

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Resolution of) DOCKET NO. 950984-TP
petition(s) to establish) ORDER NO. PSC-96-0444-FOF-TP
nondiscriminatory rates, terms) ISSUED: March 29, 1996
and conditions for resale)
involving local exchange)
companies and alternative local)
exchange companies pursuant to)
Section 364.161, Florida)
Statutes.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

APPEARANCES:

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On behalf of MCI Metro Access Transmission Services, Inc.

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On behalf of the Commission Staff.

ORDER ESTABLISHING PROVISIONS FOR THE RESALE OF SERVICES PROVIDED BY BELLSOUTH TELECOMMUNICATIONS, INC.

BY THE COMMISSION:

I. BACKGROUND

The 1995 Florida Legislature approved substantial revisions to Chapter 364, Florida Statutes. These changes included provisions that authorize the competitive provision of local exchange telecommunications service. As a result, incumbent local exchange companies may elect to be price regulated rather than rate base, rate-of-return regulated companies.

Section 364.161, Florida Statutes, provides that upon request, each local exchange telecommunications company shall unbundle all of its network features, functions, and capabilities, and offer them to any other telecommunications provider requesting them for resale to the extent technically and economically feasible. If the

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parties are unable to successfully negotiate the terms, conditions, and prices of any feasible unbundling request, the Commission, pursuant to Section 364.162(3), Florida Statutes, is required to set nondiscriminatory rates, terms, and conditions for resale of services and facilities within 120 days of receiving a petition.

On November 13, 1995, Metropolitan Fiber Systems of Florida, Inc. (MFS-FL) filed a petition requesting that the Commission establish such nondiscriminatory rates, terms, and conditions for resale with BellSouth Telecommunications, Inc. (BellSouth). On November 14, 1995, MCI Metro Access Transmission Services, Inc. (MCImetro) filed a petition requesting that the Commission establish such nondiscriminatory rates, terms, and conditions for resale with BellSouth. The hearing in this docket was scheduled for January 8, 1996.

On December 8, 1995, BellSouth, Florida Cable Telecommunications Association, Inc. (FCTA), Continental Cablevision, Inc. (Continental), and Time Warner Communications (Time Warner) filed a joint motion requesting that the Commission adopt and approve a proposed Stipulation and Agreement (Stipulation) which would resolve all major issues involving these parties relating to Dockets Nos. 950696-TP (universal service), 950737-TP (number portability), 950984-TP (resale/unbundling), and 950985-TP (local interconnection).

On December 19, 1995, we approved the Stipulation between BellSouth, FCTA, Continental, Time Warner, and TCG. See Order No. PSC-96-0082-AS-TP, issued January 17, 1996. Thereafter, Intermedia Communications of Florida, Inc. (ICI), Teleport Communications Group Inc. (TCG), and Sprint Metropolitan Network, Inc. signed the Stipulation; however, MFS-FL and MCImetro did not. Thus, the hearing scheduled to begin on January 8, 1996, would only address MFS-FL's and MCImetro's petitions to establish nondiscriminatory rates, terms, and conditions for resale and unbundling with BellSouth.

At the prehearing conference held on December 22, 1996, parties requested that the hearing be rescheduled to begin on January 9, 1996. Upon consideration, the Chairman granted the request. Subsequently, on January 8, 1996, MFS-FL requested a further delay due to inclement weather. By Order No. PSC-96-0034-PCO-TP, issued January 9, 1996, the Prehearing Officer granted a one-day continuance. The hearing in this docket was held on January 11, 1996. Our decision, based on the evidence in the record, is set forth below.

II. UNBUNDLED ELEMENTS

Section 364.161 (1), Florida Statutes, states that upon request, each LEC shall:

unbundle all of its network features, functions, and capabilities, including access to signalling databases, system and routing processes, and offer them to any other telecommunications provider requesting such features, functions or capabilities for resale to the extent technically and economically feasible.

We believe this section requires Local Exchange Companies (LECs) to unbundle any network feature, function and capability upon request. We do not believe this section contemplates offering existing tariffed services as unbundled network elements.

