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Public Service Commission

September 23, 1997

BY AIRBORNE EXPRESS

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street NW, Room 222
Washington, DC 20554

DOCKET FILE COPY ORIGINAL

Re: CC Docket No. 96-45 - Federal-State Joint Board on Universal Service.

CC Docket No. 97-160 - Forward-Looking Mechanism for High Cost Support for Non-Rural LECs.

Dear Mr. Caton:

Enclosed are an original plus 12 copies of the Florida Public Service Commission's Comments to be filed in the above docket. Please date-stamp one copy and return it in the enclosed, self-addressed stamped envelope.

Sincerely,

Cynthia B. Miller

Cynthia B. Miller
Senior Attorney

CBM:jmb
Enclosure
cc: Parties of Record

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List ABCDE

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of:	)	
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Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
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COMMENTS OF THE
FLORIDA PUBLIC SERVICE COMMISSION
TO FURTHER NOTICE OF PROPOSED RULEMAKING
SECTION III.C.2

On July 18, 1997 the FCC issued a Further Notice of Proposed Rulemaking (FNPRM) to obtain input from interested parties regarding the proposed mechanism to be used to calculate forward-looking economic costs of universal service for non-rural LECs. The FNPRM allows for a staged comment cycle, with each comment and reply comment stage limited to specific cost model platform design issues and associated input values. The Florida Public Service Commission (FPSC) is pleased to provide comments on certain of the outside plant investment topics identified in Section III.C.2 of the FNPRM. The order of our comments tracks the order of the topics in the FCC's FNPRM.

The FPSC believes that the outside plant network design incorporated in the forward-looking economic proxy cost model should be sufficiently flexible to allow for inputs that may be

disaggregated at different levels. While certain inputs (e.g., cost of money values, depreciation rates) should be applied on a nationwide basis, we believe this level of aggregation is clearly inappropriate for many inputs and would misrepresent the actual cost characteristics of many states. In general, a robust cost model should allow the specification of some inputs at the state level, and certain others on a more geographically disaggregated basis. In these and subsequent comments filed in this proceeding, we will expand on this general theme.

III.C.2.a. - Plant Mix

As noted in the FNPRM, telephone outside plant consists of a mix of aerial, underground, and buried cable. Aerial cable is supported on poles, underground cable is placed in conduit and then buried, while buried cable is without conduit. A telecommunications provider's outside plant mix is a function of various factors, including terrain, weather conditions, soil type, and the geographic distribution of population. (¶ 56)

Currently, both the BCPM and the Hatfield model have tables for feeder and distribution facilities that allow the specification of what percentage of the cables are in aerial, underground, or buried installations. In both models the mix of percentages vary by line density. For example, the Hatfield model assumes that all distribution cable in areas where the line density is 5 or fewer per square mile, will be a mixture of

aerial and buried structures. Only in Hatfield's highest density zones for distribution cable (2550 lines per square mile and up) are all three installation types reflected.

The FPSC believes that there are two problems with the approach used by both model proponents. First, both models (albeit differently) account for differences due to terrain in the costs of installing outside cable facilities. As one would expect, it is much more complicated and costly, for example, to bury cable in rocky areas. As acknowledged in the FNPRM (¶ 58) the two models assume that line density is the only determinant of a provider's plant mix. Thus, while the effects of variations in terrain on installation costs are accounted for, terrain is ignored in deciding whether or not to deploy one type of installation as opposed to another. As presently configured, the models will install a mix of buried and aerial cable in the lowest density line zones and, in the presence of harsh terrain, increase the installation costs. What they don't do, however, is evaluate whether it is economically efficient in the given terrain to deploy the assumed plant mix. As a partial solution, the FCC proposes to assign a higher proportion of feeder and distribution as aerial facilities in density zones where "hard rock" conditions are encountered. (¶ 58) Depending upon how this option is implemented, we believe it may have merit.

Second, the default feeder and distribution plant mix

percentages of the two models have to date been applied "globally" -- that is, the same set of input values have been applied across all states and throughout all areas within states. The effect of using the same plant mix percentages nationwide is to assume that the only variations in outside plant mix between states are accounted for by differences in line density. The FPSC believes this is an unrealistic assumption whose result will misrepresent the diversity of costs both between states, and within states. In addition to the impacts of terrain differences (which are most apparent in large states such as California, Florida and Texas), an efficient firm presumably would also consider the tradeoff between the plant investment costs and the ongoing maintenance expenses associated with a given type of plant installation. Moreover, provision should be made for other situation-specific variables, such as local zoning ordinances. At this time, the FPSC is skeptical that a generic solution is available that adequately accounts for these variations. Accordingly, we recommend that any cost proxy model be designed so that it is able to accept plant mix inputs below statewide values; tentatively, we would suggest that allowing inputs at the wire center level may be appropriate. Regardless, the ultimate degree of disaggregation should be sufficient to acknowledge the variability between providers serving different areas within a state, as well as variations within a given provider's serving

area.

