C.P.

FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

January 25, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF COMMUNICATIONS (CHASE)
DIVISION OF LEGAL SERVICES (CANZANO)

RE: DOCKET NO. 921074-TP - EXPANDED INTERCONNECTION PHASE II (T-94-195 filed 4/08/94, T-94-305 filed 6/10/94, and T-94-306 filed 6/10/94 BY GTE Florida Inc.; T-94-409 filed 9/30/94 and T-94-197 filed 4/8/94 by Central Telephone Company of Florida; T-94-196 filed 4/8/94 and T-94-410 filed 9/30/94 by United Telephone Company of Florida; T-94-191 filed 4/7/94 by Southern Bell Telephone and Telegraph Company)

AGENDA: FEBRUARY 6, 1996 - REGULAR AGENDA - TARIFF FILINGS - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: COMPANIES WAIVED THE 60-DAY STATUTORY DEADLINE

SPECIAL INSTRUCTIONS: I:\PSC\CMU\WP\921074B.RCM

CASE BACKGROUND

This matter came to hearing as the result of a Petition by Intermedia Communications of Florida, Inc. (Intermedia or ICI) to permit Alternative Access Vendors (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 had to be resolved, which were addressed in Phase I of this proceeding. The issues regarding expanded interconnection for Private Line and Special Access for switched access was the subject of the Phase II proceeding.

The Commission found in Phase I, per Order No. PSC-94-0285-FOF-TL, issued March 10, 1994, that expanded interconnection for private line and special access services was in the public interest. The Commission mandated physical collocation and other requirements for its implementation.

The Federal Communications Commission (FCC) in its initial decision on expanded interconnection mandated physical collocation. The Commission's Phase I decision essentially mirrored the FCC's decision mandating physical collocation. However, on June 10, 1994, the United States Court of Appeals for the District of Columbia Circuit issued an order stating that it would vacate in part and remand in part the first two FCC expanded interconnection orders on the grounds that the FCC did not have express statutory authority to require the LECs to provide expanded interconnection through physical collocation. In recognition of the court's decision, the Commission stayed its Phase I order and held in abeyance all outstanding motions until Phase II was resolved.

After the District Court's order, the FCC modified its original decision that had established a mandatory physical collocation policy. On July 14, 1994, the FCC established a mandatory virtual collocation policy for special and switched access expanded interconnection. However, the local exchange companies were exempted from this requirement in offices where they instead opt to provide physical collocation; once space for physical collocation is exhausted, the local exchange company must provide virtual collocation. The FCC defines virtual collocation as an offering in which the LEC owns, or leases, and exercises exclusive physical control over the transmission equipment located in the central office that terminates the interconnector's circuits. The LEC dedicates this equipment to the exclusive use of the interconnector, and provides installation, maintenance, and repair services on a non-discriminatory basis. The FCC defines physical collocation as an offering that enables an interconnector to locate its own transmission equipment in a segregated portion of a LEC central office. The interconnector pays a tariffed charge to the LEC for the use of that central office space, and may enter the central office to install, maintain, and repair the collocated equipment.

Subsequently, the Commission found, per Order No. PSC-95-0034-FOF-TP, issued January 9, 1995 (Phase II), that expanded interconnection for switched access was in the public interest, and that the local exchange companies were required to provide virtual collocation for switched access expanded interconnection to all interconnectors upon request. However, the local exchange companies were exempted from this requirement in offices where they instead opted to provide physical collocation; once space for physical collocation is exhausted, the local exchange company must provide virtual collocation.

In addition, the Commission ordered that all Tier 1 local exchange companies should file intrastate switched access tariffs which mirror the interstate switched access interconnection tariffs on file with the FCC as of January 1, 1995. However, those standards, terms and conditions adopted in the Phase I final order that are different than those adopted by the FCC should be included in the tariff. These tariffs containing mandatory virtual collocation requirements were to be filed 60 days after the Phase I and Phase II Orders became final and all outstanding motions for reconsideration had been decided.

Order No. PSC-95-0034-FOF-TP further stated that the decision regarding the local exchange companies' proposed intrastate private line and special access expanded interconnection tariffs and flexible pricing plans for private line and special access was to be deferred until the Phase I Order on Expanded Interconnection for Special Access and Private Line Services had become final.

By Order No. PSC-95-1188-FOF-TP, issued September 21, 1995, the Commission lifted the stay on the Phase I Order, Order No. PSC-94-0285-FOF-TP, and revised the Phase I Order to require virtual collocation so as to be consistent with the decision made in Phase II. Further, the Commission ordered that all LECs file revisions, consistent with the Order, to their special access and private line expanded interconnection tariffs.

