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BY HAND DELIVERY

Ms. Blanca S. Bayó  
Director, Records & Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Docket No. 950984-TP

Dear Ms. Bayó:

Enclosed for filing on behalf of MCI Metro Access Transmission Services, Inc. (MCImetro) in the above referenced docket are the original and 15 copies of MCImetro's Post-Hearing Brief, together with a WordPerfect 5.1 diskette containing the document.

By copy of this letter this document has been provided to the parties on the attached service list.

Very truly yours,

*Richard D. Melson*

Richard D. Melson

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Resolution of petition(s) )  
to establish nondiscriminatory rates,) )  
terms, and conditions for ) Docket No. 950984-TP  
resale involving local )  
exchange companies and alternative ) Filed: January 29, 1996  
local exchange companies pursuant to )  
Section 364.161, Florida Statutes. )  
\_\_\_\_\_ )

MCI METRO ACCESS TRANSMISSION SERVICES, INC.'S  
POST-HEARING BRIEF

MCI Metro Access Transmission Services, Inc. (MCImetro)  
hereby submits its Post-Hearing Brief in the above-captioned  
docket.

SUMMARY

The Commission's consideration of unbundling requests should be guided by the legislative goal to promote full competition in local exchange telecommunications services, not to RUIN-IT. The unbundling of local loops is essential if Florida consumers are to receive the maximum benefit from local exchange entry. The Commission must also be guided by Section 364.161, which requires BellSouth, upon request, to unbundle all of its network features, functions and capabilities, to the extent technically and economically feasible.

Applying these principles and guidelines, BellSouth should be required to provide the unbundled local loops, loop transport, and loop concentration which have been requested by MCImetro. The unbundling of such elements is technically and economically feasible. The price for those unbundled elements, which are

essential inputs to the ALECs' provision of competitive local exchange service, should be set equal to their direct economic cost (i.e. TSLRIC)<sup>1</sup>. Pricing those elements at TSLRIC will ensure that BellSouth recovers its cost of providing the facilities, while eliminating (or at least minimizing) any price squeeze.

In addition to the unbundled elements requested by MCImetro, BellSouth should be required to provide the unbundled elements requested by MFS, and any other elements that may be requested in the future by MCImetro, MFS, or any other telecommunications provider. In handling such requests, BellSouth and the Commission should be governed by the requirements of Section 364.161, and BellSouth should not be allowed to employ the ONA model in a way that would frustrate the Florida statute.<sup>2</sup>

The principle for pricing unbundled elements which best serves the competitive goals of Chapter 364 is as follows:

- The price for any elements which cannot be competitively provided in the near term, and therefore are essential inputs, should be set equal to their total service long run incremental cost. TSLRIC includes the associated cost of capital, but does not include any contribution toward BellSouth's shared

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<sup>1</sup> As discussed later, TSLRIC includes a return on capital investment, but it includes no contribution toward the firm's shared costs.

<sup>2</sup> Since there is no specific ONA issue, MCImetro has discussed this matter as part of Issue 4.

costs.

- The price for any elements which can be competitively provided in the near term should be set by the market, and therefore could contain contribution toward BellSouth's shared costs, subject to the limitation that the amount of contribution is not anti-competitive or unreasonably discriminatory.

In determining whether a particular element or function can be competitively provided, it is important to determine whether the function provided by the potential competitor relies on any monopoly input [such as collocation] whose price contains contribution above TSLRIC. For example, transport from a BellSouth central office to an ALEC's switch provided by a "competitive" alternative access vendor (AAV) is not competitive with transport provided by BellSouth if the rate the AAV must pay for collocation (a monopoly input) contains contribution above TSLRIC. Thus loop transport must be priced at TSLRIC unless and until all contribution is removed from BellSouth's collocation charges, and loop transport can become a fully competitive service. (Cornell, T 188-94)

#### ISSUE-BY-ISSUE ANALYSIS

Issue 1. What elements should be made available by BellSouth to MCImetro and MFS on an unbundled basis (e.g. link elements, port elements, loop concentration, loop transport)?

