

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Communications Staff Project on ) UNDOCKETED  
Local Telecommunications Competition )  
\_\_\_\_\_ ) FILED: 11-10-97

INTERMEDIA COMMUNICATIONS INC.  
COMMENTS TO COMMUNICATIONS STAFF PROJECT ON  
LOCAL TELECOMMUNICATIONS COMPETITION

General Comments to Communications Staff Project

The Communications Staff is attempting to address the issue that competition in the local market has not developed at the pace envisioned by many. We believe that the proposals set forth by Staff will not address the fundamental elements needed to stimulate long term and irreversible local competition. The reason is clear, the proposal set forth does not promote or provide incentives to facilities-based local exchange providers, especially to those that desire to serve the residential markets.

Intermedia believes that the basic concept of an education program is a good one. We concur that consumers should be educated on the telecommunications industry as a whole (ex. debit cards, slamming, pay phone deregulation, USF, E911). However, we are concerned that any initiatives concerning local competition will have no value until a true choice exists in Florida's markets. While the initiatives are sound, until viable alternatives exist, education will have no meaningful impact. Therefore, it is Intermedia's position that these programs should not be addressed in advance of the presence of competition. To do so would be a misuse of this Commission's time and financial resources.

This project should seek to establish facilities-based competition in Florida local markets. These initiatives, if properly developed, will benefit all local telecommunications markets, including Florida residential markets. Initiatives adopted should be driven by economic realities and should not perpetuate the current legacy of artificial advantages and incentives. These initiatives should seek to remove such barriers to entry, and not replace them with other artificial mechanisms.

The focus of this project should be to determine the initiatives that stimulate real and irreversible competition in Florida's local market. If this can be accomplished, then the educational initiatives proposed can and should be implemented to promote consumer choice.

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## Comments to Specific Staff Proposals

Intermedia agrees that education on consumer choice at the appropriate time is not only important, but critical. However, education on local competition absent real choice at this time is premature and not an efficient use of the Commission's resources. In addition, the Commission should consider looking to the industry associations and other regulatory bodies for guidance and involvement in the consumer education process.

The Commission's access charge proposal is flawed and patently discriminatory against facilities-based local exchange providers. The proposal misplaces incentives and would be difficult if not impossible to administer. Rather than substituting one subsidy for another, the objective of the project should be to encourage real and irreversible competition by providing the right incentives equally to all participants in the local exchange market. Under the staff's proposal resellers are unfairly advantaged without making any real investment in local exchange competition.

We find the Staff's concept of a "minutes are minutes" intriguing because we believe this may help to provide an incentive to CLECs to expand their local calling scopes beyond that of the ILECs. We believe that the current practice of having distinct ILEC based local calling areas will be obsolete and meaningless in the future. Currently these antiquated boundaries coupled with the statutory limitations force CLECs to have the same local calling areas as the ILECs.

Unfortunately, the "minutes are minutes" incentive will not encourage any meaningful long term competition for residential customers. The Commission needs to concentrate on how to encourage facilities-based competition. Intermedia believes that areas to focus on are: collocation, reciprocal compensation, operational support systems, use of unbundled elements, nonrecurring charges, rights of way and building access.

Intermedia fully supports the Staff's deaveraging proposal for unbundled network elements. This action should provide the proper incentives to facilitate competition in the urban markets and provide a starting point for competition in the residential markets. Currently, the cost of entry into the residential market versus the revenues gained does not provide sufficient economical incentive. Intermedia believes that geographic deaveraging will help reduce the cost of entry, thus making the residential market more attractive for facilities-based providers.

So far, the Commission has established rates for resale and unbundled elements pursuant to section 252 of the Telecommunications Act of 1996 in specific arbitration dockets. In those dockets, the Commission only allowed parties to the negotiations to participate, and specifically prohibited intervenors. Therefore,

the Commission would violate the due process rights of all of the remaining telecommunications carriers if it decides to use the rates, terms and conditions it established in the arbitration dockets to establish policy affecting all telecommunications carriers. Moreover, the Commission should be aware that not all CLECs need the same requirements to operate under their individual business plans.

Most of the cost information submitted in the arbitration proceedings was subjected to limited scrutiny due to time constraints and other extenuating factors. Many of the rates set for UNEs were temporary pending future proceedings. In addition, UNEs offer a network element with a certain function or capability and should be priced with this in mind. Intermedia believes this same logic should apply when considering nonrecurring charges as well. Therefore, we conclude that there is still opportunity for the FPSC to set rates for many of the UNEs while examining the underlying cost methodology and inputs to the cost studies provided by the ILECs.

Intermedia supports the Commission's proposal on universal service to the extent it is fair and implemented on a non-discriminatory basis. Likewise, Intermedia supports proposals that would recommend that prices follow their economic cost initially by lifting current freezes and caps. It is Intermedia's belief that over time competitive forces in the marketplace, coupled with technological advances, will drive prices for both residential and business customers down.

### **Intermedia Proposals**

Intermedia recommends the following pro-competitive framework be adopted.

- Convergence of rates toward true economic cost.
- Required deaveraging of unbundled network elements, to include sub-loop elements.
- Requirement that incumbent LECs provide capabilities to allow CLECs to "glue" elements for unbundled network elements.
- Fully implemented operation support systems and performance standards at parity to that provided to the incumbent's retail customers.
- Universal service rules must be established and must contain fair and non-discriminatory provisions for all market participants.
- The Florida Public Service Commission should maintain the authority to monitor the status of competition and modify regulatory requirements as needed.
- ILEC based local calling areas will be obsolete and meaningless in the future. We find the Staff's concept of a "minutes are minutes" intriguing because we believe this may

help incent CLECs to expand their local calling scopes beyond that of the ILECs.

- Efforts should be concentrated on how to encourage facilities-based competition. Areas to focus on are collocation, reciprocal compensation, operational support systems, use of unbundled elements, nonrecurring charges, rights of way and building access.

Respectfully submitted this 10th day of November 1997.

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