

MEMORANDUM

AUGUST 19, 1994

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF LEGAL SERVICES (CANZANO) *Z*
RE: DOCKET NO. 921074-TP - EXPANDED INTERCONNECTION PHASE II
AND LOCAL TRANSPORT RESTRUCTURE.

Attached is a **PREHEARING ORDER** to be issued in the above-referenced docket. (Number of pages in Order - 66)

DLC/js
Attachment
cc: Division of Communications
I:921074PO.DC

MUST GO TODAY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Expanded Interconnection) DOCKET NO. 921074-TP
Phase II and Local Transport) DOCKET NO. 930955-TL
Restructure) DOCKET NO. 940014-TL
_____) DOCKET NO. 940020-TL
DOCKET NO. 931196-TL
DOCKET NO. 940190-TL

ORDER NO. PSC-94-1004-PHO-TP
ISSUED: 8/19/94

Pursuant to Notice, a Prehearing Conference was held on August 10, 1994, in Tallahassee, Florida, before Chairman J. Terry Deason, as Prehearing Officer.

APPEARANCES:

Patrick K. Wiggins, Esquire, Wiggins & Villacorta, P.A.,
Post Office Drawer 1657, Tallahassee, Florida 32302
On behalf of Intermedia Communications of Florida, Inc.

J. Jeffrey Wahlen, Esquire, MacFarlane, Ausley, Ferguson
& McMullen, P.O. Box 391, Tallahassee, Florida 32301
On behalf of ALLTEL Florida, Inc.

Michael W. Tye, Esquire, 106 East College Avenue, Suite
1410, Tallahassee, Florida 32301
On behalf of AT&T Communications of the Southern States,
Inc.

Laura L. Wilson, Esquire, Post Office Box 10383,
Tallahassee, Florida 32302
On behalf of Florida Cable Television Association, Inc.

Kimberly Caswell, Esquire, Post Office Box 110, FLTC0007,
Tampa, Florida 33601
On behalf of GTE Florida Incorporated.

Rachel J. Rothstein, Esquire, Wiley, Rein & Fielding,
1776 K Street, N.W., Washington, D.C. 20006
On behalf of Interexchange Access Coalition.

Richard D. Melson, Esquire, Hopping Boyd Green & Sams,
123 South Calhoun Street, Tallahassee, Florida 32314 and
Michael J. Henry, Esquire, 780 Johnson Ferry Road,
Atlanta, Georgia 30342
On behalf of MCI Telecommunications Corporation.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL,
AND 940190-TL

PAGE 2

David B. Erwin, Esquire, Young, van Assenderp, Varnadoe
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32302-1833

On behalf of Northeast Florida Telephone Company, Inc.
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J. Phillip Carver, Esquire, and Mary Jo Peed, Esquire,
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400, Tallahassee, Florida 32301

On behalf of BellSouth Telecommunications, Inc., d/b/a
Southern Bell Telephone and Telegraph Company.

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Chanthina R. Bryant, Esquire, 3065 Cumberland Circle,
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On behalf of Sprint Communications Company Limited
Partnership.

Kenneth A. Hoffman, Esquire, Rutledge, Ecenia, Underwood,
Purnell & Hoffman, P.O. Box 1551, 215 South Monroe
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Teresa Marrero, Esquire, Regulatory Counsel,
Telecommunications Group, Inc., One Teleport Drive, Suite
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On behalf of Teleport Communications Group, Inc.

Peter M. Dunbar, Esquire, and David Swafford, Class B
Practitioner, Pennington & Haben, P.O. Box 10095,
Tallahassee, Florida 32302-2095

On behalf of Time Warner AxS of Florida, L.P.

John P. Foss, Esquire, MacFarlane, Ausley, Ferguson &
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On behalf of United Telephone Company of Florida and
Central Telephone Company of Florida.

Earl Poucher, Office of Public Counsel, c/o The Florida
Legislature, 111 West Madison Street, Room 812,
Tallahassee, Florida 32399-1400

On behalf of Citizens of the State of Florida.

Donna L. Canzano, Esquire, and Tracy Hatch, Esquire,
Florida Public Service Commission, 101 E. Gaines Street,
Tallahassee, Florida 32399-0863

On behalf of the Commission Staff.

Prentice Pruitt, Esquire, Florida Public Service
Commission, 101 E. Gaines Street, Tallahassee, Florida
32399-0862

On behalf of the Commissioners.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 3

PREHEARING ORDER

I. CASE BACKGROUND

This matter came to hearing as a result of a Petition by Intermedia Communications of Florida, Inc. (Intermedia or ICI) to permit alternative access vendor (AAV) provision of authorized services through collocation arrangements in local exchange company (LEC) central offices. In order to address Intermedia's petition, broader questions regarding private line and special access expanded interconnection needed to be resolved. In turn, these broader issues raised larger questions regarding expanded interconnection of switched access. However, because the switched access issues did not need to be resolved prior to answering Intermedia's petition, the Commission addressed only the matter of private line and special access during the hearing held September 13 and 14, 1993. Expanded interconnection of switched access and local transport will be addressed in Phase II of this proceeding which is set for hearing beginning August 22, 1994

II. 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(2), Florida Statutes.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 4

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.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 5

- 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 Commission Clerk's confidential files.

Post-hearing procedures

Rule 25-22.056(3), Florida Administrative Code, requires each party to 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. The rule also provides that if a party fails to file a post-hearing statement in conformance with the rule, 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 60 pages, and shall be filed at the same time. The prehearing officer may modify the page limit for good cause shown. Please see Rule 25-22.056, Florida Administrative Code, for other requirements pertaining to post-hearing filings.

III. PREFILED TESTIMONY AND EXHIBITS

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.

IV. ORDER OF WITNESSES

DIRECT

<u>Witness</u>	<u>Appearing For</u>	<u>Issues</u>
Douglas S. Metcalf	Intermedia	3 - 6, 9 - 14, 18
Harriet E. Eudy	ALLTEL	9, 19 - 23
Mike Guedel	AT&T	1 - 5, 9 - 12, 15 - 24
Edward C. Beauvais	GTEFL	3 - 17, 18, 24
R. Kirk Lee	GTEFL	1, 2, 18 - 24
*Joseph P. Gillan	IAC	1, 2, 14, 18 - 23
John Carroll	NE/Quincy	1 - 24
David B. Denton	So. Bell	3 - 13, 15, 16, 23(a)
Jerry D. Hendrix	So. Bell	1, 2, 14, 17 - 23
Fred I. Rock	Sprint	1 - 24
**Steven Andreassi	Teleport	1 - 12, 15 - 21, 23 - 24
F. Ben Poag	United/Centel	1 - 5, 8 - 23

REBUTTAL

<u>Witness</u>	<u>Appearing For</u>	
Mike Guedel	AT&T	19, 20, 21
William Kingsley	FCTA	3, 4, 8, 12, 23a
Edward C. Beauvais	GTEFL	3 - 17, 18, 24
R. Kirk Lee	GTEFL	1, 2, 18 - 24
*Joseph P. Gillan	IAC	1, 2, 14, 18 - 23
David B. Denton	So. Bell	3 - 13, 15, 16, 23a
Jerry D. Hendrix	So. Bell	1, 2, 14, 17 - 23
Fred I. Rock	Sprint	18
**Steven Andreassi	Teleport	12, 18

* Mr. Gillan requested to appear on August 23 and 24, 1994. His request should be accommodated.

** Mr. Andreassi requested to appear on August 24, 1994. To the extent that the hearing is held on that date, he should be accommodated; however, if all of the witnesses have been heard and he is not present, he will not be given much accommodation.

V. BASIC POSITIONS

INTERMEDIA: Expanded interconnection for intrastate switched access is in the public interest. Consistent with expanded interconnection for special access and private line service previously approved by this Commission in Phase I of this docket, approval of expanded interconnection for switched access represents the next logical step in the effort to create the benefits that competition offers: more rapid deployment of new technology, system

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 8

redundancy and increased protection against service outages, increased service innovation and greater customer choice, and price competition that will reduce the cost of telecommunications services to all customers.

With respect to the aspect of this proceeding to address the pricing and rate structure of local transport services, Intermedia has only two basic points. First, dedicated transport of intrastate traffic from the central office to the IXC's POP meets the statutory definition of private line and is allowable without further action of the Commission. Second, this local transport which is now provided exclusively by the LEC, amounts only to a small part of the LEC's claimed monopoly. Thus, provision of local transport by competitors such as Intermedia will have no significant effect on the revenues of the LEC.

ALLTEL:

ALLTEL has no position on the issues in this case as they relate to Tier 1 local exchange companies. As this proceeding may relate to Tier 2 companies like ALLTEL, the FPSC's policy on expanded interconnection for switched access for alternative access vendors ("AAVs") should mirror the policy recently adopted by the FCC, i.e., expanded interconnection should not be required for Tier 2 LECs like ALLTEL.

AT&T:

AT&T submits that the Commission should find expanded interconnection for switched access to be in the public interest and should take the necessary steps to expedite its implementation. Expanded interconnection is the next logical step towards the introduction of competition into one of the remaining monopoly preserves of the Local Exchange Companies (hereinafter "LECs"). Expanded interconnection will facilitate competition in the market for switched access services by allowing end user customers greater opportunity to reach competing access suppliers, thus bringing the benefits of competition to a larger number of special access customers. Expanded interconnection

clearly serves the public interest, and its implementation should be immediately ordered by the Commission.

AT&T further supports the restructure of LT Charges consistent with the structure recently approved by the FCC. Such restructure will more accurately reflect the underlying costs associated with the provision of transport services. Additionally, the restructure will facilitate the introduction of expanded interconnection services. Moreover, in approving restructured LT Charges, the Commission should seek to maintain revenue neutrality for the respective LECs with respect to the provision of local transport service.

FCTA:

Expanded interconnection of intrastate switched access is in the public interest and is consistent with the FCC's treatment of interstate switched access. Expanded interconnection of switched access will facilitate the growth of competitive telecommunications networks in Florida and provide Florida's consumers with "state of the art" telecommunications service. Therefore, the Commission should require expanded interconnection of switched access.

