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September 24, 1996

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

960847

Re: Docket No. 960980-TP

Dear Ms. Bayó:

Enclosed for filing on behalf of MCI Telecommunications Corporation in the above docket are the original and 15 copies of MCI's prehearing statement, together with a 5.1 WordPerfect formatted disk.

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

- ACK
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 - CAF
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 - CTR
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petitions by AT&T)	
Communications of the Southern)	Docket No. 960847-TP
States, Inc., MCI)	Docket No. 960980-TP
Telecommunications Corporation,)	
MCI Metro Access Transmission)	
Services, Inc.,)	
for arbitration of certain terms)	
and conditions of a proposed)	Filed: September 24, 1996
agreement with GTE Florida)	
Incorporated)	
concerning interconnection and)	
resale under the)	
Telecommunications Act of 1996.)	

MCI'S PREHEARING STATEMENT

MCI Telecommunications Corporation and MCI Metro Access Transmission Services, Inc. (collectively, MCI) hereby file their prehearing statement in accordance with the requirements of Order Nos. PSC-96-1053-PCO-TP and PSC-96-1152-PCO-TP.

A. Known Witnesses. MCI has prefiled the direct testimony of the following witnesses. MCI intends to file rebuttal testimony on September 30, 1996, in accordance with the requirements of the Order on Procedure:

<u>Witness</u>	<u>Testimony</u>	<u>Subject</u>
Don Price	Direct	Overview of negotiations; provisioning and pricing of wholesale services; ancillary services and arrangements.
Paul Powers	Direct	Overview of MCI network; technical aspects of interconnection;

		unbundled network elements; collocation.
Timothy deCamp	Direct	Operations support systems.
Don Wood	Direct	Pricing of unbundled network elements and interconnection.
Sarah Goodfriend	Direct	Economic principles; pricing of unbundled network elements and interconnection.

B. Known Exhibits. MCI has prefiled the following exhibits. MCI may file additional exhibits with its rebuttal testimony due on September 30, 1996. MCI also reserves the right to use additional exhibits for the purpose of cross-examination.

<u>Witness</u>	<u>Exhibit</u>	<u>Description</u>
Don Price	Petition Ex. 1	Letter to GTE requesting negotiations
	Petition Ex. 2	Annotated Term Sheet
	Petition Ex. 3	Term Sheet Items
	DGP-1	Resume
	DGP-2	Wholesale Services Prices and Provisioning White Paper
	DGP-3	Wholesale Pricing Discount Model
	DGP-4	Requirements for Long Term Local Number Portability
Don Wood	DJW-1	Resume
	DJW-2	Florida Model Inputs
	DJW-3	Hatfield Model Results

C. Basic Position. This arbitration proceeding, and others like it, will shape the future of local competition for years to come. The Telecommunications Act of 1996 sets forth numerous standards that the Commission must apply in resolving the issues submitted for arbitration. Among these is the provision in Section 252(c) which states that the Commission must apply the requirements set forth in the regulations prescribed by the Federal Communications Commission pursuant to Section 251 of the Act.

MCI understands that the Commission has moved for a stay of the FCC's Local Competition Rules pending appeal. If the stay is denied, the Commission will be required to apply the FCC Rules. If the stay is granted, the Commission nevertheless should give great weight to the FCC's interpretation in order to promote national uniformity to the maximum extent possible, consistent with the Commission's view of any Florida-specific public interest factors.

In resolving the numerous issues presented in this proceeding, the Commission should ask:

- Does its decision create an environment that promotes investment and the development of a flourishing array of new services?
- Does it establish prices that mirror a fully competitive market?

- Does it provide vigilant oversight against anti-competitive practices?

Six of the major issues in this proceeding are the extent to which GTEFL is required to provide the unbundled network elements requested by MCI; the appropriate price for such network elements; the prices, terms and conditions for interconnection and for the transport and termination of local traffic; the extent to which GTEFL is required to allow its services to be resold; the appropriate wholesale price for such resold services; and how to ensure that MCI is provided access to operational support systems that is equal in quality to GTEFL's access to such systems.