In general, the parties agree that BellSouth should be required to unbundle loops, ports, multiplexing and any transport associated with these elements. However, there is disagreement over the level of unbundling requested by the petitioners.

a. MFS-FL's Request

MFS-FL requests that BellSouth unbundle its exchange services into two separate packages: the link element plus cross-connect element and the port element plus cross-connect element. Specifically, MFS-FL seeks unbundled access and interconnection to the following forms of unbundled links:

- 1) 2-wire and 4-wire analog voice grade;
- 2) 2-wire ISDN digital grade; and
- 3) 4-wire DS-1 digital grade.

A link element or loop element is the transmission facility, or channel or group of channels on such facility, which extends from the LEC end office to a demarcation point at the customer's premises. 2-wire analog voice grade links are commonly used for local dial tone service. 2-wire Integrated Services Digital Network (ISDN) digital grade links are a 2B +D basic rate interface integrated services digital network (BRI-ISDN) type of loop which meets national ISDN standards. 4-wire DS-1 digital grade links provide the equivalent of 24 voice grade channels. Cross-connection is an intra-wire center channel connecting separate pieces of telecommunications equipment including equipment between separate collocation facilities.

MFS-FL also requests that BellSouth make the following forms of unbundled ports available:

- 1) 2-wire and 4-wire analog line;
- 2) 2-wire ISDN digital line;
- 3) 2-wire analog DID trunk;
- 4) 4-wire DS-1 digital DID trunk; and
- 5) 4-wire ISDN DS-1 digital trunk.

A port element is a line card and associated equipment on the LEC switch which serves as the hardware termination for the customer's exchange service. The port generates dial tone and provides the customer with a pathway into the public switched network. Each port is typically associated with one or more telephone numbers which serve as the customer's network address.

2-wire analog line ports are line side switch connections that provide basic residential and business type exchange services. A line side connection from the switch provides access to the customer. 2-wire ISDN digital line ports are BRI line side switch connections that provide ISDN exchange services. A 2-wire analog DID trunk port is a direct inward dialing (DID) trunk side connection that provides incoming trunk type exchange services. A trunk side connection from the switch typically provides access to another switch. 4-wire DS-1 digital DID trunk ports are trunk side switch connections that provide the equivalent of 24 analog incoming trunk type exchange services. 4-wire ISDN digital DS-1 trunk ports are primary rate interface (PRI) trunk side switch connections that provide ISDN exchange services.

In addition to the link and port elements, discussed above, MFS-FL requests the ability to use its own digital loop carrier (DLC) through collocation to provide loop concentration, or to purchase such loop concentration from BellSouth. MFS-FL also requests unbundled access and interconnection to the link subelements of BellSouth's DLCs located in the field.

b. MCImetro's Request

MCImetro does not request as many unbundled elements as MFS-FL. MCImetro requests BellSouth to provide local loops, loop concentration, and loop transport on an unbundled basis. Loop concentration is the function of concentrating the traffic from a number of loops onto a single channel. Loop transport is the function of connecting concentrated loops from the central office of the incumbent LEC to the network of the alternative local exchange company (ALEC). MCImetro argues that new entrants will need to be able to purchase all three of these components on an

unbundled basis if they are to be able to offer service in areas where they do not have loops in place.

In addition, MCImetro states that, "BellSouth should, upon request, make available any other basic network function (BNF) that is technically feasible to unbundle. This includes the list of elements requested by MFS-FL." MCImetro defines a "building" block as the most disaggregated function of the local exchange network that is capable of being unbundled and offered separately as a distinct service.

c. BellSouth's Proposal

BellSouth plans to offer unbundled loops and associated transport, unbundled ports, channel multiplexing and associated transport, and virtual collocation. According to BellSouth, unbundled loops are already available in its Special Access Services Tariff.

