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December 6, 1996

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

Re: Docket 961230-TP

Dear Ms. Bayó:

Enclosed for filing on behalf of MCI Telecommunications Corporation and MCImetro Access Transmission Services, Inc. (collectively, "MCI") are the original and 15 copies of MCI's prehearing statement together with a WordPerfect 5.1 diskette.

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

Very truly yours,

Richard D. Melson
Richard D. Melson

- ACK
- AFA
- APP
- CAF
- CMU *Shelby*
- CTR
- EAG
- LEG *1*
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition by MCI)	
Telecommunications Corporation)	
for arbitration with United)	Docket No. 961230-TP
Telephone Company of Florida and)	
Central Telephone Company of)	
Florida concerning)	Filed: December 6, 1996
interconnection rates, terms, and)	
conditions, pursuant to the Federal)	
Telecommunications Act of 1996.)	

MCI'S PREHEARING STATEMENT

MCI Telecommunications Corporation and MCImetro Access Transmission Services, Inc. (collectively, MCI) hereby file their prehearing statement.

A. Known Witnesses. MCI has prefiled the direct and/or rebuttal testimony of the following witnesses.

<u>Witness</u>	<u>Testimony</u>	<u>Subject</u>
Don Price	Direct & Rebuttal	Overview of negotiations; ancillary services and arrangements.
Jerry W. Murphy	Direct & Rebuttal	Overview of MCI network; technical aspects of interconnection; unbundled network elements; collocation.
Ronald Martinez	Direct & Rebuttal	Operations support systems.
Don Wood	Direct, Rebuttal & Supplemental Rebuttal	Pricing of unbundled network elements and interconnection.

Richard Cabe	Direct & Rebuttal	Economic principles; pricing of unbundled network elements and interconnection.
Greg Darnell	Direct & Rebuttal	Provisioning and pricing of wholesale services.

B. Known Exhibits. MCI has prefiled the following exhibits. MCI 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 Sprint requesting negotiations
	Petition Ex. 2	MCImetro/ILEC Interconnection Agreement
	Petition Ex. 3	Issues Matrix
	DGP-1	Resume
Don Wood	DJW-1	Resume
	DJW-2	Hatfield Model User Inputs
	DJW-3	Hatfield Model Results
	DJW-4	Hatfield Model Description
Richard Cabe	RC-1	Resume
Greg Darnell	GLD-1	MCI Avoided Cost Model Summary
	GLD-2	MCI Avoided Cost Model Summary (reformatted)

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 (Act) 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 (FCC) pursuant to Section 251 of the Act (FCC Rules).

The United States Eighth Circuit Court of Appeals has entered a partial stay of the FCC Rules. The Commission is, of course, required to apply the remaining, unstayed provisions of those rules. Although the Commission is not required at this time to apply the pricing provisions of those rules as a result of the stay, it is still required to comply with the pricing provisions of the Act. The Eighth Circuit did not consider, much less decide, whether the FCC's pricing rules are inconsistent with the Act. Rather, the stay was issued solely on the ground that a question exists about the FCC's authority to promulgate pricing rules. The pricing principles contained in the FCC Rules are consistent with sound economic principles and with the terms of the Act. The Act requires the Commission to set rates based on forward-looking economic cost (TELRIC). Any other costing methodology, such as one based on historical costs, would effectively create a barrier to entry and would violate the Act. MCI therefore urges the Commission to adopt pricing principles in

this proceeding which follow the FCC Rules 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 Sprint 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 Sprint 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 Sprint's access to such systems.

With respect to unbundled network elements, the Commission should strictly scrutinize any claim by Sprint that unbundling is not technically feasible or that it should be pursued on an individual case basis. 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 Sprint's network that MCI designates and should not be required to interconnect at more than one point per LATA. MCI and Sprint 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 Sprint services, the Commission should not permit Sprint 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 Sprint 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 discounts of 20.49% (United) and 21.37% (Centel) for such wholesale services.

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

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

LOCAL INTERCONNECTION

Issue 1. At what points should MCI be permitted to interconnect with Sprint and what are the appropriate trunking arrangements between MCI and Sprint for local interconnection?

****MCI Position:** MCI should be permitted to interconnect at any technically feasible point on Sprint's network that it designates, and MCI should not be required to interconnect at more than one point per LATA. MCI and Sprint 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. (Murphy)

Issue 2. What should be the compensation mechanism for the exchange of local traffic between MCI and Sprint?

****MCI Position:** The compensation mechanism for transport and termination of local traffic between MCI and Sprint 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. (Cabe, Wood)

UNBUNDLED NETWORK ELEMENTS

Issue 3a. Are the following items considered to be network elements, capabilities or functions? If so, is it technically feasible for Sprint to provide MCI with these elements?