All of the Tier 1 LECs filed their private line and special access expanded interconnection tariffs and switched access expanded interconnection tariffs as one tariff, Expanded Interconnection Service. GTE Florida Incorporated (GTEFL), United Telephone Company of Florida (United), and Central Telephone Company of Florida (Centel) filed separate tariffs for their special access and private line zone density pricing plans. BellSouth Telecommunications, Inc. (BellSouth) included its special access and private line zone density pricing plan with its expanded interconnection tariff.

The following recommendation addresses each of the tariffs filed by GTEFL, BellSouth, United and Centel to ensure they are in compliance with the Commission's above referenced orders regarding expanded interconnection.

DISCUSSION OF ISSUES

ISSUE 1: Should BellSouth's tariff (T-94-191) implementing expanded interconnection service and zone density pricing for private line and special access be approved?

RECOMMENDATION: Yes. BellSouth's tariff (T-94-191) implementing expanded interconnection service and zone density pricing for private line and special access should be approved. The tariff, if approved, should become effective February 6, 1996.

STAFF ANALYSIS:

Expanded Interconnection Tariffs

Expanded interconnection is a collocation arrangement that permits access providers other than the local exchange companies to interconnect with the local exchange companies' networks on the local exchange companies' premises. Under this arrangement, the local exchange companies are required to provide space at designated points within their networks for locating, either virtually or physically, the transmission equipment of competing access providers. Customers can use the LECs' local loops to connect with LEC central offices and then, via expanded interconnection, select from available access providers the switched transport services that connect a LEC central office with an interexchange carrier's point of presence. Expanded interconnection also makes special access and private lines available to customers through collocation.

By Order No. PSC-95-0034-FOF-TP, issued January 9, 1995, the Commission found that the standards, terms, and conditions contained in FCC Docket No. 91-141, FCC Report and Order, Released July 25, 1994, should be mirrored in the intrastate filings. The intrastate tariffs should mirror the interstate switched access interconnection tariffs on file with the FCC as of January 1, 1995.

However, the standards, terms and conditions that the Commission adopted in the Phase I Order, Order No. PSC-94-0284-FOF-TP, issued March 10, 1994, that are different than those adopted by the FCC were to be included in the tariff. These Phase I issues needed to become final before the Phase II tariffs could be approved because the terms and conditions for special access, private line, and switched access expanded interconnection should be essentially the same. These issues include checkerboarding, warehousing, fresh look and tariffing at the DSO level.

Checkerboarding

In the case of physical collocation, the "checkerboard" arrangement would have every other ten foot by ten foot square occupied by an interconnector's collocation cage. This would allow an interconnector to expand to an area directly adjacent to its existing space, instead of across the room or to another floor. In the case of virtual collocation, the checkerboard arrangement would apply to the equipment rack. This would allow an interconnector to expand to a space in the equipment rack directly adjacent to its existing space. The rationale for using this type of arrangement is that it would prevent collocators from having to pay extra cabling charges if the equipment was spread out in the central office.

Warehousing of Space

The Commission allowed the LECs to place restrictions in their tariffs on warehousing of space, such as the amount of time that the LEC must give the interconnector to begin to use the space when the LEC chooses to offer physical collocation. The Commission ordered that an interconnector should begin to use the space within six months of the date the application is approved or another time period agreed upon by the collocator and the LEC.

Fresh Look

The fresh look is a tariff provision where customers with LEC special access and private line services with terms equal to, or greater than, three years, entered into on or before February 1, 1994, are permitted to switch to competitive alternatives during the 90 day period after expanded interconnection arrangements are available in a given central office. If an end user chooses to switch to a competitor, termination charges to the LEC contract are limited to the additional charges that the customer would have paid for a contract covering the term actually used, plus the prime rate of interest.

Extension of Expanded Interconnection to the DSO Level

The Commission also adopted a policy that was different from the FCC in regard to tariffing expanded interconnection at the DS0 level. Unlike the FCC, the Commission required LECs to tariff expanded interconnection at the DSO level. The Commission believed expanded interconnection at the DS0 level was in the public interest because it would increase competitive opportunities for end users.

Private Line and Special Access Zone Density Pricing Tariffs

By Order No. PSC-94-0285-FOF-TP (Phase I), issued March 10, 1994, the LECs were granted zone-pricing flexibility for private line and special access in concept and were ordered to file specific zone density pricing plans as a part of the Phase II proceeding to be considered by the Commission.

