BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into the rates for interconnection of mobile service providers with facilities of local exchange companies.

DOCKET NO. 940235-TL
ORDER NO. PSC-95-1247-FOF-TL
ISSUED: October 11, 1995

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman J. TERRY DEASON JOE GARCIA JULIA L. JOHNSON DIANE K. KIESLING

ORDER ESTABLISHING RATES FOR INTERCONNECTION OF MOBILE SERVICE PROVIDERS WITH FACILITIES OF LOCAL EXCHANGE COMPANIES

Pursuant to Notice, a Hearing in this docket was held on March 27 and 28, 1995, in Tallahassee, Florida.

APPEARANCES:

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FPSC-RECORDS/REPORTING

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Central Telephone Company of Florida and ALLTEL Florida, Inc. (United/Centel) and (ALLTELL)

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On behalf of the Commission Staff.

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BY THE COMMISSION:

I. CASE BACKGROUND

In Docket No. 870675-TL, the Commission investigated the interconnection of mobile carriers with facilities of Local Exchange Companies (LECs). That investigation culminated with the issuance of Order No. 20475 on December 20, 1988, in which the Commission approved rates, terms and conditions for interconnection between mobile service providers (MSPs) and LECs. Included in those rates, terms and conditions was a composite mobile-to-land usage rate, which is the charge for mobile carrier interconnection with LEC facilities. The Commission also approved an optional land-to-mobile usage rate for mobile carrier interconnection with LEC facilities. This option allows intraLATA direct dialed long distance calls and expanded local calling area calls from telephone numbers served by the LEC and terminating in an MSP network to be excluded from the originating customer's bill. The result is that the mobile carrier pays for the call instead of the landline caller. Other issues included mutual compensation, NXX establishment charges, operator services, DID numbers, facilities charges, and nonrecurring charges.

Specifically, the Commission ordered a composite usage rate for mobile-to-land traffic that consists of two components: a local component and a toll component. The Commission adopted a statewide rate structure and statewide terms and conditions of service in order to obtain consistency in mobile interconnection offerings and to achieve equal treatment among LEC customers. The Commission adopted a weighting ratio of 80% local and 20% toll for the purpose of calculating the composite usage rate. With respect to the optional land-to-mobile usage rate, the Commission ordered that this rate would be equal to the toll component of each LEC's composite usage rate. The toll components equate to the terminating switched access charges paid by Interexchange Carriers (IXCs) for traffic comparable to that of the mobile carriers.

For the toll component, the Commission required LECs to use full switched access charges, including a per minute equivalent of the Busy Hour Minutes of Capacity (BHMOC) and Carrier Common Line (CCL) charges. For the local component, LECs were required to use the traffic sensitive elements of intrastate switched access charges--local switching and local transport. These rates and rate structure were roughly equivalent to the rates approved for other interconnectors to the local network, such as pay telephone providers (PATS) and shared tenant services providers (STS). The Commission further required that the composite usage rates be adjusted when LEC switched access charges change.

On September 15, 1993, BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company (SBT or Company) filed a petition to disassociate usage-based mobile interconnection charges from switched access charges. On the same date, the Company filed a tariff (hereafter, the restructure tariff) which incorporated negotiated rates for Mobile Service Provider (MSP) network usage charges and which restructured the MSP tariff. These filings were considered in Docket No. 930915-TL.

Although the Commission recognized that changes in the industry and in switched access charges do have the potential to impact the validity of the formula, it found that SBT had not fully supported its Petition to disassociate the MSP network usage rates from access charges. The formula was deemed to be still useful for many of the reasons it was implemented. Additionally, the Commission found that the formula, which was established with input from many parties, should not be discarded on the basis of a Petition from one company. SBT's Petition has major implications for the mobile service provider industry throughout the state because the formula is used by the other LECs. The Commission acknowledged that there are forces which ultimately may render the MSP network usage charge formula obsolete. While it may be possible to continue the use of this formula in the short run, the Commission found that it is appropriate to examine the impact of impending changes on a statewide basis.

Accordingly, the Commission denied SBT's Petition and undertook a generic investigation in this docket to determine the appropriate rates, terms and conditions for mobile interconnection, including whether the formula for mobile service provider usage charges is still appropriate, or whether it should be abandoned, or replaced with a revised formula.

A hearing was held on March 27 and 28, 1995. The parties that participated in the docket were ALLTEL, GTEFL, SBT, Centel, United Telephone, FMCA, McCaw, BellSouth Mobility, Contel Cellular of the South, GTE Mobilnet of Tampa, FPTA, and OPC.

After the hearing was held and briefs were filed, substantial additions, revisions and amendments to Chapter 364, Florida Statutes, were approved by the Florida legislature. These changes became law on June 18, 1995, effective July 1, 1995. Several provisions of the law, depending upon the interpretation, construction and application deemed appropriate, could significantly impact the decisions made by the Commission concerning the issues identified for resolution in this docket.

To assure that the Commission's decisions fully consider the appropriate application of the changes to Chapter 364, Florida Statutes, the parties were required by Order No. PSC-95-0916-FOF-TL, issued July 28, 1995, to address the following issues:

1. What are the potential effects of the recently enacted Section 364.163(1), Florida Statutes, capping the rates for network access service "...at the rates in effect on July 1, 1995" effective January 1, 1996, on the resolution of the issues identified for decision in this docket?

2. What is the effect of the recently enacted Section 364.163(3), Florida Statutes, prohibiting any "...revisions in the rates, terms, and conditions for commercial mobile radio service access, which revisions are inconsistent with the requirements or methodologies of the Federal Communications Commission" on the resolution of the issues identified for decision in this docket?

3. What, if any, are the effects of the various amendments to section 364.385, Florida Statutes (savings clauses), on the resolution of the issues identified for decision in this docket?

4. Is there any other provision of the recently enacted changes to Chapter 364, Florida Statutes, which would limit, require or prohibit any action proposed by any party to resolve the issues identified for decision in this docket?

ALLTEL Florida, Inc. (ALLTEL), BellSouth Mobility Inc (BMI), the Florida Public Telecommunications Association, Inc. (FPTA), GTE Florida Incorporated (GTEFL), GTE 2Mobilnet Incorporated, GTE Mobilnet of Tampa and Contel Cellular of the South, Inc. (collectively MOBILNET), McCaw Communications of Florida, Inc. (MCCAW), BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company (SBT) and United Telephone Company of Florida and Central Telephone Company of Florida (UNITED) filed briefs on August 15, 1995. On that same date The Florida Mobile Communications Association (FMCA) filed a notice of adoption of the brief of McCaw Communications of Florida, Inc. GTEFL, MOBILNET, MCCAW, SBT and UNITED filed reply briefs on August 24, 1995 in accord with the schedule established by Order No. 95-0916-FOF-TL.

Having considered the evidence and argument of the parties, we now enter our final order.

II. POST HEARING MOTION

On April 11, 1995, McCaw Communications, of Florida, Inc. (McCaw) timely filed its <u>Objection to Late Filed Exhibit No. 29</u>, submitted by BellSouth Telecommunications, Inc. witness Nancy Sims. Commission staff asked for and proffered Late-Filed Exhibit No. 29.

It is longstanding Commission policy that late filed exhibits are taken subject to objection of the parties of record. This is because parties have not had an opportunity to conduct crossexamination on the late filed exhibit so as to determine the reliability or credibility of that evidence. McCaw has filed a legitimate and timely objection to these exhibits. In its objection, McCaw specifically cites its inability to conduct crossexamination on the exhibit and alleges that cross-examination would show a number of flaws. In and of itself, the inability to conduct cross-examination is a sufficient basis to deny the admission into evidence of this exhibit. Therefore, we find that Late-Filed Exhibit 29 be shall excluded from the record in this docket.

III. IMPACT OF REVISIONS TO CHAPTER 364, FLORIDA STATUTES

Section 364.385(2), Florida Statutes, states in pertinent part:

Proceedings including judicial review pending on July 1,1995, shall be governed by the law as it existed prior to the date on which this section becomes a law. No new proceedings governed by the law as it existed prior to July 1, 1995, shall be initiated after July 1, 1995. Any administrative adjudicatory proceeding which has not progressed to the stage of a hearing by July 1, 1995, may, with the consent of all parties and the commission, be conducted in accordance with the law as it existed prior to January 1, 1996.

This proceeding (Docket No. 940235-TL) was pending on July 1, 1995. A hearing was held in this proceeding on March 27 and 28, 1995. Applying the standards set forth in Section 364.385(2), Florida Statutes, yields the conclusion that this proceeding must be decided based on the prior law. No party urges an interpretation that inconsistent with is this conclusion. Therefore, we find that the application of Section 364.385(2), Florida Statutes, to this proceeding mandates that the issues identified for decision in this docket be resolved based on the law as it existed prior to July 1, 1995.

We believe this issue is dispositive and controlling with respect to the other legal issues identified in Order No. PSC-95-0916-FOF-TL. Because Section 364.385(2), Florida Statutes, is controlling, no newly enacted provision of the law could have any necessary application to the resolution of the issues identified for decision in this proceeding.

