specific inputs is the most appropriate choice. In no event should the Commission approve the Hatfield Model, which suffers from a number of engineering and other flaws and severely underestimates costs.

ITS: ITS has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

MCI: Adopt AT&T's position.

NORTH-EAST: Consistent with the Company's positions on Issues 5a and 6, the Company has no position on this issue at this time.

SPRINT: The BCPM Version 3.1, with Florida and Sprint-Florida specific inputs, is the appropriate cost proxy model for determining the total forward-looking cost of providing basic local telecommunications service in Sprint-Florida's service areas. (Staihr, Sichter)

TDS/
QUINCY: Quincy has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

TIME
WARNER: Adopts FCTA's position.

VISTA: Consistent with the Company's positions on Issues 5a and 6, the Company has no position on this issue at this time.

WORLD-
COM: The Commission should use the HAI model and the cost of facilities that provide the full family of local exchange services.

OPC: No position at this time.

STAFF: No position pending the Hearing.

ISSUE 3: For purposes of determining the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism, should the total forward-looking cost of basic local telecommunications service pursuant to Section 364.025(4)(b), Florida Statutes, be determined by a cost proxy model on a basis smaller than a wire center? If so, on what basis should it be determined?

AG: No position at this time.

ALLTEL: Consistent with the Company's positions on Issues 5a and 6, the Company has no position on this issue at this time. :

AT&T: The total forward-looking cost of universal service should be determined on a wire center basis. However, the process to determine subsidy requirements in a permanent universal service mechanism should use costs aggregated at the same level that unbundled network element ("UNE") costs are offered. The geographic basis to determine costs is a separate and distinct issue from the basis to determine any subsidy needs. The cost basis of the network facilities used to serve the customer should be the same whether it is the incumbent local exchange carrier serving the customer directly or it is the competitive local exchange carrier leasing those same facilities (as network elements). In either instance, the relevant standard should be the forward-looking, efficient cost of the facilities used to provide service. Both network element prices and universal service costs should be calculated from a cost study that estimates the forward-looking, efficient cost of a local network -- which is precisely an output of the HAI Model. In its determination of any subsidy requirements, the permanent universal service mechanism should use costs aggregated at the same level that UNE costs are calculated. The critical relationship is between the geographic area used to determine the need for a subsidy and the geographic area at which UNE costs are averaged. These must be the same. There is no such required relationship between the

geographic basis for determining the forward looking cost of service and the geographic area used to determine the need for a subsidy.

BELL-
SOUTH:

Initially, the cost should be calculated at the wire center level. The goal should be to eventually move the basis of support calculations to a smaller geographic area.

e.spire: No position at this time.

FCCA: The wire center is the appropriate level.

FCTA: For purposes of developing an estimate of the costs to provide basic local telecommunications service, it is appropriate to examine costs modeled at the wire center as well as lower levels of geographic disaggregation. However, for universal service support purposes, costs should be aggregated no lower than the wire center level.

FRONTIER: Frontier has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

GTC: GTC has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

GTEFL: Yes. Costs should be calculated on a basis smaller than a wire center to more accurately reflect the cost differences within a wire center. For universal service support purposes, it is important to avoid mixing lower-cost urban areas with significantly higher-cost outlying areas.

ITS: ITS has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

MCI: Adopt AT&T's position.

NORTH-
EAST:

Consistent with the Company's positions on Issues 5a and 6, the Company has no position on this issue at this time.

SPRINT: In order to assure that support for high-cost areas be adequately targeted, the cost of basic local telecommunications service should be determined on the basis of the census block group (CBG). However, there may be operational and administrative reasons to use the wire center at this time. (Staihr, Sichter)

TDS/
QUINCY: Quincy has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

TIME
WARNER: Adopts FCTA's position.

VISTA: Consistent with the Company's positions on Issues 5a and 6, the Company has no position on this issue at this time.

WORLD-
COM: The wire center is the appropriate basis.

OPC: No position at this time.

STAFF: No position pending the Hearing.

ISSUE 4: For purposes of determining the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism, for each of the following categories what input values to the cost proxy model identified in Issue 2 are appropriate for each Florida LEC? (a) Depreciation rates; (b) Cost of money; (c) Tax rates; (d) Supporting structures; (e) Structure sharing factors; (f) Fill factors; (g) Manholes; (h) Fiber cable costs; (i) Copper cable costs; (j) Drops; (k) Network interface devices; (l) Outside plant mix; (m) Digital loop carrier costs; (n) Terminal costs (o) Switching costs and associated variables; (p) Traffic data; (q) Signaling system costs; (r) Transport system costs and associated variables; (s) Expenses; and (t) Other inputs.

AG: No position at this time.

ALLTEL: Consistent with the Company's positions on Issues 5a and 6, the Company has no position on this issue at this time.