The LECs currently possess a monopoly for switched services. Thus, it is essential to the development of competition that the Commission set appropriate expanded interconnection standards and ensure the interconnection with the dominant LEC network is priced fairly and is not cumbersome technologically. The Commission has the statutory authority to mandate physical collocation. However, if physical collocation is not mandated, at minimum, the following conditions should apply: (1) the LECs should be required to provide collocation in a manner which is technically, economically and operationally equivalent to a physical collocation standard. A standard of reasonableness is necessary to prevent incumbent LECs from building inefficiencies into collocation arrangements which will impede competition and

minimize consumer choice; (2) the Commission should adopt rules and regulations implementing a physical collocation standard and require the LECs to file tariffs specifying such rules and regulations; and (3) the Commission should resolve disputes among parties if collocation arrangements cannot be successfully negotiated.

With regard to pricing flexibility, the LECs should not be granted pricing flexibility beyond that provided for by the FCC. Specifically, Contract Service Arrangements (CSAs) should not be allowed. Further, if physical collocation is not mandated, the LECs should not be permitted to flexibly price these services until the successful negotiation and implementation of collocation arrangements that technically, economically and operationally meet a physical collocation standard set by the Commission.

GTEFL:

Chapter 364 does not permit alternative access vendors (AAVs) to provide switched services. Legislative changes will be necessary before full competition is permitted for these services. If and when these changes occur, GTEFL recommends a policy permitting local exchange carriers (LECs) and interconnectors to negotiate switched access interconnection arrangements. This approach is consistent with the recent court decision overturning the FCC's physical collocation mandate.

The LECs must be granted switched access pricing flexibility in the form of volume and term discounts and zone pricing. Further, switched transport service must be restructured with or without expanded interconnection; in no event should switched expanded interconnection be implemented before transport restructuring. Otherwise, LECs will be unable to fairly compete with non-LEC companies, which are free to accommodate customers with innovative pricing and service arrangements the LEC is prevented from using today.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 11

IAC:

IAC does not oppose the proposal of the LECs to replace the existing switched access transport rate structure with a system that allows them to offer both flat-rated and usage based pricing options. However, IAC firmly believes that the price differences among the transport options must reflect only the cost difference of providing them. IAC believes that the LECs' proposed rate levels must be adjusted to prevent the LECs from engaging in unreasonable price discrimination. Failure to do so would enable the LECs will give non-cost based discounts to AT&T to retain its business, and make-up the revenue shortfall by overcharging smaller IXCs which are captive customers of LEC access services.

MCI:

MCI believes that expanded interconnection in the intrastate switched access market is in the public interest.

NE/QUINCY:

It would be contrary to the public interest to impose a requirement on small, rural LECs to permit physical collocation under the same circumstances imposed on LECs with vastly greater annual revenues, urban service areas and immediate competitive pressures.

SOUTHERN BELL:

Allowing expanded interconnection for intrastate switched access services will make additional competitive alternatives available to end users. This, in turn, will promote the continued evolution to a fully competitive environment for telecommunications services. This Commission should allow this competitive environment to develop in the most equitable, efficient and fair manner possible for all telecommunications providers. This can only occur if the LECs are allowed the pricing flexibility they seek.

Also, intrastate switched access services provide significant contribution to the LECs' revenue requirements. Without pricing flexibility, the LECs will be less competitive in the marketplace

and will be less able to maintain this level of contribution. Finally, the LECs should be afforded reciprocal treatment from interconnectors, on the same terms and conditions, when seeking expanded interconnection for themselves and their customers.

As to local transport restructure, Southern Bell is proposing to restructure its switched access transport service in Florida. This proposed transport restructured should be approved for many reasons, among them:

(1) The proposed structure will mirror the interstate switched transport rates and structure approved by the FCC and, thereby, simplify transport issues, eliminate inefficiency, and eliminate customer confusion.

(2) The proposed changes will more closely reflect the way transport is provided and costs are incurred.

(3) The proposed changes will promote a more efficient use of Southern Bell's network by providing a greater incentive for customers utilizing transport to do so efficiently.

(4) The proposed changes will facilitate movement toward a more competitive environment for provision of interexchange services.

(5) These changes will also facilitate the development of access competition.

Also, the Commission should allow the local exchange companies to have the option of implementing zone pricing for transport services with a rate change interval of 14 days, as allowed by the FCC rules and procedures pursuant to price cap regulations. The local exchange companies should also be granted the flexibility to zone price other access services as well.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 13

Finally, imputation requirements are no longer needed and should be eliminated. If, however, these requirements are allowed to continue, they should be modified to reflect the average transport cost, not rate per access minute of use. The requirement for a separate access line for Southern Bell's and other LEC's high volume toll offerings should be eliminated.

SPRINT:

Sprint supports the Commission's initiative in examining expanded interconnection for switched access and local transport restructuring. Sprint believes that the Commission should develop a more competitive local access market by adopting a policy requiring expanded interconnection for switched local transport services. Thus, with the adoption of switched interconnection, Sprint supports the LEC's restructuring of local transport services as long as an appropriate cost-based pricing methodology is used in developing rates for direct trunked transport.

TELEPORT:

TCG's basic position in this proceeding is that the Commission should permit AAVs to provide the local transport portion of switched access services through collocation arrangements in local exchange company ("LEC") central offices. Expanded interconnection is in the public interest and will bring significant benefits to consumers in Florida by offering consumers operational and strategic security. The potential revenue impact on the local exchange companies will be negligible. TCG further asserts that Chapter 364 of the Florida Statutes authorizes the Commission to implement expanded interconnection, and TCG wishes to offer testimony on the details of this implementation.

TIME WARNER:

Expanded interconnection of intrastate switched access is in the public interest and is consistent with the FCC's treatment of interstate switched access. Expanded interconnection of switched access will facilitate the growth of competitive

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 14

telecommunications networks in Florida and provide Florida's consumers with "state of the art" telecommunications service.

It is essential to the development of competition that interconnection with the LEC networks is priced fairly and is not cumbersome technologically. Collocation should be provided in a manner which is technically, economically and operationally equivalent to a physical collocation standard. A standard of reasonableness is also necessary to prevent incumbent LECs from building inefficiencies into collocation arrangements which will impede competition.

In Phase I of this proceeding, the Commission determined that the intrastate collocation policy for special access generally should mirror the Federal Communications Commission's ("FCC") interstate collocation mandate. Tariffs have been filed in Phase II of the proceeding in response to the Phase I decision. Because of the relationship of interstate collocation to both Phase I and Phase II, the District of Columbia Circuit Court's remand of the FCC's collocation decision (Bell Atlantic Telephone Companies v. FCC, 1994 WL 247134 (D.C. Cir.)) creates uncertainty regarding some of the issues which are before the FPSC.

There is a strong indication that it is more efficient for the intrastate collocation arrangements for switched access and special access to be compatible with the interstate collocation arrangements for those services. However, while the FCC has voted to mandate virtual collocation, an order establishing standards for virtual collocation has not been issued. Thus, standards adopted by the FPSC must be flexible enough to assure compatibility between interstate and intrastate collocation standards.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 15

Incumbent local exchange companies ("LEC") should not be granted pricing flexibility beyond that provided for by the FCC. Specifically, Contract Service Arrangements (CSAs) should not be allowed for these services.

Restructure of local transport should not proceed prior to the implementation of expanded interconnection.

UNITED/CENTEL: Authorizing switched access expanded interconnection is a natural step in the evolutionary direction of competition in local exchange telecommunications. However, it is not a step without risk to the local exchange companies (LECs) and their customers. United and Centel are not opposed to authorizing switched access expanded interconnection so long as it is implemented in a manner that is fair to all parties and so long as the Companies are given the tools necessary to mitigate some of the risk associated with exposing to competition additional services and the contributions from those services. Without such contributions - which are used to support universal service and carrier of last resort obligations - there will be additional pressure to increase basic local exchange service prices. The Companies must be given cost-driven, rate-deaveraged pricing flexibility. Importantly, the availability of such flexibility should not be dependent on the type of interconnection the Companies offer the interconnecting competitors. Finally, the Commission can avoid the legal and practical pitfalls of mandating any particular form of collocation, and still adhere to its pro-competitive policies, by instituting rules and regulations that allow and encourage the parties to negotiate mutually acceptable interconnection agreements.

OPC:

The Citizens wish to hear and consider all evidence from the hearing before taking an overall position in this case.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 16

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.

VI. ISSUES AND POSITIONS

STIPULATED

ISSUE 1:

How is switched access provisioned and priced today?

POSITION:

Switched access service uses a local exchange company's switching facilities to provide a communications pathway between an interexchange company's terminal location and an end user's premises. Switched access is provisioned under a feature group arrangement. There are four feature groups: FGA, FGB, FGC, and PGD. These categories are distinguished by their technical characteristics, e.g. the connection to the central office is line side or trunk side. Rate elements differ by name according to the respective local exchange company. Rate elements typically include local switching, carrier common line, local transport, and carrier access capacity. Rate elements are currently priced under the equal charge rule. This means that each unit is priced the same as the next unit for a given rate element. Rates and charges include recurring, nonrecurring, and usage.

STIPULATED

ISSUE 2:

How is local transport structured and priced today?

POSITION:

Local transport, as mentioned in Issue 1, is one of the switched access rate elements. Local transport is currently priced on a usage sensitive basis. The rate is applied on a per minute of use basis.

Regardless of distance all transport minutes of use are assessed the same rate per minute of use.

ISSUE 3:

Under what circumstances should the Commission impose the same or different forms and conditions of expanded interconnection than the F.C.C.?

INTERMEDIA:

Florida is free to establish its own collocation policy for intrastate services. However, it would not be efficient for LECs or interconnectors if the Commission were to establish conditions that differ greatly from those imposed by the FCC on most aspects of collocation. Therefore, with the exception of pricing flexibility, Intermedia recommends that the Commission adopt the same forms and conditions as those dictated by the FCC.

ALLTEL:

No position at this time.

AT&T:

Recognizing the FCC action of July 14, 1994 (modifying its previous orders regarding collocation), AT&T is not aware of any circumstances that should cause this Commission to prescribe different forms or conditions of expanded interconnection than the FCC.

FCTA:

Generally, the Phase I modifications to the FCC decision and a physical collocation mandate should apply in Phase II. If physical collocation is not mandated, then the Commission should adopt a physical collocation standard for expanded interconnection arrangements. Even though the FCC has not yet issued an order establishing standards for virtual collocation, the Commission should move forward in this docket to assure that interconnection is reasonably priced and is not technologically, administratively or economically limiting for interconnectors. There should be no dominant LEC pricing flexibility, i.e. CSA authority, beyond that permitted by the FCC.

GTEFL:

The FCC's physical collocation mandate has been vacated on appeal and the other aspects of its expanded interconnection order remanded to the FCC for further proceedings. Regardless of what the

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 18

FCC eventually decides, this Commission should allow LECs and interconnectors to negotiate the terms of their own interconnection arrangements.