Network Interface Device
Unbundled Loop
Loop Distribution
Local Switching
Operator Systems (DA Service/911 Service)
Multiplexing/Digital Cross-Connect
Dedicated Transport
Common Transport
Tandem Switching
Signaling Link Transport
Signal Transfer Points
Service Control Points/Databases

****MCI Position:** 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 Sprint that unbundling is not technically feasible or that unbundling decisions should be made on an individual case basis to preclude Sprint from creating barriers to competitive entry by MCI and others. (Murphy, Cabe)

Issue 3b. What is the appropriate cost methodology for setting the price of each of the items considered to be network elements, capabilities, or functions?

****MCI Position:** 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. (Cabe, Wood)

Issue 3c. What should be the price of each of the items considered to be network elements, capabilities, or functions?

****MCI Position:** The appropriate prices for the major unbundled network elements are set forth in the direct testimony of Mr. Wood. (Wood)

Issue 3d. What should be the process for identifying and requesting additional unbundled network elements?

****MCI Position:** The Commission should use a bona fide request process for identifying and requesting additional unbundled network elements. The BFR process should have short time frames for Sprint to respond to unbundling requests and for the Commission to resolve any disputes. (Price)

Issue 4. What intrastate access charges, if any, should be collected on a transitional basis from carriers who purchase Sprint's unbundled local switching element? How long should any transitional period last?

****MCI Position:** 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 Sprint's switch, and in particular should not replace the CCL and RIC revenues that Sprint would have received if it had retained the end-user customer. (Cabe)

Issue 5. Do the provisions of Sections 251 and 252 apply to access to dark fiber? If so, what are the appropriate rates, terms, and conditions?

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

Issue 6. Should MCI be allowed to combine unbundled network elements in any manner it chooses, including recreating existing Sprint services?

****MCI Position:** Yes. Section 251(c)(3) of the Act requires that Sprint 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. (Cabe)

RESALE

Issue 7. What services provided by Sprint, if any, should be excluded from resale?

****MCI Position:** Section 251(c)(4) of the Act requires Sprint 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, Lifeline and LinkUp services, voice mail service, inside wire maintenance service and calling card service must be made available for resale. (Darnell)

Issue 8. Should Sprint be prohibited from imposing restrictions on the resale of Sprint services?

****MCI Position:** Yes. Section 251(c)(4)(B) of the Act prohibits Sprint 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 Sprint. (Darnell)

Issue 9. What is the appropriate methodology to determine the avoided cost amounts to be applied to Sprint's retail rates when MCI purchases such services for resale?

****MCI Position:** 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 Sprint as a result of offering the service on a wholesale basis. The application of this standard produces wholesale rates for Sprint-United that are 20.49% below the current retail rates and for Sprint-Centel that are 21.37% below the current retail rates. (Darnell)

Issue 10. Should Sprint be required to provide notice to its wholesale customers of changes to Sprint's services? If so, in what manner and in what timeframe?

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

CALL ROUTING AND BRANDING

Issue 11. When MCI resells Sprint's services, is it technically feasible or otherwise appropriate for Sprint to brand operator services and directory services calls that are initiated from those resold services?

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

Issue 11b. When Sprint's employees or agents interact with MCI's customers with respect to a service provided by Sprint on behalf of MCI, what type of branding requirements are technically feasible or otherwise appropriate?

****MCI Position:** When interacting with customers with respect to a service provided by Sprint on behalf of MCI, it is both feasible and appropriate for Sprint 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 12. When MCI resells Sprint's local exchange service, or purchases unbundled local switching, is it technically feasible or otherwise appropriate to 1) route 0+ and 0- calls to an operator other than Sprint's, 2) to route 411 and 555-1212 directory assistance calls to an operator other than Sprint's, or 3) to route 611 repair calls to a repair center other than Sprint's?

****MCI Position:** 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 Sprint and to avoid creating a barrier to entry. (Price)

OPERATIONS SUPPORT SYSTEMS

Issue 13. Should Sprint be required to provide real-time and interactive access via electronic interfaces as requested by MCI to perform the following:

Pre-Service Ordering

Service Trouble Reporting
Service Order Processing and Provisioning
Customer Usage Data Transfer
Local Account Maintenance

If the process requires the development of additional capabilities, in what time frame should they be deployed? What are the costs involved, and how should these costs be recovered?

****MCI Position:** 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 Sprint. 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. Each party should bear its own costs of implementing the necessary interfaces. (Martinez)

Issue 14. What type of customer authorization is required for access to customer account information and transfer of existing services?

****MCI Position:** Sprint 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. (Martinez)

Issue 15. What billing data format should be used to render bills to MCI for services and elements purchased from Sprint?

****MCI Position:** Sprint should provide CABS formatted billing for resold services and unbundled network elements in accordance with the specifications adopted by the industry Ordering and Billing Forum in August, 1996 as quickly as possible, but in no event later than early third quarter 1997. NYNEX has been producing bills in the OBF CABS format by reformatting the output from its CRIS system. (Martinez)

Issue 16. Where MCI resells a Sprint service, should Sprint be required to provide MCI with the billing information necessary for MCI to bill its customers for collect and third-party calls?