With respect to unbundled network elements, the Commission should strictly scrutinize any claim by GTEFL that unbundling is not technically feasible. Unless the Commission applies an appropriate standard for technical feasibility, GTEFL will be able to create barriers to competitive entry by MCI and others. The Commission should also reject GTEFL's claim that MCI should not be allowed to combine unbundled network elements in any manner it chooses, even if that combination is used to provide a service that GTEFL provides today. Prices for unbundled network elements should be based on their forward-looking economic cost in accordance with total element long-run incremental cost (TELRIC) principles. The Hatfield Model results presented by MCI in this docket include all costs that would be incurred by an efficient wholesale provider of unbundled network elements, and

therefore provide a reasonable basis for setting rates consistent with TELRIC principles.

With respect to interconnection, MCI should be permitted to interconnect at any technically feasible point on GTEFL's network that MCI designates and should not be required to interconnect at more than one point per LATA. MCI and GTEFL must use the same MCI-designated interconnection point for traffic in each direction. Prices for transport and termination of local traffic should be based on their forward-looking economic cost in accordance with total element long-run incremental cost (TELRIC) principles.

With respect to resale of GTEFL services, the Commission should not permit GTEFL to withhold any services from resale, nor to impose unreasonable or discriminatory restrictions or limitations on resale. The prices for resold services should be set to reflect the retail costs that GTEFL avoids when it provides services on a wholesale basis. The avoided cost study presented by MCI in this docket provides a reasonable basis on which to set a 17.68% discount for such wholesale services.

With respect to operational support systems, the Commission should require GTEFL to provide real-time, interactive electronic interfaces to support the ordering, provisioning, maintenance and billing functions as quickly as such systems can be deployed. GTEFL's failure to provide MCI with access to the same interfaces that GTEFL uses today will impair MCI's ability to offer its

customers the same quality of service that end users currently receive from GTEFL.

D-F. Issues. MCI's position on the issues that have been identified through the prehearing issue identification process are as follows:

Issue 1. What services provided by GTEFL, if any, should be excluded from resale?

MCI: Section 251(c)(4) of the Act requires GTEFL to offer for resale any telecommunications service that it provides at retail to end use customers who are not telecommunications carriers. Thus no retail services should be excluded from resale. Specifically, grandfathered services, promotions, contract services, volume discounts, and Lifeline and LinkUp services must be made available for resale. (Price)

Issue 2. Should GTEFL be prohibited from imposing restrictions on the resale of GTEFL services?

MCI: Yes. Section 251(c)(4)(B) of the Act prohibits GTEFL from imposing unreasonable or discriminatory conditions or limitations on the resale of services. No restrictions should be allowed except for user restrictions which permit residential service, grandfathered services, and Lifeline and LinkUp services to be sold only to end users who would be eligible to purchase the service directly from GTEFL. (Price)

Issue 3. What are the appropriate wholesale rates for GTEFL to charge when AT&T or MCI purchase GTEFL's retail services for resale?

MCI: Section 252(d)(3) of the Act requires wholesale rates to be based on the retail rates for the service less costs that are avoided by GTEFL as a result of offering the service on a wholesale basis. The application of this standard produces wholesale rates for GTEFL that are 17.68% below the current retail rates. (Price)

Issue 4. a) Should GTEFL be required to implement a process and standards that will ensure that AT&T and MCI receive services for resale, interconnection, and unbundled network elements that are at least equal

in quality to those that GTEFL provides itself and its affiliates?

MCI: Yes, GTEFL should be required to implement a process and standards that will ensure that MCI receive services for resale, interconnection and unbundled network elements that are at least equal in quality to what GTEFL provides to itself or its affiliates. In particular, GTEFL should meet all technical standards and performance measures contained in industry guidelines. (deCamp)

- b) Should GTEFL be required to provide AT&T and MCI loop testing information prior to the establishment of service to an AT&T or MCI customer?

MCI: Yes. GTEFL should provide verification that the loop has been tested and meets the specifications for the service that AT&T or MCI has ordered. (Powers)

Issue 5. What are the appropriate contractual provisions for liability and indemnification for failure to meet the requirements contained in the arbitrated agreement?