Because the savings clause (Section 364.385(2), Florida Statutes) controls, this docket will be resolved in accord with the law effective prior to July 1, 1995. Therefore, Section 364.163(1), Florida Statutes, has no effect on the resolution of the issued identified for resolution in this docket. The questions of 1) the appropriate "rates effective on July 1, 1995" if a local exchange company opts to become price regulated pursuant to Section 364.051, Florida Statutes, on January 1, 1996; and 2) the applicability of Section 364.163(1), Florida Statutes, to to Commercial Mobile Radio Service providers are not ripe for decision. To avoid confusion as to what rates apply after January 1, 1996, the tariffs to be filed pursuant to our decisions on the substantive issues shall be filed no later than sixty days after the date of the final order, with an effective date of December 31, 1995. This does not, as a matter of law, prejudge the issue of what rates would be applicable to a local exchange company electing price regulation effective January 1, 1996. If necessary, that decision will be made when there is an actual case in controversy.

No party has suggested that any other provision of the recently enacted changes to Chapter 364, Florida Statutes, would limit, require or prohibit any action proposed by any party to resolve the issues identified for decision in this docket. Further research has not indicated any other provision of the recently enacted changes to Chapter 364, Florida Statutes, that would limit, require or prohibit any action proposed by any party to resolve the issues identified for decision in this docket.

Therefore, we find that no other provision of the recently enacted changes to Chapter 364, Florida Statutes, would limit, require or prohibit any action proposed by any party to resolve the issues identified for decision in this docket.

IV. <u>SUBSTANTIVE ISSUES</u>

A. <u>TYPES OF INTERCONNECTION AVAILABLE BETWEEN A LEC AND A</u> <u>MOBILE CARRIER</u>

There is no disagreement among the parties as to the type interconnections that are now or will be available and how they function. These are all standard interconnections and are

technically provisioned following specifications furnished by BellCore. All LECs do not have all types available. The interconnection types that are available or will be available are listed below along with a technical description of each.

Type-1: Two way direct connection between the MSP and a LEC end office that utilizes trunk type signaling but provides all services available to any line served by the end office. In general the MSP switch functions like a PBX with DID Trunks.

Type-2A: Two way trunk connection between the MSP switch and the LEC Tandem office providing LATA wide local service and 1+ inter LATA toll service only. This interconnection requires the MSP to purchase a full NXX code and treats the MSP switch like an end office. It switches all incoming traffic to the dedicated NXX to MSP switch.

Type-2B: Two way trunk connection between the MSP switch and a LEC end office providing only local service to and from that specific end office. This connection works in conjunction with the MSP type 2A trunks in that, if all of the 2B trunks are busy the call will be routed over the 2A trunk group.

Type-2C: A future one way interconnection between the MSP switch and a LEC 911 tandem to provide emergency service. Not available at this time.

Type-2D: Two way connection between the MSP switch and the LEC operator service tandem that provides local and toll operator services including directory assistance.

Type-2A-SS7: Functions the same as type 2A except that out of band signaling is employed using signaling system seven (SS7).

Type-2D-SS7: Functions the same as type 2D except that out of band signaling is employed using signaling system seven (SS7).

Type-2T-: A new offering by GTE that allows the MSP to provide its end users with equal access to interexchange carriers.

All of the above interconnections are depicted on Chart 1 on the following page.

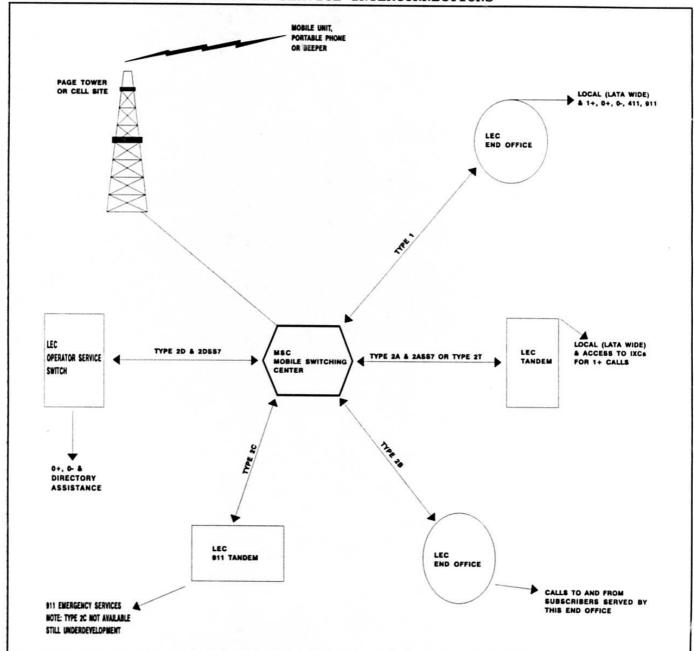


CHART 1 MOBILE SERVICE INTERCONNECTIONS

B. <u>APPROPRIATENESS OF NEGOTIATED RATES, TERMS AND CONDITIONS</u> FOR INTERCONNECTION BETWEEN INDIVIDUAL LECS AND MSPS

The majority of the parties to this proceeding favor negotiation for establishment of MSP network interconnection rates, terms and conditions. Only FMCA did not support negotiated rates. However, even FMCA witness Cabrera agreed that "negotiations can and should be conducted, and in many cases will solve the problems that arise."

In favor of negotiation, several of the parties testified that negotiations work well in other states. In Florida, United and Centel have been involved in successful negotiations on several occasions. Additionally, GTE Mobilnet argues in its brief that negotiated rates would be consistent with the policy of the Federal Communications Commission (FCC).

No party seriously objects to interested parties negotiating revisions to service arrangements. Indeed, new services and rate related matters have been negotiated and implemented in Florida. As McCaw witness Giannella testified, several of the new service arrangements, such as Type 2D and Type 2A-CCS7, and some of the proposed new service arrangements, such as Type 2C, are the result of industry negotiations. In addition, some of FMCA's rate problems with United's tariff were resolved through negotiations.

The parties overwhelmingly agree that the Commission should establish the rates, terms and conditions if the parties are unable to agree. In that case, the parties argue that the Commission should intervene to arbitrate. In the negotiation process, the role of this Commission remains critical. As GTEFL's witness Bailey acknowledged, LEC interconnection is and will remain a monopoly service for each LEC even after landline local exchange competition is introduced. This is especially important considering that most cellular traffic is mobile-to-land. Consequently, the Commission must continue to exercise its jurisdiction to resolve any disputes arising out of the failure of negotiations or after-the-fact disputes, including the product of those negotiations.

There are three critical areas of concern with regard to negotiated rates:

1) Should the current methodology for establishing MSP rates be abandoned in favor of a mandate to negotiate?

2) What criteria should be utilized by the parties in negotiating interconnection agreements and by the Commission in resolving interconnection rate issues which are not successfully negotiated by the parties?

3) Should negotiations conducted by the parties result in a tariff?

1) Should the current methodology for establishing MSP rates be abandoned in favor of a mandate to negotiate?

Since there is no strong objection to negotiation, the real question is whether the LECs and mobile carriers to should be directed to immediately negotiate a completely new interconnection arrangement that would <u>replace</u> the existing interconnection tariffs with either new tariffs or contracts. The evidence does not support the wholesale abandonment of the status quo.

While the current methodology is discussed beginning at page 14 of this order, it is appropriate to consider some of the parties' arguments on that issue as they relate to negotiated rates. Some of the parties support allowing the current method for establishing rates to remain in effect until new rates are negotiated by the parties. McCaw witness Maass argued that "immediate elimination of the current methodology for establishing MSP rates coupled with a mandate to negotiate is a recipe for heavy-handed negotiating by the LECs and ultimately a return to the Commission to establish rates."

On the other hand, the LECs argue that the formula should be abandoned and the network interconnection rates, terms and conditions for MSPs should be negotiated between the parties.

The LECs argue that negotiated rates, terms and conditions will allow the parties to deal with changing circumstances and unique situations more efficiently than under the present tariff system. They state that, under the current system, the LECs must offer standard rates, terms and conditions and have limited ability to address the needs of their different MSP customers. To the extent there are bona fide differences between MSPs, negotiation would enable the parties to recognize and reflect those differences in the rates, terms and conditions for the unique MSP. The negotiation process would also allow the LECs and MSPs to share valuable information and become aware of things that might not otherwise be available to them.

2) What criteria should be utilized by the parties in negotiating interconnection agreements and by the Commission in resolving interconnection rate issues which are not successfully negotiated by the parties?

The parties disagree on the appropriate criteria to be used in negotiating rates, or, failing successful negotiations, to be used by the Commission in establishing rates. Some of the parties agree that the rates should be cost-based (using each LEC's long-run incremental costs) and based upon MSP specific interconnection costs. SBT witness Sims argues that the local component of the rate should be consistent with shared tenant services and public access telephone service usage rates.

If negotiation is allowed, United and Centel believe that the network interconnection rates, terms and conditions for MSPs should be consistent with the rates, terms and conditions LECs charge other interconnectors for similar interconnection services, at least to the extent possible. United and Centel believe that this will be increasingly important in the future as it becomes more difficult to distinguish the type of traffic being terminated to LECs networks as local or toll.