**\*\*MCImetro:** BellSouth should make available the unbundled loops, loop concentration and loop transport

requested by MCImetro. Unbundling such elements is technically and economically feasible. In addition, BellSouth should make available, upon request, any other element that it is technically and economically feasible to unbundle, including the additional elements requested by MFS.\*\*

MCImetro has requested that BellSouth provide local loops, loop concentration, and loop transport on an unbundled basis. In response, BellSouth proposes to provide unbundled local loops and loop transport, but only at the currently tariffed rates for special access service. (Scheye, T 271-2, 274-5, 282-3) As discussed in Issue 3, pricing at this level creates a price squeeze and makes it economically infeasible to use such unbundled loops and loop transport. BellSouth flatly refuses to provide loop concentration, asserting that it is not properly considered an "unbundled" portion of the local loop, and claiming that offering loop concentration would require the creation of a new capability. (Scheye, T 282-3)

As discussed below, the provision of each of these unbundled elements is technically and economically feasible. BellSouth is therefore required by law to offer them on an unbundled basis. §364.161, Florida Statutes.

#### **Local Loops**

The local loop is nothing more than the transmission path, typically a two- or four-wire facility which may be multiplexed and/or concentrated, which takes a call from a customer's premises to a BellSouth central office where it gets connected to a switch, through a line card or its equivalent. (See Cornell, T

155) There is no dispute that it is technically and economically feasible to offer local loops on an unbundled basis, -- at least two-wire voice grade loops -- and BellSouth proposes to offer them (Scheye, T 271-2; Devine, T 36), albeit at an inappropriate price. (See Issue 3)

BellSouth, on the other hand, refuses to provide the other digital grade loops requested by MFS until an ONA-type request has been made and processed. (Scheye, T 280-1; Devine T 37) BellSouth's rationale for refusal is that "these particular loops and ports. . . are not part of basic local exchange service." (Scheye, T 280-1) In taking this position, BellSouth ignores the statutory mandate to unbundle, on request, "all network features, functions, and capabilities." §364.161(1), F.S. Whether a requested function is or is not part of basic local exchange service simply is not relevant to the statutory analysis. The unbundling of these other types of loop facilities is technically feasible, as evidenced by the fact that such facilities are offered on an unbundled basis in other states. (Devine, T 49) BellSouth has presented no evidence to demonstrate that it is not technically or economically feasible to offer local loops in any of the requested configurations. The statute thus requires the Commission to grant this portion of MFS' unbundling request.

#### **Loop Concentration and Loop Transport**

Loop concentration is the use of electronics to increase the number of loops which can be supported by a single feeder or inter-office facility. It is a more advanced form of

transmission than simple multiplexing. With multiplexing, a number of local loops can be "mapped" to, and carried over, a single feeder or inter-office facility, but one electronic "path" in the multiplexed facility is still dedicated to each loop. With concentration, a greater number of local loops can be carried over a single feeder or interoffice facility, because the electronic "paths" in the concentrated facility are not dedicated to particular loops. (See Price, T 135-8; Cornell, T 155-6, 168-71)

Today, loops terminate at BellSouth's switch. In tomorrow's competitive environment, the unbundled loop must be "extended" so that it terminates at the new entrant's switch. Loop transport is simply the function extending the feeder portion of the loop facility from the BellSouth end office to the ALEC's switch. If BellSouth refuses to provide loop concentration for this portion of the extended loop facility, it is requiring the ALEC to use a less efficient arrangement for connecting loops to switches than it uses in its own network today. (Cornell, T 154-7, 168-71, 172) If an unbundled loop terminates in a BellSouth central office and is left to be taken to the network of the entrant using inefficient facilities, the new entrant will be handicapped and the number of unbundled loops that it can economically utilize will be reduced, perhaps even to zero. (Cornell, T 170)

The record demonstrates that there are no technical problems with providing loop concentration to ALECs. As BellSouth's "technical issues team" stated in a July 25, 1995 internal

BellSouth memorandum:

1. Yes, BST can provide concentration for unbundled loops to an OLEC. \*\*\*
2. Yes, the Technical Issue Team recommends that BST should provide concentration for unbundled local loops to an OLEC.

