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July 27, 1994

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

> Re: Docket No. 921074-TP, 930955-TL, 940014-TL 940020-TL, 931196-TL and 940190-TL Expanded Interconnection Phase II and LTR

Dear Mrs. Bayo:

Enclosed please find an original and fifteen copies of Southern Bell Telephone and Telegraph Company's Prehearing Statement, which we ask that you file in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served to the parties shown on the attached Certificate of Service.

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Sincerely yours,

Phillip Carver

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R. Douglas Lackey

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DOCUMENT NUMBER-DATE

CERTIFICATE OF SERVICE Dockets No. 921074-TL, 930955-TL, 940014-TL, 940020-TL, 931196-TL, 940190-TL

I HEREBY CERTIFY that a copy of the foregoing has been furnished by United States Mail this 27 day of July 1994, to:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Expanded Interconnection
Phase II and Local Transport
Restructure

Docket No. 921074-TP Docket No. 930955-TL Docket No. 940014-TL Docket No. 940020-TL Docket No. 931196-TL Docket No. 940190-TL

Filed: July 27, 1994

SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY'S PREHEARING STATEMENT

COMES NOW, BellSouth Telecommunications, Inc., d/b/a
Southern Bell Telephone and Telegraph Company ("Southern Bell" or
"Company"), in compliance with Order No. PSC-94-0076-PCO-TL,
issued January 21, 1994 (as modified by Order No. PSC-94-0777PCO-TL, issued June 23, 1994) and submits its Prehearing
Statement:

A. WITNESSES

Southern Bell intends to call the following witnesses to offer testimony on the issues indicated below:

Witnesses	Issues Addressed
David B. Denton	3 - 13, 15, 16 and 23(a)
Jerry D. Hendrix	1, 2, 14, 17, 18, 19(a & b), 20(a-d), 21, 22 and 23.

David B. Denton will also offer rebuttal testimony to address certain aspects of the testimony of AT&T's witness, Mike Guedel, and Teleport's witness Steven C. Andreassi. Jerry D. Hendrix will also offer rebuttal testimony to address certain aspects of the testimony of IAC's witness, Joseph Gillan, Teleport's witness, Steven C. Andreassi, Intermedia's witness, Douglas S. Metcalf, and Sprint's witness, Fred I. Rock.

DOCUMENT NUMBER-DATE 07672 JUL 27点 FPSC-RECORDS/REPORTING Southern Bell reserves the right to call other rebuttal witnesses, witnesses to respond to Commission inquiries not addressed through direct testimony and witnesses to address issues not presently designated, which may be designated at the Prehearing Conference to be held on August 10, 1994, or thereafter by the Prehearing Officer.

B. EXHIBITS

Witn	ess	Exhibit Indicator	Exhibit Title
Jerry	D. Hendrix	JDH-1	Current Configuration
**		JDH-2	Proposed Structure
•	•	JDH-3	Average Switched Access Rates - Per Access Minute

Southern Bell reserves the right to file exhibits to any additional testimony that may be filed under the circumstances identified in Section "A" above. Southern Bell also reserves the right to introduce exhibits for cross examination, impeachment, or any other purpose authorized by the Florida Rules of Evidence and the Rules of this Commission.

C. STATEMENT OF BASIC POSITION

Allowing expanded interconnection for intrastate switched access services will make additional competitive alternatives available to end users. This, in turn, will promote the continued evolution to a fully competitive environment for telecommunications services. This Commission should allow this competitive environment to develop in the most equitable, efficient and fair manner possible for all telecommunications

providers. This can only occur if the LECs are allowed the pricing flexibility they seek.

Also, intrastate switched access services provide significant contribution to the LECs' revenue requirements. Without pricing flexibility, the LECs will be less competitive in the marketplace and will be less able to maintain this level of contribution. Finally, the LECs should be afforded reciprocal treatment from interconnectors, on the same terms and conditions, when seeking expanded interconnection for themselves and their customers.

As to local transport restructure, Southern Bell is proposing to restructure its switched access transport service in Florida. This proposed transport restructured should be approved for many reasons, among them:

- (1) The proposed structure will mirror the interstate switched transport rates and structure approved by the FCC and, thereby, simplify transport issues, eliminate inefficiency, and eliminate customer confusion.
- (2) The proposed changes will more closely reflect the way transport is provided and costs are incurred.
- (3) The proposed changes will promote a more efficient use of Southern Bell's network by providing a greater incentive for customers utilizing transport to do so efficiently.
- (4) The proposed changes will facilitate movement toward a more competitive environment for provision of interexchange services.
- (5) These changes will also facilitate the development of access competition.