In addition, BellSouth plans to file a new tariff that will provide an unbundled 2-wire voice grade exchange port for connection of an ALEC's end user loop to BellSouth's public switched network. BellSouth states that the tariff will contain three types of exchange ports: a residence port, a business port, and a PBX trunk port. Rotary or hunting will be provided with each type of port on an optional basis at an additional charge. BellSouth argues that it should not be required to provide sub-loop unbundling, loop concentration, the ability to connect unbundled loops and unbundled ports, and the collocation of remote switching modules.

d. FCTA's Position

FCTA states that the Stipulation it entered into with BellSouth includes rates, terms and conditions for certain unbundled elements and that the Commission should not approve anything in this proceeding that would create an anticompetitive result. According to FCTA, the terms and conditions of the Stipulation are the appropriate resolution to the issues in this proceeding. The relevant sections of the Stipulation state:

the parties have now satisfactorily resolved the terms, conditions and prices of those network features, functions and capabilities that are technically and economically feasible...It is understood by the parties that the list of network features, functions and

capabilities is not exhaustive and the parties commit to cooperate in the negotiation of additional network features, functions and capabilities as the parties' future needs require.

The parties acknowledge that the provision of Chapter 364, Florida Statutes, relating to the unbundling and resale of facilities and services, reflects a thoughtfully crafted and well balanced approach to the introduction of local exchange competition, and the parties therefore commit that these provisions will be fairly and equitably implemented and adhered to in order to effectuate and remain consistent with legislative intent. The parties recognize that the application of current tariffed prices for resale purposes will not be inconsistent with this commitment. The parties agree that the issue of imputation of LEC unbundled service prices into its retail rates is not addressed by this Stipulation and Agreement, and that the ALECs reserve their right to further address imputation for these services, including unbundled local loops.

e. Discussion

1. Loop/Link vs. Special Access

MFS-FL argues that utilizing a special access line as an unbundled loop is not appropriate. Witness Devine asserts that special access lines provide for additional performance parameters that are beyond what is necessary to provide plain old telephone service (POTS). He states that installation of a special access line typically requires special engineering by the LEC and costs more than installation of a POTS line. Another concern arises when a BellSouth customer chooses to change service to MFS-FL. Witness Devine believes that the customer's existing link facility should be rolled over from BellSouth to MFS-FL without having the entire link re-provisioned or engineered over different facilities. We agree that special access lines are not an appropriate substitute for an unbundled loop. Dedicated services are rated to reflect operational parameters that go beyond that of a basic local loop.

2. ISDN Loops and Ports

MFS-FL argues that ALECs must be able to utilize both 2-wire and 4-wire connections in analog or digital format to offer advanced network services such as ISDN. Further, MFS-FL states that private branch exchange (PBX) and key systems almost always require a 4-wire connection. MFS-FL witness Devine states that,

"...if the appropriate range of unbundled loops are not offered, ALECs effectively will be precluded from offering sophisticated telecommunications services, such as ISDN. BellSouth will be able to offer such sophisticated services without competition."

BellSouth argues that it may be technically possible to offer ISDN and DS-1 loops and ports; however, BellSouth has concentrated its resources on handling the basic elements first. BellSouth has focused on developing unbundled capabilities to offer basic exchange services.

MFS-FL counters by asserting that BellSouth has arbitrarily decided that local exchange competition and unbundling should be limited to basic local exchange service and that BellSouth, by defining the loop and port as only 2-wire analog services, limits the ability of ALECs to offer a full range of competitive business and data services.

We believe that BellSouth's unbundling proposal, discussed above, is similar to MFS-FL's request. However, it does not directly address MFS-FL's request for digital loops and ports, ISDN loops and ports, and 4-wire loops and ports. Although BellSouth has only focused on providing unbundled capabilities to offer basic exchange service, we find that MFS-FL's request for unbundled loops and ports is reasonable.

3. Loop Transport

As previously stated, MCImetro requests loop transport from BellSouth. However, we do not interpret loop transport to be a request for an unbundled element. ALECs currently have the option to lease these facilities from the LEC or to provide the facilities themselves. See Orders Nos. PSC-94-0285-FOF-TP, issued March 10, 1994, and PSC-95-0034-FOF-TP, issued January 9, 1995, in Docket No. 920174-TP. Thus, we find that it is unnecessary to require BellSouth to create a new pricing element because loop transport facilities are currently available in BellSouth's tariff.