(Ex. 18, page 26) By October 6, 1995, this preliminary analysis had been translated into a detailed Network Service Description for "Concentrated Unbundled Local Loop." (Ex. 18, pages 20-22) As stated in the cover memorandum accompanying this document, "The architectures for these services have been in use for a long time and identifying hardware cost elements should be readily available." (Ex. 18, page 16) And although Mr. Scheye steadfastly refused to characterize it as an "offer" of loop concentration, BellSouth has gone so far as to quote MFS a price for this functionality. (Scheye, T 319-20, 333-4)

BellSouth's refusal to agree to offer this functionality to ALECs is a transparent attempt to discriminate against new entrants by denying them the use of the same modern, efficient technology that BellSouth uses to transport its own local loop traffic to its switching equipment. Perhaps the Resale, Unbundling, Interconnection Negotiation - Implementation Team's acronym is more representative of BellSouth's policy than Mr. Scheye cares to admit. (Scheye, T 326-7) Or perhaps it is simply another situation where BellSouth's Florida regulatory organization takes a position without consulting its technical



experts.<sup>3</sup>

Issue 2. What are the appropriate technical arrangements for the provision of such unbundled elements?

**\*\*MCImetro:** Unbundled loops should be interconnected at BellSouth's central office to (i) the colocated facilities, including loop concentration facilities, of the ALEC or another carrier, or (ii) loop transport facilities provided by BellSouth. Loop concentration should be provided to maximize the efficiency with which traffic is delivered through transport facilities.\*\*

Once the Commission determines that the requested elements and functions must be made available on an unbundled basis, there appear to be only two current technical issues regarding the way that the elements should be provided. The first is BellSouth's refusal to allow an unbundled loop to be connected to an unbundled port. Since MCImetro currently intends to provide its own switching, and not to rely on unbundled ports, it leaves the briefing of this question to the parties who are more directly affected.<sup>4</sup>

The second technical issue is BellSouth's position that a colocated ALEC (or other party) cannot place loop concentration

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<sup>3</sup> Compare Exhibit 18, page 55:

From a collocation standpoint, we hated the "resale is access" point of view taken by regulatory last year in FL since we have CSA authority on the local level but not in the access arena and we felt it had potential implications (but then again they didn't ask us).

<sup>4</sup> MCImetro notes, however, that if the Commission determines that switching is a competitive function, or will be a competitive function in the near term, the price for BellSouth-provided switching need not be limited to TSLRIC, but can be set instead by market forces.

facilities in its colocation space. (Scheye, T 287) Mr. Scheye justifies this position on the grounds that:

(1) the current colocation orders and tariffs do not require BellSouth to allow colocation of "switching equipment" because such equipment "is not related to the provision of basic transmission services" (Scheye, T 287-8; Ex. 15, Scheye Depo. at 28-9); and

(2) although loop concentration falls on a continuum between multiplexing (a proper colocation device) and switching, and neither BellSouth nor the FCC has any technical guidelines as to its proper classification, BellSouth has unilaterally determined that loop concentration is more like switching equipment and hence is barred from a colocation space. (Ex. 15, Scheye Depo. at 24-9)

BellSouth's position should be rejected. First, the FCC and Florida tariff restrictions on required colocation were designed to address competitive transport services, they did not address issues related to the provision of competitive local exchange services, which is the topic of this proceeding. Second, Mr. Scheye admits that a loop concentrator cannot switch a call from one customer to another without the intervention of some other device, such as a switch. (Ex. 15, Scheye Depo. at 26) In this respect, a loop concentrator is clearly not a switch within the common understanding of that term, and its installation in a colocation space would not violate BellSouth's tariff restriction.

Most importantly, consider the implications of BellSouth's twin positions that (1) BellSouth cannot be required to provide loop concentration, and (2) neither the ALEC nor a third-party AAV can colocate concentration equipment in a BellSouth central office. This means that any competitor who relies on BellSouth's unbundled loops as essential facilities is **precluded** from achieving the same loop efficiencies that BellSouth has engineered into its network for itself. This may well be in BellSouth's narrow business interest, but it is bad public policy.

Finally, although there are only limited technical issues at this time, the Commission should keep this docket open to provide a forum to exercise its authority to arbitrate any unforeseen technical issues that the parties are unable to resolve. (See §364.162(2), F.S.)