IAC:

IAC takes no position at this time.

MCI:

The forms and conditions should be the same as the FCC, except that physical collocation is preferred to virtual collocation under any circumstance.

NE/QUINCY:

The terms and conditions should be the same as the F.C.C.

SOUTHERN BELL:

This Commission has the authority to allow for expanded interconnection on a intrastate basis in the way that it finds will best serve the public interest and may impose different forms or conditions than the FCC has ordered. However, Southern Bell believes that the terms and conditions approved in Phase I for special access expanded interconnection, which generally track the FCC's current position, are proper for expanded interconnection for switched access as well. The one exception is that this Commission should modify its Phase I Order to allow the LECs the option to provide either virtual or physical collocation, and should allow this choice in Phase II for collocation for switched access as well. This is consistent with the current FCC position.

SPRINT:

The Commission should embrace the same switched interconnection policies and prices that were adopted by the FCC. Given that the same facilities would be used to interconnect both interstate and intrastate traffic, it is appropriate that interconnection prices and policy are consistent.

TELEPORT:

The rate elements for switched access interconnection are the same as the rate elements for special access interconnection. For switched access expanded interconnection, therefore, the Commission should simply order the LECs to use the rates and rate structures they established for their interstate switched tariffs, which in turn were structured on their interstate special access interconnection tariffs and to mirror any changes in those interstate rates.

TIME WARNER: Generally, the Phase I modifications to the FCC decision should apply in Phase II. However, at present, the FCC has not issued an order which establishes standards for virtual collocation. The FPSC should implement standards for interconnection for intrastate services which assure that interconnection is reasonably priced and is not technologically, administratively or economically limiting for interconnectors. There should be no incumbent LEC pricing flexibility beyond that allowed by the FCC.

UNITED/CENTEL: In view of the user's ability to send both intrastate and interstate traffic across the same facility, the terms and conditions for use of the facility should be the same regardless of jurisdiction, to avoid forum shopping. However, there are several aspects of the FCC's expanded interconnection decisions (both special access and switched access) that would unfairly impact the LECs and consumers if implemented in Florida. In particular, the FCC's pricing flexibility plan does not provide adequate flexibility for appropriate company-competitive responses. This Commission should not similarly limit the Companies' pricing flexibility but should, instead, grant the Companies' request to implement zone density pricing in addition to contract service arrangements (CSAs). Additionally, as discussed further in Issues 6, 7 and 8, the FCC's decision requiring mandatory physical collocation is both an unlawful taking and an unwarranted intrusion into the Companies' ability to develop profitable lines of business.

OPC: No position at this time.

STAFF: No position at this time.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 20

ISSUE 4:

Is expanded interconnection for switched access in the public interest? (The following should be discussed within this issue: Potential separations impact; Potential revenue impact on LECs, their ratepayers, and potential competitors; Potential ratepayer impact.)

INTERMEDIA:

Yes. Benefits from expanded interconnection will include more rapid deployment of new technology, system redundancy and increased protection from disastrous service outages, increased service innovation and greater customer choice, as well as price competition which will reduce the cost of telecommunications services to all customers. These benefits are critical to communications dependent businesses, and will promote the general public interest.

ALLTEL:

No position at this time.

AT&T:

Yes. The adoption of expanded interconnection would facilitate the beginning of competition within the local exchange and would benefit customers in much the same way as competition in other aspects of the telecommunications industry (i.e., interexchange services or telephone sets) has benefited customers over the years. Competition facilitates customer choice and the development and production of new and innovative services designed or tailored to meet particular customer needs. Competition fosters better price performance as competing vendors vie for customers in the open market place. Competition will also assist the regulator in regulating the local exchange companies, encouraging those companies to become more efficient and more responsive to customer needs.

FCTA:

Yes. Expanded interconnection for switched access is in the public interest.

GTEFL:

Switched access expanded interconnection will benefit some sectors of the public, but may harm others. Interconnectors themselves will benefit most from switched access expanded interconnection. The increased competition for switched access

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 21

services should also yield some benefits for some customers, such as large business users. But competition brings with it costs as well as benefits. Expanded interconnection for switched access will place a significant strain on the support flows that keep basic residential service prices low. Thus, interconnection threatens to most harm the LECs' rural and residential customers. Greater competition for switched services could also have significant effects on separations, as more costs are allocated to intraLATA toll and local services.

Ultimately, the impact of switched access expanded interconnection on LECs and small customers will depend on the degree to which this Commission gives the LECs the flexibility to respond to competitive pressures.

IAC:

IAC takes no position at this time.

MCI:

Yes. Expanded interconnection will lead to increased competition. Increasing competition will create the possibility of lower prices for telecommunication services to Florida consumers, the development of innovative services, increased service choices to customers and an increase in the deployment of new technology.

NE/QUINCY:

It is not in the public interest for the non-Tier 1 LECs. Also, see the basic position of Quincy and Northeast.

SOUTHERN BELL:

Assuming, that increasing customer options for telecommunications services is in the public interest, then allowing expanded interconnection for intrastate switched access service may be in the public interest because it could result in additional competitive alternatives. Switched access services, however, provide significant contribution, and this Commission should provide the LECs with sufficient flexibility to compete for the provision of access services so that this contribution will not be lost. If the LECs are not allowed the flexibility to price compete, this could both result in a loss of contribution from switched access services and deny end users of

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 22

these services the full benefits of competition. Both of these results could be contrary to the public interest.

SPRINT:

Yes. Switched interconnection is designed to encourage competitive entry in the provision of switched access services, which today in Florida is exclusively provided by local exchange companies ("LECs"). Switched interconnection will provide several benefits including accelerated deployment of new and advanced technologies and services, alternatives to LEC switched local transport services allowing route diversity, increased access provider's responsiveness to customers in the provisioning of existing services, and movement of prices of the affected services closer to the cost of providing these services.

TELEPORT:

Yes. By permitting AAVs to offer expanded interconnection for switched access, the Commission will bring the benefits of competition to Florida telecommunications users. First, TCG and other AAVs will build the local fiber optic infrastructure without the need for any special incentives which may be sought by the incumbent LECs and which transfer risks to ratepayers. Second, competition offers what the LECs cannot: operational security -- the ability to acquire diverse, redundant routing and switching service from two independent local networks as insurance against network failure or disaster; and strategic security -- the ability to use a telephone provider that does not compete in their core business.

TIME WARNER:

Yes. Expanded interconnection for switched access is in the public interest.

UNITED/CENTEL:

United and Centel support expanded interconnection for switched access, provided, however, that all parties are given the same opportunities to compete on the basis of price, quality and technology. The Companies further believe that, in the long run, the competitive provisioning of switched access transport service is in the public interest and will provide customers the benefits of product innovation, higher quality service, network diversity, and lower prices. These benefits will

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 23

be extended to a larger set of customers than just the "large volume" customers exploring these alternatives today. However, end users that are able to take advantage of the price benefits of expanded interconnection alternatives will pay less, while those customers who do not qualify for expanded interconnection alternatives may pay more for their same service.

The Companies' concerns are those of their own financial viability and revolve around the amount of revenues at risk due to expanded interconnection as proposed for both special and switched access. United has some \$306 million of revenues, or approximately 45% of total revenues, in interstate and intrastate special and switched access services. Centel has some \$86.5 million of revenues, or approximately 50% of total revenues at risk. Loss of even a small portion of such a significant revenue source will place upward price pressure on the Companies' other services, notably local exchange service rates, and may impact longer term financial viability and its plans to continue with planned infrastructure improvements. These pressures can be mitigated if the Companies are granted the pricing flexibility needed to meet the competition fostered by expanded interconnection.

OPC:

No position at this time.

STAFF:

Expanded interconnection for switched access is in the public interest. Expanded interconnection with LEC central offices will increase opportunities for switched access competition by permitting customers to choose among alternative providers. Additionally, greater competition has the potential to bring new and innovative services and technology to the marketplace from both the LECs and alternative access providers. Clearly, competition will have an impact on LEC revenues; however, staff takes no position at this time whether the impact will have a significant effect on ratepayers.

ISSUE 5: Is the offering of dedicated and switched services between non-affiliated entities by non-LECs in the public interest?

INTERMEDIA: Yes. The non-affiliated entities prohibition serves no public interest, and actually prevents customers from receiving services from their provider of choice. The public interest demands that all customers be able to receive dedicated and switched services from their provider of choice.

ALLTELE: No position at this time.

AT&T: Yes. This also represents a potential for the introduction of some competition within the local exchange. It is in the public interest for the same reasons as discussed in AT&T's response to item No. 4 above.

FCTA: Yes. Non-LEC offering of dedicated and switched services between non-affiliated entities is in the public interest. Such a regulatory approach will provide Florida's consumers with the benefits of a competitive telecommunications market.

GTEFL: Consistent with GTEFL's position on Issue 4, GTEFL believes greater competition in these markets could be in the public interest if LECs are granted additional pricing flexibility sufficient to meet this increased competition. The existing statutory prohibition against non-LEC provision of service between non-affiliated entities will also need to be changed for this expansion of competition to occur.

IAC: IAC takes no position at this time.

MCI: Yes. The offering of such services by non-affiliated entities will provide customers with additional choices of service providers, as well as increase competitive forces in this market to provide increased benefits (lower prices, new services, etc.) to Florida consumers.

NE/QUINCY: No.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 25

SOUTHERN BELL: If providing customers increased competitive options is in the public interest, then the public interest may be served by the offering of dedicated and switched services between non-affiliated entities by non-LECs because this offering will likely increase customer options. For the reasons previously stated in response to Issue No. 4, however, the public interest will only be served if the LECs are granted additional pricing flexibility.

SPRINT: Sprint takes no position on this issue at the present time.

TELEPORT: Yes. Immediately permitting AAVs to provide dedicated and switched services between non-affiliated entities will greatly enhance the competitive environment in the state and will bring the benefits of operational and strategic security to potential customers in Florida.

TIME WARNER: Yes. Non-LEC offering of dedicated and switched services between non-affiliated entities is in the public interest. Such a regulatory approach will provide Florida's consumers with the benefits of a competitive telecommunications market.