MCI: Each party should be liable for damages caused by its own willful or intentional misconduct, including gross negligence, by its repeated breach of any one or more of its material obligations under the agreement, or its acts or omissions causing bodily injury, death, or damage to tangible property. Each party should indemnify the other against claims by third parties that result from its own willful or intentional misconduct, including gross negligence, or its failure to perform its obligations under the arbitrated agreement. (Price)

Issue 6. a) Should GTEFL be required to provide real-time and interactive access via electronic interfaces to perform the following:

Pre-Service Ordering
Maintenance/Repair
Service Order Processing and Provisioning
Customer Usage Data Transfer
Local Account Maintenance

MCI: Yes. Real-time, interactive access via electronic interfaces is required in order for MCI to be able to provide the same quality of service to its customers as is currently provided by GTEFL. (deCamp)

- b) If this process requires the development of additional capabilities, in what time frame should they be deployed?

MCI: The FCC Rules require such interfaces to be deployed by January 1, 1997. If the Commission determines that it is impossible to deploy the required interfaces by January 1, 1997, interim arrangements should be implemented by that date and permanent arrangements should be implemented as soon thereafter as possible. (deCamp)

- c) What are the costs incurred, and how should those costs be recovered?

MCI: Each party should bear its own costs of implementing the necessary interfaces. (deCamp)

Issue 7. a) When AT&T or MCI Resells GTEFL's local exchange service, or purchases unbundled local switching, is it technically feasible: 1) to route 0+ and 0-calls to an operator other than GTEFL's; 2) to route 411 and 555-1212 directory assistance calls to an operator other than GTEFL's; or 3) to route 611 repair calls to a repair center other than GTEFL's?

MCI: Yes. The technical feasibility is demonstrated by a recent agreement between Bell Atlantic-Pennsylvania and AT&T to fully implement such routing by the end of June, 1997, using AIN capabilities. Such routing is required so that customers of MCI will enjoy dialing parity with customers of GTEFL and to avoid creating a barrier to entry. (Price, Goodfriend)

- b) If this process requires the development of additional capabilities, in what time frame should they be deployed?

MCI: Bell Atlantic-Pennsylvania will fully implement such routing by the end of June, 1997, using AIN capabilities. GTEFL should be required to deploy such capability in the same time frame. (Price)

- c) What are the costs incurred, and how should those costs be recovered?

MCI: GTE should recover only the forward-looking incremental cost of implementing such capability in the most efficient manner possible. GTE should bear the burden of proving such costs. (Price, Goodfriend)

Issue 8. a) Should GTEFL be required to provide AT&T and MCI with the billing and usage recording services that AT&T and MCI requested?

MCI: Yes. (deCamp)

b) If this process requires the development of additional capabilities, in what time frame should they be deployed?

MCI: Billing and recording services should be available by January 1, 1997. (deCamp)

c) What are the costs incurred, and how should those costs be recovered?

MCI: GTE should recover only the forward-looking incremental cost of implementing such capability in the most efficient manner possible. GTE should bear the burden of proving such costs. (Price, Goodfriend)

Issue 9. What type of customer authorization is required for access to customer account information and transfer of existing services?

MCI: GTEFL should provide access to customer account information and should transfer existing services pursuant to a blanket letter of authorization in which MCI commits that it will access such information and transfer such services only after obtaining the customer's consent. (deCamp)

Issue 10. What are the appropriate rates, terms, and conditions, if any, for call guide pages, directory distribution, and inclusion of AT&T's and MCI's logos on the directory cover?

MCI: MCI should have the same ability as GTEFL to have information regarding its services published in the call guide pages and to have its logo on the directory cover. GTEFL should be required to distribute directories to all customers at no charge. (Price)

Issue 11. a) Should GTEFL be required to provide AT&T and MCI access to GTEFL's directory assistance database?

MCI: Yes. MCI should have the option of accessing GTEFL's directory assistance database either through a real-time

interactive interface or through the purchase of information resident in the database. In addition, MCI should have the option to route DA calls to GTEFL's operators. (Price)

- b) If this process requires the development of additional capabilities, in what time frame should they be deployed?

MCI: The option to purchase database information does not require the development of additional capability and should be available immediately. Other options should be available by January 1, 1997. (Price)

- c) What are the costs incurred, and how should those costs be recovered?

MCI: GTE should recover only the forward-looking incremental cost of implementing such capability in the most efficient manner possible. GTE should bear the burden of proving such costs. The cost associated with the database information purchase option should be very small. (Price, Goodfriend)

Issue 12. How should PIC changes be made for AT&T's and MCI's local customers?