Issue 3. What are the appropriate financial arrangements for the provision of each such unbundled element?

**\*\*MCImetro:** The price of each unbundled element which is not competitively available -- including loops, loop concentration, and loop transport -- should be set equal to its direct economic cost (i.e. TSLRIC). Such pricing is necessary to avoid a price squeeze and to bring the lowest possible prices to Florida consumers.\*\*

#### **Pricing Principle Required To Promote Competition**

The price for any unbundled element provided by BellSouth which is an essential input into end-user services provided by BellSouth and its competitors should be set at its direct economic cost (TSLRIC). Any other level of price above cost

would not permit BellSouth to pass an economically correct imputation test (or even Dr. Banerjee's incorrect version of that test), thereby creating a price squeeze. (Cornell, T 157-8, 163) In particular, BellSouth's proposal to price unbundled local loops at the rates contained in the Special Access Tariff would create a price squeeze, as demonstrated in more detail below. (Cornell, T 165-6)

Today, unbundled loops and loop concentration are essential inputs and should therefore be priced at TSLRIC. Loop transport is also an essential input today, and should also be priced at TSLRIC. Loop transport will remain an essential input so long as colocation, which competitors need from BellSouth as an essential input to their "competitive" loop transport services, contains a contribution above TSLRIC. (Cornell, T 188-94) Local switching, on the other hand, is competitively available, or will be in the relatively near term. Its price, therefore, can be set by the market, and need not be constrained by the TSLRIC pricing principle applicable to essential monopoly inputs. (Cornell, T 190-3)

As noted above, the reason that essential inputs must be priced at TSLRIC -- which includes a reasonable return on capital (Cornell, T 181) -- but must contain no contribution above that level, is to prevent a price squeeze. If a price squeeze is allowed to occur, then an equally efficient firm will be prevented from entering the market. This happens because, in a price squeeze situation, the new entrant will not be able to

cover its costs if it charges only the price established by the monopoly firm for the end user service. (Cornell, T 158)  
Further, by including a non-competible contribution in the price of unbundled loops, BellSouth's proposal raises the price floor down to which competition can force rates. BellSouth's proposal thus deprives Florida consumers of some of the key benefits of competition. (Cornell, T 170-1)

A price squeeze exists whenever the incumbent, BellSouth, cannot pass an economically proper price imputation test. Both Dr. Cornell and Dr. Banerjee agree that BellSouth must pass an imputation test to prevent a price squeeze, although they differ on what is the appropriate test.<sup>5</sup> (Cornell, T 170, 171-2; Banerjee, T 358-9)

#### **Economically Correct Imputation Test**

The appropriate imputation test to prevent the possibility of a price squeeze is one in which the price floor for a BellSouth retail service (e.g. local exchange service) equals (a) the price charged to dependent competitors (ALECs) for any bottleneck monopoly inputs that they must purchase from BellSouth (e.g. unbundled local loops), plus (b) the direct economic cost (TSLRIC) to BellSouth of all other elements of its retail service

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<sup>5</sup> As Dr. Banerjee says at page 358:

Q. Is their [ALEC's] concern with price squeeze justified?

A. No, not if economically correct imputation procedures are adopted.

(e.g. switching, transport, billing, directory listing, etc).

Dr. Banerjee advocates a different version of the imputation test in which the price floor equals (a) the direct cost of the retail service, plus (b) the "contribution" included in the price charged retail competitors for essential inputs. (Banerjee, T 372) Dr. Banerjee's version is incorrect, and would allow the incumbent to raise the costs imposed on entrants in order to engage in anticompetitive behavior. (Cornell, T 163) The two methods produce the same result so long as the cost of providing the essential input to the competitor and the internal cost of using the essential input in providing the retail service are the same. Where, as in this docket, BellSouth claims that the price for the internal use of local loops is lower than the cost of providing unbundled loops to its competitors, the tests produce different results.

Using an example supported by the record in this case shows that BellSouth's proposed special access price for local loops creates a price squeeze under either Dr. Banerjee's or Dr. Cornell's test, although the price squeeze is greater under the latter.

