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July 27, 1994

IN REPLY REFER TO  
Tallahassee

## BY HAND DELIVERY

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32301

**ORIGINAL  
FILE COPY**

Re: In re: Expanded Interconnection Phase II and  
Local Transport Restructure; Docket Nos. 921074-TP,  
930955-TL, 940014-TL, 940020-TL and 931196-TL

Dear Ms. Bayo:

Enclosed for filing in the above-styled docket are the original and fifteen (15) copies of United Telephone Company of Florida's and Central Telephone Company of Florida's Prehearing Statement.

We are also submitting the Prehearing Statement on the enclosed 3.5", high-density diskette generated on a DOS computer in Word Perfect 5.1 format.

ACK  Please acknowledge receipt and filing of the above by stamping  
AFA  the duplicate copy of this letter and returning the same to this  
APP  writer.

CAF  Thank you for your assistance in this matter.

*Beith*

CTR

EAG

LEG *Carzano*

LIN

CPC  Enclosures

ROH  cc: Parties of Record (w/encl.)

SDS  utd\921074.by

WFS

Qln

Yours truly,

*John P. Fons*  
John P. Fons

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Expanded Interconnection ) Docket Nos. 921074-TP,  
Phase II and Local Transport ) 930955-TL, 940014-TL,  
Restructure ) 940020-TL, and 931196-TL  
\_\_\_\_\_ ) Filed: July 27, 1994

UNITED TELEPHONE COMPANY OF FLORIDA'S  
AND CENTRAL TELEPHONE COMPANY OF  
FLORIDA'S PREHEARING STATEMENT

Pursuant to Order No. PSC-94-0277-PCO-TL, United Telephone Company of Florida ("United") and Central Telephone Company of Florida ("Centel") (collectively the "Companies"), through their undersigned counsel, file their Prehearing Statement.

A. WITNESS: F. Ben Poag. Mr. Poag will address issues 1-5, 8-23. In view of changing federal policies/decisions that may impact this proceeding, the Companies reserve the right to call additional direct and rebuttal witnesses or file revised testimony by Mr. Poag to address changed circumstances.

B. EXHIBITS: None at this time.

C. STATEMENT OF BASIC POSITION:

Authorizing switched access expanded interconnection is a natural step in the evolutionary direction of competition in local exchange telecommunications. However, it is not a step without risk to the local exchange companies (LECs) and their customers. United and Centel are not opposed to authorizing switched access expanded interconnection so long as it is implemented in a manner that is fair to all parties and so long as the Companies are given

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the tools necessary to mitigate some of the risk associated with exposing to competition additional services and the contributions from those services. Without such contributions - which are used to support universal service and carrier of last resort obligations - there will be additional pressure to increase basic local exchange service prices. The Companies must be given cost-driven, rate-deaveraged pricing flexibility. Importantly, the availability of such flexibility should not be dependent on the type of interconnection the Companies offer the interconnecting competitors. Finally, the Commission can avoid the legal and practical pitfalls of mandating any particular form of collocation, and still adhere to its pro-competitive policies, by instituting rules and regulations that allow and encourage the parties to negotiate mutually acceptable interconnection agreements.

D-G. ISSUES AND POSITIONS:

**ISSUE 1:** How is switched access provisioned and priced today?

**POSITION:** Switched access, which is mainly purchased by IXCs for their use in furnishing their interexchange services to end users, provides the connecting link between an IXC's location and the end user's premises. There are generally four elements associated with completing the connection between the end user customer and the IXC. They are the end user's local dial tone line, the network switches used to set up the connections, the connecting facilities or trunks between the switches and the link from the IXC serving switch (or serving wire center) to the IXC's point of presence (POP). For each completed originating and terminating call between

the end user customer and the IXC's POP, the IXC is billed a usage charge on a per-minute-of-use basis. In addition, nonrecurring (one-time) charges apply for a specific work activity (i.e., installation of new service or changes to an existing service).

