BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Complaint of ALEC, Inc. for enforcement of interconnection agreement with Sprint-Florida, Incorporated and request for relief.

DOCKET NO. 020099-TP ORDER NO. PSC-02-1003-PHO-TP ISSUED: July 25, 2002

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code, a Prehearing Conference was held on July 22, 2002, in Tallahassee, Florida, before Commissioner Braulio L. Baez, as Prehearing Officer.

APPEARANCES:

SUSAN S. MASTERTON, ESQUIRE, Post Office Box 2214 Tallahassee, Florida 32316-2214 On behalf of SPRINT-FLORIDA, INCORPORATED.

JOHN C. DODGE, ESQUIRE, AND DAVID N. TOBENKIN, ESQUIRE Cole, Raywid, & Braverman, L.L.P.
1919 Pennsylvania Avenue, N.W., Suite 200
Washington, D.C. 20006
On behalf of ALEC, INC.

JON C. MOYLE, JR.
Moyle Flanigan Katz Kolins Raymond & Sheehan, P.A.
118 North Gadsden Street
Tallahassee, FL 32301
On behalf of ALEC, INC.

LINDA H. DODSON, ESQUIRE, AND WAYNE D. KNIGHT, ESQUIRE Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850 On behalf of the Commission.

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PREHEARING ORDER

I. <u>CONDUCT OF PROCEEDINGS</u>

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

On February 5, 2002, ALEC, Inc. f/k/a Metrolink (ALEC), a subsidiary of Duro Communications Corp., filed a complaint against Sprint-Florida, Inc. d/b/a Sprint (Sprint) requesting relief and enforcement of the current Interconnection Agreement between ALEC and Sprint. The parties' agreement at issue here was submitted to this Commission in Docket No. 010877-TP and went into effect by operation of law on September 20, 2001.

III. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

- 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(2), Florida Statutes, 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.

- 1. Any party intending to utilize confidential documents at hearing for which no ruling has been made, must be prepared to present their justifications at hearing, so that a ruling can be made at hearing.
- 2. In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:
 - a) proprietary Any party wishing to use any confidential business information, as that term is defined in Section 364.183(3), 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.
 - b) 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.
 - c) When confidential information is used in hearing, parties must copies for the have 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.
 - d) 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.

e) 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 the Commission Clerk and Administrative Services'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.

Pursuant to Rule 28-106.215, Florida Administrative Code, 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 40 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. Summaries of testimony shall be limited to five minutes. 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>	Proffered By	<u> Issues #</u>
<u>Direct and Rebuttal</u> *		
Richard McDaniel	ALEC, Inc.	All
John M. Felz	Sprint-Florida	All
Talmadge O. Cox III (Rebuttal only)	Sprint-Florida	2

^{*} Direct and Rebuttal Testimony will be taken together.

VII. BASIC POSITIONS

ALEC:

Sprint has committed at least two separately identifiable breaches of the current Agreement between the Parties and its breach is continuing. First, Sprint has failed to pay the vast majority of billed amounts for Sprint's use of certain transport facilities, installed by ALEC, designed to carry Sprint's traffic from Sprint's Points of Interconnection ("POIs") to ALEC's POI. Sprint has constructively acknowledged its obligation to pay for these interconnection facilities by paying a small portion of the total charges due. The fact that Sprint has paid some portion of these charges illustrates that Sprint recognizes its obligation under the Agreement to

pay ALEC for these facilities. Secondly, Sprint has refused to pay undisputed amounts owed to ALEC and to pay amounts not disputed and therefore due and payable.

Accordingly, Sprint has breached, and continues to breach, the Agreement by refusing to compensate ALEC for the facilities Sprint has ordered to transport its traffic. ALEC also seeks reimbursement for its attorneys' fees and costs expended in this action.