UNITED/CENTEL: If allowing customers more options for their telecommunications service requirements is deemed to be in the public interest, then permitting dedicated and switched services to be provisioned between non-affiliated entities by non-LECs could be considered in the public interest. However, as customer options increase, more competitive inroads into traditional LEC service areas are developed and the overall public interest will not be served if competitive opportunities are expanded without providing any additional flexibility to the LECs. Moreover, any steps taken to grant non-LECs the authority to carry traffic between non-affiliated end users on a switched or dedicated basis will not be in the public interest if the policymakers do not, at the same time, also address the myriad of other issues associated with promoting local exchange competition. For example, the Companies' private line tariffs currently restrict private line services to affiliated end users to prevent

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 26

customers from leaving the public switched network. Removing this restriction will require a rebalancing of business local exchange prices to avoid the development of uneconomic private line networks.

OPC:

No position at this time.

STAFF:

The offering of dedicated and switched services between non-affiliated entities by non-LECs is in the public interest. The offering of these services between non-affiliated entities will expand competitive offerings to end users. Additionally, greater competition has the potential to bring new and innovative services and technology to the marketplace from the LECs and alternative access providers.

ISSUE 6:

Does Chapter 364 Florida Statutes allow the Commission to require expanded interconnection for switched access?

INTERMEDIA:

This is a legal issue and will be discussed in Intermedia's post-hearing brief.

ALLTEL:

No position at this time.

AT&T:

AT&T has no position on this issue at this time.

FCTA:

Yes. However, Chapter 364, Florida Statutes, severely limits the Commission's ability to implement a meaningful policy involving expanded interconnection of switched access service.

GTEFL:

No. As the Commission has recognized, Chapter 364 allows AAVs to provide only dedicated services. The Commission cannot authorize full competition for switched access services.

IAC:

IAC takes no position at this time.

MCI:

Yes.

NE/QUINCY: Northeast and Quincy have no position on this issue.

SOUTHERN BELL: There is nothing in Chapter 364, Florida Statutes that would prohibit this Commission from ordering expanded interconnection for switched access. Expanded interconnection, however, cannot be used as a means to do something that would otherwise be prohibited by Chapter 364.

SPRINT: Sprint takes no position on this issue at the present time.

TELEPORT: Yes. Chapter 364 allows the Commission to require expanded interconnection for switched access for the same reasons it allowed the Commission to order special access interconnection. It directed the Commission to encourage cost-effective innovation and competition in the telecommunications industry if so doing will benefit the public by making modern and adequate telecommunications services available at reasonable prices.

TIME WARNER: Yes. However, Chapter 364, Florida Statutes, limits the purposes for which expanded interconnection of switched access can be used by competitors.

UNITED/CENTEL: Yes. However, there is nothing in Chapter 364, Florida Statutes, which allows the Commission to impose mandatory physical collocation requirements as an integral part of any expanded interconnection decision.

OPC: No position at this time.

STAFF: No position pending the filing of briefs by the parties.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 28

ISSUE 7: Does a physical collocation mandate raise federal or state constitutional questions about the taking or confiscation of LEC property?

INTERMEDIA: Yes, given federal precedent. ICI nevertheless maintains that mandated occupation of used and useful LEC property for the very purpose for which it has been declared used and useful--i.e. provision of telecommunication service--is not a taking under a regulatory scheme that creates a monopoly for the LEC and provides both due process and fair compensation for the occupation.

ALLTEL: Yes.

AT&T: AT&T has no position on this issue at this time.

FCTA: No; although, FCTA acknowledges that the United States Court of Appeals for the District of Columbia Circuit expressed concern regarding the federal taking question.

GTEFL: Yes. The United States Court of Appeals for the District of Columbia Circuit recently vacated the FCC's physical collocation mandate. That decision confirmed that a physical collocation requirement raises a taking issue. This Commission has admitted that it has no authority to take property. Therefore, it cannot require physical collocation for either special or switched access interconnection.

IAC: IAC takes no position at this time.

MCI: Federal concerns have been raised concerning the FCC's authority in this matter.

NE/QUINCY: Yes.

SOUTHERN BELL: Yes, Southern Bell appealed the FCC's Order because it believes that a mandate of physical collocation constitutes an unlawful taking of LEC property. The United States Circuit Court of Appeals for the District of Columbia sustained this position and

vacated the FCC's mandate of physical collocation. Therefore, this Commission cannot properly mandate physical collocation.

SPRINT: Sprint takes no position on this issue at the present time.

TELEPORT: The D.C. Circuit Court of Appeals' decision addressed the federal constitutional issues regarding physical collocation. A virtual collocation mandate does not raise federal or state constitutional questions concerning the taking or confiscation of LEC property.

TIME WARNER: No. However, Time Warner acknowledges that "substantial constitutional questions" regarding the taking question were noted in the federal court's remand of the FCC's orders.

UNITED/CENTEL: Yes. Mandated physical collocation constitutes an unlawful taking of the Companies' property. There is nothing in the Florida Constitution or state statutes, including Chapter 364, Florida Statutes, that would legitimize mandated physical collocation in Florida.

The FCC's Order imposing mandatory physical collocation for special access services has been reversed on appeal, on the basis that mandatory collocation amounts to a taking of the LEC's property and the FCC has no express or implied authority to take a LEC's property even when the property is devoted to a "public purpose" and the LEC is authorized to recover its "interconnection" costs from the interconnector. Please see Bell Atlantic Telephone Companies, et al. v. Federal Communications Commission, D.C. Ct. App., Case Nos. 92-1619, 92-1620, 93-1028 and 93-1053 (decided June 10, 1994). Although the FCC is believed to be considering requesting a rehearing, on July 14, 1994, the FCC voted to mandate virtual collocation rather than physical collocation for special access services. There is nothing different about switched access services that would make mandated physical collocation any less illegal, either at the federal level or here in Florida.

OPC: Yes, federal courts have found mandated physical collocation to be a taking.

STAFF: No position pending the filing of briefs by the parties.

ISSUE 8: Should the Commission require physical and/or virtual collocation for switched access expanded interconnection?

INTERMEDIA: In Phase I of this proceeding, the Commission required the LECs to provide physical collocation. The federal court recently overturned the FCC's mandate for physical collocation on an interstate basis. On remand, the FCC ordered virtual collocation, while continuing to allow physical collocation by agreement. If in response this Commission now determines upon reconsideration that physical collocation is no longer the appropriate standard, then it should prescribe standards for virtual collocation governing at least the following: (a) cost support for the LECs' rate elements and the tariff generally; (b) provisioning and maintenance intervals of collocator equipment; (c) ownership of collocator equipment; (d) right of the collocator to supply its own equipment; and, (e) training costs of LEC personnel.

ALLTEL: No.

AT&T: The Commission should order the Local Exchange Companies (LECs) to provide switched access expanded interconnection through virtual collocation (as defined by the Federal Communications Commission, FCC). The Commission should exempt a LEC(s) from the mandatory virtual collocation requirements at central offices (or other interconnecting points) in which the LEC(s) choose to offer physical collocation. This prescription would be consistent with the action taken by the FCC on July 14, 1994.

FCTA: The Commission should require physical collocation. However, if the Commission does not mandate physical collocation, it should, at minimum, adopt a physical collocation standard against which virtual collocation should be provided in a manner which is technically, economically, administratively, and operationally equivalent to physical collocation. A standard of reasonableness is also necessary to prevent dominant LECs from building inefficiencies into collocation arrangements that will impede competition. The Commission should allow negotiated physical collocation arrangements as an alternative to virtual collocation.

GTEFL: No. The Commission has no authority to order physical collocation. It should not order any form of collocation, but instead allow the LECs and interconnectors to negotiate their own interconnection agreements.

IAC: IAC takes no position at this time.

MCI: Yes. Physical collocation is preferred for various technical reasons. However, virtual collocation can be a viable alternative as long as virtual collocation is comparably efficient as physical collocation.

NR/QUINCY: Not for the non-Tier 1 LECs.

SOUTHERN BELL: This Commission should not require either form of collocation. Instead, each LEC should have the option of providing either physical or virtual interconnection arrangements

SPRINT: In light of the recent United States Court of Appeals for the District of Columbia Circuit decision regarding physical collocation, this Commission should focus on the merits of mandatory virtual collocation requirements.

TELEPORT: The Commission should allow LECs to negotiate with interconnectors to establish physical collocation arrangements. In the absence of such negotiations, the Commission should mandate that the LECs provide virtual collocation which is technically and

economically comparable to physical collocation. This standard ensures that the form of collocation does not affect the critical competitive technical, operational and financial characteristics of the interconnector's services.

TIME WARNER: The FPSC should adopt physical collocation as a standard against which virtual collocation arrangements are measured. Virtual collocation should be provided in a manner which is technically, economically, administratively and operationally equivalent to physical collocation. A standard of reasonableness is also necessary to prevent incumbent LECs from building inefficiencies into collocation arrangements which will impede competition. The Commission should allow negotiated physical collocation arrangements as an alternative to virtual collocation.

UNITED/CENTEL: No. United and Centel are opposed to being unconditionally required to provide any specific form of collocation, either physical or virtual, for switched access expanded interconnection. The federal court decision in Bell Atlantic Telephone Companies, et al. v. Federal Communications Commission, D.C. Ct. App., Case Nos. 92-1619, 92-1620, 93-1028 and 93-1053 (decided June 10, 1994) provides sufficient rationale for why mandatory collocation constitutes an unlawful taking. Please see the Companies' Response to Issue No. 7.

United and Centel are not opposed to providing physical collocation to any qualified entity for switched access expanded interconnection when it is demonstratively appropriate to do so. United and Centel believe that physical and virtual collocation ought to be treated as a line of business. Instead of mandating any form of collocation, the Commission can still adhere to its policy of fostering local exchange service competition by adopting rules and regulations which permit and encourage the parties to negotiate physical or virtual collocation arrangements on a case-by-case basis with the same terms and conditions available to all interconnectors.

OPC: No position at this time.

STAFF: No position at this time.

**STIPULATED
ISSUE 9:** Which LECs should provide switched access expanded interconnection?

POSITION: Only Tier 1 LECs (Southern Bell, GTEFL, United, and Centel) shall be required to offer switched access expanded interconnection.

If a non-Tier 1 LEC receives a bona fide request for expanded interconnection but the terms and conditions cannot be negotiated by the parties, the Commission shall review such a request on a case-by-case basis. If the parties agree on expanded interconnection, the terms and conditions shall be set by individual negotiation.

ISSUE 10: From what LEC facilities should expanded interconnection for switched access be offered? Should expanded interconnection for switched access be required from all such facilities?

INTERMEDIA: For consistency, any LEC office designated for interstate expanded interconnection should be designated for intrastate expanded interconnection. This would include central offices, serving wire centers, and tandem switches.

ALLTEL: No position at this time.