**ISSUE 2: How is local transport structured and priced today?**

**POSITION:** Presently, switched access local transport has a single usage sensitive rate. Unlike local transport pricing in the interstate jurisdiction, local transport service in Florida is not distance-sensitive. In Docket No. 820537, Order No. 12765, issued December 9, 1983, the Commission ordered that an average minute of use transport charge be implemented within each equal access exchange area (EAEA). The Florida "equal charge" rule requires that the rates for United's and Centel's switched access transport services be on a per-minute-of-use basis regardless of whether the customer is using direct-trunked facilities or tandem-routed facilities.

**ISSUE 3: Under what circumstances should the Commission impose the same or different forms and conditions of expanded interconnection than the F.C.C.?**

**POSITION:** In view of the user's ability to send both intrastate and interstate traffic across the same facility, the terms and conditions for use of the facility should be the same regardless of jurisdiction, to avoid forum shopping. However, there are several aspects of the FCC's expanded interconnection decisions (both special access and switched access) that would unfairly impact the

LECs and consumers if implemented in Florida. In particular, the FCC's pricing flexibility plan does not provide adequate flexibility for appropriate company-competitive responses. This Commission should not similarly limit the Companies' pricing flexibility but should, instead, grant the Companies' request to implement zone density pricing in addition to contract service arrangements (CSAs). Additionally, as discussed further in Issues 6, 7 and 8, the FCC's decision requiring mandatory physical collocation is both an unlawful taking and an unwarranted intrusion into the Companies' ability to develop profitable lines of business.

**ISSUE 4:** Is expanded interconnection for switched access in the public interest? (The following should be discussed within this issue: Potential separations impact; Potential revenue impact on LECs, their ratepayers, and potential competitors; Potential ratepayer impact.?)

**POSITION:** United and Centel support expanded interconnection for switched access, provided, however, that all parties are given the same opportunities to compete on the basis of price, quality and technology. The Companies further believe that, in the long run, the competitive provisioning of switched access transport service is in the public interest and will provide customers the benefits of product innovation, higher quality service, network diversity, and lower prices. These benefits will be extended to a larger set of customers than just the "large volume" customers exploring these alternatives today. However, end users that are able to take advantage of the price benefits of expanded interconnection

alternatives will pay less, while those customers who do not qualify for expanded interconnection alternatives may pay more for their same service.

The Companies' concerns are those of their own financial viability and revolve around the amount of revenues at risk due to expanded interconnection as proposed for both special and switched access. United has some \$306 million of revenues, or approximately 45% of total revenues, in interstate and intrastate special and switched access services. Centel has some \$86.5 million of revenues, or approximately 50% of total revenues at risk. Loss of even a small portion of such a significant revenue source will place upward price pressure on the Companies' other services, notably local exchange service rates, and may impact longer term financial viability and its plans to continue with planned infrastructure improvements. These pressures can be mitigated if the Companies are granted the pricing flexibility needed to meet the competition fostered by expanded interconnection.

**ISSUE 5: Is the offering of dedicated and switched services between non-affiliated entities by non-LECs in the public interest?**

**POSITION:** If allowing customers more options for their telecommunications service requirements is deemed to be in the public interest, then permitting dedicated and switched services to be provisioned between non-affiliated entities by non-LECs could be considered in the public interest. However, as customer options increase, more competitive inroads into traditional LEC service areas are developed and the overall public interest will not be

served if competitive opportunities are expanded without providing any additional flexibility to the LECs. Moreover, any steps taken to grant non-LECs the authority to carry traffic between non-affiliated end users on a switched or dedicated basis will not be in the public interest if the policymakers do not, at the same time, also address the myriad of other issues associated with promoting local exchange competition. For example, the Companies' private line tariffs currently restrict private line services to affiliated end users to prevent customers from leaving the public switched network. Removing this restriction will require a rebalancing of business local exchange prices to avoid the development of uneconomic private line networks.

**ISSUE 6: Does Chapter 364, Florida Statutes, allow the Commission to require expanded interconnection for switched access?**

**POSITION:** Yes. However, there is nothing in Chapter 364, Florida Statutes, which allows the Commission to impose mandatory physical collocation requirements as an integral part of any expanded interconnection decision.