4. Sub-loop Unbundling

MFS-FL asserts that BellSouth should offer unbundled access and interconnection to the link subelements of BellSouth's DLCs located in the field. These DLC systems are generally comprised of three subelements: (1) feeder/drop facilities extending from the demarcation point at the customer's premises to the DLC terminal equipment; (2) DLC terminal equipment housed in the manhole,

pedestal, or telephone closet which concentrates the feeder/drop facilities into a DS1; and (3) a digital transport distribution facility, typically a DS1, which extends from the manhole, pedestal, or telephone closet in a building to the LEC central office. MFS-FL requests to lease, as one element, the DS1 digital distribution facility and the DLC terminal, and as a separate element to lease individual channels on the voice-grade feeder/drop facilities.

MFS-FL witness Devine states that:

In order for MFS-FL to efficiently offer telephone services to end users, BellSouth should unbundle and separately price and offer these elements such that MFS-FL will be able to lease and interconnect to whichever of these unbundled elements MFS-FL requires and to combine the BellSouth-provided elements with facilities and services that MFS-FL may provide itself.

MFS-FL argues for sub-loop unbundling to ensure that the quality of links MFS-FL leases from BellSouth is the same as the quality of the links that BellSouth provides to its end users.

BellSouth argues against MFS-FL's request to terminate an MFS-FL provided customer drop in a BellSouth remote terminal DLC. BellSouth states that this is unbundling the local loop into sub-loop elements. BellSouth asserts that it should not have to offer this sub-loop unbundling because the operations and support systems required to order and administer sub-loop unbundling would be extremely difficult to develop and maintain. BellSouth asserts that this would not be practical when many ALECs are involved because each drop would need to be tracked separately at each remote terminal.

Further, BellSouth states that MFS-FL should not be allowed access to BellSouth's plant in the field because accountability of the network would be completely lost. In addition, BellSouth argues that the local loop network is engineered as an end-to-end integral unit generally consisting of copper loops, cross-connect boxes, the subscriber line carrier (SLC) remote terminal, and terminations in the central office, and that fragmentation of this integral unit introduces additional points of potential network failure.

Upon consideration we find that, to ensure network quality and reliability, there is a need for operational, administrative, and maintenance procedures for allowing access to BellSouth's plant in the field. The ALEC access points in the LEC network desired by

MFS-FL do not appear unreasonable per se; however, there is not sufficient evidence in the record to make a decision at this time. Therefore, we will not require BellSouth to offer sub-loop unbundling at this time. However, MFS-FL and BellSouth shall develop and file a comprehensive proposal for sub-loop unbundling for the Commission's review within 60 days of the issuance of this order. The proposal shall include cost and price support, and a list of operational, administrative and maintenance procedures.

5. Loop Concentration

BellSouth states that it does not intend to offer loop concentration as an unbundled service because it is not true unbundling, but rather a new network capability. Loop concentration would require the development of a new service, and it is not a capability that can be disaggregated from another functionality within the network. Witness Scheye asserts that BellSouth has not said that it will not provide the service, just that the service is not included under BellSouth's definition of unbundling. Mr. Scheye states that BellSouth has explored offering loop concentration as a service and has even quoted a price to MFS-FL.

Upon consideration, we believe BellSouth should offer loop concentration as a service for resale. BellSouth internal documents state that providing concentration for unbundled loops is feasible, and these documents provide guidelines on how concentration can be offered as a service.

BellSouth witness Scheye does not believe that ALECs should be permitted to collocate loop concentration equipment. He states that FCC rules on collocation do not permit the collocation of a switch or a switch equivalent. Loop concentrators provide a functionality that looks somewhat like a switch and somewhat like a multiplexer. Mr. Scheye explains that a loop concentrator can not switch a call without some other intervening devices.

MFS-FL does not consider the digital loop carrier, i.e. loop concentrator, to be a switch. Witness Devine believes that loop concentration equipment is a multiplexer and that it is already permissible to collocate this type of equipment in the central office, but would prefer that it be ordered by the Commission. MCImetro states that loop concentration is the function of concentrating a number of loops on to a transport facility before the loops terminate in a switch.