AT&T: Consistent with the terms discussed in AT&T's response to item No. 9 above, expanded interconnection should be offered from central offices, tandem switches, serving wire centers, remotes, and rating points.

FCTA: For consistency, the Commission should mirror the FCC's decisions as refined by the Commission's decisions regarding special access interconnection in Phase I of this proceeding.

- GTEFL:** If switched access expanded interconnection is ordered, it should be offered only in those central offices where sufficient demand exists for it. Interconnection should be permitted at any central office location with the capability to independently route traffic to an interexchange carrier.
- IAC:** IAC takes no position at this time.
- MCI:** Any type of LEC office that can offer intrastate expanded interconnection for switched access should be required to provide such services.
- NE/QUINCY:** Not from the Non-Tier 1 LECs.
- SOUTHERN BELL:** The facilities that are offered for expanded interconnection for switched access should be consistent with those required by the FCC's order. For switched access, these facilities are end offices, serving wire centers and tandem switches. This Commission should also examine further the issue of checkerboarding because requiring checkerboarding, which is not provided for in the FCC order, will unquestionably make the administration of expanded interconnection more difficult and costly.
- SPRINT:** This Commission should adopt the same requirements as adopted by the FCC.
- TELEPORT:** LECs should be required to simply mirror their intrastate special access interconnection tariffs by filing tariffs offering switched access interconnection at the same facilities, including tandem facilities.
- TIME WARNER:** For consistency, the Commission should mirror the FCC's decisions as refined by the Commission's decisions regarding special access interconnection in Phase I of this proceeding.
- UNITED/CENTEL:** Switched access expanded interconnection should be offered initially in those serving wire centers and central offices where it is most likely to be demanded by interconnectors. In no event, however, should expanded interconnection for switched access

not be required from all such facilities. These locations should be expanded on a location-by-location basis when interconnection is requested at locations other than those initially specified. For consistency, central offices that are designated for interstate expanded interconnection should be designated for intrastate expanded interconnection. United's and Centel's proposed intrastate tariffs for special access expanded interconnection and illustrative tariff for switched access expanded interconnection provide a list of the offices where collocation will be offered initially, as well as provisions for expanding the number of locations.

OPC: No position at this time.

STAFF: If expanded interconnection is required, it should be offered out of all LEC offices, central offices, tandems and remotes, that are used as rating points for switched access services. Initially, expanded interconnection should be offered out of those central offices that are identified in the proposed tariffs in the interstate jurisdiction. Additional offices should be added within 90 days of a written request to the LEC by an interconnector.

STIPULATED
ISSUE 11: Which entities should be allowed expanded interconnection for switched access?

POSITION: Any entity shall be allowed to interconnect on an intrastate basis its own basic transmission facilities associated with terminating equipment and multiplexers except entities restricted pursuant to Commission rules, orders and statutes.

ISSUE 12: Should collocators be required to allow LECs and other parties to interconnect with their networks?

INTERMEDIA: Yes. As in Phase I, Intermedia is willing to provide reciprocal interconnection arrangements for LECs or other parties, under similar terms and conditions as those established by the LECs.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 36

- ALLTEL:** No position at this time.
- AT&T:** No. The purpose of expanded interconnection is to facilitate the entry of potential competitors into the monopoly preserves of the LECs. Because none of those potential competitors possess a monopoly, interconnection requirements are not necessary, and in fact, would tend to frustrate rather than encourage the development of competition.
- ECTA:** No. At this juncture, such a mandate would be premature and would serve no purpose. However, with a statutory change and the development of local competition, telecommunications may evolve to become a network of networks. With those changes, some form of mutual interconnection will be necessary in order to complete calls on competitive networks.
- GTEFL:** Yes. This approach is consistent with the concept that all market participants must be treated equally for true competition to develop. In addition, if the LEC can serve a particular customer more cheaply or more efficiently by connecting with non-LEC facilities, there is no reason the LEC should be foreclosed from doing so.
- IAC:** IAC takes no position at this time.
- MCI:** MCI has no position at this time.
- NE/QUINCY:** Yes.
- SOUTHERN BELL:** Yes. Reciprocity under the same terms and conditions as required for LECs should be part of any interconnection/collocation ordered by this Commission.
- SPRINT:** No. Interconnectors should not be required to offer interconnection. LECs and interconnectors should be allowed to negotiate individual arrangements so long as such arrangements are public and made available to all other interconnectors at the same location.
- TELEPORT:** No. As monopoly providers of essential bottleneck facilities, LECs need to be required to provide

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 37

expanded collocation to interconnectors. However, non-dominant, competitive carriers need no such requirement. As competition for switched services develops, a competitor would be foolish to reject a collocation request and the associated revenues. The potential interconnector will simply move on to the next provider.

FINE WARNER:

No. At this juncture, such a mandate would be premature and would serve no purpose. However, with a statutory change and the development of local competition, telecommunications may evolve to become a network of networks. With those changes, some form of mutual interconnection will be necessary in order to complete calls on competitive networks.

UNITED/CENTEL:

With respect to LEC interconnection with interconnectors' networks, interconnection reciprocity is appropriate. However, interconnection within the central office between two expanded interconnection customers is appropriate only if the interconnectors use LEC facilities and service to accomplish the interconnection.

OPC:

Yes.

STAFF:

No. Collocators should not be required to allow LECs and other parties to interconnect with their networks.

**STIPULATED
ISSUE 13:**

Should the Commission allow switched access expanded interconnection for non-fiber optic technology?

POSITION:

Yes. The Commission shall allow expanded interconnection of non-fiber optic technology on a central office basis where facilities permit. The actual location of microwave technology shall be negotiated between the LEC and the interconnector.

ISSUE 14: Should all switched access transport providers be required to file tariffs?

INTERMEDIA: No.

ALLTEL: No position at this time.

AT&T: AT&T takes no position on this issue at this time.

FCTA: No. Only the dominant LECs should be required to file tariffs.

GTEFL: All switched access transport providers should be treated equally. Ideally, no providers would have to file tariffs. But if one type of entity is required to file tariffs, all others should be required to do so. A unilateral requirement imposed on the LECs may weaken price competition, to the detriment of the ultimate consumer.

IAC: Yes.

MCI: No. The same tariffing requirements should apply to switched transport as currently apply to dedicated transport. Consistent with Order PSC-94-0285-FOF-TP, AAV and AAV-like interconnector entities should not be required to file tariffs, while all companies who are currently under tariff mandates should continue to file tariffs.

NE/QUINCY: Yes, as long as the LECs have to do so.

SOUTHERN BELL: The Commission should not require the local exchange companies and other transport providers to file tariffs as these decisions should be left to the transport provider. Although currently, federal and state statutes and rules require Southern Bell to file tariffs, once these rules are removed, Southern Bell should have the same pricing flexibility as is enjoyed by its competitors.

SPRINT: Yes. Sprint believes non-dominant carriers could potentially effect the market with discriminatory pricing. In addition, given that non-dominant

carriers may be an interconnector and required to file tariffs, all interconnectors should be required to file tariffs to prevent discrimination.

TELEPORT: No. Only LEC providers which have control over bottleneck facilities should be required to file tariffs.

TIME WARNER: No. Only incumbent LECs should be required to file tariffs.

UNITED/CENTEL: United and Centel advocate that any party, whether dominant or non-dominant, offering transport services be subject to tariffing requirements. Non-dominant providers have more streamlined tariffing procedures before the FCC, but must tariff nonetheless. The tariffing requirement should be no less in Florida.

OPC: No position at this time.

STAFF: No. If expanded interconnection is required, only Tier-1 LECs should be required to file tariffs.

ISSUE 15: Should the proposed LEC flexible pricing plans for private line and special access services be approved?

INTERMEDIA: No. The introduction of these flexible pricing plans is premature and anticompetitive. Technically, dedicated transport services provided by AAVs and LECs are currently effectively competitive; due to regulatory constraints, however, these services are not sufficiently competitive to justify additional pricing flexibility for the LECs. Meanwhile, the LECs bundle within the dedicated transport services (a) switched and other common services priced under the tariff with (b) private line and special access services priced flexibly under CSAs and ICBs at purely incremental costs. Through this bundling strategy, the LECs have purposefully contaminated a competitive market with monopoly services, while vigorously maintaining that the monopoly markets

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 40

must remain inviolate. Allowing the LECs additional flexibility to pursue this anticompetitive scheme is not in the public interest. Rather, the Commission should aggressively explore ways under the current statutory scheme to allow AAVs and LECs to handle both telecommunication products over their respective high capacity transport facilities. When both the AAV and the LEC can bundle, then both the LEC and AAV should have pricing flexibility.

ALLTEL:

No position at this time.

AT&T:

AT&T does not oppose the approval of "zone pricing" plans consistent with plans approved by the FCC, providing the LECs meet all of the other requirements for expanded interconnection and collocation as prescribed by the FCC.

FCTA:

No. The Commission should approve no pricing flexibility for intrastate private line and special access services beyond that allowed by the FCC for interstate services. Price flexibility should be allowed only after implementation of expanded interconnection.

GTEFL:

Yes. Flexible pricing is imperative for the LEC to respond effectively to increased competition.

IAC:

IAC takes no position at this time.

MCI:

The Commission should not approve the flexible pricing plans for private line and special access expanded interconnection until competition exists. Implementing flexible pricing plans for LECs will stop the development of true competition and the benefits of competition will not be realized.

NE/QUINCY:

Northeast and Quincy have no position on issue 15.

SOUTHERN BELL:

Yes. Southern Bell has submitted a special access tariff that would implement zone pricing on the basis of wire center groupings rather than at averaged statewide rates. Southern Bell's tariff will initially introduce zone pricing structure without changing any rates. Having the structure

in place is of critical importance because it will allow Southern Bell to respond quickly to competition as it develops.

SPRINT: Sprint takes no position on this issue at the present time.

TELEPORT: No. LECs should not be permitted additional pricing flexibility because the impact of intrastate Local Transport Restructuring will be minimal, affecting only the local transport portion of the switched access market which encompasses approximately 3.8% of the switched access revenues.

TIME WARNER: No. The Commission should approve no pricing flexibility for intrastate private line and special access services beyond that allowed by the FCC for interstate services. Price flexibility should be allowed only after implementation of expanded interconnection.

UNITED/CENTEL: United's and Centel's proposed Florida zone density pricing plan essentially mirrors the plan United and Centel filed with the FCC. Approval of this pricing plan in Florida will begin the necessary transition toward market-based rates for the Companies' private line and dedicated access services.