Assume that the incremental cost to BellSouth of providing residential local exchange service, including the local loop, is \$18.73 (Ex. 12, Item #9); that the internal cost to BellSouth of providing local loops is \$15.97 (Ex. 12, Item #3); that BellSouth proposes to charge its competitors the special access rate of \$21.15 for a two-wire, voice-grade loop (Ex. 13); and, solely for

purposes of calculation, that the cost to BellSouth of providing unbundled local loops to competitors is claimed to be exactly one dollar higher than their internal cost, or \$16.97 [the actual cost estimated by BellSouth, which Mr. Scheye stated was higher than \$15.97 (T 311-12), is shown on page 16 of Confidential Exhibit 16].<sup>6</sup>

In this situation, Dr. Cornell's imputation test would indicate that BellSouth's price for residential local exchange service would have to be \$23.91 in order to pass an imputation test and avoid a price squeeze. Dr. Banerjee's test would produce a result one dollar lower, which is the difference between BellSouth's claimed internal cost of providing loops and its claimed cost of providing those same loops to its dependent competitors.<sup>7</sup>

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<sup>6</sup> To the extent the actual confidential cost estimate is higher than \$16.97, any calculated price squeeze would increase; to the extent it is lower, any calculated price squeeze would decrease.

<sup>7</sup> This difference in result underscores the appropriateness of Dr. Cornell's test. While at first blush it might appear to produce a less desirable result, since the floor price for BellSouth's end user service is \$1 higher, consider the implications for competition if Dr. Banerjee's version of the test is adopted. First, an equally efficient competitor, i.e. one whose non-loop costs were exactly equal to BellSouth's non-loop costs of \$2.76, could not compete at the price floor established by Dr. Banerjee's test. It would lose \$1 on every customer. Thus Dr. Banerjee's test precludes equally efficient competitors from entering the market, which would be bad for Florida consumers. Second, because the difference in the price floor is driven by the differential between BellSouth's internal cost of providing the function and its cost to provide that function to competitors, BellSouth has an incentive under Dr. Banerjee's approach either to (1) perform cost studies in a way that shows a cost difference where none exists, or (2) to engineer the provision of essential

DR. CORNELL'S CORRECT IMPUTATION TEST	
Price to Competitor for Essential Input (Unbundled Loop)	\$ 21.15
Cost to BellSouth of Other Components of Local Service (\$18.73 - \$15.97)	\$ 2.76
BellSouth Retail Rate Required to Avoid a Price Squeeze	\$ 23.91

DR. BANERJEE'S IMPUTATION TEST <sup>8</sup>	
Cost to BellSouth for Providing Local Service	\$ 18.73
"Contribution" from Sale of Essential Input to Competitor (\$21.15 - \$16.97)	\$ 4.18
BellSouth Retail Rate Required to Avoid a Price Squeeze	\$ 22.91

The average retail price for BellSouth's residential local exchange service is \$13.26 (\$9.76 per Exhibit 12, Item #11, plus the federal subscriber line charge of \$3.50). (Scheye, T 305-6) This price would have to climb to \$23.91 in order to allow BellSouth to pass an imputation test at its proposed price for unbundled loops.<sup>9</sup> Yet, by statute, BellSouth's local rates are capped at their current level until January 1, 2001.

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functions to its competitors in a way that unnecessarily increases their cost. In either situation, BellSouth can create a price squeeze that serves to protect BellSouth from competition.

<sup>8</sup> See Dr. Banerjee's testimony at pages 373-375 for an illustration of his imputation test using slightly different numbers that were rounded off for ease of calculation.

<sup>9</sup> If BellSouth's price for local interconnection were also set at its proposed level, the imputation problem would be compounded, and the BellSouth end-user price required to avoid a price squeeze would be even higher.



§364.051(2)(a), F.S. This means that there is no way to avoid a price squeeze if unbundled loops are set at BellSouth's requested levels.

The only two ways to avoid a price squeeze are to (1) raise the rate for BellSouth's retail service, or (2) reduce the price charged to its competitors for the essential inputs. (Cornell, T 183) MCImetro advocates the latter approach. The price of unbundled loops should be reduced from BellSouth's proposed level of \$21.15 to a price equal to their direct economic cost. Even this reduced price will only mitigate the price squeeze, not eliminate it. Yet this is the only approach available to address the price squeeze under the current regulatory regime in which unbundled loop prices must cover costs, and local rates are capped at a level which is below the claimed average cost of an unbundled loop.