3) Should negotiations conducted by the parties result in a tariff filed with this Commission?

Some companies would prefer private contracts, but would be open to public contracts or tariffs. United/Centel witness Poag argues that portions of public contracts might need to be kept confidential, and public contracts or tariffs negotiated by the parties should be presumptively valid.

Authorizing LECs to negotiate interconnection arrangements is a hollow benefit when they must still go through the regulatory process after an agreement is reached. As noted by GTEFL witness Charles Bailey:

. . . [A]s I stated a little earlier, if I'm attempting to negotiate on a good faith basis with my customer but the interconnections or the rules here in Florida dictate that those interconnection arrangements be tariffed, . . . it just doesn't make a lot of sense to me. . . [N]egotiations take time and work; and to go through that and then end up with a proposal in front of the commission and then have to go through the tariffing and regulatory process, it is really double the amount of work. (emphasis added)

The only other issue associated with this subject is GTE Florida's proposal to detariff mobile interconnection. However, GTE Florida's witness Bailey agreed that filing negotiated contracts with the Commission would not be a problem. Given the number of carriers that ultimately may be taking mobile interconnection service from each LEC, continued tariff filings would appear to be more appropriate than the development and filing of multiple interconnection contracts.

While there is some merit to the notion of being able to respond to changing circumstances and unique conditions, perhaps the greatest impediment to negotiation rates is the parties' inability to successfully negotiate any major agreements in the past. While certain individual problems have been resolved, prior attempts at wholesale negotiation, though laudable, have been fraught with difficulties.

Prior to initiation of the instant docket, a number of parties negotiated an agreement which precipitated SBT's petition to disassociate mobile interconnection usage charges from the formula which is based on switched access charges. There was no written document evidencing that agreement. FMCA initially supported SBT's petition and tariff filing. Subsequent to SBT's petition and tariff filing, but long before the matter was resolved, FMCA withdrew its support for the petition and filing. The basis for FMCA's withdrawal of its support of SBT's proposed tariff filing was FMCA's concerns with regard to mutual compensation, which is payment by the LEC to mobile carriers for termination of land-line originated calls.

It is the current policy of this Commission that the LECs must "exert efforts to participate with mobile carriers in planning network interconnection and facility requirements." (Order No. 20475, at 8) GTEFL witness Bailey argues that the Commission's present policy does not preclude efforts by LECs and mobile carriers to negotiate interconnection issues prior to submitting tariff filings to the Commission. McCaw argues in its brief that the parties can already negotiate whenever such negotiations are deemed appropriate. McCaw further argues that, consistent with Florida policy, the FCC requires the LECs to negotiate in good faith the terms and conditions of mobile carrier interconnection. See Second Report and Order, In re: Implementation of Sections 3(n) and 332 of the Communications Act; Regulatory Treatment of Mobile Services, 9 FCC Rcd 1411, para. 229 (FCC 94-31, GN Docket 93-252, adopted February 3, 1994 and released March 7, 1994).

We believe that there is an important role for negotiations to address new services, rates, and other issues affecting network interconnection and the efficiency of those interconnections. The record supports that some negotiation has been successful. Given the parties' past difficulties, there is insufficient justification to abandon the existing tariffs to be replaced by new, negotiated arrangements. Rather, the parties shall be permitted to continue to negotiate changes in the existing interconnection tariffs.

Therefore, we find that the Commission shall continue to establish network interconnection rates, terms and conditions, consistent with the revisions to Chapter 364, Florida Statutes. If the parties are able to negotiate appropriate elements of interconnection, they are not precluded from doing so.

C. <u>SHOULD THE USAGE RATES CONTINUE TO BE BASED ON INTRASTATE</u> <u>SWITCHED ACCESS CHARGES?</u>

All the parties except FMCA endorse the concept of negotiating their own rates rather than having the Commission set them. Most parties agree, however, that if they are unable to successfully negotiate, then the Commission should set rates or at least mediate the dispute. GTEFL goes further and proposes that mobile interconnection rates be detariffed. As discussed above, the parties have been unable to successfully negotiate a resolution to their differing interests concerning interconnection.

Parties' opinions vary with respect to the continued use of the current formula for determining the usage rate. The LECs advocate abolishment of the usage rate formula, at least in its current form. They offer various reasons, but their primary objection is that the formula ties mobile interconnection usage rates to switched access charge rate levels, which are gradually decreasing. The cellular carriers endorse continued use of the current formula, since they are assured of ever decreasing usage rates as long as access charges continue to be reduced.

The LECs did not provide specific proposals for usage rates in this case.

We believe LEC pricing decisions on switched access rates are being influenced by the existence of the flow-through requirement. That is, when LECs determine which switched access rate elements to reduce, they must consider the fact that some of the elements are flowed through to the MSP usage formula in both the local and toll components, while others just to the toll component. The LECs have become somewhat unwilling to reduce the Local Switching and Local

Transport rate elements to the degree they otherwise would have because of the impact of the flow through requirement. Although we do not believe that this has caused any major market distortions at this point, we do not think that it should continue. Cellular and paging usage has grown substantially since the last mobile interconnection case, and with it, the revenue impact on LECs of the flow through requirement. Given the new legislative mandate to reduce intrastate switched access charges to 12/31/94 interstate levels, we believe the magnitude of the LEC revenue impacts associated with the current formula and flow through requirement could become undesirably large.

As detailed in this order, we believe that the current rate levels are satisfactory, except for the rate for type 2B interconnection. It is prudent to hold those rates at their current levels, rather than allow them to continually move downward, which would occur with usage rates under the current formula. No party has stated a major objection to the current usage rate levels except SBT. From our review of the available evidence, we conclude that cost recovery and contribution levels are satisfactory. SBT's arguments of insufficient cost recovery are not adequately supported.

Switched access charge prices will continue their downward trend. Setting permanent usage rates will more or less stabilize contribution levels derived from mobile interconnection usage rates (assuming incremental costs are stable). Breaking the link with access charges may facilitate future negotiation processes, which would be desirable.

Therefore, we find that, except as to type 2B interconnection, usage rates for mobile interconnection shall be frozen at their current levels. As to all mobile interconnection usage rates, the flow through requirement for switched access charges shall be eliminated. The decision to freeze and/or set rates now is for the purpose of resolving the issues in the immediate proceeding only.

In the course of this proceeding, it has been learned that four LECs (ALLTEL, St. Joe, Gulf, and Quincy), who have mobile interconnection tariffs, did not followed the requirements of Order No. 20475 (DN 870675-TP), with respect to flowing through reductions in switched access to mobile interconnection usage rates. Given our decision to freeze the mobile interconnection rates at current levels, these four small LECs shall adjust their MSP usage rates to reflect the access reductions that have occurred since their mobile interconnection tariffs were approved. These tariff revisions, when filed and determined by staff to be correct, be allowed to go into effect as a matter of law.

D. <u>APPROPRIATE RATES, TERMS AND CONDITIONS FOR TYPE 1</u> INTERCONNECTION

Type 1 interconnection is a trunk-side interconnection between the Mobile Service Provider's (MSP) point of termination (POT) and a local exchange company (LEC) end office.

All of the LECs agree that the current rates for Type 1 interconnection are not appropriate, due to the linkage with switched access charges. On the other hand, the MSPs argue that the current Type 1 interconnection rate are appropriate and should not be changed. All of the parties who take a position, with the exception of FMCA, agree that negotiations would be an appropriate means to set the Type 1 interconnection rate.

Currently, Type 1 interconnection is provided at the same rates as Type 2A interconnection. None of the parties presented evidence that the Type 1 rate should be different from the Type 2A rate.

Therefore, we find that if the parties do not negotiate an alternative usage rate for Type 1 interconnection within 60 days following the final order in this case, the LECs shall file tariff revisions freezing the rate at its current level, and eliminating the link with access charges.

E. <u>APPROPRIATE RATES, TERMS AND CONDITIONS FOR TYPE 2A</u> <u>INTERCONNECTION</u>

The parties agree that the usage rates for Type 1 and 2A should be the same. As discussed above, the LECs agree that the current rates for Type 1 interconnection are not appropriate, due to the linkage with switched access charges. Non-LEC parties generally consider the current rates, terms and conditions for the usage rates to be reasonable.

The LECs did not provide detailed proposals concerning the appropriate Type 2A usage rates. They did offer some general preferences. ALLTEL and United/Centel suggested only minor adjustments that do not constitute a change in policy. SBT took the position that the formula, in its current form, should be abandoned. GTEFL believes that incremental cost should be the basis for rates if they are not detariffed but did not propose to change the current usage rate level for Type 2A.

SBT witness Sims advocated changing the local component of the usage rate. The local component, which consists of the Local Switching and Local Transport switched access rates, weighted at

80%, was originally designed to be reasonably close to the rates that other providers of local service, such as STS and PATS providers, pay. Over the years, SBT's switched access reductions that have flowed through to its MSP rates have reduced the local component below what other local providers are paying, according to SBT witness Sims. SBT is the only LEC that actually wants to increase the current usage rate for Types 1, 2A and 2D.