SPRINT:

ALEC has billed Sprint inappropriate and excessive rates for the dedicated transport portion of reciprocal compensation charges in three ways. First, ALEC has applied nonrecurring charges to multiple circuits within each dedicated transport facility. Second, ALEC has billed Sprint charges from ALEC's price list for the dedicated transport, rather than the charges in the Agreement. Third, ALEC has billed Sprint for dedicated facilities for transport of interLATA (nonlocal) transport. In sum, ALEC has misinterpreted the parties' interconnection agreement and over-billed Sprint for compensation for the interconnection arrangements established by the parties.

STAFF:

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 Commission's jurisdiction in this matter?

POSITIONS

ALEC:

The Commission has jurisdiction to resolve disputes concerning interconnection pursuant to s. 364.162(1), F.S. In exercising its jurisdiction the Commission must act consistent with applicable state law and controlling federal law, including the 1996 Telecommunications Act and Federal Communications Commission (FCC) regulations and orders issued pursuant to the Act. The ISP Remand Order does not deprive this Commission of jurisdiction. Most importantly, ALEC's Complaint does not concern the issue of compensation for ISP-bound traffic, the issue dealt with in the ISP Remand Order. Moreover, even if ALEC's Complaint was related to the reciprocal compensation issue, which it is not, the FCC was clear in its ISP Remand Order, and numerous state commissions have subsequently so concluded, that state commissions retain primary authority to enforce the substantive terms of interconnection agreements they have approved.

SPRINT:

The Commission has jurisdiction to resolve disputes concerning interconnection pursuant to s. 364.162(1), Florida Statutes. In exercising its jurisdiction the Commission must act consistent with applicable state law and controlling federal law, including the 1996 Telecommunications Act and FCC regulations and orders issued pursuant to the Act.

STAFF:

Pursuant to Section 252(e) of the Telecommunications Act of 1996, the Commission approved the agreement between ALEC, Inc. and Sprint-Florida, Incorporated. As such,

¹Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, Intercarrier Compensation for ISP-Bound Traffic, CC Docket No. 99-69, Order on Remand and Report and Order, 11 FCC Rcd 9151 (rel. Apr. 27, 2001) "ISP Remand Order").

> the Commission has jurisdiction to resolve this dispute pursuant to Sections 251 and 252 of Telecommunications Act of 1996. See Iowa Utilities Bd. v. FCC, 120 F.3d 753, 804 (8th Cir. 1937) commissions' authority under the Act to approve ' agreements carries with it the authority to enforce agreements. But see BellSouth Telecommunications, Inc. v. MCImetro Access Transmission Services, Inc., 2002 U.S. App. LEXIS 373 (11th Cir. Jan. 10, 2002) (finding state commission did not have jurisdiction to resolve complaint interconnection agreement.) out of Commission also has authority in this matter pursuant to Section 364.162, Florida Statutes.

ISSUE 2: Under the terms of the Parties' Interconnection Agreement, what are the appropriate dedicated transport charges for transport facilities used to transport Sprint-originated traffic from the POI to ALEC's switch?

POSITIONS

ALEC: Attachment IV, Section 2 of the Agreement provides a mechanism for allocating the costs of interconnection facilities between the parties. Specifically, Section 2.2.3 provides:

If CLEC provides one-hundred percent (100%) of the interconnection facility via lease of

the interconnection facility via lease of meet-point circuits between Sprint and a third-party; lease of third party facilities; or construction of its own facilities; CLEC may charge Sprint for proportionate amount based on relative usage using the lesser of:

- 2.2.3.2 Its own costs if filed and approved by a commission of appropriate jurisdiction; and
- 2.2.3.3 The actual lease cost of the interconnecting facility.

ALEC incurred 100% of the cost of the interconnection facilities by leasing these facilities from Time Warner Telecom. As the party bearing the cost of the interconnection facility, under Section 2.2.3, ALEC was entitled to charge Sprint for its use of this facility based on Sprint's proportionate usage. All the traffic carried over the facilities was Sprint-originated traffic. ALEC was entitled to charge Sprint for all of the cost of the interconnection facility.