- AT&T:
- (a) Depreciation rates: There are two values for each Uniform System of Accounts category: a projection life and a future net salvage value. The appropriate projection lives are shown on Mr. Majoros' Attachment MJM-6, page 1 of 2, Columns c, d and e. The appropriate future net salvage values are shown on Mr. Majoros' Attachment MJM-6, page 2 of 2, Columns c, d and e.
 - (b) Cost of money: The forward-looking economic cost of capital appropriate for the provision of universal service by providers of local telephone service, based on modern finance theory and current empirical research in finance, is 8.50% for BellSouth, 8.74% for GTE, and 8.55% for Centel and United. Significantly, this estimate is supported by independent sources. Because the provision of universal service has less risk than either the LEC business or other risky businesses of telephone holding companies, it will also have a lower cost of capital. As a rule of thumb comparison, 30-year Treasury bond rates have fallen from 9.03% as of September 1990 to 5.28% as of September 4, 1998. This is a decline of 375 basis points since the 11.25% rate was prescribed by the FCC. Using this decline as a comparison implies a current cost of capital of 7.50%.
 - (c) Tax rates: The values for this input have been included in Exhibit DJW-3, Sections 5.5.1 and 5.5.3.
 - (d) Supporting structures: The values for this input have been included in Exhibit DJW-3, Section 2.4.1 through 2.4.4.
 - (e) Structure sharing factors: The values for this input have been included in Exhibit DJW-3, Sections 2.2.3, 4.4.24, and Appendix B.
 - (f) Fill factors: The values for this input have been included in Exhibit DJW-3, Sections 2.6.1, 2.8.6, 3.3.1, 3.3.2, 3.5.3, 4.1.4, and 4.1.5.
 - (g) Manholes: The values for this input have been included in Exhibit DJW-3, Sections 3.1.2, 3.6, 3.6.1, 3.6.2.
 - (h) Fiber cable costs: The values for this input have been included in Exhibit DJW-3, Section 3.4.2.

- (i) Copper cable costs: The values for this input have been included in Exhibit DJW-3, Sections 2.2.7, 2.3.2, and 3.4.1.
- (j) Drops: The values for this input have been included in Exhibit DJW-3, Sections 2.2.1 through 2.2.7.
- (k) Network interface devices: The values for this input have been included in Exhibit DJW-3, Section 2.1.
- (l) Outside plant mix: The values for this input have been included in Exhibit DJW-3, Sections 2.5.1, 2.5.2, 3.1.1, 3.2.1, 4.4.15.
- (m) Digital loop carrier costs: The values for this input have been included in Exhibit DJW-3, Sections 3.5.1 through 3.5.12.
- (n) Terminal costs: The values for this input have been included in Exhibit DJW-3, Sections 3.5.1 through 3.5.12.
- (o) Switching costs and associated variables: The values for this input have been included in Exhibit DJW-3, Sections 4.1.1 through 4.1.12 and 4.2.1 through 4.2.6.
- (p) Traffic data: The values for this input have been included in Exhibit DJW-3, Section 4.3.1 through 4.3.15 and DJW-6 in the input screen entitled Traffic Parameters.
- (q) Signaling system costs: The values for this input have been included in Exhibit DJW-3, Section 4.7.1 through 4.7.14.
- (r) Transport system costs and associated variables: The values for this input have been included in Exhibit DJW-3, Section 4.4.1 through 4.4.24 and 4.5.1 through 4.5.14.
- (s) Expenses: The values for this input have been included in Exhibit DJW-3, Section 5 and Appendices C and D, and DJW-6 in the input screens entitled Expenses.
- (t) Other inputs: The input values for all other inputs have been included in Exhibit DJW-3.

BELL-
SOUTH:

The appropriate input values are the Florida specific values proposed by BellSouth. These values are contained in the BCPM 3.1 model attached to the testimony of D. Daonne Caldwell. Page numbers referenced are the Bate Stamped page numbers.

- (a) Depreciation rates - page 256
- (b) Cost of money - page 251
- (c) Tax rates - pages 251, 255
- (d) Supporting structures - pages 191-235, 241
- (e) Structure sharing factors - pages 191-235, 244-245
- (f) Fill factors - pages 166 and 251
- (g) Manholes - pages 236-240
- (h) Fiber cable costs - pages 176-180
- (i) Copper cable costs - 180.1-180.15
- (j) Drops - pages 171-175
- (k) Network interface devices - pages 171-175
- (l) Outside plant mix - pages 242-243
- (m) Digital loop carrier costs - page 246
- (n) Terminal costs - pages 181-185
- (o) Switching costs and associated variables - pages 161-169, 257
- (p) Traffic data - pages 161, 163-165
- (q) Signaling system costs - page 170
- (r) Transport system costs and associated variables - pages 247-249
- (s) Expenses - pages 252-254
- (t) Other inputs - pages 250-251

e.spire: No position at this time.

FCCA: FCCA adopts the position of AT&T.

FCTA:

- (a) Depreciation rates: The Commission should adopt the economic lives and net salvage values prescribed by the FCC for the Florida operations of BellSouth and GTE. The default rates of the HM 5.0a serve as a suitable proxy for Sprint since the FCC has not prescribed such rates for Sprint.
- (b) Cost of money: The rate of return estimated by the HM 5.0a sponsors appears to be more representative of the LECs' forward looking cost of capital.
- (c) Tax rates: No position.
- (d) Supporting structures: No position.
- (e) Structure sharing factors: The model inputs for structure sharing should reflect a realistic sharing arrangement. The structure sharing percentage should recognize that, over time, there will be more carriers seeking the economic benefits of structure sharing but the opportunities for such