****MCI Position:** Yes. (Darnell)

Issue 17. What are the appropriate rates, terms and conditions, if any, for rating information services traffic between MCI and Sprint?

****MCI Position:** Sprint should record and rate all calls to information service providers and bill such calls directly to the subscriber as set forth in Attachment 8, Section 4.1.1.7 of MCI's proposed interconnection agreement. (Price)

DIRECTORIES AND DIRECTORY LISTINGS

Issue 18. Should Sprint be required to allow MCI to have an appearance (e.g. logo or name) on the cover of the white and yellow page directories?

****MCI Position:** Yes, MCI should have the same ability as Sprint to have its logo on the directory cover. (Price)

Issue 19. What are the appropriate arrangements to provide MCI with nondiscriminatory access to white and yellow page directory listings?

****MCI Position:** MCI's customers should be included in Sprint's directory at no charge; MCI's customers should have access to yellow page listing on the same terms and conditions as Sprint's customers; and MCI should have the same ability as Sprint to have information regarding its services published in the call guide pages. Sprint should be required to distribute directories to all customers at no charge. (Price)

NUMBER PORTABILITY

Issue 20. What should be the cost recovery mechanism for remote call forwarding (RCF) used to provide interim local number portability in light of the FCC's recent order?

****MCI Position:** Unless and until the issue is resolved in the generic interim local number portability docket, there should be no explicit monthly recurring charge for remote call forwarding used to provide interim local number portability. Sprint and MCI should each bear their own cost of implementing the interim number portability mechanism. (Price)

COLLOCATION

Issue 21. Should Sprint be prohibited from placing any limitations on the interconnection between two carriers collocated on Sprint'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 Position:** Yes, Sprint should be prohibited from placing such limitations. MCI should have the ability to collocate equipment of its choice, including digital loop carrier and remote digital line units; should be permitted to interconnect with other collocators; should be permitted to interconnect to unbundled dedicated transport obtained from Sprint; and should be able to collocate via either physical or virtual facilities.
(Murphy)

Issue 22. What are the appropriate rates, terms and conditions for collocation (both physical and virtual)?

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

POLES, CONDUITS, RIGHTS-OF-WAY

Issue 23. What capacity, engineering and related information should be provided by Sprint regarding its poles, ducts, conduits, and rights-of-way? What compensation, if any, is appropriate?

****MCI Position:** Sprint should provide current detailed engineering and other plant drawings of poles, ducts, conduits and rights of way to MCI within two business following request for access to such information, as set forth in Attachment VI, Section 3.7 of MCI's proposed interconnection agreement. (Price)

MISCELLANEOUS ISSUES

Issue 24. What are the appropriate rates, terms and conditions related to termination of 611 traffic?

****MCI Position:** This issue can be dropped.

Issue 25. What are the appropriate general contractual terms and conditions that should govern the arbitration

agreement (e.g. resolution of disputes, performance requirements, and treatment of confidential information)?

****MCI Position:** The appropriate general contractual terms and conditions are those set forth in Exhibit 2 to MCI's Petition. In general, the appropriate provisions must be more detailed than those set forth in Sprint's proposed contract. (Price)

Issue 26. What are the appropriate contractual provisions for liability and indemnification for failure to meet the requirements contained in the arbitrated agreement?

****MCI Position:** 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 27. What are the appropriate standards, if any, for performance metrics, service restoration, and quality assurance related to services provided by Sprint for resale and for network elements provided to MCI by Sprint? How should compliance with such standards be monitored and enforced?

****MCI Position:** The appropriate standards, and the appropriate monitoring and enforcement mechanisms, are those set forth in Exhibit 2 to MCI's Petition. (Price)

PROCEDURAL ISSUES

Issue 28. Should the agreement be approved pursuant to the Telecommunications Act of 1996?

****MCI Position:** Yes, the arbitrated agreement resulting from this proceeding should be approved pursuant to Section 252(e)(2)(b) of the Act.

Issue 29. What are the appropriate post-hearing procedures for submission and approval of the final arbitrated agreement?

****MCI Position:** The Commission should require the parties to submit an agreement that incorporates the Commission's decisions within 30 days after the date of the Commission's order in this docket. If the parties are unable to reach agreement, each party should be required to submit its own version of a proposed agreement and the Commission should select the agreement, or portions of the agreements, which best implement its decisions.

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

H. Pending Motions. MCI has no pending motions at this time. The parties are awaiting ruling on Sprint's Motion to Dismiss portions of MCI's Petition.

I. Requirements of Order on Procedure. MCI believes that this prehearing statement complies with all the Commission's requirements for prehearing statements.

RESPECTFULLY SUBMITTED this 6th day of December, 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 or by UPS Overnight Delivery (*) this 6th day of December, 1996.

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