The effect of SBT's proposed change, assuming no other adjustments are made, would be to raise SBT's MSP usage rate, and to lower those of other LECs. This is because SBT's access charges are lower than any other LECs, and are lower than its PATS and STS usage rates. For all other LECs, modifying the local component of their MSP rates to match their PATS/STS rates would serve to decrease the overall MSP rate.

No party presented a strong or compelling basis to modify the current rates. Therefore, we find that if the parties do not negotiate a usage rate for Type 2A interconnection within 60 days following the final order in this case, the LECs shall file tariff revisions freezing the rates at the current levels, and eliminating the link with access charges.

F. <u>APPROPRIATE RATES, TERMS AND CONDITIONS FOR TYPE 2A-CCS7</u> <u>INTERCONNECTION</u>

Type 2A-CCS7 interconnection is a direct trunk connection between an MSP's point of termination and the trunk side of a company tandem switch using out of band signaling. Unlike Type 2A interconnection, which uses in-band signaling, this interconnection incorporates common channel signaling using signaling system 7 (CCS7). The primary difference between this interconnection and the type 2A is the signaling. The type 2A-CCS7 interconnection requires that the MSP establish signaling links, which enable outof-band signaling, with the company to transport internetwork call control messages. CCS7 interconnection also enables the cellular carrier and the LEC to exchange the information necessary to support the CLASS features, such as Caller ID. Type 2A-CCS7 interconnection is currently offered by GTEFL and SBT, but not by United or Centel.

Much of the evidence on this issue concerned whether or not there was greater network efficiency due to the use of CCS7, and accordingly, a basis for a lower facilities rate. The parties are divided as to whether Type 2A-CCS7 interconnection should have a different rate from Type 2A interconnection.

McCaw witness Giannella stated that the hallmark of SS7 is greater network efficiency, which means improved call set up time. McCaw witness Maass argued that SS7 interconnectivity between a mobile carrier and a landline carrier provides benefits to <u>both</u> carriers and their respective customers. He states that if the Commission chooses to continue to set rates and not require negotiated rates, the evidence supports a new policy of Type 2A-CCS7 shared interconnection facility charges. However, as regards the efficiencies gained, witness Giannella agreed that the number of trunks needed for SS7 would not be "substantially less than what currently" is needed today.

GTEFL witness Bailey argues that significant signaling efficiencies are only gained when SS7 is deployed over the entire network. He states that the actual efficiencies gained depend on the trunk group sizing and type of traffic. The efficiencies gained by a small group of twenty-four trunks alone, for example, are negligible. He further argues that most carriers will make the decision to deploy SS7 based on the market demand for services like Customer Local Area Signaling Services (CLASS), Integrated Services Digital Network (ISDN) services, and Advanced Intelligent Network (AIN) services that cannot be provided without it, not on the efficiencies gained alone.

SBT witness Sims testified that when a cellular carrier like McCaw interconnects with SBT, McCaw's deployment of SS7 does nothing to improve network efficiency on the SBT network. Accordingly, she concludes, SBT derives nothing from the SS7 interconnectivity whereas the mobile carrier does.

While it appears that some efficiencies are gained through the use of CCS7, it is not clear from the record that there is a savings to be passed along to the MSPs. Although the parties seem to agree, with the exception of SBT, that there are network efficiencies, both the LECs and the MSPs acknowledged that the difference is negligible.

In the absence of any meaningful cost differentials between Type 2A and Type 2A-CSS7 interconnection, we believe that the rates, terms and conditions for Type 2A interconnection are appropriate for Type 2A-CCS7 interconnection. Therefore, we find that if the parties do not negotiate a usage rate for Type 2A-CCS7 interconnection within 60 days following the final order in this case, the LECs shall file tariff revisions freezing the rates at the current levels, and eliminating the link with access charges.

G. <u>APPROPRIATE RATES, TERMS AND CONDITIONS FOR TYPE 2B</u> INTERCONNECTION

Most LECs agree that the usage rate for Type 2B should be lower than that for the other interconnection types. ALLTEL and United/Centel disagree to some extent. ALLTEL states that the usage rates should be the same, but did not sponsor a witness or otherwise explain its position. United/Centel witness Poag qualified his testimony by saying that he did not object to a lower Type 2B rate, but was concerned that if a predominance of local usage converted to Type 2B trunks, that it would cause the local/toll relationship in Type 2A rates to change. On that basis, he proposed that Type 2A rates be "adjusted" to reflect any shift in local/toll usage weightings. He did not conduct any studies or have any idea, however, as to whether or to what degree this might occur.

The remaining parties believe that Type 2B rates should be lower, but for different reasons. The MSPs argue that the cost to provide Type 2B usage is less because there are fewer switching points, and there is a smaller termination range (i.e., end office exchange versus LATA-wide). GTEFL says that no transport or tandem switching is involved, only end office switching. However, the company proposed no change to the rate in this proceeding.

SBT suggested, that the appropriate rate would be in the vicinity of \$.01376 cents per access minute, but has not actually proposed it. This rate was constructed by adding \$.005 to its projected Local Switching access charge rate to become effective October 1, 1995 (\$.00876). The MSPs believe that the Type 2B rate should just be the same as the Local Switching element of switched access charges.

The trend nationwide appears to set Type 2B rates lower than Type 1/2A rates. Type 2B is designed to be a high volume trunking arrangement, with no additional services offered, such as access to Directory Assistance, operator services or 911. That is why most MSPs continue to use Type 1, and may continue to do so even if the Type 2B rate is lower.

Therefore, we find that if the parties do not negotiate a usage rate for Type 2B interconnection within 60 days following the final order in this case, the LECs shall file tariff revisions setting the rate at \$.01 per access minute.

H. <u>APPROPRIATE RATES, TERMS AND CONDITIONS FOR TYPE 2D</u> INTERCONNECTION

Type 2D interconnection provides trunking facilities between the MSP switch and a LEC's operator service tandem switch. MSPs subscribing to this type of interconnection can then provide operator services, including Directory Assistance, to their customers. Type 2D is currently offered only by SBT.

GTEFL has a Contract Service Agreement (CSA) offering called Star Information Plus (*SIP), which GTEFL witness Bailey asserts is a Type 2D. *SIP is in fact an end user offering, not the underlying facilities connecting the MSP switch to the operator tandem. GTEFL's current mobile interconnection tariff does not provide for a specific trunking facility to be leased by MSPs for connection between the operator tandem and the MSP switch, but it offers, under CSA authority, the operator services to the MSP's customers.

According to McCaw witness Giannella, Type 2D trunks are more efficient and effective if a carrier has the traffic volumes to support the use of the facility. MSPs must subscribe to the trunks separately from LEC services being provided over them, in this case operator services. Based on witness Bailey's testimony, however, GTEFL does not appear to be charging for the trunking facilities. At least, GTEFL does not have a provision for an operator tandem facility connection. It would be inappropriate, and an unlawful application of their tariff, if GTEFL is offering the underlying tandem (Type 2D) connection free of charge or under its Contract Service Arrangement (CSA) authority, to its cellular customer. GTEFL's CSA authority is limited to the provision of *SIP, and does not extend to the underlying trunking facilities. GTEFL shall at a minimum, clarify its tariff to specify the facilities over which its *SIP offering is provided.

Aside from their general positions that rates should be negotiated, parties taking a position on this issue agree that the usage rates for Types 1, 2A, and 2D should be the same. Currently usage rates for these types of interconnection, where offered, are the same. Based on the absence in the record of a compelling rationale suggesting otherwise, they should continue to be so. Therefore, we find that the usage rate for Type 2D shall be the same as for Types 1 and 2A, where it is offered and where measuring capability exists. If the parties do not develop their own usage rate within 60 days following the final order in this case, the LECs shall file tariff revisions freezing the rate at its current

level, and eliminating the link with access charges. Further, GTEFL shall clarify its mobile interconnection tariff to specify the facilities over which its *SIP offering is provided.

I. <u>APPROPRIATE RATES, TERMS AND CONDITIONS FOR NXX</u> <u>ESTABLISHMENT CHARGES</u>

In Docket No. 870675-TL, Order Number 20475, NXX establishment charges were set based on direct costs plus a 15% contribution to the LECs' joint and common costs. The Commission determined that

[T]here are predictable costs associated with establishing an N[X]X, e.g., assignment, distribution, translation, recording, routing and memory costs. Historically, these costs have been recovered through the separations and settlements processes because only LECs established N[X]Xs. As a result, no mechanism has been developed for recovering these costs from a mobile carrier seeking the establishment of its own N[X]X. We believe that such a mechanism should be developed. (Order No. 20475, p. 23)

Currently, NXX establishment charges vary from LEC to LEC due to differences in direct costs. SBT, United/Centel and GTEFL believe that the current NXX charges should be modified to reflect changes which have occurred in provisioning costs. Generally, the result is a reduction in the NXX establishment charge. However, for Centel the charge would increase, due to averaging of the costs with United. McCaw, GTE Mobilnet and FMCA argue that the NXX establishment charges are inappropriate and should be eliminated.