- sharing may be constrained for a number of reasons, including engineering limitations.
- (f) Fill factors: The appropriate fill factor should balance current and expected demand levels for basic local telecommunications services as well as accommodate the requirements for administrative and modular related spare capacity over the economic life of the feeder and distribution facilities.
 - (g) Manholes: No position.
 - (h) Fiber cable costs: The FPSC should require additional support for the BCPM 3.1 input values to ensure the values are supported by actual vendor information. The FPSC should also determine whether the BCPM 3.1 inputs inappropriately reflect historical experience (i.e. embedded costs) or are appropriately indicative of the forward-looking operations that an efficient carrier would be likely to incur in a competitive market.
 - (I) Copper cable costs: The FPSC should require additional support for the BCPM 3.1 input values to ensure the values are supported by actual vendor information. The FPSC should also determine whether the BCPM 3.1 inputs inappropriately reflect historical experience (i.e. embedded costs) or are appropriately indicative of the forward-looking operations that an efficient carrier would be likely to incur in a competitive market.
 - (j) Drops: No position.
 - (k) Network interface devices: No position.
 - (l) Outside plant mix: No position.
 - (m) Digital loop carrier costs: The FPSC should require additional support for the BCPM 3.1 input values to ensure the values are supported by actual vendor information. The FPSC should also determine whether the BCPM 3.1 inputs inappropriately reflect historical experience (i.e. embedded costs) or are appropriately indicative of the forward-looking operations that an efficient carrier would be likely to incur in a competitive market.
 - (n) Terminal costs: The FPSC should require additional support for the BCPM 3.1 input values to ensure the values are supported by actual vendor information. The FPSC should also determine whether the BCPM 3.1 inputs inappropriately reflect historical experience (i.e. embedded costs) or are

- appropriately indicative of the forward-looking operations that an efficient carrier would be likely to incur in a competitive market.
- (o) Switching costs and associated variables: The FPSC should require additional documentation for the BCPM 3.1 input values to ensure the values are supported by actual vendor information. The FPSC should also determine whether BCPM 3.1 inputs inappropriately reflect historical experience (i.e. embedded costs) or are appropriately indicative of the forward-looking operations that an efficient carrier would be likely to incur in a competitive market.
 - (p) Traffic data: No position.
 - (q) Signaling system costs: The FPSC should require additional support for the BCPM 3.1 input values to ensure the values are supported by actual vendor information. The FPSC should also determine whether the BCPM 3.1 inputs inappropriately reflect historical experience (i.e. embedded costs) or are appropriately indicative of the forward-looking operations that an efficient carrier would be likely to incur in a competitive market.
 - (r) Transport system costs and associated variables: The FPSC should require additional support for the BCPM 3.1 input values to ensure the values are supported by actual vendor information. The FPSC should also determine whether the BCPM 3.1 inputs inappropriately reflect historical experience (i.e. embedded costs) or are appropriately indicative of the forward-looking operations that an efficient carrier would be likely to incur in a competitive market.
 - (s) Expenses: The estimates of operating expenses developed by the BCPM 3.1 and HM 5.0a models lack adequate support and do not provide reasonable assurance that the levels are representative of an efficient carrier operating in a competitive market. The FPSC should require BellSouth, Sprint and GTE to provide detailed documentation supporting either the adjustments they have made to recast embedded cost activity as forward-looking expenses or, in the case of BellSouth, provide the detail that is relied upon from other cost studies prepared by the Company.

(t) Other inputs: The FPSC must determine, based upon sound engineering practices, the appropriate economic cross-over point (i.e. threshold where fiber facilities are used in lieu of copper) to be utilized in the cost proxy models.

FRONTIER: Frontier has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

GTC: GTC has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

GTEFL: The Commission should adopt for BCPM each of the GTE-specific inputs presented by GTEFL witnesses Vander Weide (cost of money), Sovereign (depreciation), Norris (expenses), and Tucek (all other model inputs). In particular, the Commission should use a forward-looking cost of capital and economic depreciation parameters, as recommended by GTEFL. This is the only approach consistent with today's marketplace and the mandate to choose a forward-looking cost model.

ITS: ITS has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

MCI: Adopt AT&T's position.

NORTH-EAST: Consistent with the Company's positions on Issues 5a and 6, the Company has no position on this issue at this time.

SPRINT: The appropriate input values for each of the aforesated categories are set forth in Exhibit KWD-1 sponsored by Kenton W. Dickerson. (Dickerson, Billingsley, Laemeli)

TDS/
QUINCY: Quincy has no position on any of the issues set forth in Order No. PSC-98-1008-PCO-TP, except Issues 6(a) and 6(c).

TIME
WARNER: Adopts FCTA's position.

VISTA: Consistent with the Company's positions on Issues 5a and 6, the Company has no position on this issue at this time.

WORLD-

COM: WorldCom adopts the positions of AT&T and MCI.

OPC: No position at this time.

STAFF: No position pending the Hearing.

ISSUE 5: (a) For purposes of determining the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism, for which Florida local exchange companies must the cost of basic local telecommunications service be determined using the cost proxy model identified in Issue 2?
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(b) For each of the LECs identified in (a), what cost results from using the input values identified in Issue 5 in the cost proxy model identified in Issue 2?

AG: No position at this time.

ALLTEL: (a) The LECs with more than 100,000 access lines.
(b) Consistent with the Company's positions on Issues 5a and 6, the Company has no position on this issue at this time.

AT&T: (a) All large LECs, that is, BellSouth, GTE and Sprint, should be required to use the same cost proxy model. It may not be appropriate at this time for small rural LECs, those with less than 100,000 access lines, to use the same cost model as the non-rural companies. The FCC has determined, for interstate high cost fund purposes, rural LECs will not be required to use a forward-looking cost methodology at least until January 1, 2001. Section 364.024(4)(c), Florida Statutes (1998), permits the Commission to determine small LECs costs based either on a cost proxy model or an embedded cost basis.
(b) The resulting costs are included in Exhibit DJW-5.