III.C.2.b. - Installation and Cable Costs

The FCC seeks comment on its tentative conclusion that the cost proxy model for non-rural LECs should specify costs for the installation of aerial cable, buried cable, and underground cable that reflect terrain factors and line density zones. The FPSC endorses this proposal, and agrees that terrain and density are the primary cost drivers for cable installation. However, we do not endorse the application of a single set of values nationwide. We believe that labor costs for performing cable installation will vary at least on a regional basis, if not on a state-specific basis.

Further, we agree with the FCC's conclusion that the selected mechanism should adopt BCPM's approach of specifically identifying additional costs to account for additional expenses caused by difficult terrain, rather than Hatfield's approach of using cost multipliers. The FPSC also agrees that the Hatfield model's approach to computing line density, which is a function of the number of lines per square mile, is the reasonable method. (¶ 65-68)

III.C.2.d. - Structure Sharing

Structure sharing refers to the practice of a telecommunications provider sharing its outside plant supporting facilities, primarily poles and conduits, with other utilities.

The two model proponents have had widely divergent points of view. The predecessors to the BCPM assumed that no sharing would occur. While the BCPM now provides for some sharing, it does not assume that an efficient telecommunications carrier would engage in much sharing. BCPM's default input values assign between 50 and 100 percent of the costs of the poles and between 80 and 100 percent of the cost of trenches and conduits used by telephone companies to those companies. In contrast, the Hatfield model has always assumed that utilities will engage in substantial sharing. Early versions assumed that only 33 percent of all supporting structures were attributable to telephone companies; the current release assumes that between 25 percent and 50 percent of the costs of shared facilities should be assigned to telephone companies. Both models vary the percentages of costs assumed to be shared depending on the type of structure and on the line density zone; the BCPM also takes into account the specific activities associated with a given type of installation. (¶ 76-77)

The FCC seeks comment on several tentative conclusions. First, they propose to adopt the categories used by the BCPM for installation activities and terrain conditions. The FPSC agrees. Second, they propose that sharing percentages should vary by line density zone, where the density zones reflect the Hatfield model's zones. We previously recommended adoption of Hatfield's

specification of line density zones and agree they are applicable here. Third, the FCC notes that much buried cable is installed using cable plows, and that little if any sharing is possible when this form of installation is used. The FPSC agrees completely with the FCC's conclusion that 100 percent of the costs incurred in burying cable with a plow should be attributed to the telecommunications provider.

Fourth, the FCC notes that Sprint proposed 66% as an across-the-board default value for the percent of costs that should be attributable to a telephone company, and tentatively concludes that this might be a reasonable compromise. The FPSC respectfully disagrees. At the outset, we note that adoption of a single value is inconsistent with and renders meaningless the preceding proposals that take into account differences in installation activities, terrain, and line density. More importantly, though, we believe that the selection of an appropriate value to use for structure sharing must be determined at least on a state by state basis (if not at a lower level, such as a county or a wire center). The FPSC contends there are too many variables that could affect the degree to which sharing is or is not possible. Of particular concern to us is the likely impact on low-density areas of selection of a global sharing value; adoption of a uniform value could assume away a telephone company's legitimately incurred costs, even where another utility

may not even be present.

Fifth, the FCC seeks comment on AT&T's claims that recent changes will incent or otherwise require incumbent providers to increase sharing of their supporting structures. In principle we agree that the Act's requirements of nondiscriminatory access to conduits and rights of way should increase use of these LEC facilities by other providers. Similarly, profit-maximization should provide incentives for incumbent LECs to generate additional revenue sources and simultaneously increase utilization of their facilities. The FPSC acknowledges that neither we nor anyone else can but wager a guess as to how extensive this practice will become. In the face of this uncertainty, we thus recommend a somewhat conservative, case-by-case approach.

Respectfully submitted,

Cynthia B. Miller by g

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DATED: September 23rd, 1997

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY on this 23rd day of September, 1997, a true and correct copy of the foregoing Florida Public Service Commission's Comments will be furnished this week to parties on the mailing list previously used in the universal service docket.

Cynthia B. Miller by j

CYNTHIA B. MILLER
Senior Attorney