In Phase II, Order No. PSC-95-0034-FOF-TP, issued January 9, 1995, the Commission approved the concept of zone density pricing for the local transport elements of switched access. By Order No. PSC-96-0099-FOF-TP (LTR Order), issued January 18, 1996, the Commission approved the LEC-specific switched access zone density pricing as part of the Local Transport Tariffs.
The special access and private line zone density pricing plans were to be filed as separate tariffs subject to the Commission's normal tariff review process.

This recommendation addresses the private line and special access zone density pricing tariffs. The zone density pricing plans for both special and switched were generally to mirror the plans approved by the FCC. However, by Order No. PSC-95-0680-FOF-TP, issued June 6, 1995, the Commission ordered that to the extent the proposed special access and private line rates for each of the zones differed from the average incremental cost provided, the LECs must provide information to reflect how the costs for each zone differ from the average.

BellSouth's Tariff

On November 20, 1995 BellSouth filed revisions to its Private Line and Special Access Tariffs in order to comply with Order No. PSC-94-0285-FOF-TP, issued March 10, 1994 (Phase I), Order No. PSC-95-0034-FOF-TP, issued January 9, 1995 (Phase II), Order No. PSC-95-0680-FOF-TP, issued June 6, 1995 (Phase II Reconsideration), and Order No. PSC-95-1188-FOF-TP, issued September 21, 1995 (Phase I Reconsideration). The purpose of the revisions is to implement expanded interconnection service and zone density pricing for private line and special access as mandated. The Orders state that the tariffs will follow the Commission's normal tariff review process.

BellSouth filed one tariff, T-94-191, which contains rates, terms and conditions for private line, special access and switched access expanded interconnection service. This proposed tariff also contains BellSouth's zone density pricing plan for its private line and special access services.

Staff has reviewed BellSouth's expanded interconnection tariff for compliance with the Commission's Orders in this proceeding and believes it is appropriate. As ordered, the proposed tariff mirrors BellSouth's interstate filing. In addition, the rates, terms and conditions that were specifically ordered by the Commission are contained in the proposed tariff. These include checkerboarding, warehousing, fresh look and tariffing at the DS0 level.

BellSouth proposes a zone density pricing plan for private line and special access using a system of three zones to reflect density differences. Zone 1 is the most dense zone with more than 500 DS1 equivalent circuits. Zone 2 is the medium density zone with between 100 and 500 DS1 equivalent circuits. Zone 3 is the least dense zone with fewer than 100 DS1 equivalent circuits. The zone designation of each central office in Florida is the same as the interstate zone designation.

The interstate plan assigned central offices to zones on the basis of the relative traffic densities in those offices. All central offices are ranked on the basis of DS1 equivalent circuits for switched access, high capacity dedicated access, and high capacity private line. BellSouth's switched access zone density plan was approved with the Local Transport Restructure in the LTR Order.

All of the access data used in determining density zones was obtained from BellSouth's Carrier Access Billing System (CABS) billing records. The private line high capacity quantities were obtained from customer billing records. At this time, BellSouth proposes that the rates for all three zones be equal to the currently tariffed rates for private line and special access. This is because BellSouth is currently working on modifying and testing its billing systems at both the intrastate and interstate levels. When these changes and tests are complete, BellSouth will have the ability to file separate tariffs to revise the rates in each zone.

Staff believes BellSouth's zone density pricing tariff is appropriate because it adheres to the guidelines established by the FCC in its Report and Order adopted September 17, 1992 in CC Docket No. 91-141. The Company's intrastate plan is identical to its interstate plan with the exception of the portions that relate to the federal price cap indices. BellSouth's interstate plan was approved by the FCC in its Order numbered DA 93-726, released June 18, 1993.

Therefore, staff recommends that BellSouth's tariff (T-94-191) implementing expanded interconnection service and zone density pricing for private line and special access should be approved. The tariff, if approved, should become effective February 6, 1996.

ISSUE 2: Should GTEFL's tariffs (T-94-195, T-94-305, and T-94-306) implementing expanded interconnection service and zone density pricing for private line and special access be approved?

RECOMMENDATION: Yes. GTEFL's tariffs (T-94-195, T-94-305, and T-94-306) implementing expanded interconnection service and zone density pricing for private line and special access should be approved. The tariffs, if approved, should become effective February 6, 1996.

STAFF ANALYSIS: On November 20, 1995, GTEFL filed revisions to its General Services Tariff and Dedicated Access Tariffs in order to comply with Order No. PSC-94-0285-FOF-TP, issued March 10, 1994 (Phase I), Order No. PSC-95-0034-FOF-TP, issued January 9, 1995 (Phase II), Order No. PSC-95-0680-FOF-TP, issued June 6, 1995 (Phase II Reconsideration), and Order No. PSC-95-1188-FOF-TP, issued September 21, 1995 (Phase I Reconsideration). The purpose of the revisions is to implement expanded interconnection service and zone density pricing for private line and special access as mandated.