The current and LEC proposed charges are:

COMPANY	CURRENT CHARGES	PROPOSED CHARGES
SBT	\$ 4,800.00	\$3,915.00
GTEFL	\$10,000.00	\$5,861.00
United	\$ 7,400.00	\$3,173.00
Centel	\$ 1,800.00	\$3,173.00

TABLE 2 COST PLUS 15% CONTRIBUTION

SBT witness Sims believes the current rates should be adjusted to reflect changes in SBT's provisioning costs. She states that, to the extent that the Company's NXX activation costs have decreased, the Company is prepared to offer a new rate that reflects lower costs.

Witness Sims argues that it is undisputed that LECs incur costs in establishing and maintaining NXX codes, and it is clear that these costs are significant. She explains that, in order to establish and maintain new NXX codes, LECs must request and coordinate code assignments with BellCore, update all related NXX data bases, and advise the National Exchange Carriers Association of the newly opened NXX codes.

GTEFL witness Bailey states his company has developed a more detailed methodology for the analysis of NXX costs. He also states that labor rates contained in the previous cost study have increased and should be updated. However, FMCA witness Biddle pointed out that witness Bailey apparently relied upon a 1987 cost analysis in suggesting that GTEFL's labor costs have increased. At hearing, witness Bailey modified his testimony, stating the "While labor rates contained in the previous cost study have increased and should be updated, this increase is offset by the reduction in time required to perform the task."

United/Centel's witness Poag states that as switching technology has changed, the administrative costs associated with the establishment of NXX codes also have changed. United supports revisiting the costs associated with the establishment of NXX codes and an adjustment in rates as appropriate following the review of such cost studies.

In opposition to the LECs, FMCA witness Biddle states in his direct testimony that LECs in other jurisdictions (e.g., Bell Atlantic, and other regions of United) do not charge wireless carriers for the establishment of NXX codes. Witness Biddle points out that, under recent changes in North American Numbering Plan Administration procedures, mobile carriers, as true local service providers, can now obtain NXX assignments directly from BellCore, eliminating up front administrative costs for the LECs. He explains that network software designed translations can now be loaded into switches from one centralized OSS (Operations Support Systems) point, thus eliminating LEC individual central office work except for call through testing, which is automated. Witness Biddle also states GTEFL should not charge mutual co-carriers an NXX establishment charge. He states that no LECs in Florida charge other LECs for activation of NXXs.

Similarly, GTEFL witness Bailey was asked what charge is assessed by GTEFL to United when United activates a new NXX in the 813 NPA. Witness Bailey responded by saying there is no charge assessed since the NXX is resident in United's switch. He explained that there were minor cost differences associated with implementing a new NXX code for an MSP versus an independent telephone company. The main difference he provided was that a LEC would make its own updates to a database to establish a new NXX, while that service would have to be performed for the MSP.

United/Centel witness Poag was asked if there was any difference when opening up an NXX for a mobile carrier in United's territory than what would be done to open up an NXX in SBT's territory (in Orlando). Witness Poag responded that he did not think there were any significant differences.

The discussion of differences in NXX establishment for MSPs versus other LECs largely centered around the technical aspects, i.e., what must be done differently for an MSP. However, it is not clear from the record how the recovery mechanisms may differ. As discussed above, this aspect was addressed in Docket No. 870675-TL, in which the Commission found it to be appropriate to develop a mechanism to charge the MSPs for NXX establishment. The record is insufficient to warrant total elimination of the NXX establishment charge for MSPs.

However, the record clearly demonstrates that LEC costs for this function have declined since they were initially set. There is no disagreement that the rate should be reduced. Since there are no alternative proposals other than the MSP recommendation to eliminate the charge altogether, we find that the rate shall continue to be based on direct costs plus a 15% contribution, unless the parties negotiate a different rate. Each LEC shall file tariffs which reflect the new NXX rates, as shown in Table 2.

J. <u>APPROPRIATE RATES, TERMS AND CONDITIONS FOR THE LAND-TO-</u> MOBILE OPTION

The Land-to-Mobile option allows intraLATA direct dialed long distance calls and expanded Local Calling Area calls from telephone numbers served by a LEC and terminating in an MSP network to be excluded from the originating customer's bill. The Land-to-Mobile calling plan requires an MSP to dedicate an entire NXX for this option.

As with the usage rates in general, the parties are divided on what the rates for the Land-to-Mobile option should be. The LECs believe that the current rates, terms and conditions for the Land-

to-Mobile option are not appropriate. SBT and United/Centel argue that the parties should be allowed to negotiate. GTEFL proposes that detariffing be allowed, but has not provided sufficient evidence which would support detariffing. McCaw, GTE Mobilnet and BellSouth Mobility believe the current rates, terms and conditions are appropriate. BellSouth Mobility takes a position in line with the LECs, that any changes should be negotiated between the parties.

GTEFL witness Bailey states that GTEFL's first and second choices, respectively, would be detariffing and breaking the linkage with switched access charges. United/Centel's witness Poag stated that the rates are tied to access rates and should be modified.

McCaw witness Maass states that the Commission should continue to ensure that the land-to-mobile rates are updated to reflect decreases in the access charge rate elements that are the basis for land-to-mobile rates.

GTE Mobilnet witness Povelites states in the case of the landto-mobile option, that the rate should not include any costs or charges associated with termination of the call.

FMCA witness Cabrera states the first aspect of this issue is the basic development of the rate itself. FMCA believes that the current land-to-mobile rate levels, which are based on switched access charges, are reasonable, appropriate and should not be changed. As for the terms and conditions of the land-to-mobile option tariff offerings, FMCA also believes those to be appropriate with one exception - the fact that United Telephone uses a methodology in measuring and calculating the land-to-mobile usage that charges paging carriers not for actual minutes of usage but substantially increases the minutes for a set-up time factor. The set-up time factor is discussed below.

Set up time factor

United/Centel witness Poag argues that United's concept of application of a non-conversation factor is appropriate, as it recovers those non-conversation time network costs that are not recovered if only the conversation time minutes of use are recorded and billed. He points out that the Commission explicitly recognized this in Docket No. 870675-TL. He agrees that United would be willing to review the methodology and its application for paging traffic. However, he believes that, as part of that review, the actual switching rate applicable to paging usage should also be adjusted to reflect that paging traffic has a very short holding

time per call, about fifteen seconds. He states that the switching call set-up function is used significantly more with paging traffic than it is used for long distance calls. Witness Poag explains that the set-up time for long distance calls was the basis for the access charge switching rate element for paging calls, and thus, does not appropriately recognize the higher switching set-up costs associated with the short duration paging calls.

Witness Poag expounds that the average interLATA intrastate long distance call has a duration or connection time of about 4.5 minutes. Thus, Interexchange Carriers are billed for the access charge switching function on average approximately 4.5 times per call, but they only used the switching set-up function once for the average 4.5 minutes intrastate holding time. In other words, to generate sufficient revenues to cover the switching function set-up cost, the calls on average must be 4.5 minutes long (duration). Witness Poag argues that, in contrast, a paging call, assuming an average of 15 seconds per call (as stated by FMCA witness Cabrera, would have used the switch set-up function 4 times per minute or 18 times in 4.5 minutes. Thus, witness Poag deduces, where an IXC uses only one switching set-up function for a 4.5 minute long distance call, paging set-up usage of the switch is approximately 18 times higher. He opines that this inequity should be corrected by increasing the paging switching rates, or as SBT has proposed, establish a minimum charge per call.

SBT witness Sims states that United or any LEC incurs set-up related costs that require actual call durations to be doubled or tripled on the land-to-mobile calls. She states that SBT cannot address other LECs' specific set-up related costs associated with all calls; however, SBT does have set-up related costs associated with all calls. She argues that the cost to set up a call is a major portion of the total cost of the call. Witness Sims states that the recovery of this set-up cost is recognized in the existing rate structure for toll calling, WATS, and local usage for independent pay phone providers and shared tenant service providers.

SBT witness Sims argues that, because of the call characteristics, and with the drop in usage rates that has occurred, the usage charge per call on these short duration calls does not recover the higher set-up costs. She believes that, rather than imposing a higher first minute charge for set-up as is common for other intraLATA services, a minimum charge per call or a minimum average time requirement (for rating purposes) should be implemented in order to recover set up costs.

We believe that a preponderance of the evidence supports a higher set-up time for MSP calls than for IXCs, upon which charges the current rates are based. It is Commission policy that rates should not be set below incremental costs. We believe that United's non-conversation time calculation charge is an appropriate means to compensate the LECS for non-conversation time on shortduration calls. Any other LEC seeking to add such a factor to its tariff shall be permitted to do so. Any tariff filing to add this factor must be supported with cost and set-up time information.

We believe that sufficient evidence has been provided in the record to justify the inclusion of a non-conversation time factor for short duration calls. Accordingly, we find that LECs may file tariffs, with appropriate cost and set-up time support, to include such a factor in MSP usage rates for the Land-to-Mobile option.