SPRINT:

The appropriate dedicated transport charges for transport facilities used to transport Sprint-originated traffic to ALEC's switch are Sprint's transport rates as set forth in the parties' interconnection agreement. Such charges are applicable to reciprocal compensation for local traffic only.

STAFF: Staff has no position at this time.

ISSUE 2A: Has ALEC applied the correct methodology to calculate the appropriate recurring and nonrecurring dedicated transport charges to Sprint for such facilities?

POSITIONS

ALEC:

Yes. ALEC has applied the correct methodology to calculate the appropriate recurring and non-recurring transport charges owed by Sprint.

With respect to recurring charges, ALEC properly assessed Sprint a monthly unit charge for each DS1 and DS3 facility necessary to provide the service Sprint ordered. Such charges are not duplicative, but rather allow recompense for all recurring expenses involved in the provisioning of that single transport service.

With respect to non-recurring charges, ALEC has properly billed Sprint a one-time charge for installation of each facility. This charge includes a small access order fee for each order, and installation fee for each DS1 circuit (with a substantially higher price for the first DS1 circuit), and a charge for each Feature Group

> D trunk ("FGD" or "DSO") installation (again, with a substantially higher price for the first FGD trunk). Each of these levels of service involves separate charges. Α separate obligations separate and installation charge is warranted for FGD trunks, and DS1 trunks, for example, because separate identification and signaling continuity tests are required for each of the 24 FGD trunks within each DS1 trunk. Also, each DS1 facility itself must be checked and set up for the same framing and coding at each end. As is the case for recurring charges that Sprint has billed, such nonrecurring charges are not duplicative, but, rather, allow recompense for all expenses involved in the provisioning of that single transport service.

SPRINT: ALEC has applied an incorrect methodology for calculating the appropriate recurring and nonrecurring dedicated transport charges. For recurring charges, ALEC is inappropriately assessing Sprint a recurring charge for both DS1 and DS3 facilities when the appropriate charge is for DS1 facilities only. For nonrecurring charges, ALEC is inappropriately assessing Sprint nonrecurring charges for DS0s, DS1s and DS3s for the same facilities when the appropriate charge is a nonrecurring charge for the installation of DS1 facilities only.

STAFF: Staff has no position at this time.

ISSUE 2B: Has ALEC applied the correct rate to calculate the appropriate recurring and nonrecurring dedicated transport charges to Sprint for such facilities?

POSITIONS

ALEC: Yes. ALEC has charged Sprint the correct rate for both recurring and non-recurring transport charges owed by Sprint. For recurring charges, for DS3 facilities, ALEC has charged Sprint the cost it paid for these leased facilities to the lessor third party, Time Warner. For recurring DS1 charges, ALEC has charged Sprint the agreement rate. For non-recurring charges, because DS0 level charges for reciprocal compensation are not

contained in the Agreement between the Parties, and because the contract between Time Warner and ALEC by which ALEC obtains capacity contains no DSO rate, ALEC has charged Sprint from its price list filed with this Commission for installation charges.

SPRINT: ALEC has not applied the appropriate rates for nonrecurring charges for installation of facilities. First, ALEC has billed Sprint a rate from ALEC's price list for installation of dedicated DSO facilities. Under the parties' agreement, no rate is applicable for installation of DSO facilities, as the costs associated with this installation are included in the per minute of use compensation rate for call termination.

Second, ALEC has billed Sprint a rate from ALEC's price list for installation of DS1 facilities. Based on the terms of the parties' interconnection agreement, the appropriate rate is the rate set forth in the agreement, that is, \$79.80 for each dedicated DS1 transport facility.