OPC: The Commission should not allow the companies flexibility to increase any rates over those that exist today. Otherwise, the LEC's may disadvantage users located in rural areas.

STAFF: No position at this time pending further discovery.

ISSUE 16: Should the LECs' proposed intrastate private line and special access expanded interconnection tariffs be approved?

INTERMEDIA: No position at this time pending clarification of the status of the proposed intrastate private line and special access expanded interconnection tariffs in light of the prospective refiling of the corresponding interstate tariffs.

ALLTEL: No position at this time.

AT&T: AT&T does not oppose the approval of LEC tariffs filed to meet the requirements of this Commission's order in Phase I of this docket (Order No. PSC-94-0285-FOF-TP).

FCTA: No. Tariffs should only be approved consistent with other decisions reached in this docket.

GTEFL: Yes, but with the understanding that the tariffs may need to be revised later based on the outcome of the U.S. Court of Appeals' recent remand of portions of the FCC's expanded interconnection decision.

IAC: IAC takes no position at this time.

MCI: The proposed tariffs should be approved only to the extent that the LEC's intrastate tariffs reflect their costs. In addition, the Commission must review tariffed terms and conditions to ensure the advancement of competition in this market.

NE/QUINCY: Northeast and Quincy have no position on issue 16.

SOUTHERN BELL: Yes, Southern Bell's proposed intrastate expanded interconnection tariffs generally mirror the structure and rates filed with the FCC. Subject to any further changes by the FCC or this Commission, the Southern Bell tariffs for intrastate private line and special access service should be approved.

SPRINT: Sprint takes no position on this issue at the present time.

ORDER NO. PSC-94-1004-PHO-TP
DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL
PAGE 43

TELEPORT: To the extent that these tariffs mirror the LECs' interstate tariffs, they should be approved. The Commission must also ensure that the LECs' tariffs do not contain unreasonable warehousing provisions.

TIME WARNER: No. Tariffs should only be approved consistent with other decisions reached in this in this docket.

UNITED/CENTEL: United's and Centel's private line and special access expanded interconnection tariffs will be revised essentially to mirror the tariffs filed with the FCC. The FCC is requiring the Companies to file revised interstate special access expanded interconnection tariffs by September 1, 1994, to reflect the FCC's July 14, 1994, decision to impose virtual rather than physical collocation requirements. The Companies' current interstate expanded interconnection tariffs are to remain in effect until the tariffs filed by September 1, 1994, become effective on December 14, 1994.

OPC: No position at this time, except as stated in response to issue 15.

STAFF: No position at this time pending further discovery.

ISSUE 17: Should the LECs' proposed intrastate switched access interconnection tariffs be approved?

INTERMEDIA: These tariffs should be approved to the extent that they mirror the LECs' interstate tariffs.

ALLTEL: No position at this time.

AT&T: While AT&T would encourage the LECs to offer physical collocation arrangements as originally ordered by the FCC, AT&T would not oppose the approval of LEC tariffs modified to incorporate the changes that the FCC ordered with respect to interstate interconnection in its action of July 14, 1994.

FCTA: No. Tariffs should only be approved consistent with other decisions reached in this docket.

GTEFL: Yes, but with the understanding that the tariffs may need to be revised later based on changes in the FCC's switched access expanded interconnection policies. In addition, no interconnection tariffs should be approved before local transport restructuring as outlined by GTEFL is implemented.

IAC: IAC takes no position at this time.

MCI: The proposed tariffs should be approved only to the extent that the LEC's intrastate tariffs reflect their costs. In addition, the Commission must review tariffed terms and conditions to ensure the advancement of competition in this market.

NE/QUINCY: Northeast and Quincy have no position on issue 17.

SOUTHERN BELL: Yes, the illustrative tariff filed by Southern Bell mirrors the interstate filing for the same services. Subject to any changes arising from this docket, Southern Bell should be allowed to file a final tariff and it should be approved.

SPRINT: Sprint takes no position on this issue at the present time.

TELEPORT: To the extent that the LECs tariffs offering switched access interconnection, including tandem facilities, mirror their intrastate special access interconnection tariffs, they should be approved.

TIME WARNER: No. Tariffs should only be approved consistent with other decisions reached in this docket.

UNITED/CENTEL: United's and Centel's switched access expanded interconnection tariffs essentially mirror the tariffs filed with the FCC. Please see the Companies' position on Issue 16. The tariffs should be approved, provided the Companies are also granted sufficient pricing flexibility to deal with the increased level of competition that accompanies expanded interconnection.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 45

OPC: No position at this time, except as stated in response to issue 15.

STAFF: No position at this time pending further discovery.

ISSUE 10: Should the LECs be granted additional pricing flexibility? If so, what should it be?

INTERMEDIA: No. Please see position on Issue 15.

ALLTEL: No position at this time.

AT&T: AT&T does not oppose the approval of "zone pricing" plans consistent with plans approved by the FCC, providing the LECs meet all of the other requirements for expanded interconnection and collocation as prescribed by the FCC.

FCTA: The incumbent LECs should be granted no more pricing flexibility for intrastate services than allowed for interstate services. Price flexibility should be allowed only after the implementation of expanded interconnection.

GTEFL: Yes. As noted, the LEC will need additional tools to meet increasing competition in all market sectors. Volume and term discounts for switched access are imperative. In addition, zone pricing, which this Commission approved for special access, should be authorized for switched access as well. The Company also recommends expanding the current contract serving arrangement (CSA) process to include switched access.

IAC: Expanded interconnection for special or switched access service per se does not justify granting the LECs any additional pricing flexibility. The Commission should separately consider, however, whether zone pricing based on identifiable cost differences in service is a reasonable pricing strategy -- so long as rates within each zone do not discriminate among customers.

MCI: No. Additional pricing flexibility should not be granted to LECs until true competition has been demonstrated.

NE/QUINCY: Yes.

SOUTHERN BELL: Yes, at a minimum, the Commission should allow the local exchange companies (LECs) to have the option of implementing zone pricing for transport services with a rate change interval of 14 days, as allowed by the FCC rules and procedures pursuant to price cap regulations. The LECs should also be granted the flexibility to zone price other access services as well.

SPRINT: Yes. LECs should have the ability to set prices for services based on the underlying costs. Sprint urges the Commission to allow density zone pricing for switched access services, including switched transport. The cost of providing access is largely determined by end office demand and associated cost differences should be reflected in access prices. Density zone pricing gives the LECs an opportunity to tailor rates more closely to underlying costs regardless of whether a competitive access provider or another entity has interconnected with the LEC. Although density based pricing should facilitate fair competition between LECs and CAPs, once entry has occurred, it is even more important that LECs access prices reflect underlying costs so that interconnectors can determine whether or not entry would even be economic. By allowing LECs to price access by density zones will send the right economic signals and should facilitate sound entry decisions.

TELEPORT: The LECs should be granted additional pricing flexibility only to the extent that pricing flexibility mirrors FCC pricing flexibility for switched access expanded interconnection.

TIME WARNER: No. The incumbent LECs should be granted no more pricing flexibility for intrastate services than was allowed for interstate services. Price flexibility should be allowed only after the implementation of expanded interconnection.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 47

UNITED/CENTEL: United and Centel believe that expanded interconnection will accelerate competition in the local exchange market and thereby create pressure for significant changes in regulatory policy relative to local exchange pricing. The Companies are not opposed to expanded interconnection for switched access, provided, however, that all parties are given the same opportunities to compete on the basis of price, quality and technology. If United and Centel are to meet the dictates of the marketplace to price its services competitively, the Companies must be granted zone density pricing flexibility. For only then can all of the Companies' customers benefit from the contribution these services will be able to provide to support the Companies' common carrier, universal service obligations.

United and Centel believe that the narrow geographic deaveraging parameters of the FCC's zone density pricing plan falls short of the pricing flexibility necessary for competitive equity within a given market. The FCC restricts a LEC's ability to deaverage until expanded interconnection is operational and then limits its ability to further deaverage to a +5%/-10% price change per year between zones. Instead, The Companies support a modification to the FCC's zone density deaveraging plan that allows for more aggressive rate deaveraging and that better reflects the underlying costs of serving particular markets. Also, zone density should be implemented at the time collocation is offered, and, regardless of the form of collocation offered, should not be withheld until after the LEC receives an actual request for collocation. Prices should be cost-based as much as possible with the initial offering. Without these changes, then greater price changes should be allowed on an annual basis, in the range of +20%/-50%.

OPC:

No position at this time, except as stated in response to issue 15.

STAFF: Yes, if expanded interconnection is required, the LECs should be granted additional pricing flexibility in the form of Contract Service Arrangement authority for switched access services and Zone Density pricing.

ISSUE 19: Should the Commission modify its pricing and rate structure regarding switched access transport service?

a) With the implementation of switched expanded interconnection.

b) Without the implementation of switched expanded interconnection.

INTERMEDIARI: Yes. [To both parts a) and b)]

ALLTEL: Agree with Southern Bell.

AT&T: Yes. [To both parts a) and b)]

FCTA: The Commission should modify its pricing and rate structure regarding switched transport only after implementation of switched expanded interconnection.

GTEFL: The Commission should allow local transport restructuring with or without the implementation of switched access expanded interconnection. Even without expanded interconnection, LECs are facing significant access competition. That is why the FCC approved the local transport restructuring before the implementation of switched expanded interconnection service. If LECs are to retain traffic on their networks, they must be granted the ability to offer pricing and other options that their competitors can make available.

IAC: IAC does not object to the LECs' proposal to restructure switched transport rates, but IAC objects strenuously to the LECs proposed initial pricing of the restructured switched transport services.

MCI: Yes. [To both parts a) and b)]

NE/QUINCY: a) Yes. b) Yes.

SOUTHERN BELL: Yes, the Commission should modify its pricing and rate structure policy regarding switched transport service, regardless of whether switched expanded interconnection is implemented. Further, switched expanded interconnection should not be implemented prior to the implementation of switched local transport restructure. The Commission's current policy is grounded in the single goal of fostering interexchange carrier competition. However, by pursuing this goal, the Commission has encouraged inefficient use of the local exchange company's public switched network. It is now appropriate to move to an interim structure and pricing plan adopted by the FCC, which will foster both access competition and interexchange carrier competition and will promote a more efficient use of the public switched network.

SPRINT: The Commission should only modify its pricing and rate structure with the implementation of switched expanded interconnection. Without expanded interconnection, competition will not exist for intrastate switched transport. Therefore, the current "equal charge" local transport structure would remain appropriate.