K. <u>APPROPRIATE RATES, TERMS AND CONDITIONS FOR DID NUMBER</u> <u>CHARGES</u>

Direct Inward Dialing (DID) trunks are trunk side connections to an end office that are two wire circuits. Both dial lines and DID trunks are direct connections between the MSP's point of termination and a company end office which allow the MSP to complete and receive calls through other company end offices and other carriers.

Most of the parties, with the exception of GTEFL, agree that the current rates, terms and conditions for DID number charges are inappropriate. FMCA goes even further and proposes that the monthly charges be eliminated from the LEC tariffs altogether. ALLTEL, GTE Mobilnet and BellSouth Mobility have no positions on the matter. The testimony largely addressed the monthly charges for DID. However, McCaw takes the position that non-recurring charges are too high, as they are priced greatly in excess of cost. There is no record support for McCaw's position.

SBT witness Sims states the rate structure should be changed so that there is one rate element for groups of 100 numbers in a shared NXX, and a rate element for groups of 20 numbers in a shared NXX. There would not be a charge for "each additional group of numbers" as currently identified in the tariff. The rates would be essentially unchanged, thus there should be no revenue impact associated with this change. These changes will allow the company to bring the Florida A35 tariff in line with the company's other state tariffs to allow for efficient administration and operations. This structure also provides an additional option for the MSPs.

Witness Sims also states that the nonrecurring charge for groups of shared NXXs should be priced so as not to provide an incentive for MSPs who have the need for a full NXX to subscribe to 100 groups of 100 numbers from a shared NXX instead.

SBT witness Sims states there is a need to have a monthly rate for DID numbers because there is a recurring cost of \$.01 per group of 100 numbers associated with administering the numbers residing in Company central offices. Witness Sims argues that even FMCA witness Cabrera acknowledges that the monthly rate for DID numbers is low. Witness Sims opines that the rate is not remotely close to being high enough to preclude interconnection by the MSPs.

Initially, GTEFL witness Bailey stated that if the service is not detariffed, GTEFL proposes removing the DID rate elements and rates from the MSP portion of its tariff and instead referencing section A13.20, page 15 of its General Services Tariff for this service. He argued that this would ensure that the local and wireless DID number offerings have the same rates. However, witness Bailey later struck this statement from his testimony. While he did not give a reason for striking it, staff notes that the DID charges in section A13 are significantly higher than those charged to the MSPs. Presently, the MSPs pay \$50 per 100 numbers, or \$.50 per number, per month. However, GTEFL has no cost support for this figure.

FMCA witness Cabrera contends that although the DID number rates are relatively low, FMCA continues to believe that those rates are not appropriate as compared to the recurring costs to the LECs. He argues that, once the numbers are assigned, and initial nonrecurring charges paid by the paging carrier, there essentially are no continuing activities required of the LEC, and hence no recurring cost associated with the numbers. He believes those charges, unless clearly justified by the LECs, should be removed from the tariffs.

While some parties have taken the position that there is an incentive for subscribers to use 100 groups of 100 DID numbers instead of a full NXX, the evidence in the record to support this is weak. SBT witness Sims calculated the monthly rate for one hundred groups of one hundred numbers (or 10,000 numbers, which is equal to a full NXX) at \$2,400. This is a substantial price differential, as it is approximately half the charge for a dedicated NXX. While she stated that SBT personnel have advised her this is a problem, she was unable to name any instances where a carrier had actually subscribed to 100 groups of 100 numbers, rather than to a full NXX. On the other hand, some parties believe rates should be reduced, without regard for the cost of a full NXX.

They argue that the rates should be more in line with costs. However, no parties have provided a sound basis for a change to the rates. It appears that witness Sims is correct in suggesting that the rate is not high enough to preclude interconnection, particularly in view of the fact that it is less that the charge for a proportional amount of numbers under a full NXX.

Although there is a differential between the recurring rate for DID numbers and the same amount of numbers under a full NXX, DID charges, while low, are substantially above cost. Additionally, there is no firm evidence that this problem is occurring. Indeed, it appears that the carriers generally subscribe to a full NXX. Accordingly, we find that the current DID number charges remain in effect until such time as the parties may propose a reasonable change to the rates. Any rate increase shall be supported by either cost studies or sufficient evidence that the rate differential between DID Number Charges and NXX establishment charges is problematic. Structural changes, such as that proposed by SBT, shall be permitted.

L. <u>OTHER MSP INTERCONNECTION TARIFF STRUCTURE OR RATE</u> CHANGES

SBT witness Sims outlined certain changes to SBT's facilities charges in her direct testimony as follows:

* Add Multifrequency (MF) and Dual Tone Multifrequency (DTMF) address pulsing options on DID trunks, and 800-DID Service on high capacity facilities.

SBT already offers these rate elements in other parts of its General Subscriber Services Tariff (GSST). The Company is simply proposing to include them in the MSP interconnection tariff as well to reduce the amount of cross referencing required and to clarify that these service options are available to MSPs.

* Add an offering for MSP lines and reduce the rate for MSP trunks.

SBT has proposed to add an MSP line offering for small carriers who need only a line as opposed to a trunk. The estimated cost of an MSP line was \$19.34. The proposed (non-rotary) rate of \$25.00 reflects a 30% contribution. A rotary option priced 35% above the non-rotary rate was also proposed. This rate relationship is in keeping with other business rotary offerings.

The proposed rate for the MSP trunks of \$33.00 (\$44.55 for rotary) reflects a 44% contribution over levelized incremental cost. This may be comparatively high for a contribution level but nonetheless reflects a 20% decrease relative to the current rate that has been in effect for the last six years.

* Reformat and revise Voice Grade Type 1 and Type 2 facilities charges to mirror the Type 2432 local channel rates in the Private Line tariff.

According to SBT, the Type 1 and Type 2 facilities are equivalent to the Type 2432 private line channel. Thus the Company is proposing to make the rates the same. This would result in a reduction from \$55.60 to \$31.90, per month per channel. The E&M signaling charge would increase slightly from \$8.00 to \$9.50, per month. Changes to the interoffice channel charges reflect an increase in the fixed monthly charge, and unbundling and decreasing the mileage charges.

* Increase the Digital Trunk Termination rate.

The current rate for the DS-1 digital trunk termination is \$86.70. According to the cost support provided in response to staff's data requests in DN 930915-TL, the levelized unit cost is \$107.23. SBT proposed a rate of \$139.00, which constitutes a contribution rate of about 30% over incremental cost. No party objected to this proposed increase.

* Add a Control Access Register

SBT states that it is proposing this rate in order to make MSP facilities charges identical to those of its Megalink offering to end users. No particular service is provided with this element, and SBT admits that there is no cost associated with it. The company argues that "MSPs should receive the same rate structure for local exchange access as any other end user subscribing to Megalink Service." The Megalink Service end user offering is not the same as MSP interconnection, and we do not believe that MSPs should be viewed the same as end users. We believe that SBT's argument is without merit.

FMCA actively opposes adoption of the CAR. The CAR would have the greatest impact on paging carriers. We have, in this order, approved several changes in rates that will result in increases in the paging carriers' rates, including a Minimum Access Time Requirement (MATR) on Land-to-Mobile calls. We do not believe it

is necessary to add extra rate elements solely for the purpose of revenue enhancement in the MSP tariff. We therefore will not approve SBT's request to impose a Control Access Register charge.

GTEFL stated that if detariffing were not approved, then it proposed to modify its facilities charges (the local loop, E&M signaling charges, interoffice channel and channel termination charges) in Section A20.7 of its MSP interconnection tariff to mirror those in Section 7.7.2 of its Intrastate Access tariff. GTEFL stated that this would result in a decrease to GTEFL's facilities charges. It also proposed to replace the DID Trunk Termination charges and Voice Grade Trunk Termination charges with an Analog Trunk Termination charge "equivalent to the existing Voice Grade Service Trunk Termination charge." GTEFL stated that the net effect of both changes was a rate decrease.

Therefore, we find that SBT's proposed tariff changes for their MSP facilities charges are approved, with the exception of the Control Access Register (CAR) charge, which is denied. GTEFL's proposals are approved. As with the usage rates addressed in prior issues, the parties shall be allowed to negotiate preferable rates if they wish. If no agreement is reached within sixty days of this order, these rates shall go into effect.

M. <u>TIMELY NOTIFICATION TO INDEPENDENT PAY TELEPHONE</u> <u>PROVIDERS OF NXX CODES ISSUED BY THE LECS FOR THE LAND-</u> <u>TO-MOBILE OPTION</u>

The land to mobile option (LTM) provides LATA wide local calling from land line customers to mobile service providers (MSP) who request this service when purchasing an NXX code for their use. This local service is provided to residence and business customers including pay telephones. End users calling these NXX codes from pay telephones pay local charges (25¢), and from non pay telephones there is no charge to the landline customer. Calls within the LATA that would normally be intraLATA toll or expanded local calling calls are reverse billed by the LEC to the MSP on a usage basis.

This issue is concerned with how and when a pay telephone provider obtains information on land to mobile (LTM) NXX codes that are provided to mobile service providers (MSP) by a local exchange company (LEC). An independent pay telephone provider (IPP) utilizing a smart telephone set needs information on the LTM NXX code before it is established in order to program the set to properly handle calls to a new LTM NXX.