MCI: GTEFL should not accept a PIC change directly from an IXC for an MCI local customer; such requests should be made by the IXC through GTEFL. (Price)

Issue 13. a) Are the following items considered to be network elements, capabilities, or functions? If so, is it technically feasible for GTEFL to provide AT&T and MCI with these elements?

Network Interface Device
Loop Distribution
Local Switching
Operator Systems
Dedicated Transport
Common Transport
Tandem Switching
Signaling Link Transport
Signal Transfer Points
Service Control Points/Databases
Loop Concentrator/Multiplexer (AT&T only)
Loop Feeder (AT&T only)
Multiplexing/Digital Cross-connect (MCI only)
DA Service (MCI only)
911 Service (MCI only)

AIN Capabilities (MCI only)
Operations Support Systems (MCI only)

MCI: Each of the items requested by MCI is a network element, capability or function, and it is technically feasible to unbundle each of the requested elements. The Commission should strictly scrutinize any claim by GTEFL that unbundling is not technically feasible to preclude GTEFL from creating barriers to competitive entry by MCI and others. (Powers, Goodfriend)

- b) What should the price of each of the items considered to be network elements, capabilities, or functions?

MCI: The price of unbundled elements should be based on the forward-looking, long-run economic costs, calculated in accordance with TELRIC principles, that a wholesale-only LEC would incur to produce the entire range of unbundled network elements. These costs are calculated by the Hatfield Model, and the appropriate prices are set forth in the direct testimony of Mr. Wood. (Goodfriend, Wood)

Issue 14. Should GTEFL be prohibited from placing any limitations on AT&T's and MCI's ability to combine unbundled network elements with one another, or with resold services, or with AT&T's, MCI's or a third party's facilities, to provide telecommunications services to consumers in any manner AT&T or MCI chooses?

MCI: Yes. Section 251(c)(3) of the Act requires that GTEFL offer unbundled elements in a manner that allows MCI to recombine such elements in order to provide telecommunications services. The Act does not allow limitations on the manner in which the elements are combined, or the telecommunications services which can be provided through the use of unbundled elements. (Goodfriend)

Issue 15. a) Should GTEFL be required to provide AT&T and MCI with access to GTEFL's unused transmission media?

MCI: Yes. From an engineering perspective, unused transmission media such as dark fiber is simply another level in the transmission hierarchy and is a network element which must be unbundled upon request. (Powers)

- b) What are the costs incurred, and how should those costs be recovered?

MCI: Like any other unbundled element, the price for dark fiber should be based on its forward looking economic cost in accordance with TELRIC principles. (Goodfriend)

Issue 16. At what points should AT&T and MCI be permitted to interconnect with GTEFL?

MCI: MCI should be permitted to interconnect at any technically feasible point on GTEFL's network that it designates, and MCI should not be required to interconnect at more than one point per LATA. MCI and GTEFL must use the same MCI-designated interconnection point (IP) for traffic in each direction since traffic on 2-way trunks (which may be requested by MCI) cannot be segregated to separate IPs. (Powers)

Issue 17. a) What access should be provided by GTEFL for its poles, ducts, conduits, and rights-of-way?

MCI: GTEFL should be required to make any unused capacity in its poles, ducts, conduits, and rights-of-way available on a nondiscriminatory basis to all carriers, including itself, and should not be allowed to reserve capacity in such facilities. (Price)

b) What are the costs incurred, and how should those costs be recovered?

MCI: Costs of existing capacity should be recovered through a nondiscriminatory rental fee designed to recover a pro rata share of the facility costs. Costs of capacity expansions should be borne by the cost-causer, and shared by any party who subsequently makes use of the expanded facility. (Price, Goodfriend)

Issue 18. Does the term "rights-of-way" in Section 224 of the Act include all possible pathways for communicating with the end user?

MCI: Yes. (Price)

Issue 19. Should GTEFL be required to provide interim number portability solutions including remote call forwarding, flex-direct inward calling, route index portability hub, and local exchange route guide reassignment?

MCI: GTEFL should be required to provide interim number portability through remote call forwarding and flex-direct inward calling. MCI is not seeking any other method of interim number portability at this time. (Price)

Issue 20. What should be the cost recovery mechanism to provide interim local number portability in light of the FCC's recent order?

