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June 26, 2000

Mrs. Blanca S. Bayó  
Director, Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Docket No. 990649-TP (UNEs)

Dear Ms. Bayó:

Enclosed please find the original and fifteen copies of Prehearing Statement of BellSouth Telecommunications, Inc., which we ask that you file in the above-referenced docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served to the parties shown on the attached Certificate of Service.

Sincerely,

*Nancy B. White*  
Nancy B. White (PW)

cc: All Parties of Record  
Marshall M. Criser III  
R. Douglas Lackey

- APP \_\_\_\_\_
- CAF \_\_\_\_\_
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**CERTIFICATE OF SERVICE  
Docket No. 990649-TP**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via

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Nancy B. White (NW)  
**(+) Signed Protective Agreement**

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**ORIGINAL**

In re: Investigation into )  
pricing of unbundled network )  
elements )  
\_\_\_\_\_ )

Docket No. 990649-TP

Filed: June 26, 2000

**PREHEARING STATEMENT OF BELL SOUTH TELECOMMUNICATIONS, INC.**

BellSouth Telecommunications, Inc. ("BellSouth"), in compliance with the Order On Motion for Extension of Testimony Filing Dates, Motion for Continuance, and Modification of Second Revised Order on Procedure (Order No. PSC-00-2015-PCO-TP), issued June 8, 2000, hereby submits its Prehearing Statement for the above-styled matter.

**A. Witnesses**

BellSouth proposes to call the following witnesses to offer testimony on the issues in this docket:

<b><u>Witness</u></b>	<b><u>Issue(s)</u></b>
1. Alphonso J. Varner (Direct and Rebuttal)	1, 2, 4, 5, 9 -13
2. Daonne Caldwell (Direct and Rebuttal)	2, 3, 4, 5, 6, 7, 8
3. Dr. Randall S. Billingsley (Direct and Rebuttal)	7
4. G. David Cunningham (Direct and Rebuttal)	7
5. W. Keith Milner (Direct and Rebuttal)	3, 4, 5, 7, 8
6. Walter S. Reid (Direct)	7
7. Joseph H. Page (Direct)	7, 8
8. James W. Stegeman (Direct and Rebuttal)	7

BellSouth reserves the right to call additional witnesses, witnesses to respond to Commission inquiries not addressed in direct or rebuttal testimony and witnesses to address issues not presently designated that may be designated by the Prehearing

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Officer at the prehearing conference to be held on July 6, 2000. BellSouth has listed the witness for whom BellSouth believes testimony will be filed, but reserves the right to supplement that list if necessary.

**B. Exhibits**

Alphonso J. Varner	AJV-1	Florida Rate and Cost Analysis
Daonne Caldwell	DDC-1	BSTLM Report Guide
	DDC-2	OC48 - Line Cards
	DDC-3	TELCRIC Calculation
	DDC-4	UNE Cost Summary
	DDC-5	Input Sheet
Dr. Randall S. Billingsley	RSB-1	Regulatory and Economic Standards used in Cost of Capital Analysis
	RSB-2	Nature and Applicability of the DCF Model in Regulatory Proceedings
	RSB-3	DCF and CAPM Data for BST Comparable Firm Portfolio
	RSB-4	Comparable Firm Identification Criteria and Methodology
	RSB-5	Capital Asset Pricing Model Analysis
	RSB-6	Treasury Bond Futures Interest Rate
	RSB-7	Market Risk Premium Approach to Estimating the Cost of Equity Capital
	RSB-8	Expected Market Risk



	RSB-9	Recent Aaa vs. Treasury Bond Yields
	RSB-10	Market Value Capital Structure of BST Comparables
	RSB-11	Billingsley Vita
	RSB-12	Comparable Firm Identification Criteria and Methodology
	RSB-13	DCF and CAPM Data for BST Comparable Firm Portfolio
	RSB-14	Treasury Bond Futures Interest Rate
	RSB-15	Expected Market Risk
	RSB-16	Recent Aaa vs. Treasury Bond Yields
	RSB-17	Market Value Capital Structure of BST Comparables
G. David Cunningham	GDC-1	Company Composite Projection Life
	GDC-2	2000 Florida Depreciation Study
	GDC-3	Projection Lives
	GDC-4	Comparison of Projection Lives
W. Keith Milner	WKM-1	Access to Multi-Tenant Environment
Walter S. Reid	WSR-1	BST's Methodology for Computing Common Cost Factor
	WSR-2	Typical Shared and Common Costs
	WSR-3	Shared Costs Factors

	WSR-4	Wholesale Common Cost Factor Calculation
Joseph H. Page	JHP-1	Central Office Switching
James W. Stegeman	JWS-1	List of Acronyms
	JWS-2	DLC Common Equipment Calculation
	JWS-3	DLC Plug-In Calculation
	JWS-4	Investment Process Logic Worksheets
	JSW-5	Comparison of BSTLM to Proxy Models

BellSouth reserves the right to file exhibits to any testimony that may be filed under the circumstances identified in Section "A" above. BellSouth also reserves the right to introduce exhibits for cross-examination, impeachment, or any other purpose authorized by the applicable Florida Rules of Evidence and Rules of this Commission.

### **C. Statement of Basic Position**

BellSouth has developed updated cost studies for various unbundled network elements and interconnection services. The rates developed by this Commission in this proceeding should be based on the cost studies filed herein by BellSouth and the rates proposed by BellSouth in its testimony.

### **D. BellSouth's Position on the Issues**

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

Position: Rates should be set for access to CCS7 signaling transport and the following call-related databases: 800 access Ten Digit Screening; Line Information Database Access; BellSouth Calling Name Database Service; BellSouth Access to #911 Service; and Local Number Portability Query Service.

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

Position: In order to determine if it is appropriate to price a particular service such that its recurring rates recover non-recurring costs, several factors should be considered, including the length of time the service will be installed or remain in service. This factor is important to ensure that the non-recurring costs can be recovered and will not be foregone if the service is removed or disconnected too soon. Absent some of the type of volume and term agreement or termination liability, the risk of not recovering non-recurring costs increases. Another factor to consider is the impact that the recovery of the non-recurring costs will have on the recurring rate. Depending on the amount of costs to be recovered, spreading the non-recurring costs over a recurring rate could cause the recurring rate to be inappropriately high.

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

- (b) depreciation;**
- (c) cost of capital;**
- (d) tax rates**

Position: 7(b) The appropriate depreciation rate are those contained in BellSouth's 2000 Florida depreciation study.

7(c) The appropriate overall cost of capital rate is 11.25%.

7(d) The appropriate tax rates are contained in Ms. Caldwell's direct testimony and in the BellSouth cost studies.

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

Position: The UNEs which BellSouth currently makes available to ALECs are those required by the FCC's 319 Order. Absent a showing that access to a UNE is "necessary" and where failure to provide such access "impairs" the ability of an efficient ALEC to provide telecommunications services, BellSouth believes it is not necessary for this Commission to impose additional unbundling obligations beyond those UNEs identified in the FCC's national list. Since the FCC recently completed its exhaustive review of UNEs, BellSouth is not aware of any additional elements that need to be examined.

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

Position: The recurring and on-recurring rates and charges established in this proceeding should take effect after the Commission issues an effective order and after existing interconnection agreements are properly amended to incorporate the ordered rates.

#### **E. Stipulations**

None.

#### **F. Pending Motions**

BellSouth has no motions pending at this time.

**G. Other Requirements**

None.

Respectfully submitted this 26<sup>th</sup> day of June, 2000.

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