GTEFL filed separate tariffs for expanded interconnection, private line zone density pricing, and special access zone density pricing. The above orders state that the tariffs will follow the Commission's normal tariff review process.

Issue 1 outlined the requirements for the expanded interconnection tariff. Staff has reviewed GTEFL's expanded interconnection tariff for compliance with the Commission's Orders in this proceeding and believes it is appropriate. As ordered, the proposed tariff mirrors GTEFL's interstate filing. In addition, the rates, terms and conditions that were specifically ordered by the Commission are contained in the proposed tariff. These include checkerboarding, warehousing, fresh look and tariffing at the DS0 level.

Issue 1 also discussed the requirements for the special access and private line zone density pricing plans. GTEFL's proposed zone density pricing plan proposes a system of density pricing zones, with rates that are averaged in each zone, but the rates may vary among zones. Zone 1 is the most dense zone with more than 112 DS1 equivalent circuits. Zone 2 is the medium density zone with greater than 50 DS1 equivalents or less than or equal to 112 DS1 equivalent circuits. Zone 3 is the least dense zone with less than or equal to 50 DS1 equivalent circuits. The zone designation of each central office in Florida is the same as the interstate zone designation.

The plan assigns central offices to zones on the basis of the relative traffic densities in those offices. All central offices are ranked on the basis of DS1 equivalent circuits for switched access, high capacity dedicated access, and high capacity private line quantities. GTEFL's switched access zone density plan was approved with the Local Transport Restructure at the December 19, 1995 Agenda Conference. All of the access data is based upon 1992 end of year accumulated minutes for switched minutes of use and end of year 1992 in-service units for special access. This is the same data that was used for the federal zone density pricing plan.

At this time, GTEFL proposes that the rates for all three zones be equal to the currently tariffed rates for private line and special access. Staff believes GTEFL's zone density pricing tariffs are appropriate because they adhere to the guidelines established by the FCC in its Report and Order adopted September 17, 1992 in CC Docket No. 91-141. The plan is consistent with the federal filing methodology. GTEFL's interstate plan was approved by the FCC in its Order numbered DA 93-726, released June 18, 1993.

Therefore, staff recommends that GTEFL's tariffs (T-94-195, T-94-305, and T-94-306) implementing expanded interconnection service and zone density pricing for private line and special access should be approved. The tariffs, if approved, should become effective February 6, 1996.

ISSUE 3: Should Centel's tariffs (T-94-197 and T-94-409) implementing expanded interconnection service and zone density pricing for private line and special access be approved?

RECOMMENDATION: Yes. Centel's tariffs (T-94-197 and T-94-409) implementing expanded interconnection service and zone density pricing for private line and special access should be approved. The tariffs, if approved, should become effective February 6, 1996.

STAFF ANALYSIS: On September 5, 1995 and November 21, 1995, Centel filed revisions to its General Customer Services Tariff and Access Tariffs in order to comply with Order No. PSC-94-0285-FOF-TP, issued March 10, 1994 (Phase I), Order No. PSC-95-0034-FOF-TP, issued January 9, 1995 (Phase II), Order No. PSC-95-0680-FOF-TP, issued June 6, 1995 (Phase II Reconsideration), and Order No. PSC-95-1188-FOF-TP, issued September 21, 1995 (Phase I Reconsideration). The purpose of the revisions is to implement expanded interconnection service and zone density pricing for private line and special access as mandated.

Centel filed separate tariffs for expanded interconnection and private line and special access zone density pricing. The above orders state that the tariffs will follow the Commission's normal tariff review process.

Issue 1 outlined the requirements for the expanded interconnection tariff. Staff has reviewed Centel's expanded interconnection tariff for compliance with the Commission's Orders in this proceeding and believes it is appropriate. As ordered, the proposed tariff mirrors Centel's interstate filing. In addition, the rates, terms and conditions that were specifically ordered by the Commission are contained in the proposed tariff. These include checkerboarding, warehousing, fresh look and tariffing at the DS0 level.

Issue 1 also discussed the requirements for the special access and private line zone density pricing plans. Centel's proposed zone density pricing plan is a three-zone structure similar to the zone-density plan proposed in the interstate jurisdiction. Each of Centel's wire centers has already been designated to one of the three zones in the interstate jurisdiction, and Centel proposes that this designation be used for the intrastate jurisdiction as well.