Third, ALEC has billed Sprint a rate from ALEC's price list for installation of DS3 facilities. The nonrecurring rate for the installation of DS3 reciprocal compensation transport facilities provided in the parties' interconnection agreement is \$86.28. However, no rate is applicable for DS3 facilities, since assessing such charges in addition to the charges for DS1 facilities is duplicative and results in double recovery by ALEC.

Finally, ALEC is billing Sprint recurring rates for interLATA transport of traffic that is not local and, therefore, is not subject to reciprocal compensation under the terms of the parties' interconnection agreement.

STAFF: Staff has no position at this time.

ISSUE 3: Under the terms of the Parties' Interconnection Agreement, what minute-of-use charges are applicable for the transport of Sprint-originated traffic from the POI to ALEC's switch?

The parties have withdrawn this issue.

ISSUE 4: Has Sprint paid ALEC the appropriate charges pursuant to the terms of the Parties' Interconnection Agreement?

POSITIONS

Sprint has underpaid bills Sprint was properly ALEC: No. assessed for transport services it received from ALEC. Until very recently, Sprint had paid ALEC only \$45,389.50 of \$1,009,245.35 it had properly assessed for transport services rendered during the period described in the complaint. These amounts paid represented less than five percent of the amount billed. Of the total \$123,990.88 Sprint has now paid ALEC, it appears that Sprint has paid for a major portion of the recurring costs for the DS1s, Similarly, Sprint has paid a but not for the DS3s. portion of the DS1 installs at the Agreement rate, not at the appropriate ALEC tariff rate, but has not paid any amount for DSO installs. It appears that the most recent payment from Sprint to ALEC does not apply exclusively to the period in dispute.

SPRINT: Yes. Sprint has paid ALEC undisputed amounts for the dedicated transport portion of the reciprocal compensation charge pursuant to the parties' interconnection agreement.

STAFF: Staff has no position at this time.

ISSUE 5: Did Sprint waive its right to dispute charges because it did not properly follow applicable procedures outlined in the Parties' Interconnection Agreement?

POSITIONS

ALEC:

Yes. The Agreement contains detailed provisions requiring formal written notice of intent to dispute claims within 30 days and provides that such amounts become due and payable if they are not properly disputed. Sprint waived its right under the Agreement to dispute assessed charges by repeatedly failing to follow applicable notification procedures. Such amounts are now due and payable.

SPRINT:

Sprint informed ALEC that it was disputing its No. inappropriate and excessive billing and the reasons for this dispute upon receipt and review of ALEC's initial bill for reciprocal compensation charges. Sprint has paid the amounts not disputed, as required by the parties' interconnection agreement. ALEC knew from receipt of Sprint's payment of the first bill that Sprint disputed the amounts billed. ALEC even filed an informal complaint with the Florida Public Service Commission concerning the dispute to which Sprint responded by providing a detailed explanation of its position. In no way has Sprint waived the provisions of the parties' interconnection agreement governing appropriate reciprocal compensation or its right to contest the inappropriate rates and methodology used by ALEC to attempt to assess reciprocal compensation payments in violation of the terms of the Agreement.

STAFF: Staff has no position at this time.

IX. EXHIBIT LIST

Witness	Proffered By	I.D. No.	Description
Direct			
Richard McDaniel	ALEC	(G/DRM-1)	Letter from Susan S. Masterton, Sprint, to Clayton Lewis, Florida Public Service Commission, responding to ALEC informal complaint against Sprint 2-3 (December 7, 2001)
Richard McDaniel	ALEC	(H/DRM-2)	Access Services Tariff, Sprint- Florida, Incorporated (single page)

Witness	Proffered By	I.D. No.	Description
Richard McDaniel	ALEC	(I/DRM-3)	E-mail from Richard McDaniel, ALEC, to Clayton Lewis, Florida Public Service Commission, regarding settlement offer made to Sprint; letter to John C. Dodge, counsel for ALEC, to Thomas A. Grimaldi, Sprint, offering settlement (redacted).
Richard McDaniel	ALEC	(J/DRM-4)	Sample Invoice from ALEC to BellSouth for DSO and DS1 Installation Charges.
Richard McDaniel	ALEC	(K/DRM-5)	BellSouth Telecommunicati ons, Inc.'s Florida Access Services Tariff (selected pages).