Dr. Banerjee's policy recommendation to deal with this admitted price squeeze was not helpful. He simply recommended that the Commission raise the price floor for local rates to cover the imputed costs. (Banerjee, T 375-6) When asked to assume that such an increase was not an option, he refused to consider reducing the price for unbundled loops as anything other than a mathematical possibility. (Banerjee, T 376)

#### **Deaveraged Prices for Unbundled Loops**

The Commission should give serious consideration to establishing deaveraged prices for unbundled local loops. As shown by Confidential Exhibit 16, BellSouth's own cost studies

show that the cost of local loops is distance sensitive. (Conf. Ex. 16 at 214) Loops of less than 12,000 feet in length are all less costly to provide than the "average" cost that BellSouth provided in response to staff's discovery requests. (Scheye, T 312-3) Because BellSouth aggregated all loops over 12,000 feet for study purposes, it is impossible to tell where the cut-over point from "less than average cost" to "greater than average cost" occurs. (Scheye, T 313) In fact, as Dr. Cornell testified, such costs vary by both distance and density, with density probably being the more important cost causative factor. (Cornell, T 179) BellSouth's study, however, did not analyze the impact of density, so BellSouth specific numbers are unavailable in this record.<sup>10</sup>

By setting unbundled loop prices equal to their deaveraged cost, the Commission would maximize the chance that a price squeeze was totally eliminated for loops up to some length. This would enhance the likelihood of competitive entry in areas with relatively short loop lengths. While this is not an ideal solution, it would allow real competition to begin to develop. Further, the Commission should order BellSouth to prepare TSLRIC

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<sup>10</sup> Just as in the local interconnection docket, BellSouth presented no cost figures in this proceeding. Instead it chose to rely on interrogatory answers and document production responses introduced by staff through a BellSouth witness who had no real knowledge of those cost figures. In future proceedings where BellSouth's costs are an issue, the Commission should ensure that BellSouth has the burden of proving its costs. If BellSouth then fails to produce appropriate cost studies and to present competent witnesses, responsibility for the failure would fall squarely on its shoulders.

loop cost studies that take into account both distance and density characteristics, and to submit them for Commission review in a fairly short period of time. This would give the Commission the information necessary to reset unbundled loop prices on a more rational economic basis, perhaps in conjunction with the implementation of a permanent universal service mechanism.

#### **What's Wrong With Dr. Banerjee's Inverse Elasticity Principle**

The Commission should reject any suggestion by BellSouth that unbundled loops, or any other essential input, should be priced in accordance with the inverse elasticity rule. That rule essentially states that in determining how much contribution toward shared costs to recover from prices for individual services, the price of each service should be raised to just below the point at which consumption of the service would decline. This results in more contribution coming from relatively inelastic services, and less contribution from relatively elastic service.

There are at least three problems with applying this principle to the pricing of unbundled loops:

First, even in the situations to which it properly applies, this pricing principle promotes only static economic efficiency, not the dynamic efficiency which is important in telecommunications markets. (Cornell, T 162)

Second, this principle does not properly apply to the pricing of "intermediate" goods or services -- that is, services such as unbundled local loops which are an input into a finished

retail service of BellSouth or its dependent competitors.

(Cornell, T 162) If applied to such bottleneck monopoly services this principle says, in effect, raise the price squeeze on your competitors to just below the point at which they are driven totally out of the market. As Mr. Gillan aptly stated, "it's a form of competitive euthanasia." (Gillan, T 260-1)

Third, the principle properly applies only when the elasticities used are market elasticities, not the elasticities of a single firm. BellSouth, on the other hand, proposes to apply rule by taking into account only its own firm's elasticities. (Cornell, T 162) An example will help to illustrate this last point. Assume that BellSouth has only two services, local residential service and unbundled loops, and that local residential service is competitive and unbundled loops are not. Improperly applying the rule using only BellSouth's perceived elasticities results in the price of residential service rising only until customers begin to move to a competitor's service, but results in the price of unbundled loops rising until those competitors are put out of business. Applying the rule using market elasticities, the price for residential service could rise to the point where the total penetration of local service, both BellSouth's and its competitors, began to decline. By misapplying the rule, BellSouth hastens the day at which the Mr. Gillan's patient -- the competitive firm -- will be dead.