**ISSUE 7: Does a physical collocation mandate raise federal or state constitutional questions about the taking or confiscation of LEC property?**

**POSITION:** Yes. Mandated physical collocation constitutes an unlawful taking of the Companies' property. There is nothing in the Florida Constitution or state statutes, including Chapter 364, Florida Statutes, that would legitimize mandated physical collocation in Florida.

The FCC's Order imposing mandatory physical collocation for special access services has been reversed on appeal, on the basis that mandatory collocation amounts to a taking of the LEC's property and the FCC has no express or implied authority to take a LEC's property even when the property is devoted to a "public purpose" and the LEC is authorized to recover its "interconnection" costs from the interconnector. Please see Bell Atlantic Telephone Companies, et al. v. Federal Communications Commission, D.C. Ct. App., Case Nos. 92-1619, 92-1620, 93-1028 and 93-1053 (decided June 10, 1994). Although the FCC is believed to be considering requesting a rehearing, on July 14, 1994, the FCC voted to mandate virtual collocation rather than physical collocation for special access services. There is nothing different about switched access services that would make mandated physical collocation any less illegal, either at the federal level or here in Florida.

**ISSUE 8: Should the Commission require physical and/or virtual collocation for switched access expanded interconnection?**

**POSITION:** No. United and Centel are opposed to being unconditionally required to provide any specific form of collocation, either physical or virtual, for switched access expanded interconnection. The federal court decision in Bell Atlantic Telephone Companies, et al. v. Federal Communications Commission, D.C. Ct. App., Case Nos. 92-1619, 92-1620, 93-1028 and 93-1053 (decided June 10, 1994) provides sufficient rationale for why mandatory collocation constitutes an unlawful taking. Please see the Companies' Response to Issue No. 7.

United and Centel are not opposed to providing physical collocation to any qualified entity for switched access expanded interconnection when it is demonstratively appropriate to do so. United and Centel believe that physical and virtual collocation ought to be treated as a line of business. Instead of mandating any form of collocation, the Commission can still adhere to its policy of fostering local exchange service competition by adopting rules and regulations which permit and encourage the parties to negotiate physical or virtual collocation arrangements on a case-by-case basis with the same terms and conditions available to all interconnectors.

**ISSUE 9: Which LECs should provide switched access expanded interconnection?**

**POSITION:** Only Tier 1 LECs should be required to offer switched access expanded interconnection, and only in those central offices for which there is a bona fide request for expanded interconnection. Limiting the expanded interconnection requirement at this time to Tier 1 LECs is appropriate due to the expectation that customer demand for switched access services will initially be concentrated in the larger urban and suburban areas; areas that are predominantly served by Tier 1 LECs. With respect to Florida, this would include Southern Bell, GTE Florida, United and Centel. These four companies represent nearly 99% of Florida access lines.

United and Centel agree with the FCC's concern that smaller LECs, typically representing more rural areas of the state, may not be able to withstand the economic loss of a large customer. The

possibility of substantial stranded investment in these cases could be significant.

**ISSUE 10: From what LEC facilities should expanded interconnection for switched access be offered? Should expanded interconnection for switched access be required from all such facilities?**

**POSITION:** Switched access expanded interconnection should be offered initially in those serving wire centers and central offices where it is most likely to be demanded by interconnectors. In no event, however, should expanded interconnection for switched access not be required from all such facilities. These locations should be expanded on a location-by-location basis when interconnection is requested at locations other than those initially specified. For consistency, central offices that are designated for interstate expanded interconnection should be designated for intrastate expanded interconnection. United's and Centel's proposed intrastate tariffs for special access expanded interconnection and illustrative tariff for switched access expanded interconnection provide a list of the offices where collocation will be offered initially, as well as provisions for expanding the number of locations.

**ISSUE 11: Which entities should be allowed expanded interconnection for switched access?**

**POSITION:** Switched access expanded interconnection should be available to any customer, i.e., IXCs, AAVs, cable television companies, power companies, information service providers, and end users, for the interconnection of transmission and multiplexing

equipment for those services as defined by the FCC's Order in Docket CC 91-141. Expanded interconnection for other types of equipment is not required by the FCC's decisions, nor should it be required in Florida.