Upon consideration, we are not persuaded that loop concentration equipment should be considered switching equipment; rather, it is equipment used in transporting traffic. Accordingly, we find that it is appropriate to allow ALECs to collocate loop concentration equipment. Further, the procedures for collocating loop concentration devices shall be the same as those ordered in the Commission's expanded interconnection proceedings. Our expanded interconnection order addresses collocation facilities as encompassing central office equipment needed to terminate basic transmission facilities, including optical terminating equipment and multiplexers. See Order No. PSC-94-0285-FOF-TP, issued March 10, 1994, in Docket No. 921074-TP.

6. Stipulation Terms and Conditions

FCTA asserts that the terms and conditions of the Stipulation are the appropriate resolutions to the issues in this proceeding. We disagree. First, we note that FCTA did not produce any witnesses to support this argument. Second, the Stipulation lists specific elements to be unbundled; however, these elements are the network platform items discussed in the interconnection docket, such as 911, directory assistance (DA), CLASS/LASS, and do not include ports and loop concentration. The only reference, in the stipulation, to a truly unbundled component is that the price of a BellSouth unbundled local loop will be the price set forth in BellSouth's Special Access Tariff.

f. Conclusion

Upon consideration of the evidence in this docket and based on our interpretation of Section 364.161 (1), Florida Statutes, we find that BellSouth shall offer the following elements on an unbundled basis:

- 1) 2-wire and 4-wire analog voice grade loops;
- 2) 2-wire ISDN digital grade loops;
- 3) 4-wire DS-1 digital grade loops;
- 4) 2-wire and 4-wire analog line ports;
- 5) 2-wire ISDN digital line ports;
- 6) 2-wire analog DID trunk ports;
- 7) 4-wire DS-1 digital DID trunk ports; and
- 8) 4-wire ISDN DS-1 digital trunk ports.

Further, BellSouth shall resell its loop concentration capabilities, upon request and where facilities permit. BellSouth shall also allow ALECs to collocate loop concentration equipment. Procedures for collocating loop concentration devices shall be the

same as those we ordered in the expanded interconnection proceedings.

BellSouth will not be required to offer sub-loop unbundling at this time. However, MFS-FL and BellSouth shall develop and file a comprehensive proposal for sub-loop unbundling for the Commission's review within 60 days of the issuance of this order. The proposal shall include cost and price support, and a list of operational, administrative and maintenance procedures.

III. Technical Arrangements

The viewpoints of parties can be summarized as follows:

AT&T Communications of the Southern States, Inc. (AT&T) and Sprint Communications Company Limited Partnership (Sprint) believe that unbundled elements should be provided in a manner that is equal in quality and performance to those elements in the incumbent LEC's network. AT&T suggests that technical arrangements for unbundled elements should not inhibit the entrant from providing the same quality of service as the incumbent LEC.

FCTA states that no rate term or condition approved in this proceeding should create an anticompetitive result with respect to the Stipulation with BellSouth.

MFS-FL and MCImetro assert that interconnection of unbundled elements should occur at BellSouth's central office by means of collocated facilities, including loop concentration or by way of loop transport. WorldCom, Inc. d/b/a LDDS Limited Partnership (LDDS) supports MFS-FL and MCImetro's request. Time Warner states that unbundled elements should be made available as interconnection points.

BellSouth maintains that it will offer unbundled elements out of its Special Access Service Tariff and will provide unbundled voice grade ports. We recognize that technical standards are listed in BellSouth's tariffs.

MCImetro states that nearly every LEC network component is subject to industry technical standards and that these standards represent a reasonable starting point for the provision of unbundled network elements. As competition develops, MCImetro believes there may be requirements for the creation of new interfaces for certain network elements. MCImetro intends to only bring such issues before the Commission if they cannot be resolved

by the parties. MFS-FL provided references to BellCore technical publications for digital loop carrier systems.

MFS-FL and MCImetro are requesting that collocation of loop concentration devices be allowed. They intend to aggregate their traffic via loop concentration and transport it to their respective company's switch. As we stated earlier, ALECs shall be allowed to collocate loop concentration devices within BellSouth's central office.