The LECs maintain that they should not be responsible for providing this information. The four LECs who are parties in this proceeding (SBT, GTEFL, Sprint United\Centel, and ALLTEL) all agree that it should not be the responsibility of the LECs to keep the independent pay telephone providers (IPP) informed. SBT says that the IPPs should subscribe to the local exchange routing guide (LERG) or the NXX assignment guide (NAG) provided by BellCore. United\Centel also suggests that the IPPs subscribe to the LERG. GTEFL maintains that it should not be responsible for furnishing the LTM data to the IPPs; however, it has established a procedure to furnish this data every six months on an after the fact basis. ALLTEL states that it should not have to furnish the LTM data to the IPPs on a no charge basis.

LECs do not normally advise individual companies of NXX activity. They do advise BellCore of new NXXs and rating changes that are required by others. BellCore compiles the LEC data into publications such as the LERG or NAG. These publications cover NXX information on a national basis and are therefore quite large and would be very costly to small IPPs. SBT witness Sims states that the NAG is the least expensive of the two, and can be purchased for \$25.00 per month. However, she agreed that for an IPP with only one pay telephone, the cost of the NAG would exceed the cost of basic access line service in Miami, the highest rate group.

We do not agree with the LEC assertions that they should not be responsible for providing LTM NXX data to the IPPs they serve. The LTM option is included in the LEC interconnection tariffs which provide that LTM intraLATA calls that would normally be toll or expanded local calling, will be local calls for the landline customer and will be reverse billed to MSPs on a usage basis. We believe that the LEC who sells the NXX code to the MSP should be responsible for ensuring that the service it provides functions properly. The LEC provides the necessary translations in its end offices so that calls from all of its landline customers except IPPs will be correctly billed when dialing a LTM NXX code. Since IPPs are also customers of the LEC, they should be provided the information they require to provide billing in compliance with the LEC tariff.

We believe that the data should be provided by the LECs at no charge. If it is found that the cost is appreciable, the LEC should file a tariff with cost data for Commission consideration.

GTEFL is the only LEC that currently is providing the LTM NXX data on a regular basis; however, it is furnished after the fact every six months. This could result in the IPP not being able to complete calls to a new LTM NXX for up to six months. We believe

GTEFL's letter approach is appropriate, but believe the letters should be on a quarterly time table covering six months of data activity. The notices should provide actual activity for the previous quarter and projected data for the ensuing quarter. The LECs should have no problems with the three month's projection if they are meeting the 105 days advance notice required by BellCore. The actual LTM NXX data activity will act as confirmation of new codes implemented including those issued on short notice that were not on the projected list in the previous report.

Based on the above, we find that the LECs shall provide reports, containing all LTM NXX activity, to the IPPs that they serve. These reports shall be made quarterly, beginning on January 1, 1996. The first report shall contain a complete list of all LTM NXXs that are in service and the projected activity for the next quarter. Subsequent reports shall detail the previous quarter's actual activity and the projected activity for the next quarter. The data reported shall include the LTM NXX codes, implementation dates, and the LATA that the NXXs serve. New IPPs shall be provided the complete list of all LTM NXX codes when the initial service is provided. If the cost of providing the reports to the IPPs is found to be appreciable, the LEC may submit a tariff filing to recover the costs.

N. <u>COMPENSATION TO MOBILE CARRIERS FROM LECS FOR LAND</u> ORIGINATED CALLS

The question of mutual compensation addresses whether or not mobile carriers should be compensated for terminating traffic originated on the LECs' networks. In Docket No. 870675-TL, Order No. 20475, the Commission found that the LECs should not compensate mobile carriers for terminating traffic originated on the LECs' One of the primary reasons was that if the LECs were networks. required to pay mobile carriers for calls that produce no incremental revenues to the LECs, it could result in payments in excess of LEC receipts from flat-rated services. Additionally, the Commission found no justification for imposing upon the LECs the burden of developing a measurement function to permit them to compensate mobile carriers for the small fraction of traffic that could produce incremental revenue to the LECs, such as from LECowned payphones. The Commission concluded that "in our opinion, the mobile carriers are performing a service for their mobile subscribers through terminating land-to-mobile traffic as opposed to furnishing service to LECs. We note that the mobile carriers are paid on a minute-of-use basis by their mobile subscribers for the calls that they place and receive." (Order No. 20475, p. 9)

In the current docket, the issue of mutual compensation has again been raised. The parties' positions run the full spectrum, from support to opposition, on this issue. Both ALLTEL and SBT oppose mutual compensation, citing Order No. 20475, as discussed above. FMCA, GTE Mobilnet and McCaw support mutual compensation. GTEFL and United/Centel would support mutual compensation under certain conditions. The parties' positions are discussed further below.

SBT witness Sims states that the issue of mutual compensation was addressed by the Commission in Docket No. 870675-TL. She points out that the Commission concluded that LECs should not compensate mobile carriers for terminating traffic originated on the LECs' networks for two primary reasons:

(1) Requiring LECs to pay mobile carriers for calls that produce no incremental revenues to the LECs could result in payments in excess of their receipts from flat-rated local exchange service; and

(2) Mobile carriers are paid on a minute-of-use basis by their mobile subscribers for the calls that their mobile subscribers place and receive.

Witness Sims argues that there have been no changes in Florida since the Commission order in Docket No. 870675-TL that would justify requiring the LECs to begin paying this compensation. She reiterates in her rebuttal testimony that the Commission found that the mobile carriers were actually performing a service for their mobile subscribers through terminating Land-to-Mobile traffic as opposed to furnishing a service to LECs.

GTEFL witness Bailey is less adamant than witness Sims in his opposition of mutual compensation. He states that: "If the right environment exists, GTEFL would not be opposed to mutual compensation for all certified carriers. However, many issues have to be addressed before mutual compensation can be implemented." He adds that these issues include but are not limited to the following:

Mutual compensation should be addressed as part of a comprehensive examination of local exchange competition.

Only carriers certified as eligible by the Commission should be eligible for payments.

> GTEFL must have a customer to bill for the incurred compensation cost and regulatory approval for such billing. Measured services must be available and in effect for end user customers.

> The payment of terminating access charges would be a legitimate component of the incremental costs of completing calls.

A comprehensive originating responsibility plan must be established.

Witness Bailey elaborates that, while there are some similarities between LECs and MSPs as carriers, there are also some important differences. He argues that an MSP has no carrier of last resort responsibility, while a LEC does not have a choice as to whether it will provide service to a potential subscriber in its area. Additionally, he explains that the Commission has a universal service goal which entails subsidizing residential rates with revenues from other services. He believes the mutual compensation issue is inextricably linked with the existing social policies and associated LEC responsibilities; therefore, he argues the complex issue of mutual compensation cannot be considered in isolation in this docket.

Although SBT witness Sims took a stronger stand in opposition to mutual compensation, she concurs with witness Bailey, stating that "when the issue of mutual compensation is addressed by the Commission, it should not be addressed on an <u>ad hoc</u> basis for mobile carriers only, but rather should be subject to comprehensive analysis as part of a formal review of local competition." Thus, it appears that witness Sims' greater concern is with timing, rather than with the concept of mutual compensation.

United/Centel witness Poag also does not oppose mutual compensation. He points out that "the FCC in Docket No. 93-252, adopted February 3, 1994, states that 'the principle of mutual compensation shall apply, under which LECs shall compensate CMRS providers for the reasonable costs incurred by such providers in terminating traffic that originates on LEC facilities.'"

All of the MSPs support mutual compensation. McCaw witness Maass opines that local carriers that interconnect and exchange traffic should compensate each other for traffic they deliver to the other for termination. He points out that the interconnection of MSP infrastructure to the landline network expands the local telecommunications network at a cost which he argues has been borne solely by the MSPs. He believes that this benefits users of the

landline network, while the costs are recovered solely from the rates that cellular users pay for cellular telephone service. He also argues that the existence of cellular stimulates use of the landline network as both landline and cellular customers take advantage of the opportunity to place or receive calls that otherwise would not have been feasible. Witness Maass states that, because LECs are paid on a per minute of use basis for each mobile originated call, the LECs are receiving new revenues from cellular providers for this incremental use of the landline network.

FMCA witnesses Cabrera and Biddle also support mutual compensation. Witness Cabrera states that "in a Type 2A interconnection arrangement substantial costs are saved by the LEC." He believes it is fundamentally unfair not to compensate the MSPs for the savings realized by the LECs.

Witness Biddle states that, unlike a cellular carrier whose traffic is primarily originating, a paging carrier's traffic is 100% terminating. He explains that a paging carrier interconnected to the network with a type 2A connection performs functions like a remote switching unit. He argues that all paging carriers terminate traffic that results in direct incremental revenue to the LECs with no compensation being paid to the paging carrier. He states that examples of this are (1) calls from LEC and non-LEC coin phones to pagers, (2) calls from cellular phones to pagers, (3) calls made using coin phones and cellular phones in direct response to a pager, and (4) intraLATA and interLATA toll calls to pagers.