Witness	Proffered By	I.D. No.	Description
Richard McDaniel	ALEC	(L/DRM-6)	Selected correspondence betweeen Richard McDaniel, ALEC, and Mitch Danforth, of Sprint, disputing billing methodology and charges.
<u>Rebuttal</u>			
Richard McDaniel	ALEC	(1/DRM-1)	Metrolink Invoice M1200107-1 describing the simultaneous charges to BellSouth for DS1 and FGD (DS0) installation and corresponding ALEC record of payment.

Witness	Proffered By	I.D. No.	<u>Description</u>
Richard McDaniel	ALEC	(2/DRM-2)	Metrolink invoice MT200106 describing simultaneous charges to BellSouth for DS3 and DS1 transport and corresponding ALEC record of payment.
Richard McDaniel	ALEC	(3/DRM-3)	Dispute Claim Notifications of June 4, 2002
Talmadge O. Cox III	Sprint	(TOC-1)	ALEC Answer to Sprint Interrogatory No. 2

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

X. STIPULATIONS

The parties have agreed to withdraw Issue 3.

XI. PENDING REQUESTS FOR CONFIDENTIAL TREATMENT

There are no pending requests for confidential treatment.

XII. DECISIONS THAT MAY IMPACT COMMISSION'S RESOLUTION OF ISSUES

Parties have stated in their prehearing statements that the following decisions have a potential impact on our decision in this proceeding:

ALEC:

- 1. In Re: Petition by BellSouth Telecommunications, Inc. for Arbitration of Certain Issues in Interconnection Agreement with Supra Telecommunications and Information Systems, Inc., Docket No. 001305-TP, Order No. PSC-02-0413-FDF-TP, Final Order (Mar. 26, 2002).
- In the Matter of Application by Verizon New England Inc., Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance), NYNEX Long Distance Company (d/b/a Verizon Enterprise Solutions), Verizon Global Networks Inc., and Verizon Select Services Inc., for Authorization to Provide In-Region, InterLATA Services in Vermont, Memorandum Opinion and Order, CC Docket No. 02-7, a ¶58 (rel. Apr. 17, 2002). But an FCC decision makes clear that a state commission is the appropriate forum to address the specific issues raised in ALEC's Complaint.

SPRINT:

- 1. Order on Remand and Report and Order, FCC 01-131, In the matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996; Intercarrier Compensation for ISP-Bound Traffic, CC Docket Nos. 96-98, 99-68 (released April 27, 2001).
- 2. Notice of Proposed Rulemaking to address intercarrier compensation issues generally, Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92 (Released April 27, 2001).

XIII. RULINGS

- 1. The Motion by ALEC, Inc. for Leave to Amend Prehearing Statement was unopposed, and therefore it is hereby granted.
- 2. A Notice of Substitution of Witness and Adoption of Testimony was filed by Sprint-Florida, Incorporated. Sprint has indicated that John M. Felz will be a substitute witness for Jeffrey P. Caswell's direct and rebuttal testimony. In addition, Mr. Felz

will formally adopt the previously filed testimony of Witness Caswell. The Motion was unopposed, and therefore it is granted.

3. Opening statements, if any, shall not exceed 5 minutes per party.

It is therefore,

ORDERED by Commissioner Braulio L. Baez, 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 Braulio L. Baez, as Prehearing Officer, this 25th day of July , 2002.

BRAULIO L. BAEŽ

Commissioner and Prehearing Officer

(SEAL)

LHD

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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 25-22.0376, Florida Administrative Code, if issued by a Prehearing Officer; 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 the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-Florida Administrative Code. Judicial review of a preliminary, 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.