**ISSUE 12: Should collocators be required to allow LECs and other parties to interconnect with their networks?**

**POSITION:** With respect to LEC interconnection with interconnectors' networks, interconnection reciprocity is appropriate. However, interconnection within the central office between two expanded interconnection customers is appropriate only if the interconnectors use LEC facilities and service to accomplish the interconnection.

**ISSUE 13: Should the Commission allow switched access expanded interconnection for non-fiber optic technology?**

**POSITION:** The Commission should not mandate expanded interconnection for non-fiber optic technologies. However, United and Centel support an option to offer expanded interconnection for non-fiber technology at the LEC's discretion.

**ISSUE 14: Should all switched access transport providers be required to file tariffs?**

**POSITION:** United and Centel advocate that any party, whether dominant or non-dominant, offering transport services be subject to tariffing requirements. Non-dominant providers have more streamlined tariffing procedures before the FCC, but must tariff

nonetheless. The tariffing requirement should be no less in Florida.

**ISSUE 15: Should the proposed LEC flexible pricing plans for private line and special access services be approved?**

**POSITION:** United's and Centel's proposed Florida zone density pricing plan essentially mirrors the plan United and Centel filed with the FCC. Approval of this pricing plan in Florida will begin the necessary transition toward market-based rates for the Companies' private line and dedicated access services.

**ISSUE 16: Should the LECs proposed intrastate private line and special access expanded interconnection tariffs be approved?**

**POSITION:** United's and Centel's private line and special access expanded interconnection tariffs will be revised essentially to mirror the tariffs filed with the FCC. The FCC is requiring the Companies to file revised interstate special access expanded interconnection tariffs by September 1, 1994, to reflect the FCC's July 14, 1994, decision to impose virtual rather than physical collocation requirements. The Companies' current interstate expanded interconnection tariffs are to remain in effect until the tariffs filed by September 1, 1994, become effective on December 14, 1994.

**ISSUE 17: Should the LECs proposed intrastate switched access interconnection tariffs be approved?**

**POSITION:** United's and Centel's switched access expanded interconnection tariffs essentially mirror the tariffs filed with

the FCC. Please see the Companies' position on Issue 16. The tariffs should be approved, provided the Companies are also granted sufficient pricing flexibility to deal with the increased level of competition that accompanies expanded interconnection.

**ISSUE 18: Should the LECs be granted additional pricing flexibility? If so, what should it be?**

**POSITION:** United and Centel believe that expanded interconnection will accelerate competition in the local exchange market and thereby create pressure for significant changes in regulatory policy relative to local exchange pricing. The Companies are not opposed to expanded interconnection for switched access, provided, however, that all parties are given the same opportunities to compete on the basis of price, quality and technology. If United and Centel are to meet the dictates of the marketplace to price its services competitively, the Companies must be granted zone density pricing flexibility. For only then can all of the Companies' customers benefit from the contribution these services will be able to provide to support the Companies' common carrier, universal service obligations.

United and Centel believe that the narrow geographic deaveraging parameters of the FCC's zone density pricing plan falls short of the pricing flexibility necessary for competitive equity within a given market. The FCC restricts a LEC's ability to deaverage until expanded interconnection is operational and then limits its ability to further deaverage to a +5%/-10% price change per year between zones. Instead, The Companies support a

modification to the FCC's zone density deaveraging plan that allows for more aggressive rate deaveraging and that better reflects the underlying costs of serving particular markets. Also, zone density should be implemented at the time collocation is offered, and, regardless of the form of collocation offered, should not be withheld until after the LEC receives an actual request for collocation. Prices should be cost-based as much as possible with the initial offering. Without these changes, then greater price changes should be allowed on an annual basis, in the range of +20%/-50%.

**ISSUE 19: Should the Commission modify its pricing and rate structure regarding switched transport service?**

- a) With the implementation of switched expanded interconnection.
- b) Without the implementation of switched expanded interconnection.