Upon consideration, we find that the telecommunications industry has developed and created its own set of standards which is widely in use today for the provision of local traffic. We agree that these standards are a reasonable starting point for the provision of unbundled network elements and that this serves the public interest by helping to maintain service quality. Therefore, all parties shall be required to adhere to industry standards for the provision and operation of each unbundled element.

IV. Unbundled Rate Elements

a. Incremental Cost vs. Contribution to Common Cost

MFS-FL, AT&T, LDDS, and MCImetro advocate rates based on long run incremental costs. BellSouth advocates current tariffed rates for unbundled elements. The Stipulation sets the price for an unbundled loop at BellSouth's currently tariffed special access local channel rate.

BellSouth advocates pricing its unbundled elements at the rates in its Special Access Tariff for several reasons. First, BellSouth argues that this rate structure will avoid tariff-shopping, or arbitrage. Second, if prices are set at cost, it would deny BellSouth contribution to its shared and common costs. Third, other vendors for services such as operator services have prices that are well above cost. Witness Scheye stated that it makes absolutely no sense to insist that a LEC offer any of its services at cost. Witness Banerjee added that contribution towards common costs was justified.

The ALECs argue that prices should be set at incremental costs to avoid a "price squeeze." A price squeeze occurs when a competitor cannot buy a wholesale service at a price that would allow it to compete with the monopoly provider. MCImetro stated that to avoid a price squeeze, BellSouth would have to impute the rates it charges to ALECs for unbundled loops and ports, as well as

its other costs, into its retail rates. At BellSouth's stated costs for unbundled loops and ports, its residential telephone service rates would have to double to pass an imputation test.

Upon consideration, we do not believe that tariff-shopping would occur because BellSouth could put use/user restrictions in its tariff. BellSouth states that it currently has use/user restrictions for services in its tariff. We are further compelled by our obligation to promote competition and find that, on balance, the ALECs are more persuasive on this point. Although it is true that BellSouth must recover its shared and common costs somewhere, we do not have record evidence supporting what level of contribution is necessary at this time. We do believe that removing competitive barriers is an important factor in our decision, as long as BellSouth's rates are not below its costs.

b. Unbundled Loops and Unbundled Ports

The parties also argue that combining unbundled loops with unbundled ports is crucial to their ability to compete for local traffic. Section 364.161(2), Florida Statutes, reads: "The local exchange telecommunications company's currently tariffed, flat-rated, switched residential and business services shall not be required to be resold...before July 1, 1997." Witness Scheye argues that combining flat-rate loops with flat-rate ports would function the same as residential and business service, which would be inconsistent with Section 364.161(2), Florida Statutes.

We agree with the ALECs that combining unbundled loops with unbundled ports is essential for resale. We disagree with BellSouth that doing so would conflict with Florida law. Section 364.161(1), Florida Statutes, requires that a LEC unbundle all of its network features, functions and capabilities for resale. There are two limitations on this statutory directive: 1) the price cannot be below cost, and 2) the Commission cannot require the resale of currently tariffed, flat-rated, switched residential and business services" prior to 1997. (emphasis added) The combination of unbundled loops and ports at the interim prices do not run afoul of either of these limitations. Moreover, in view of the statutory directive to promote competition, these limitations should be narrowly construed.

BellSouth would have the Commission preclude the resale of any unbundled elements that, when combined, look like currently tariffed business or residential services. Such an interpretation would preclude any effective competition with the LECs through the resale of unbundled elements and would be contrary to the statutory directive to promote competition. Selling the loop and port

together is not the same as selling a "currently tariffed, flat-rated" service. They may perform similar functions, but unbundled loops and ports are not currently tariffed services, nor are they the same thing as R-1 or B-1 service. For instance, residential service includes access to 911, directory assistance, operator services, and other services that are not included in the simple sale of a loop or port.