Centel proposes zone designations similar to BellSouth and GTEFL. Zone 1 is the most dense zone with more than 3 DS3 equivalents. Zone 2 is the medium density zone with 1-3 DS3 equivalents. Zone 3 is the low density zone, with fewer than 1 DS3 equivalents. The intrastate zone designation of each central office in Florida is the same as the interstate zone designation.

The plan assigns central offices to zones on the basis of the relative traffic densities in those offices. All central offices are ranked on the basis of the total access traffic (intrastate and interstate), switched and special access. All of the traffic is based on actual 1992 level demand for each central office. Demand is expressed as DS1 equivalents. Switched access minutes are converted to DS1 equivalents by assuming that, on average, a DS1 carries 300,000 minutes of use per month. Centel's switched access zone density plan was approved with the Local Transport Restructure in the LTR Order.

Unlike BellSouth and GTEFL, Centel proposes different rates for the three zones. Zone 2 is equal to current tariffed rates for private line and special access. Zone 1, the most dense, contains rates that are 10% below Zone 2 rates. Zone 3, the least dense, contains rates that are 5% above the Zone 2 rates. Centel filed supporting cost information, under confidential cover, to support the rates for each zone. By Order No. PSC-95-0680-FOF-TP, issued June 6, 1995, the Commission ordered that to the extent the proposed rates for each of the zones differ from the average incremental cost provided, the LECs must provide information to reflect how the cost for each zone differs from the average. The rates in each zone filed by Centel are above the average incremental cost.

Staff believes Centel's zone density pricing tariffs are appropriate because they adhere to the guidelines established by the FCC in its Report and Order adopted September 17, 1992 in CC Docket No. 91-141. The plan is consistent with the federal filing methodology. Centel's interstate plan was approved by the FCC in its Order numbered DA 93-726, released June 18, 1993.

Therefore, staff recommends that Centel's tariffs (T-94-197 and T-94-409) implementing expanded interconnection service and zone density pricing for private line and special access should be approved. The tariffs, if approved, should become effective February 6, 1996.

ISSUE 4: Should United's tariffs (T-94-196 and T-94-410) implementing expanded interconnection service and zone density pricing for private line and special access be approved?

RECOMMENDATION: Yes. United's tariffs (T-94-196 and T-94-410) implementing expanded interconnection service and zone density pricing for private line and special access should be approved. The tariffs, if approved, should become effective February 6, 1996.

STAFF ANALYSIS: On September 5, 1995 and November 21, 1995, United filed revisions to its General Customer Services Tariff and Access Tariffs in order to comply with Order No. PSC-94-0285-FOF-TP, issued March 10, 1994 (Phase I), Order No. PSC-95-0034-FOF-TP, issued January 9, 1995 (Phase II), Order No. PSC-95-0680-FOF-TP, issued June 6, 1995 (Phase II Reconsideration), and Order No. PSC-95-1188-FOF-TP, issued September 21, 1995 (Phase I Reconsideration). The purpose of the revisions is to implement expanded interconnection service and zone density pricing for private line and special access as mandated by the above orders.

United filed separate tariffs for expanded interconnection and private line and special access zone density pricing. The above orders state that the tariffs will follow the Commission's normal tariff review process.

The rates, terms, and conditions contained in United's tariffs for expanded interconnection and special access and private line zone density pricing are identical to Centel's tariff which is discussed in Issue 3. The underlying cost for each of the rate elements for the tariffs are also the same. Since the costs are the same and since United and Centel are moving towards becoming one company, staff recommends that United's tariffs (T-94-196 and T-94-410) implementing expanded interconnection service and zone density pricing for private line and special access should be approved. The tariffs, if approved, should become effective February 6, 1996.

ISSUE 5: Should Docket No. 921074-TP be closed?

RECOMMENDATION: No, this docket should remain open. With the adoption of staff's recommendation in Issues 1-4, these tariffs should become effective on February 6, 1996. If a timely protest is filed within 21 days from the issuance date of the order, the tariffs should remain in effect pending the resolution of the protest. A protest of one tariff should not keep the other tariffs from becoming final. If no timely protest is filed, these tariffs should become final. This docket should remain open pending rulings on motions for confidential classification of certain documents.

STAFF ANALYSIS: No, this docket should remain open. With the adoption of staff's recommendation in Issues 1-4, these tariffs should become effective on February 6, 1996. If a timely protest is filed within 21 days from the issuance date of the order, the tariffs should remain in effect pending the resolution of the protest. A protest of one tariff should not keep the other tariffs from becoming final. If no timely protest is filed, these tariffs should become final. This docket should remain open pending rulings on motions for confidential classification of certain documents.

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