**Bell-Cable Agreement is Not a Good Model**

The Commission should not indulge in a presumption that the Bell-Cable Agreement's provision that unbundled loops should be priced at special access rates is good for competition simply because a number of ALECs have accepted its terms. (Ex. 21, RCS-7 at 31) This price may be unimportant to some signatories, such as those who do not plan to serve residential customers, or who plan to serve them only through existing cable facilities. Such parties in fact have an incentive to agree to an unreasonably high price for unbundled loops that they do not intend to use, since that price would act as a barrier to entry by other competitors whose business plans require the use of those monopoly inputs. Further, because the agreement is a package deal, signatories to the package must "acknowledge" that the application of current tariffed prices for resale purposes is not inconsistent with Chapter 364 (Ex. 15, RCS-7 at 11), despite the existence of language in Section 364.162(5) which shows that it is inconsistent. For these reasons, the unbundled local loop pricing contained in the Bell-Cable agreement should be given no weight in the Commission's deliberations in this docket. The Commission should establish pricing consistent with good public policy. It should not delegate that responsibility to BellSouth and other private parties.

#### **Summary**

The Commission should require BellSouth to provide the unbundled loops (in all the forms requested by MCImetro and MFS), loop concentration, and loop transport at prices equal to their

direct economic costs. In the case of unbundled local loops, these prices should be set on a deaveraged, distance-sensitive basis equal to the costs shown in Confidential Exhibit 16 until such time as BellSouth produces a TSLRIC study based on both distance and density. With respect to loop concentration and loop transport, for which BellSouth supplied no cost figures, the Commission should establish the pricing principle that such essential inputs must be priced at TSLRIC. It should then require BellSouth to submit the TSLRIC cost studies necessary to implement that principle within 60 days, unless the parties are able to successfully negotiate a price within that time frame.

Issue 4. What arrangements, if any, are necessary to address other operational issues?

**\*\*MCImetro:** BellSouth should provide order entry, repair, testing, and any other administrative systems required for the provision of unbundled facilities, on a mechanized basis.\*\*

The only true operational issue of which MCImetro is aware is the timetable on which BellSouth will be required to provide mechanized access to the order entry, repair, testing, and other administrative systems necessary to utilize unbundled local loops in a network of networks environment.

This issue has been handled by the parties and the staff as a local interconnection issue in the companion docket, not as an unbundling issue. To the extent any decision is required in this docket, MCImetro refers the Commission to the discussion of Issue No. 13 in its post-hearing brief dated January 25, 1996 in Docket

No. 950985-TP.

One other matter which might be considered as an operational issue is BellSouth's suggestion that the Commission adopt the ONA model as the basis on which BellSouth should handle future unbundling requests. (Scheye, T 278-9) The Commission should reject this suggestion outright. First, as described by Mr. Scheye, the ONA request process provides for a 120 day BellSouth review cycle after a request for a new unbundled element is received. (Scheye, T 279) The Florida Legislature has made a different policy choice. If BellSouth is unable or unwilling to agree to an unbundling request within 60 days, the requesting party has a statutory right to present the matter to the Commission for resolution. BellSouth's request for a longer ONA-type time frame (Scheye, T 279) must be addressed to the Legislature, not to the Commission.

Second, even if the timeframe for processing an ONA request were shortened, the ONA process is still a bad model for processing unbundling requests. The ONA framework requires the requesting party to share too much of its marketing, construction, and business plans with BellSouth as part of an attempt to obtain unbundled elements. This creates enormous barriers to the use of the process, as it allows BellSouth to learn in advance about almost every aspect of the requesting party's business and respond in the market before it even decides whether or not to unbundle. (Cornell, T 166)

The best solution is for the Commission not to establish

rules at this time for processing future unbundling requests, but simply to resolve disputes on a case-by-case basis as they are presented to it by affected parties under §364.162.

RESPECTFULLY SUBMITTED this 29th day of January, 1996.

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