BELL-
SOUTH:

- (a) The BCPM 3.1 model should be used to determine the cost of basic local telecommunications service for the non-rural local exchange companies in Florida, i.e., BellSouth, Sprint and GTE.
- (b) The forward-looking costs for BellSouth by wire center from the BCPM 3.1 model are located in Exhibit PFM-1 attached to Mr. Peter Martin's direct testimony.

e.spire: No position at this time.

FCCA: No position.

- FCTA:
- (a) The cost of basic local telecommunications service should be determined for BellSouth, GTE and Sprint.
 - (b) No position.

FRONTIER: See the position on Issue 6(a).

GTC: See the position on Issue 6(a).

- GTEFL:
- (a) The cost of providing basic local telecommunications service should be determined for each non-rural incumbent local exchange carrier, as the ILECs are the only carriers with carrier-of-last-resort duties and with the networks in place to provide service to all customers in their respective serving territories.
 - (b) The cost of basic local telecommunications service produced by BCPM with GTEFL's inputs is \$33.08 per line, per month. A directory listing (included in the statutory definition of basic service) would increase this figure by an estimated \$0.40 per line, per month.

ITS: See the position on Issue 6(a).

MCI: Adopt AT&T's position.

NORTH-
EAST:

- (a) The LECs with more than 100,000 access lines.

- (b) Consistent with the Company's positions on Issues 5a and 6, the Company has no position on this issue at this time.

SPRINT: (a) The LECs with more than 100,000 access lines.
(b) The cost results from using the input values set forth in Exhibit KWD-1 are identified in Exhibit KWD-1.

TDS/
QUINCY: See the position on Issue 6(a).

TIME
WARNER: Adopts FCTA's position.

VISTA: (a) The LECs with more than 100,000 access lines.
(b) Consistent with the Company's positions on Issues 5a and 6, the Company has no position on this issue at this time.

WORLD-
COM: WorldCom adopts the positions of AT&T and MCI.

OPC: Cost proxy models must be used for companies with 100,000 or more lines.

STAFF: No position pending the Hearing.

ISSUE 6: (a) For purposes of determining the cost of basic local telecommunications service appropriate for establishing a permanent universal service mechanism, should the cost of basic local telecommunications service for each of the LECs that serve fewer than 100,000 access lines be computed using the cost proxy model identified in Issue 2 with the input values identified in Issue 4?
(b) If yes, for each of the LECs that serve fewer than 100,000 access lines, what cost results from using the input values identified in Issue 4 in the cost proxy model identified in Issue 2?
(c) If not, for each of the Florida LECs that serve fewer than 100,000 access lines, what approach should be employed to determine the cost of basic local telecommunications service and what is the resulting cost?

AG: No position at this time.

ALLTEL: (a) No. Small LECs like the Company should be allowed to use an embedded cost methodology.
(b) Not applicable.
(c) The small LECs should be allowed to use the embedded cost methodology described in the testimony of Dennis Curry. Under this approach, the Company's cost per access line is \$41.97.

AT&T: (a) No. This is consistent with the FCC determination, for interstate high cost fund purposes, that rural LECs will not be required to use a forward-looking cost methodology at least until January 1, 2001.
(b) Not applicable.
(c) Since there is no local competition in these areas and universal service is not jeopardized, it is appropriate to defer determination of universal service costs and subsidy needs until the FCC addresses this issue or a rural ILEC can demonstrate a specific need for support.

BELL-SOUTH: (a) No.
(b) Not applicable.
(c) Embedded costs should be used to determine the cost of basic local telecommunications service for rural local exchange companies.

e.spire: No position at this time.

FCCA: No position.

FCTA: No position.

FRONTIER: The Commission should not use a cost proxy model to compute the cost of basic local telecommunications service for LECs that serve fewer than 100,000 access lines. Instead the Commission should use an embedded cost study approach to determine the cost of basic local telecommunications service for Frontier. Using such an approach, the resulting cost for Frontier is \$56.13 per access line per month.

GTC: The Commission should not use a cost proxy model to compute the cost of basic local telecommunications

service for LECs that serve fewer than 100,000 access lines. Instead the Commission should use an embedded cost study approach to determine the cost of basic local telecommunications service for GTC. Using such an approach, the resulting monthly cost per access line for each division of GTC is as follows: St. Joe - \$44.16; Perry - \$38.07; Florala (Florida only) - \$49.81.

GTEFL: GTEFL takes no position on this issue at this time, but reserves the right to do so later.

ITS: The Commission should not use a cost proxy model to compute the cost of basic local telecommunications service for LECs that serve fewer than 100,000 access lines. Instead the Commission should use an embedded cost study approach to determine the cost of basic local telecommunications service for ITS; using such an approach, the resulting cost for ITS is \$73.07 per access line per month.

MCI: Adopt AT&T's position.

NORTH-EAST:

- (a) No. Small LECs like the Company should be allowed to use an embedded cost methodology.
- (b) Not applicable.
- (c) The small LECs should be allowed to use the embedded cost methodology described in the testimony of Dennis Curry. Under this approach, the Company's cost per access line is \$65.87.

SPRINT:

- (a) This issue does not apply to Sprint-Florida, so it has no position on this issue.
- (b) Not applicable.
- (c) Not applicable.