**POSITION:** The restructure of local transport (LTR) has merit even if it is not in the context of expanded interconnection. However, it is critical that if switched access expanded interconnection is implemented, that it be accompanied by Local Transport Restructure. The current Florida "equal charge" pricing structure of local transport, because it sends uneconomic signals to the purchasers of transport service, is a structure that is incompatible with a policy change which is designed to further competition in the switched transport market.

**ISSUE 20:** If the Commission changes its policy on the pricing and rate structure of switched transport service, which of the following should the new policy be based on:

- a) The intrastate pricing and rate structure of local transport should mirror each LEC's interstate filing, respectively.
- b) The intrastate pricing and rate structure of local transport should be determined by competitive conditions in the transport market.
- c) The intrastate pricing and rate structure of local transport should reflect the underlying cost based structure.
- d) The intrastate pricing and rate structure of local transport should reflect other methods.

**POSITION:** United's and Centel's LTR filings essentially mirror the tariffs filed in the interstate jurisdiction. However, those filings incorporate elements of both b) and c) above. By restructuring local transport such that dedicated transport rates are based on existing special access rates, local transport becomes more cost-based as well as more market-based.

**ISSUE 21:** Should the LECs proposed local transport restructure tariffs be approved? If not, what changes should be made to the tariffs?

**POSITION:** United's and Centel's LTR filings should be approved. This restructuring has already occurred in the interstate jurisdiction, and is a natural phase in the evolution of switched access rates becoming more reflective of costs. Moreover, the local transport rate structure that is in place today is incompatible with attempts to further competition for switched transport services, i.e., switched access expanded interconnection.

**ISSUE 22:** Should the Modified Access Based Compensation (MABC) agreement be modified to incorporate a revised transport structure (if local transport restructure is adopted) for intraLATA toll traffic between LECs?

**POSITION:** Once a revised transport structure is approved, the MABC plan should be modified to reflect the new transport structure.

**ISSUE 23:** How should the Commission's imputation guidelines be modified to reflect a revised transport structure (if local transport restructure is adopted)?

**POSITION:** United and Centel believe that access imputation would be better addressed outside of this proceeding. The fundamental problem of access charges imputation is that the economic decision facing the LEC regarding the type of facilities it should use in transporting an intraLATA toll call (i.e., switched or special access) is driven by engineering efficiency, whereas the decision facing IXCs is driven by a mix of access rates that are not based on the economics of the actual provisioning. Because LTR further segregates users of dedicated versus switched services, the imputation problem is exacerbated.

The Commission's imputation guidelines should be modified to reflect the average transport cost, not rate, per access minute of use. The average transport cost should be determined by weighting the transport options based on demand. This is a reasonable approach since it takes into consideration all transport rate elements.

Additionally, the requirement for a separate access line for the LEC's high volume toll offerings should be eliminated. Given the current level of toll competition in this state and the service

options that are available in the marketplace, this requirement is no longer appropriate.

**ISSUE 24: Should these dockets be closed?**

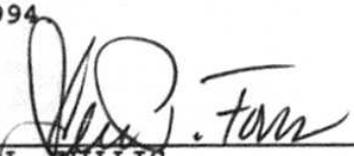
**POSITION:** No position at this time.

H. **STIPULATIONS:** United and Centel are not aware of any issues that have been stipulated.

I. **PENDING MOTIONS:** United and Centel are not aware of any pending motions.

J. **COMPLIANCE WITH ORDER ON PREHEARING PROCEDURE:** United and Centel do not know of any requirement of the Order on Prehearing Procedure with which they cannot comply.

DATED this 27th day of July, 1994

  
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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U. S. Mail or hand delivery (\*) this 27th day of July, 1994, to the following:

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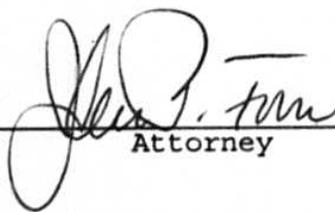
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