Also, the Commission should allow the local exchange companies to have the option of implementing zone pricing for transport services with a rate change interval of 14 days, as

allowed by the FCC rules and procedures pursuant to price cap regulations. The local exchange companies should also be granted the flexibility to zone price other access services as well.

Finally, imputation requirements are no longer needed and should be eliminated. If, however, these requirements are allowed to continue, they should be modified to reflect the average transport cost, not rate per access minute of use. The requirement for a separate access line for Southern Bell's and other LEC's high volume toll offerings should be eliminated.

D. SOUTHERN BELL'S POSITIONS ON THE ISSUES Issue 1: How is switched access provisioned and priced today?

Position: Southern Bell's switched access services provide a communications path between the interexchange carrier's (IXC") or end user's terminal location and the end user's premises. There are three categories of rates and charges that apply to switched access services monthly recurring rates, usage rates and non-recurring charges. The rates and charges at issue today are primarily related to the usage rate elements of the local transport service. Presently, all of the local transport usage rate elements are assessed on a per minute of use basis.

Issue 2: How is local transport structured and priced today?

Position: Currently, because of the equal charge rule established in the Modification of Final Judgment entered by the U.S. District Court in <u>United States v. Western Electric Company and American Telephone and Telegraph</u>, switched access local

transport service has a usage sensitive rate structure regardless of whether dedicated or tandem facilities are used.

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: This Commission has the authority to allow for expanded interconnection on a intrastate basis in the way that it finds will best serve the public interest and may impose different forms or conditions than the FCC has ordered. However, Southern Bell believes that the terms and conditions approved in Phase I for special access expanded interconnection, which generally track the FCC's current position, are proper for expanded interconnection for switched access as well. The one exception is that this Commission should modify its Phase I Order to allow the LECs the option to provide either virtual or physical collocation, and should allow this choice in Phase II for collocation for switched access as well. This is consistent with the current FCC position.

<u>Issue 4</u>: Is expanded interconnection for switched access in the public interest?

Position: Assuming, that increasing customer options for telecommunications services is in the public interest, then allowing expanded interconnection for intrastate switched access service may be in the public interest because it could result in additional competitive alternatives. Switched access services, however, provide significant contribution, and this Commission should provide the LECs with sufficient flexibility to compete for the provision of access services so that this contribution:

will not be lost. If the LECs are not allowed the flexibility to price compete, this could both result in a loss of contribution from switched access services and deny end users of these services the full benefits of competition. Both of these results could be contrary to the public interest.

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

position: If providing customers increased competitive options is in the public interest, than the public interest may be served by the offering of dedicated and switched services between non-affiliated entities by non-LECs because this offering will likely increase customer options. For the reasons previously stated in response to Issue No. 4, however, the public interest will only be served if the LECs are granted additional pricing flexibility.

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

Position: There is nothing in Chapter 364, Florida Statutes that would prohibit this Commission from ordering expanded interconnection for switched access. Expanded interconnection, however, cannot be used as a means to do something that would otherwise be prohibited by Chapter 364.

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

<u>Position</u>: Yes, Southern Bell appealed the FCC's Order because it believes that a mandate of physical collocation

constitutes an unlawful taking of LEC property. The United States Circuit Court of Appeals for the District of Columbia sustained this position and vacated the FCC's mandate of physical collocation. Therefore, this Commission cannot properly mandate physical collocation.

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

Position: This Commission should not require either form of collocation. Instead, each LEC should have the option of providing either physical or virtual interconnection arrangements.

Issue 9: Which LECs should provide switched access expanded interconnection?

<u>Position</u>: Southern Bell is not opposed to this Commission's adopting the same approach as did the FCC, and requiring expanded interconnection only by Tier 1 LECs.

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: The facilities that are offered for expanded interconnection for switched access should be consistent with those required by the FCC's order. For switched access, these facilities are end offices, serving wire centers and tandem switches. This Commission should also examine further the issue of checkerboarding because requiring checkerboarding, which is not provided for in the FCC order, will unquestionably make the

administration of expanded interconnection more difficult and costly.

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

Position: Those entities such as interexchange carriers, alternate access vendors, cable companies and end users who desire to interconnect their own basic transmission of facilities associated with optical terminating equipment and multiplexers should be allowed to interconnect on a intrastate basis.

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

<u>Position</u>: Yes. Reciprocity under the same terms and conditions as required for LECs should be part of any interconnection/collocation ordered by this Commission.

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

Position: Because of the limited availability of conduit and riser space, the interconnection of non-fiber optic cable should not be ordered. Where facilities permit, however, arrangements should be negotiated on a case-by-case basis for non-fiber facilities. Also, LECs should not be required to file tariffs for DSO interconnection until it has been requested.