TDS/
QUINCY: The Commission should not use a cost proxy model to compute the cost of basic local telecommunications service for LECs that serve fewer than 100,000 access lines. Instead the Commission should use an embedded cost study approach to determine the cost of basic local telecommunications service for Quincy; using such an approach, the resulting cost for ITS is \$44.39 per access line per month.

TIME

WARNER: Adopts FCTA's position.

VISTA: (a) No. Small LECs like the Company should be allowed to use an embedded cost methodology.
 (b) Not applicable.
 (c) The small LECs should be allowed to use the embedded cost methodology described in the testimony of Dennis Curry. Under this approach, the Company's cost per access line is \$65.65.

WORLD-

COM: No position at this time.

OPC: (None listed)

STAFF: No position pending the Hearing.

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IX. EXHIBIT LIST

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
Dennis Curry	ALLTEL	DC-1 (Direct)	Composite
John I. Hirshleifer	AT&T	JH-1 (Direct)	Resume
		JH-2 (Direct)	Telephone Holding Companies
		JH-3 (Direct)	Summary of Cost of Debt for BellSouth, GTE and Sprint
		JH-3a (Direct)	BellSouth Bond Yields (as of 12/31/97)
		JH-3b (Direct)	GTE Bond Yields (as of 12/31/97)
		JH-3c (Direct)	Sprint Bond Yields (as of 12/31/97)
		JH-4 (Direct)	3-Stage DCF Model Estimates of Cost of Equity for Telephone Holding Companies

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
		JH-5 (Direct)	Estimated Betas for the Comparable Companies (60 Monthly Observations - period ending 12/31/97)
		JH-6 (Direct)	Risk Premium Computer from DCF Expected Market Return
		JH-7 (Direct)	Expected Long-Run One-Month Treasury Bill Yield for December 1997
		JH-8 (Direct)	Stock Market Premium Analysis
		JH-9 (Direct)	Model Estimates of Cost of Equity for RBOC's, ALLTEL, Cincinnati Bell, GTE and SNET
		JH-10 (Direct)	Capital Structure of Telephone Holding Companies as of Year-End 1997
		JH-11 (Direct)	Model Estimates of Cost of Capital for BellSouth, GTE and Sprint
		JH-1 (Rebuttal)	Comparison of Earnings Growth Forecasts for Telephone Holding Companies and Wireless Companies
		JH-2 (Rebuttal)	Network Services Strategic Overview - Bell Atlantic
Michael J. Majoros, Jr. (Direct and Rebuttal)	AT&T	MJM-1 (Direct and Rebuttal)	Appearances before Regulatory Agencies Related to Depreciation
		MJM-2 (Direct and Rebuttal)	Participation as Negotiator in FCC Depreciation Rate Rescription Conferences

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
		MJM-3 (Direct and Rebuttal)	Resume
		MJM-4 (Direct and Rebuttal)	All LECs Plant Related Rates
		MJM-5 (Direct and Rebuttal)	BellSouth Telephone Plant Related Rates
		MJM-6 (Direct and Rebuttal)	Florida Projection Life Comparison Recommended Inputs
		MJM-7 (Direct and Rebuttal)	BellSouth Universal Service Depreciation Parameter Comparison
		MJM-8 (Direct and Rebuttal)	Forecasting - Society of Depreciation Professionals Annual Meeting, F. Franklin, FCC, 09/22/97
		MJM-9 (Direct and Rebuttal)	Comparison of TFI's Fiber Feeder Forecasts
		MJM-10 (Direct and Rebuttal)	Track Record, Comparison of Actual Retirements and Additions to the 1990 and 1993 Depreciation Study Forecasts
		MJM-11 (Direct and Rebuttal)	Comparison of BellSouth's Metallic Cable Forecast to Actual Retirements
		MJM-12 (Direct and Rebuttal)	Summary of Reserves on FCC Basis

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
Art Lerma (Rebuttal)	AT&T	ALR-1 (Rebuttal)	State of Florida - BellSouth, GTE & Sprint Proposed USF Cost Per Line
		ALR-2 (Rebuttal)	BellSouth Expenses per Line USF Filing per BCPM 3.1 (Documentation)
		ALR-3 (Rebuttal)	BellSouth Adjusted Expenses Per Line AT&T Projected Expenses
Catherine E. Petzinger (Rebuttal)	AT&T	CEP-1 (Rebuttal)	Comparison of Vendor Switch Price Per Line, Fully Installed Switch Price Per Line and Per Line Price for Switch Types
Don J. Wood	AT&T/MCI	DJW-1	Vitae
		DJW-2	HAI Model Description
		DJW-3	HAI Model Input Portfolio
		DJW-4	HAI Model Automation Description and User Guide
		DJW-5	HAI Costs Per Wire Center
		DJW-6	HAI CD-ROM
Don J. Wood/Brian F. Pitkin (Rebuttal)	AT&T	DJW/BFP-1 (Rebuttal)	BCPM Serving Areas Ignore Customer Location
		DJW/BFP-2 (Rebuttal)	Assessment Sought on Bell Rates, The Associated Press, 08/20/98
		DJW/BFP-3 (Rebuttal)	FCC Public Notice titled "Common Carrier Bureau Seeks Comment on Model Platform Development," 08/07/98