Upon consideration, we find that loop and port facilities, separately, are not currently tariffed, flat-rated services; therefore, it is appropriate to connect unbundled ports and unbundled loops. Further, unbundled ports and loops are needed for competitors to provide local exchange service. We believe this is consistent with Florida Statutes which require this Commission to promote competition in the local exchange market and require local exchange companies to unbundle elements of their network upon request. See Sections 364.01(4)(a)-(i) and 364.161(1), Florida Statutes.

c. Rate of Unbundled Elements

BellSouth provided cost information for a 2-wire loop and a 2-wire analog port. Three loop costs were presented as evidence. Two of the costs, \$15.53 and \$15.97, were from studies performed in 1994. The third 2-wire loop cost is higher and is based on a more current cost study, for which BellSouth has requested confidential classification. The 2-wire analog port cost is also based on this current cost study.

We believe that it is critical to set rates for unbundled elements as accurately as possible. Because of the compressed statutory time frame for this proceeding, we were unable to properly evaluate the cost data, and, therefore, do not have the information necessary to determine the most appropriate rates for these elements. Although cost information was filed for two elements, we are unable to determine whether the cost information is appropriate. However, we have a clear obligation to foster competition and must establish accurate unbundled rate elements when requested.

Therefore, based on our complementary obligations to set rates and foster competition, we find that BellSouth shall file cost studies for all elements, including the 2-wire loops and 2-wire analog ports, requested by MFS-FL and MCImetro. These cost studies shall conform to Rule 25-4.046, Florida Administrative Code, and be submitted within 60 days of the issuance of this order.

We also find that it is appropriate to establish interim rates for the two unbundled elements for which costs were provided. These are the 2-wire loop and the 2-wire analog port. On balance, we do not believe we should wait for BellSouth to file accurate cost studies. If we waited, BellSouth's competitors would not have access to the unbundled elements. Thus, competitors would effectively be excluded from entering the local exchange market. We also find that the interim rates shall be in effect until we are able to review BellSouth's new cost studies and establish a permanent rates.

Accordingly, we find that it is appropriate to set the interim rate for the 2-wire loops at \$17.00 per month. Although a rate as low as \$16.00 could be set based on cost figures in the record, the variance and uncertainty of the cost figures, presented in this case, make us uncomfortable with that rate. We believe a rate of \$17.00 is more appropriate until further cost analysis is completed. We note, as a practical matter, that the level of the interim rate may not be that significant because MFS-FL and MCImetro will likely not be operational until late 1996, and permanent rates may be in place by that time.

We also find that it is appropriate to set the interim rate for the 2-wire analog port at \$2.00 per month. Based on the cost study filed for the port element, this rate is above BellSouth's stated costs and provides some contribution to overhead.

V. Operational Arrangements

BellSouth argues that it is premature for the Commission to address operational issues at this time and that Florida Statutes envision that operational issues would be negotiated by the parties. BellSouth believes that operational issues can be negotiated to the mutual satisfaction of all parties.

MFS-FL believes that the prompt resolution of operational issues will be essential to establishing co-carrier status. Accordingly, MFS-FL proposes the following arrangements for addressing operational issues:

BellSouth should be required to apply all transport functions, service attributes, grades-of-service, and installation, maintenance and repair intervals which apply to bundled service to unbundled links.

BellSouth should be required to apply all switch-based features, functions, service attributes, grade-of-service, and installation, maintenance and repair intervals which apply to bundled service to unbundled ports.

BellSouth should permit any customer to convert its bundled service to an unbundled service and assign such service to MFS-FL, with no penalties, rollover, termination, or conversion charges to MFS-FL or the customer.

BellSouth should bill unbundled facilities purchased by MFS-FL on a single consolidated statement for each wire center.

BellSouth should provide MFS-FL with an appropriate on-line electronic file transfer arrangement by which MFS-FL may place, verify, and receive confirmation on orders for unbundled elements, and issue and track trouble ticket and repair requests associated with unbundled elements.

BellSouth offered no testimony or additional evidence addressing maintenance and repair intervals, consolidated billing, verification of orders for unbundled elements, and tracking of repair requests for unbundled elements.

BellSouth proposes that the existing Open Network Architecture (ONA) model and criteria be used for determining the feasibility of unbundling an element. The ONA model, adopted by the FCC, includes the following requirements that BellSouth argues must be met for unbundling:

Technical Feasibility: The capability can be separately provided as a network component, and it is not dependent on other network components to have functionality.