TELEPORT: The Commission should mirror the FCC's rules.

TIME WARNER: The Commission should modify its pricing and rate structure regarding switched transport only after implementation of switched expanded interconnection.

UNITED/CENTEL: The restructure of local transport (LTR) has merit even if it is not in the context of expanded interconnection. However, it is critical that if switched access expanded interconnection is implemented, that it be accompanied by Local Transport Restructure. The current Florida "equal charge" pricing structure of local transport, because it sends uneconomic signals to the purchasers of transport service, is a structure

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 50

that is incompatible with a policy change which is designed to further competition in the switched transport market.

OPG:

No position at this time.

STAFF:

Whether or not the Commission approves expanded interconnection for switched access, it should still proceed with the restructure of Local Transport. The LECs' interstate Local Transport rates have already been restructured in conjunction with the elimination of the FCC "equal charge per minute of use" rule. There are efficiencies in having interstate and intrastate Local Transport rate structures the same. In addition, the LECs will need to reduce their intrastate Local Transport rates due to competitive pressures from AAVs that will also provide Local Transport. These competitive pressures would increase if the Florida Statutes are modified to allow AAVs to transport traffic between non-affiliated entities.

ISSUE 20:

If the Commission changes its policy on the pricing and rate structure of switched transport service, which of the following should the new policy be based on:

- a) The intrastate pricing and rate structure of local transport should mirror each LEC's interstate filing, respectively.
- b) The intrastate pricing and rate structure of local transport should be determined by competitive conditions in the transport market.
- c) The intrastate pricing and rate structure of local transport should reflect the underlying cost based structure.
- d) The intrastate pricing and rate structure of local transport should reflect other methods.

INTERMEDIA: (c) The intrastate pricing and rate structure of local transport should reflect the underlying cost based structure.

ALLTEL: Agree with Southern Bell.

AT&T: AT&T's position on this issue is as follows:

Structure: The Commission should approve a rate structure that mirrors the interstate structure approved by the FCC.

Rates: Ultimately, the rates should follow costs - the RIC should be eliminated and the remaining rates should be set as close to incremental costs as possible.

For purposes of this filing, the Commission should approve rates that: 1) track the relationship approved by the FCC, 2) maintain revenue neutrality with respect to the intrastate transport service for each LEC, and 3) are calculated based upon existing rather than hypothetical network configurations.

FCTA: If the Commission changes its policy on the pricing and rate structure of switched transport service, the new policy should be based on statements "a," "b" and "c" above.

GTEFL: The new switched transport policy should permit LECs to mirror their interstate tariffs with respect to structure, terms, and conditions. Rates should not necessarily be mirrored, but should be determined by market factors such as demand, competitive conditions, and the number of available substitutes for transport services in a given market.

IAC: IAC believes that the pricing of local transport must reflect the underlying cost incurred by the LEC in providing the service. Non-cost based rates, i.e., discrimination among access customers, would disrupt interexchange competition.

NCI: C. The intrastate pricing and rate structure of local transport should reflect the underlying cost based structure.

NE/QUINCY: The new policy should be based on b), above, and the intrastate pricing and rate structure of local transport should be determined by competitive conditions in the transport market.

SOUTHERN BELL: If the Commission changes its policy on the pricing and rate structure of switched transport service, the new policy should be based on the competitive conditions in the marketplace and should mirror each LEC's interstate filing. A policy of mirroring the switched access transport service rate structure and pricing plan of the interstate jurisdiction will eliminate the inefficiencies of maintaining a different set of rates and structure, will lessen any impetus for misreporting percentage of interstate use and will eliminate confusion for our customers.

SPRINT: The Commission should adopt the federal structure for switched transport. This structure allows LECs to price dedicated transport facilities on a flat-rate basis which is appropriate with switched interconnection. However, the rate levels for transport facilities should closely reflect the underlying cost of the service, i.e. cost-based rates. Specifically, the rates for direct trunked transport services should be cost-based resulting in a price relationship for DS1 and DS3 direct trunked transport which is the same as the cost relationship between the two services.

TELEPORT: The Commission should mirror each LEC's interstate filing, respectively.

TIME WARNER: If the Commission changes its policy on the pricing and rate structure of switched transport service, the new policy should be based on statements "a," "b" and "c" above.

UNITED/CENTEL: United's and Centel's LTR filings essentially mirror the tariffs filed in the interstate jurisdiction. However, those filings incorporate elements of both b) and c) above. By restructuring

local transport such that dedicated transport rates are based on existing special access rates, local transport becomes more cost-based as well as more market-based.

OPGI:

No position at this time.

STAFF:

There seems to be a general consensus that interstate and intrastate rate structures should be the same. Staff has no position at this time on how rate levels should be determined.

ISSUE 21:

Should the LECs proposed local transport restructure tariffs be approved? If not, what changes should be made to the tariffs?

INTERMEDIA:

No. The intrastate pricing and rate structure of local transport should reflect the underlying cost based structure.

ALLTELE:

Agree with Southern Bell.

AT&T:

The Commission should approve the rates and structure proposed by BellSouth Telecommunications.

The Commission should approve the structure and all rates except the residual interconnection charge (RIC) filed by GTE, United, and Centel. It is AT&T's understanding that these companies calculated the RIC on the basis of an assumed or "reconfigured" network. This approach tends to artificially inflate the level of the RIC and for that reason was rejected by the FCC in its investigation of local transport restructure. These companies should be required to refile their respective RICs based upon and existing network configuration.

Further the RIC should be calculated to maintain revenue neutrality within the transport element. Companies should not be allowed to "rate rebalance" in this filing, i.e., eliminate the BHMOC and roll the associated revenue into the RIC.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 54

- FCTA:** No. Tariffs should only be approved consistent with other decisions reached in this docket.
- GTEFL:** GTEFL's local transport restructure tariff should be approved as is and allowed to go into effect.
- IAC:** No. The LEC's proposed restructure tariffs should not be approved. The Commission must examine the underlying costs for the three transport options and require that LEC rates be modified to reflect these costs.
- MCI:** Local transport restructure tariffs should only be approved if the rate levels are based on underlying costs.
- NE/QUINCY:** Northeast and Quincy have no position on issue 21.
- SOUTHERN BELL:** Yes, Southern Bell's proposed local transport restructure tariff should be approved. Southern Bell's proposed tariff, which mirrors the interstate tariff that has been in effect since December 30, 1993, will help achieve many goals. These include promoting efficiency, choice for customers, simplicity and the fostering of competition. The proposed tariff also more closely reflects the way transport services are provided and the way costs to the local exchange companies are incurred.
- SPRINT:** No. Sprint recommends that direct trunked transport rates reflect a DS3:DS1 price relationship of 22:1. Sprint believes that a DS3:DS1 direct trunked transport price relationship of 22:1 more closely reflects the current fiber optic technology and the shared use nature of the interoffice transmission network. A DS1 is simply one (1) of 28 timeslots on a DS3 interoffice transmission system utilizing common optronics and fiber cable. Therefore, it seems reasonable that the cost of providing DS1 direct trunked transport would be 1/28th of the DS3 direct trunked transport cost, if the DS3 system is utilized at full capacity. Sprint realizes that LECs do not generally operate DS3 transmission at 100% capacity, but rather on an average of 79%. Thus, using a 79% average DS3 capacity utilization rate

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 55

yields a DS1 cost that would be 1/22nd of the DS3 cost (79 $\frac{1}{2}$ times 28). By requiring LECs to reduce intrastate DS1 rates, the Commission will come nearer to establishing rates which are more cost-based and which promote competition by avoiding discriminatory volume based pricing. These changes will also impact the tandem switch transport rates and interconnection charge.

TELEPORT: The Commission should mirror the FCC's rules.

TIME WARNER: No. Tariffs should only be approved consistent with other decisions reached in this docket.

UNITED/CENTEL: United's and Centel's LTR filings should be approved. This restructuring has already occurred in the interstate jurisdiction, and is a natural phase in the evolution of switched access rates becoming more reflective of costs. Moreover, the local transport rate structure that is in place today is incompatible with attempts to further competition for switched transport services, i.e., switched access expanded interconnection.

OPC: No position at this time.

STAFF: No position at this time pending further discovery.

ISSUE 22: Should the Modified Access Based Compensation (MABC) agreement be modified to incorporate a revised transport structure (if local transport restructure is adopted) for intraLATA toll traffic between LECs?

INTERMEDIA: No position at this time.

ALLTEL: Agree with Southern Bell.

AT&T: Yes. The LECs should settle with each other under the new transport structure based upon actual facilities used.

FCTA: FCTA takes no position.

ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 56

GTEFL: GTEFL takes no position on this Issue, because it is not a party to the MABC agreement.

IAC: Yes.

MCI: MCI has no position at this time.

NR/QUINCY: No.

SOUTHERN BELL: The current MABC plan, rates and rate structures should remain in place. Once local transport restructure is fully implemented and the Commission determines that it is appropriate to introduce the proposed transport structure into the MABC, then all transport rates should reflect the way the service is provisioned between local exchange companies.

SPRINT: Sprint takes no position on this issue at the present time.

TELEPORT: TCG takes no position at this time concerning whether the MABC agreement should be modified. The Commission should mirror the FCC's rules in revising transport structure for intraLATA toll traffic between LECs.

TIME WARNER: No position at this time.

UNITED/CENTEL: Once a revised transport structure is approved, the MABC plan should be modified to reflect the new transport structure.

OPC: No position at this time.

STAFF: Staff's preliminary position is that the rates under the Modified Access Based Compensation plan for intraLATA LEC toll should continue to mirror the corresponding switched access rates. Therefore, if the Commission revises or restructures Local Transport rates, then intraLATA transport and intertoll trunking rates between LECs should be modified accordingly.

ISSUE 231 How should the Commission's imputation guidelines be modified to reflect a revised transport structure (if local transport restructure is adopted)?

INTERMEDIA1 No position at this time.

ALLTEL1 Agree with Southern Bell.

AT&T1 A surrogate per minute rate for local transport would have to be developed for each LEC based upon its approved transport rates and the utilization of its network. The components of that surrogate would include 1) the Residual Interconnection charges (RIC), 2) a percentage of the tandem charge (based upon utilization of tandem switching), and 3) a per minute of use estimate for the trunking facilities. The actual rate would vary by LEC.

The remainder of the current imputation guidelines need not be changed.

FCTA1 Imputation reduces incentives to inappropriately assign costs to essential network elements. Imputation guidelines should continue to require that switched access charges, not actual costs, be covered by LEC toll rates. The Commission should address the subject of imputation in a broader context after this proceeding is concluded.