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
		DJW/BFP-4 (Rebuttal)	Maps illustrating that the BCPM does not serve all customers
		DJW/BFP-5 (Rebuttal)	BCPM output reports showing the investment and cost generated by the BCPM using the BCPM's "default switching method" and the "SCM switching method"
		DJW/BFP-6 (Rebuttal)	HAI geocoding success rates by state and density zone
		DJW/BFP-7 (Rebuttal)	AT&T and MCI June 10, 1998 Ex Parte filing with the FCC titled "HAI Model 5.0a - Why it Engineers the Appropriate Amount of Distribution Plant"
		DJW/BFP-8 (Rebuttal)	BCPM ultimate grids vary in size across the United States
		DJW/BFP-9 (Rebuttal)	Bellcore comparison of bush v. branch design
		DJW/BFP-10 (Rebuttal)	Graphical comparison of the BCPM and HAI Model approaches to customer location and outside plant design
		DJW/BFP-11 (Rebuttal)	Illustration of MST Analysis on the BCPM
		DJW/BFP-12 (Rebuttal)	Graph of HAI Model Copper Analog Distribution Loop Lengths
		DJW/BFP-13 (Rebuttal)	The BCPM does not build cable to reach modeled customer locations
		DJW/BFP-14 (Rebuttal)	Square lots are inefficient and result in increased developer costs

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
		DJW/BFP-15 (Rebuttal)	Comparison of the number of serving areas and lines by company in the HAI Model and the BCPM
		DJW/BFP-16 (Rebuttal)	Comparison of route miles by company in the HAI Model and the BCPM
		DJW/BFP-17 (Rebuttal)	Per-foot structure costs for distribution and feeder plant
		DJW/BFP-18 (Rebuttal)	Comparison of HAI Model and BCPM estimated distances to minimum spanning tree distances, by wire center
		DJW/BFP-19 (Rebuttal)	Comparison of HAI Model and BCPM estimated distances to minimum spanning tree distances, by density zone
		DJW/BFP-20 (Rebuttal)	Letter from Metromail detailing geocoding success rate
		DJW/BFP-21 (Rebuttal)	Comparison of annual charge factors in the HAI Model and the BCPM
Dr. Kevin Duffy-Deno. (Direct and Rebuttal)	BellSouth	KDD-1 (Direct and Rebuttal)	Curriculum Vitae
		KDD-2 (Direct and Rebuttal)	Bunnell Wire Center
Peter F. Martin (Direct and Rebuttal)		PFM-1 (Direct and Rebuttal)	Florida Wire Center Level Data

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
Dr. Robert M. Bowman (Direct and Rebuttal)	BellSouth	RMB-1 (Direct and Rebuttal)	Curriculum Vitae
		RMB-2 (Direct and Rebuttal)	Urban and Rural Wire Centers
		RMB-3 (Direct and Rebuttal)	BCPM3 Designs the Most Efficient Proxy Network
		RMB-4 (Direct and Rebuttal)	Loop Network : : :
		RMB-5 (Direct and Rebuttal)	Outside Plant Engineering Handbook (mislabeled RMB-1)
		RMB-6 (Direct and Rebuttal)	dB loss with 18,000 foot metallic cable
		RMB-7 (Direct and Rebuttal)	OSP 363-205-010 (mislabeled RMB-3)
G. David Cunningham (Direct and Rebuttal)	BellSouth	GDC-1 (Direct and Rebuttal)	Company Composite Projection Life
		GDC-2 (Direct and Rebuttal)	1998 Florida Study
		GDC-3 (Direct and Rebuttal)	Comparison of Projection Lives
		GDC-4 (Direct and Rebuttal)	Projection Lives

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
Dr. Randall S. Billingsley (Direct and Rebuttal)		RSB-1 (Direct and Rebuttal)	Regulatory and Economic Standards
		RSB-2 (Direct and Rebuttal)	Nature and Applicability of the DCF Model in Regulatory Proceeding
		RSB-3 (Direct and Rebuttal)	DCF and CAPM Data for BellSouth Comparable Firm Portfolio
		RSB-4 (Direct and Rebuttal)	DCF and CAPM Data for Sprint-FL Comparable Firm Portfolio
		RSB-5 (Direct and Rebuttal)	Comparable Firm Identification Criteria and Methodology
		RSB-6 (Direct and Rebuttal)	Capital Asset Pricing Model Analysis of the Cost of Equity Capital
		RSB-7 (Direct and Rebuttal)	Treasury Bond Futures Interest Rate
		RSB-8 (Direct and Rebuttal)	Market Risk Premium Approach to Estimating the Cost of Equity Capital
		RSB-9 (Direct and Rebuttal)	Expected Market Risk Premium
		RSB-10 (Direct and Rebuttal)	Expected Market Risk Premium
		RSB-11 (Direct and Rebuttal)	Aaa vs. Treasury Bond Yields

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
		RSB-12 (Direct and Rebuttal)	"A" vs. Treasury Bond Yields
		RSB-13 (Direct and Rebuttal)	BellSouth Capital Structure
		RSB-14 (Direct and Rebuttal)	Sprint-FL Capital Structure
		RSB-15 (Direct and Rebuttal)	Market Value Capital Structure of BellSouth Comparables
		RSB-16 (Direct and Rebuttal)	Market Value Capital Structure of Sprint-FL Comparables
		RSB-1 (Rebuttal)	DCF and CAPM Data for BellSouth Comparable Firm Portfolio
		RSB-2 (Rebuttal)	DCF and CAPM Data for Sprint- FL Comparable Firm Portfolio
		RSB-3 (Rebuttal)	Comparable Firm Identification Criteria and Methodology
		RSB-4 (Rebuttal)	Treasury Bond Futures Interest Rate
		RSB-5 (Rebuttal)	Expected Market Risk Premium: Aaa Rating Base
		RSB-6 (Rebuttal)	Expected Market Risk Premium: "A" Rating Base
		RSB-7 (Rebuttal)	Aaa vs. Treasury Bond Yields
		RSB-8 (Rebuttal)	A vs. Treasury Bond Yields

