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RECORDS AND REPORTING

September 10, 1998

HAND DELIVERED

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

Re: Determination of the Cost of Local Telecommunications Service, pursuant to Section 364.025, Florida Statutes; FPSC Docket No. 980696-TP

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Northeast Florida Telephone Company's Prehearing Statement.

Also enclosed is a diskette containing the above Prehearing Statement originally typed in Microsoft Word 97 format which has been saved in Rich Text format for use with WordPerfect.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning same to this writer.

Thank you for your assistance in connection with this matter.

Sincerely,

J. Jeffrey Wahlen

- ACK _____
- AFA 2
- APP _____
- CBF _____
- CMU Key
- CTR _____
- EAG JJW/pp
- LEG 2 Enclosures
- LIN 5 All Parties of Record (w/enc.)
- ONE _____
- RCM _____
- SEC 1
- WAS _____
- OTH _____

DOCUMENT NUMBER-DATE

09880 SEP 10 8

FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Determination of the Cost of)
 Local Telecommunications Service,)
 pursuant to Section 364.025, Florida)
 Statutes)

DOCKET NO. 980696-TP
 FILED: 9/10/98

NORTHEAST'S PREHEARING STATEMENT

Northeast Florida Telephone Company ("Northeast" or the "Company"), pursuant to Order No. PSC-98-0813-PCO-TP, submits the following Prehearing Statement:

A. **WITNESS:** The Company will sponsor the direct testimony of Lynne G. Brewer, who will testify on issues 1, 5a and 6.

B. **EXHIBITS:** The Company's witness, Lynne G. Brewer, has a composite exhibit (LGB-1) attached to her direct testimony.

C. **BASIC POSITION:** 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.

D-G. **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?

Position: 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.

DOCUMENT NUMBER-DATE

09880 SEP 10 98

FPSC-RECORDS/REPORTING

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 proxy model to determine the total forward-looking cost of providing basic local telecommunications service pursuant to Section 364.025(4)(b), Florida Statutes?

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

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?

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

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
- (t) Other inputs

Position: Consistent with the Company's positions on Issues 5a and 6, this issue does not apply to the Company; therefore, the Company has no position at this time.

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?

Position: The LECs with more than 100,000 access lines.

Issue 5(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?

Position: Consistent with the Company's positions on Issues 5a and 6, this issue does not apply to the Company; therefore, the Company has no position at this time.

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 served 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?

Position: No. Small LECs like the Company should be allowed to use an embedded cost methodology.

Issue 6(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?

Position: Not applicable.

Issue 6(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?

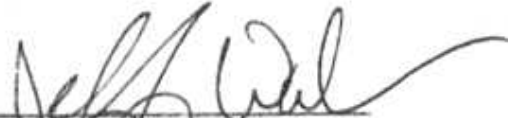
Position: The small LECs should be allowed to use the embedded cost methodology described in the testimony of Dennis Curry. Under this approach, the Company's cost per access line is \$ 65.87.

H. **STIPULATIONS:** The Company is not aware of any pending stipulations at this time.

I. **PENDING MOTIONS:** The Company is not aware of any pending motions at this time.

J. **COMPLIANCE WITH ORDER ON PREHEARING PROCEDURE:** The Company does not know of any requirement of the Order on Prehearing Procedure with which it cannot comply.

Respectfully submitted this 10th day of September, 1998.



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ATTORNEYS FOR NORTHEAST FLORIDA
TELEPHONE COMPANY

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by U. S. Mail or hand delivery (*) this 10th day of September, 1998, to the following:

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