GTEFL1 The imputation guidelines should not be revised in this proceeding. Discussion of imputation, which deals with setting toll rates, does not belong in this proceeding addressing access rates. If the Commission, in another proceeding, decides to modify its imputation guidelines, it can do so by substituting the new transport rate elements for the old elements where appropriate. Because the residual interconnection charge (RIC) will represent most of the revenues now recovered for transport, it should be used as an interim surrogate for the previously used transport rate elements in the imputation calculation.

IAG: The LECs should be required to impute the rates for tandem switched transport until such time as they provide justification as to the actual routing of their toll traffic.

MCI: MCI has no position at this time.

NE/QUINCY: This is not applicable to Northeast and Quincy.

SOUTHERN BELL: It is not appropriate to address access imputation in this proceeding. Furthermore, imputation requirements are no longer needed and should be eliminated since such requirements are contrary to the intent of competition. Only interexchange carriers and other toll providers are assured of benefiting from imputation because imputation requirements artificially raise toll rates for services offered by LECs and, thereby, mask the true low cost toll service provider. If the Commission, however, determines that imputation is still required, the guidelines should be modified to reflect average transport costs, not rate per access minute of use.

SPRINT: Sprint takes no position on this issue at the present time.

TELEPORT: The Commission should adopt an effective imputation policy which would require LECs to impute to their end-to-end service the costs they impose on interconnectors to collocate in their bottleneck facilities.

TIME WARNER: Imputation reduces incentives to inappropriately assign costs to essential network elements. Imputation guidelines should continue to require that switched access charges, not actual costs, be covered by LEC toll rates. The Commission should address the subject of imputation in a broader context after this proceeding is concluded.

UNITED/CENTEL: United and Centel believe that access imputation would be better addressed outside of this proceeding. The fundamental problem of access charges imputation is that the economic decision facing the LEC regarding the type of facilities it should use in transporting an intraLATA toll call

(i.e., switched or special access) is driven by engineering efficiency, whereas the decision facing IXCs is driven by a mix of access rates that are not based on the economics of the actual provisioning. Because LTR further segregates users of dedicated versus switched services, the imputation problem is exacerbated.

The Commission's imputation guidelines should be modified to reflect the average transport cost, not rate, per access minute of use. The average transport cost should be determined by weighting the transport options based on demand. This is a reasonable approach since it takes into consideration all transport rate elements.

Additionally, the requirement for a separate access line for the LEC's high volume toll offerings should be eliminated. Given the current level of toll competition in this state and the service options that are available in the marketplace, this requirement is no longer appropriate.

OPC:

No position at this time.

STAFF:

If Local Transport rates are reduced and/or restructured then imputation calculations for MTS rates should be modified accordingly. Imputation guidelines should continue to require that switched access charges, not actual costs, be covered by LEC toll rates. No position at this time on specific changes that would need to be made. Staff believes that this issue should be addressed separately after the Commission has issued its final order on the other issues in this case.

ISSUE 23A:

Should the Commission modify the Phase I Order in light the decision by the United States Court of Appeals for the District of Columbia Circuit?

INTERMEDIA:

Yes. Although Intermedia remains convinced that this Commission may require physical collocation, Intermedia has in this docket emphasized the need for congruency between the policies of the FCC and

this Commission. Thus, as a matter of policy, the Commission should revise its previous order and order virtual collocation rather than physical. Please Intermedia's position on Issue 8 for standards the Commission should address in ordering virtual collocation. In revisiting its Phase I order, however, the Commission must limit its modifications to only those changes necessary to establish congruency between its policy and the changed policy of the FCC.

ALLTEL

Yes. The Commission should modify its Phase I Order to make it clear that the FPSC cannot and will not resolve unsuccessful negotiations between non-Tier 1 LECs and a bona fide request in any manner that conflicts with the Court of Appeals decision.

AT&T

Yes. The Commission should order the Local Exchange Companies (LECs) to provide expanded interconnection through virtual collocation (as defined by the Federal Communications Commission, FCC). The Commission should exempt a LEC(s) from the virtual collocation requirements at central offices (or other interconnecting points) in which the LEC(s) choose to offer physical collocation. This modification of the Phase I order would be consistent with the action taken by the FCC on July 14, 1994.

FCTA

No. The Commission has the authority to mandate physical collocation. Notwithstanding, should the Commission choose to modify its order to allow LECs the option of choosing between physical or virtual collocation, then the Commission should adopt a physical collocation standard by which expanded interconnection arrangements can be negotiated on a case-by-case basis. The Commission also should adopt rules and regulations implementing a physical collocation standard and require the LECs to file tariffs specifying such rules and regulations. The Commission should resolve disputes among parties if collocation arrangements cannot be successfully negotiated. Finally, the Commission should suspend all price flexibility for the LECs until expanded interconnection arrangements are successfully negotiated and implemented.

GTEFL: Yes. The Commission should eliminate its physical collocation mandate and associated requirements.

IAC: IAC takes no position at this time.

MCI: No position at this time.

NE/QUINCY: Commission should not modify its order with regard to non-Tier 1 companies.

SOUTHERN BELL: Yes, this Commission should modify its Phase I Order in light of the Court of Appeals' decision. Southern Bell's position throughout this docket has been that this Commission should allow the LECs the option to provide either physical or virtual collocation. The Federal Court decision makes it clear that this Commission cannot require physical collocation. Therefore, this Commission should modify its Phase I Order to allow the LEC the option to offer either form of collocation.

SPRINT: Yes. The Commission's Order in Phase I should be modified to reflect the change in FCC requirements with regard to mandatory virtual collocation.

TELEPORT: The Commission should mirror the FCC's rules.

TIME WARNER: Yes. The Court of Appeals remand and subsequent FCC vote impact both the Phase I Order and the tariffs filed in Phase II of this proceeding.

UNITED/CENTRAL: Yes. This Commission must modify its Phase I Order in order both to comply with the U.S. Court of Appeals' decision that mandatory physical collocation is an unlawful taking and to avoid inconsistent jurisdictional treatment resulting from the FCC's Order in Docket CC91-141, released July 25, 1994, ordering virtual collocation expanded interconnection.

OPC: Yes. The Commission may no longer require physical co-location.

STAFF: No position at this time.

ISSUE 24: Should these dockets be closed?

INTERMEDIA: No. These dockets should not be closed until all related issues have been resolved in the federal proceeding.

ALLTEL: No position at this time.

AT&T: The dockets regarding local transport restructure can be closed. The docket regarding expanded interconnection should remain open to address continuing issues such as interconnection with switching equipment.

FCTA: Depending on the decisions reached in this proceeding, additional Commission review may be necessary.

GTEFL: These dockets should be closed upon the adoption of GTEFL's positions on all the issues in this proceeding.

IAC: IAC takes no position at this time.

MCI: No.

NE/QUINCY: Yes.

SOUTHERN BELL: These dockets should be closed at the conclusion of this proceeding.

SPRINT: Yes.

TELEPORT: Once expanded interconnection for special and switched access services is fully implemented through reasonable, economically viable tariffs, the Commission can permit these dockets to become inactive. It should not close them, however, but leave them open for parties to raise interconnection problems.

TIME WARNER: Depending on the decisions reached in this proceeding, additional Commission review may be necessary.

UNITED/CENTEL: No position at this time.

OPCI No position at this time.

STAFF: No.

VII. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>	<u>I.D. No.</u>	<u>Description</u>
Metcalf	Intermedia	<u>(DSM - 1)</u>	Two page State of Florida T-3 Bid Information
Eudy	ALLTEL	<u>(HEE - 1)</u>	Local Exchange Company Comparative Statistics
Guedel	AT&T	<u>(MG - 1)</u>	Interim Transport Rate Structure
Beauvais	GTEFL	<u>(ECB - 1)</u>	Resume of E. C. Beauvais
Beauvais	GTEFL	<u>(ECB - 2)</u>	GTEFL's Response Brief in Phase I of this case.
Gillan	IAC	<u>(JPG - 1)</u>	Exhibit 1
Gillan	IAC	<u>(JPG - 2)</u>	Figure 2 and Figure 3
Hendrix	So. Bell	<u>(JDH - 1)</u>	Current Configuration
Hendrix	So. Bell	<u>(JDH - 2)</u>	Proposed Structure
Hendrix	So. Bell	<u>(JDH - 3)</u>	Average Switched Access Rates - Per Access Minute

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

VIII. PROPOSED STIPULATIONS

Issues 1, 2, 9, 11, and 13 are proposed stipulations by the parties.

Upon stipulating Issue 13, the parties agreed that the tariffing requirement for DSO level interconnection may be addressed by the parties under Issues 3, 16, and 17.

IX. PENDING MOTIONS

There are various pending motions regarding the final order in Phase I. (Order No. PSC. 94-0285-FOF-TP) At the August 16, 1994 agenda conference, the Phase I panel determined to stay the Phase I order until a decision has been made in Phase II. All outstanding motions will be held in abeyance until a decision has been made in Phase II.

For Phase II, there are pending requests for confidential classification of material produced in response to Staff's discovery. Those requests will be handled pursuant to established procedures.

On July 26, Teleport filed a Motion for Protective Order requesting the Prehearing Officer to issue an order determining that it is not required to respond to certain discovery requests by Southern Bell. The last day to respond to Teleport's motion was August 8, 1994, and no response was filed. The ruling on this motion has been deferred while the parties attempt to reach a resolution. The parties will advise the Commission as quickly as possible as to the results of their attempt to resolve the matter.

X. RULINGS

Time Warner filed a Motion to Strike portions of Mr. John Carroll's testimony on behalf of Northeast Florida Telephone Company and Quincy Telephone Company. Time Warner's Motion was granted by Order No. PSC-94-0967-PCO-TP, issued August 10, 1994.


ORDER NO. PSC-94-1004-PHO-TP
DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL
PAGE 65

Northeast/Quincy moved to strike Time Warner's prehearing statement because Time Warner did not present any witnesses or exhibits. Since prehearing statements are statements of position rather than evidence in the proceeding, the motion is denied.

It is therefore,

ORDERED by Chairman J. Terry Deason, 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 Chairman J. Terry Deason, as Prehearing Officer, this 19th day of August, 1994.



J. Terry Deason, Chairman
and Prehearing Officer

(S E A L)

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ORDER NO. PSC-94-1004-PHO-TP

DOCKETS NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL
AND 940190-TL

PAGE 66

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, 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.