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
		RSB-9 (Rebuttal)	BellSouth Capital Structure
		RSB-10 (Rebuttal)	Sprint-FL Capital Structure
		RSB-11 (Rebuttal)	Market Value Capital Structure of BellSouth Comparables
		RSB-12 (Rebuttal)	Market Value Capital Structure of Sprint-FL Comparables
D. Daonne Caldwell	BellSouth	DDC-1 (Direct and Rebuttal)	Benchmark Cost Proxy Model, Version 3.1 ⋮
William E. Taylor	BellSouth	WET-1 (Rebuttal)	Curriculum Vitae
Georgetown Consulting Group, Inc. (Jamshed K. Madan, Michael D. Dirmeier, and David C. Newton) (Rebuttal)	BellSouth	Appendix A	Glossary of Defined Terms
		Appendices B-D	Statements of Qualifications
		GCG-1	Identification of Sensitive Input Groups
		GCG-2	Values for User-Adjustable Inputs
		GCG-3	Sensitive Input Group I: NID and Drop
		GCG-4	Sensitive Input Group II: Terminal and Splice

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
		GCG-5	Sensitive Input Group III: Distribution Investment
		GCG-6	Sensitive Input Group IV: Copper Feeder Investment
		GCG-7	Sensitive Input Group V: Fiber Investment
		GCG-8	Sensitive Input Group VI: Structure Placement Fractions
		GCG-9	Sensitive Input Group VII: Structure Sharing Fractions
		GCG-10	Sensitive Input Group VIII: Copper Fiber Sizing Factors
		GCG-11	Sensitive Input Group IX: DLC
		GCG-12	Sensitive Input Group X: Interoffice Investment
		GCG-13	Sensitive Input Group XI: Switching Factors
		GCG-14	Sensitive Input Group XII: Expense Factors
		GCG-15	Sensitive Input Group XIII: Cost of Capital
		GCG-16	Sensitive Input Group XIV: Depreciation
		GCG-17	Sensitive Input Group XV: Universal Service Support
William J. Barta	FCTA	WJB-1	Resume
Kelly Goodnight	Frontier	KG-1	Embedded cost study
R. Mark Ellmer	GTC	RME-1	Embedded cost study for each division of the company

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
Meade C. Seaman	GTEFL	MCS-1	Economic Costs Based on UNE Rates
		MCS-2	GTE USF Report
		MCS-3 (Rebuttal)	Comparison of Current and AT&T-Proposed Switched Access Rates
David G. Tucek	GTEFL	DGT-1	GTE's Company-Specific Inputs for BCPM
		DGT-2	BCPM CD with GTE Inputs
		DGT-3	BCPM Model Run Results
Michael R. Norris	GTEFL	MRN-1	Expense Cost Pool Assignment
		MRN-2	Expense Cost Pool Summary
		MRN-3	BCPM Expense Inputs and Results
Allen E. Sovereign	GTEFL	AES-1	Comparison of FPSC and GTE Lives
		AES-2	Economic Depreciation Input Parameters
		AES-3	Comparison of TFI and GTE Lives
		AES-4	Comparison of AT&T and GTE Lives
		AES-5	Comparison of RBOC and GTE Lives
		AES-6	Comparison of FPSC and GTE Lives (with footnotes)*
		AES-7	Analog Switching Account Equipment Reserve Analysis
James H. Vander Weide	GTEFL	JVW-1	Capital Structure of S&P Industrials

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
		JVW-2	Capital Structure of RBHCs and GTE
		JVW-3	DCF Analysis of S&P Industrial Group
		JVW-4	Regulatory Book Value Capital Structure of LECs
		JVW-5	Market to Book Ratios of Electric and Gas Companies
		JVW-6	Impacts of Extraordinary Write-Offs on Total Equity of Mr. Hirshleifer's Cos.
		JWW-7	Value Line Internal Growth Rate and I/B/E/S Estimates for Mr. Hirshleifer's THCs
		JWW-8	Anomalous DCF Results for Interexchange Carriers and Florida Electric Utilities using Mr. Hirshleifer's Three-Stage DCF Methodology
Steven A. Olson	GTEFL	SAO-1	Income and Expense Statement
Timothy J. Tardiff	GTEFL	TJT-1	Table of Contents for Analysis of HAI Model Release 5.0a
		TJT-2	Analysis of HAI Model Release 5.0a
Dan Weaver	ITS	DW-1	Embedded cost study
James W. Wells	MCI	JWW-1	HAI Model Outside Plant Engineering Team
		JWW-2	FCC Pole Cost Data
		JWW-3	Fassett Validation Data
		JWW-4	Regulatory Curriculum Vitae
		JWW-4A	Input Value Comparisons