MCI: There should be no explicit monthly recurring charge for remote call forwarding used to provide interim local number portability. GTEFL and MCI should each bear their own cost of implementing the interim number portability mechanism. (Price)

Issue 21. a) Should GTEFL be prohibited from placing any limitations on the interconnection between two carriers collocated on GTEFL's premises, or on the types of equipment that can be collocated, and or on the types of users and availability of the collocated space?

MCI: Yes, GTEFL should be prohibited from placing such limitations. MCI should have the ability to collocate subscriber loop electronics, such as digital loop carrier; should be permitted to interconnect with other collocators; should be permitted to interconnect to unbundled dedicated transport obtained from GTEFL; and should be able to collocate via either physical or virtual facilities. (Powers)

b) What are the costs incurred, and how should those costs be recovered?

MCI: Rates for collocation should be based on forward looking economic cost in accordance with TELRIC principles. (Wood)

Issue 22. What should be the compensation mechanism for the exchange of local traffic between AT&T or MCI and GTEFL?

MCI: The compensation mechanism for transport and termination of local traffic between MCI and GTEFL should use symmetrical rates for transport and termination set in accordance with total element long run incremental cost principles. The Hatfield Model produces costs calculated in accordance with these principles for tandem switching, local switching and transport. (Goodfriend, Wood)

Issue 24. What should be the term of the agreement?

MCI: The term of the initial arbitrated agreement should be 5 years, with successive one-year renewal options. (Price)

Issue 25. Can the agreement be modified by subsequent tariff filings?

MCI: No, the agreement cannot be unilaterally modified by subsequent tariff filings. (Price)

Issue 27. a) When MCI resells GTEFL's services, is it technically feasible or otherwise appropriate for GTEFL to brand operator services and directory services calls that are initiated from those resold services?

MCI: Yes. Such branding is technically feasible, and is necessary to enable a reseller to establish its own identity in the market. (Price)

b) When GTEFL's employees or agents interact with MCI's customers with respect to a service provided by GTEFL on behalf of MCI, what type of branding requirements are technically feasible or otherwise appropriate?

MCI: When interacting with customers with respect to a service provided by GTEFL on behalf of MCI, it is both feasible and appropriate for GTEFL employees to identify themselves as providing service on behalf of MCI and for such employees to use "leave-behind" cards or other written materials provided by MCI which identify MCI as the provider of service. (Price)

Issue 28. Should GTEFL be required to provide notice to its wholesale customers of changes to GTEFL's services? If so, in what manner and in what timeframe?

MCI: GTEFL should be required to provide notice to its wholesale customers of changes to GTEFL's services at least 45 days prior to the effective date of the change, or concurrent with GTEFL's internal notification process for such changes, whichever is earlier. (Price)

Issue 29. In what time frame should GTEFL provide CABS-like billing for services and elements purchased by MCI?

MCI: GTEFL should provide CABS formatted billing for resold services in accordance with the specifications adopted by the industry Ordering and Billing Forum in August, 1996 no later than January 1, 1997. NYNEX will be producing bills in the OBF CABS format effective October 1, 1996, by reformatting the output from its CRIS system. (deCamp)

Issue 30. What intrastate access charges, if any, should be collected on a transitional basis from carriers who purchase GTEFL's unbundled local switching element? How long should any transitional period last?

MCI: The price for unbundled local switching should be based on its forward looking economic cost in accordance with TELRIC principles. The price should not include any additional charge for intrastate switched access minutes that traverse GTEFL's switch, and in particular should not replace the CCL and RIC revenues that GTEFL would have received if it had retained the end-user customer. (Goodfriend)

Issue 31. What are the appropriate rates, terms, and conditions for access to code assignments and other numbering resources?

MCI: Access to code assignments and other numbering resources should be provided on a nondiscriminatory basis. There should be no significant additional costs associated with management of these resources. (Price)

G. Stipulations. There are no stipulations between MCI and GTEFL at this time.

H. Pending Motions. MCI has no pending motions at this time.

I. Requirements of Order on Procedure. MCI believes that this prehearing statement complies with all the requirements of the Order on Procedure.

RESPECTFULLY SUBMITTED this 24th day of September, 1996.

HOPPING GREEN SAMS & SMITH, P.A.

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ATTORNEYS FOR MCI

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished to the following parties by hand delivery this 24th day of September, 1996.

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