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

<u>Position</u>: The Commission should not require the local exchange companies and other transport providers to file tariffs as these decisions should be left to the transport provider.

Although currently, federal and state statutes and rules require

Southern Bell to file tariffs, once these rules are removed, Southern Bell should have the same pricing flexibility as is enjoyed by its competitors.

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

Position: Yes. Southern Bell has submitted a special access tariff that would implement zone pricing on the basis of wire center groupings rather than at averaged statewide rates. Southern Bell's tariff will initially introduce zone pricing structure without changing any rates. Having the structure in place is of critical importance because it will allow Southern Bell to respond quickly to competition as it develops.

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

<u>Position</u>: Yes, Southern Bell's proposed intrastate expanded interconnection tariffs generally mirror the structure and rates filed with the FCC. Subject to any further changes by the FCC or this Commission, the Southern Bell tariffs for intrastate private line and special access service should be approved.

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

Position: Yes, the illustrative tariff filed by Southern Bell mirrors the interstate filing for the same services. Subject to any changes arising from this docket, Southern Bell should be allowed to file a final tariff and it should be approved.

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

Position: Yes, at a minimum, the Commission should allow the local exchange companies (LECs) to have the option of implementing zone pricing for transport services with a rate change interval of 14 days, as allowed by the FCC rules and procedures pursuant to price cap regulations. The LECs should also be granted the flexibility to zone price other access services as well.

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: Yes, the Commission should modify its pricing and rate structure policy regarding switched transport service, regardless of whether switched expanded interconnection is implemented. Further, switched expanded interconnection should not be implemented prior to the implementation of switched local transport restructure. The Commission's current policy is grounded in the single goal of fostering interexchange carrier competition. However, by pursuing this goal, the Commission has encouraged inefficient use of the local exchange company's public switched network. It is now appropriate to move to an interim structure and pricing plan adopted by the FCC, which will foster both access competition and interexchange carrier competition and will promote a more efficient use of the public switched network.

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: If the Commission changes its policy on the pricing and rate structure of switched transport service, the new policy should be based on the competitive conditions in the marketplace and should mirror each LEC's interstate filing. A policy of mirroring the switched access transport service rate structure and pricing plan of the interstate jurisdiction will eliminate the inefficiencies of maintaining a different set of rates and structure, will lessen any impetus for misreporting percentage of interstate use and will eliminate confusion for our customers.

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

Position: Yes, Southern Bell's proposed local transport restructure tariff should be approved. Southern Bell's proposed tariff, which mirrors the interstate tariff that has been in effect since December 30, 1993, will help achieve many goals. These include promoting efficiency, choice for customers, simplicity and the fostering of competition. The proposed tariff also more closely reflects the way transport services are

provided and the way costs to the local exchange companies are incurred.

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: The current MABC plan, rates and rate structures should remain in place. Once local transport restructure is fully implemented and the Commission determines that it is appropriate to introduce the proposed transport structure into the MABC, then all transport rates should reflect the way the service is provisioned between local exchange companies.

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

Position: It is not appropriate to address access imputation in this proceeding. Furthermore, imputation requirements are no longer needed and should be eliminated since such requirements are contrary to the intent of competition. Only interexchange carriers and other toll providers are assured of benefiting from imputation because imputation requirements artificially raise toll rates for services offered by LECs and, thereby, mask the true low cost toll service provider. If the Commission, however, determines that imputation is still required, the guidelines should be modified to reflect average transport costs, not rate per access minute of use.

Issue 23a: Should the Commission modify the Phase I Order in light of the decision by the United States Court of Appeals for the District of Columbia Circuit?

Position: Yes, this Commission should modify its Phase I Order in light of the Court of Appeals' decision. Southern Bell's position throughout this docket has been that this Commission should allow the LECs the option to provide either physical or virtual collocation. The Federal Court decision makes it clear that this Commission cannot require physical collocation. Therefore, this Commission should modify its Phase I Order to allow the LEC the option to offer either form of collocation.

Issue 24: Should these dockets be closed?

<u>Position</u>: These dockets should be closed at the conclusion of this proceeding.

E. STIPULATIONS

Southern Bell is not aware of any stipulations between the parties in this proceeding.

F. PENDING MOTIONS FILED BY SOUTHERN BELL

There are no currently pending motions filed by Southern Bell.

G. OTHER REQUIREMENTS

Southern Bell knows of no requirements set forth in the prehearing order with which it cannot comply.

Respectfully submitted this 27th day of July, 1994.

ATTORNEYS FOR SOUTHERN BELL TELEPHONE AND TELEGRAPH COMPANY

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