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
		JWW-5	OSP Cable Pair Resistance vs. Cable Length
		JWW-6	Efficiency of Rectangular Lots
Lynne G. Brewer	Northeast	LGB-1	Composite
Dr. Brian K. Stahr	Sprint-FL	BKS-1 (Direct)	BCPM Version 3.1
		BKS-1A (Rebuttal)	Footnotes
		BKS-2 (Rebuttal)	FCC "Ex parte" documents
		BKS-3 (Rebuttal)	FCC's analysis and Sprint's Response
		BKS-4 (Rebuttal)	Example of geocode variance
		BKS-5 (Rebuttal)	Sprint comments to FCC
		BKS-6 (Rebuttal)	Explanation of geocode and placement process
		BKS-7 (Rebuttal)	Example of HAI model customer lot distribution
		BKS-8 (Rebuttal)	Minimum Spanning Tree
		BKS-9 (Rebuttal)	Steiner Tree Examples
		BKS-10 (Rebuttal)	BCPM MST approach
Kenton W. Dickerson	Sprint-FL	KWD-1 (Direct)	Summary of Study Inputs and Results
		KWD-1 (Rebuttal)	Expense and Investment Comparison

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
Carl H. Laemeli	Sprint-FL	CHL- Rebuttal 1	Footnotes
		CHL- Rebuttal 2	Comparison of Sprint and HAI Plant Mix Inputs
		CHL- Rebuttal 3	Comparison of Sprint and HAI Sharing Fractions
		CHL- Rebuttal 4	AT&T Response to Sprint Data Request
James W. Sichter	Sprint-FL	JWS-1 (Rebuttal)	Wire Center-Maps
Dr. Randall S. Billingsley	Sprint-FL	RSB-1	Regulatory and Economic Standards Used in Cost of Capital Analysis
		RSB-2	Nature and Applicability of the DCF Model in Regulatory Proceeding
		RSB-4	DCF and CAPM Data for Sprint- FL Comparable Firm Portfolio
		RSB-5	Comparable Firm Identification Criteria and Methodology
		RSB-6	Capital Asset Pricing Model Analysis of the Cost of Equity Capital
		RSB-7	Treasury Bond Futures Interest Rate
		RSB-8	Market Risk Premium Approach to Estimating the Cost of Equity Capital
		RSB-9	Expected Market Risk Premium
		RSB-10	Expected Market Risk Premium
		RSB-12	"A" vs. Treasury Bond Yields

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NUMBER</u>	<u>DESCRIPTION</u>
		RSB-14	Sprint-FL Capital Structure
		RSB-16	Market Value Capital Structure of Sprint-FL Comparables
		RSB-17	Curriculum Vitae
		RSB-2 (Rebuttal)	DCF and CAPM Data for Sprint- FL Comparable Firm Portfolio
		RSB-3 (Rebuttal)	Comparable Firm Identification Criteria and Methodology
		RSB-4 (Rebuttal)	Treasury Bond Futures Interest Rate
		RSB-6 (Rebuttal)	Expected Market Risk Premium: "A" Rating Base
		RSB-8 (Rebuttal)	"A" vs. Treasury Bond Yields
		RSB-10 (Rebuttal)	Sprint-FL Capital Structure
		RSB-12 (Rebuttal)	Market Value Capital Structure of Sprint-FL Comparables
Jeffrey L. Jung	Quincy	JLJ-1	Summary
		JLJ-2	Embedded cost study
Daniel C. Weaver	Vista	DCW-1	Composite

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

X. PROPOSED STIPULATIONS

There are no proposed stipulations at this time.

XI. PENDING MOTIONS

Staff's Motion to Compel Discovery is pending against GTE Florida Incorporated.

XII. RULINGS

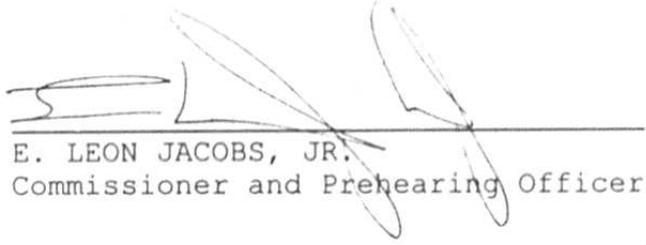
1. OPENING PRESENTATIONS ON THE BCPM AND HAI COST MODELS: The parties will designate from among their witnesses one presenter per side (cost model) to deliver a one hour presentation on the cost models, one designated witness for BCPM and one designated witness for HAI. The presentations shall be educational and informative in nature and not argumentative or comparative. The designated witness sponsoring BCPM will go first, and the designated witness sponsoring HAI will follow. The witnesses will present the key modules of the models; including how the models address customer location and how the models utilize plant to serve the customers, as well as the specific modeling techniques involved. Following each one hour presentation, the Commission and its Staff will have an opportunity to cross-examine the witness regarding the presentation. The parties shall reserve their cross-examination until the witness testifies in the witness order of the hearing established by this Order.
2. LEAD WITNESS DESIGNATION FOR PANEL WITNESSES: All parties who sponsor witness panels must designate and file with the Commission the lead witness on witness panels that they will sponsor at the hearing no later than Wednesday, October 7, 1998.
3. CONFIDENTIAL DOCUMENTS PRODUCED IN RESPONSE TO ORDERS ON MOTIONS TO COMPEL: Any documents produced following the prehearing conference under a claim of confidentiality will be dealt with on a case by case basis. With regard to any supplemental rebuttal testimony that may be filed, parties should file the appropriate notice of confidentiality with the filing of the testimony, if necessary.

It is therefore,

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ORDERED by Commissioner E. Leon Jacobs, Jr., as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner E. Leon Jacobs, Jr. as Prehearing Officer, this 8th Day of October, 1998.



E. LEON JACOBS, JR.
Commissioner and Prehearing Officer

(S E A L)

WPC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary,

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

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