Costing Feasibility: The capability must have a discrete, identifiable cost available under existing cost methodology.

Market Demand: There must be a level of need expressed by a customer or customers sufficient to recover the costs of the capability.

Utility: There must be a demonstration that, if unbundled, the capability has the ability to be used in the provision of a service offering.

The ONA request process provides for a 120 day review cycle which begins once a new request for a new network capability is received. During this cycle, the request can be negotiated between the parties and can be evaluated with respect to the criteria.

As previously noted, Section 364.161, Florida Statutes, requires the companies to negotiate the terms, conditions, and prices of any feasible unbundling request. We do not believe there is a problem with BellSouth determining the feasibility of unbundling an element; however, we should establish the tests and criteria for determining the feasibility. The record, however, is not sufficient to determine the appropriateness of using the ONA model for determining the feasibility of unbundled elements. To avoid creation of a barrier to entry, we must ensure that the model is appropriate.

MFS-FL was the only party to provide testimony spelling out a suggested operational process for ordering unbundled elements. MFS-FL was also the only party to attempt to describe the operational process behind repair and maintenance intervals, verification of orders for unbundled elements, and how customer requested changes in service were to be handled.

Upon consideration, we find that these operational requirements are essential to implement unbundling. Accordingly, BellSouth shall file with the Commission specific operational arrangements that address each of MFS-FL's operational requests. This filing shall also provide an analysis of each of MFS-FL's operational arrangement requests. BellSouth shall file its operational arrangements, procedures, and analyses within 60 days of the issuance of this order. If MFS-FL, MCImetro, and BellSouth reach an agreement regarding operational arrangements and a feasibility determination for unbundling within 60 days of the issuance of this order, BellSouth will not be required to file operational arrangements with the Commission.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that each and all of the specific findings herein are approved in every respect. It is further

ORDERED that BellSouth Telecommunications, Inc. shall offer the following elements on an unbundled basis: 1) 2-wire and 4-wire analog voice grade loops; 2) 2-wire ISDN digital grade loops; 3) 4-wire DS-1 digital grade loops; 4) 2-wire and 4-wire analog line ports; 5) 2-wire ISDN digital line ports; 6) 2-wire analog DID

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trunk ports; 7) 4-wire DS-1 digital DID trunk ports; and 8) 4-wire ISDN DS-1 digital trunk ports. It is further

ORDERED that BellSouth shall resell its loop concentration capabilities as set forth in the body of this Order. It is further

ORDERED that BellSouth shall allow ALECs to collocate loop concentration equipment as set forth in the body of this Order. It is further

ORDERED that MFS-FL and BellSouth shall develop and file a comprehensive proposal for sub-loop unbundling for the Commission's review within 60 days of the issuance of this order. It is further

ORDERED that all parties shall be required to adhere to industry standards for the provision and operation of each unbundled element as outlined in the body of this Order. It is further

ORDERED that BellSouth shall file cost studies that conform to Rule 25-4.046, Florida Administrative Code, for all elements, including the 2-wire loops and 2-wire analog ports, requested by MFS-FL and MCImetro within 60 days of the issuance of this Order. It is further

ORDERED that the interim rate for a 2-wire voice grade loop shall be \$17.00 per month and that the interim rate for a 2-wire analog shall be \$2.00 per month as outlined in the body of this Order. It is further

ORDERED that BellSouth shall file with the Commission within 60 days of the issuance of this order, specific operational arrangements that address each of MFS-FL's operational requests unless MFS-FL, MCImetro, and BellSouth reach an agreement regarding operational arrangements and a feasibility determination for unbundling within 60 days of the issuance of this order. It is further

ORDERED that if MFS-FL, MCImetro, and BellSouth reach an agreement regarding operational arrangements, the agreement shall be filed with the Commission. It is further

ORDERED that this docket shall remain open.

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By ORDER of the Florida Public Service Commission, this 29th
day of March, 1996.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Flynn
Chief, Bureau of Records

(S E A L)

MMB/DLC/SKE

DISSENT: Commissioner Garcia dissented from the Commission's decision to set the interim rate for the 2-wire loop element at \$17.00 per month.

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 the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) 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 and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.