FMCA witness Biddle argues that the LECs should pay compensation to mobile carriers for two reasons:

(1) in recognition of termination of landline originated calls by a mutual carrier,

(2) in recognition of the costs saved by the LEC when wireless carriers, in Type 2A interconnection, terminate the LEC originated calls.

However, SBT witness Sims argues that the LECs do not necessarily experience a cost savings by providing Type 2A interconnection. She states that, while for some calls, such as the ones described in witness Cabrera's testimony, one could identify a cost savings with a type 2A interconnection by showing that the number of switching points on the LEC's network is reduced for other calls, the net impact of a Type 2A interconnection actually increases the average number of switch points when compared with the Type 1 interconnection.

United/Centel witness Poag concurs with witness Sims on that point. He argues that witness Cabrera's testimony does not point out that some calls are actually switched more when tandem switching is implemented. He states that tandems actually introduce more switching in the network but are utilized because they increase trunking efficiencies. He explains that when paging traffic is originated in the paging company's serving wire center and the call is routed through a tandem, this results in the call being switched twice instead of once. He states that, depending on the size of the local calling area, this could be a large proportion of the total traffic.

As regards the appropriate amount for mutual compensation, there was no consensus. McCaw witness Maass states that he would accept the LECs' rates for interconnection as appropriate for cellular carriers' charges to LECs. FMCA witness Biddle argues that compensation should be paid to the paging carrier for calls originating from pay phones to the paging carrier's NXX or trunk group and should be in the amount of 3 cents per call. He states that if the LEC cannot measure the payphone originating usage then a surrogate rate should be developed based on some peg count method or 1% of all revenue generated from LEC and non-LEC payphones. Mr. Biddle provided no justification for the 3 cents per call amount.

It is not clear from the record that there is a savings derived by the LEC when MSPs terminate calls. We believe the LECs were more persuasive in their arguments, explaining the steps required to switch calls.

Additionally, the problem that requiring LECs to pay mobile carriers for calls that produce no incremental revenues to the LECs could result in payments in excess of their receipts from flatrated local exchange service, remains unresolved. While the MSPs argue that landline network usage is stimulated through interconnection with the MSP networks, they have not demonstrated how such usage results in additional revenue to the LECs, in view of the flat-rated nature of many LEC services.

However, it appears that mutual compensation is a concept whose time has come. Although this docket has raised more questions than answers in staff's mind, mutual compensation should not be discarded. We agree that there are many issues that have to be addressed before mutual compensation can be implemented. These issues must be addressed in the context of broader policy matters than fall within the scope of this docket.

Therefore, we find that no compensation shall be paid to mobile carriers by LECs for land originated calls at this time. This is a broad policy issue that may have implications for local competition and other matters. However, this does not preclude mobile carriers and the LECs from negotiating individual agreements, as discussed previously in this order.

0. <u>IMPLEMENTATION BY ALL LECS OF THE LAND-TO-MOBILE CALLING</u> OPTION

As discussed above, the Land-to-Mobile option allows intraLATA direct dialed long distance calls and expanded Local Calling Area calls from telephone numbers served by a LEC and terminating in an MSP network to be excluded from the originating customer's bill. The MSPs have proposed that all LECs be required to implement this option. Indeed, in Order No. 20475, the Commission ordered the LECs to provide in their tariffs "a usage rate...which mobile carriers may elect to apply on landline-originated toll calls that would normally be billed to the local exchange companies' subscribers."

McCaw and FMCA argue that all LECs should be required to implement the Land-to-Mobile option. There is a consensus among the LECs that it should be offered only on a request basis and negotiated by the individual local exchange company and the mobile service provider.

McCaw witness Giannella states that all LECs should be required to implement the land-to-mobile calling option if there is a bona fide request for service. When asked what was meant by a bona fide request, witness Giannella explained that any time a customer applies for the service it would constitute a bona fide request; however, he could not provide any evidence which would prove that customers have been requesting the land-to-mobile option and not receiving it. Witness Giannella could not name any specific occasions where his company has requested the land-tomobile option from a LEC that does not have a mobile services tariff. Currently, McCaw subscribes to the land-to-mobile option only from SBT.

FMCA witness Cabrera states that the absence of such tariffs, or the absence of readily available land-to-mobile option service, and the resulting substantial lead time for implementation, has a chilling effect on mobile carriers in planning their system development. However, he could not identify which LECs offered this option and which ones did not, other than for SBT and GTEFL who do offer the service. When asked if he could name any specific occasions where a paging carrier was unable to obtain the Land-to-

Mobile option from a LEC, the only situation he described involved a billing problem, not an inability or unwillingness by the LEC to provide the service. In elaborating on the "substantial lead time" required to implement the option, he discussed the lead time for implementing the required NXX code, rather than for implementation of the Land-to-Mobile option itself. He also stated that FMCA would be unwilling to compensate the small LECs if the option was implemented in their tariffs.

SBT witness Sims argues that the LTM option should be negotiated between the individual LEC and the MSP. She states that, at a minimum, if a LEC is required to implement this calling option, the LEC should be able to price the service at a level to cover cost and provide a reasonable contribution. However, she does not elaborate further on what the prices should be.

GTEFL witness Bailey states that this question would be best answered by each individual LEC. He believes that if all LECs are required to offer this option, and if 1+ intraLATA presubscription is implemented, all providers of intraLATA toll must be required to do so as well.

United/Centel witness Poag argues that the Land-to-Mobile option should not be required unless there is demand and the cost for providing the service can be recovered.

Based on our review of the record, we cannot determine any reason to require the LECs to add the Land-to-Mobile calling option to their tariffs. The parties were unable to provide any instance where a MSP had requested the service and was denied. Additionally, there was a reluctance on the part of the MSPs to compensate the LECs for costs connected with this option. Any MSP that has difficultly in obtaining needed services can come to the Commission to request assistance. However, there is no evidence that this has been a problem in the past. Therefore, we find that the LECs shall not be required to implement the Land-to-Mobile calling option unless there is a request for service.

P. EFFECTIVE DATE OF TARIFFS

To avoid confusion as to what rates apply after January 1, 1996, the tariffs to be filed pursuant to our decisions on the preceding issues shall be filed no later than sixty days after the date of the final order, with an effective date of December 31, 1995. This does not, as a matter of law, prejudge the issue of what rates would be applicable to a local exchange company electing price regulation effective January 1, 1996. If necessary, that

decision will be made when there is an actual case in controversy. Therefore, we find that tariffs shall be filed 60 days from the issuance of the final order, to be effective December 31, 1995.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Late-Filed Exhibit 29 be shall excluded from the record in this docket. It is further

ORDERED that the application of Section 364.385(2), Florida Statutes, to this proceeding mandates that the issues identified for decision in this docket be resolved based on the law as it existed prior to July 1, 1995. It is further

ORDERED that no other provision of the recently enacted changes to Chapter 364, Florida Statutes, would limit, require or prohibit any action proposed by any party to resolve the issues identified for decision in this docket. It is further

ORDERED that the type interconnections that are now or will be available in Florida are those described on page 8 of this order. It is further

ORDERED that the Commission shall continue to establish network interconnection rates, terms and conditions, consistent with the revisions to Chapter 364, Florida Statutes. It is further

ORDERED that if the parties are able to negotiate appropriate elements of interconnection, they are not precluded from doing so. It is further

ORDERED that, except as to type 2B interconnection, usage rates for mobile interconnection shall be frozen at their current levels. As to all mobile interconnection usage rates, the flow through requirement for switched access charges shall be eliminated. It is further

ORDERED that ALLTEL, St. Joe, Gulf, and Quincy shall adjust their MSP usage rates to reflect the access reductions that have occurred since their mobile interconnection tariffs were approved. It is further

ORDERED that if the parties do not negotiate an alternative usage rate for Type 1 interconnection within 60 days following the final order in this case, the LECs shall file tariff revisions freezing the rate at its current level, and eliminating the link with access charges. It is further

ORDERED that if the parties do not negotiate a usage rate for Type 2A interconnection within 60 days following the final order in this case, the LECs shall file tariff revisions freezing the rates at the current levels, and eliminating the link with access charges. It is further

ORDERED that if the parties do not negotiate a usage rate for Type 2A-CCS7 interconnection within 60 days following the final order in this case, the LECs shall file tariff revisions freezing the rates at the current levels, and eliminating the link with access charges. It is further

ORDERED that if the parties do not negotiate a usage rate for Type 2B interconnection within 60 days following the final order in this case, the LECs shall file tariff revisions setting the rate at \$.01 per access minute. It is further

ORDERED that the usage rate for Type 2D interconnection shall be the same as for Types 1 and 2A, where it is offered and where measuring capability exists. If the parties do not develop their own usage rate for Type 2D interconnection within 60 days following the final order in this case, the LECs shall file tariff revisions freezing the rate at its current level, and eliminating the link with access charges. It is further

ORDERED that GTE Florida Incorporated shall clarify its mobile interconnection tariff to specify the facilities over which its *SIP offering is provided. It is further

ORDERED that the rates for NXX establishment shall continue to be based on direct costs plus a 15% contribution, unless the parties negotiate a different rate. Each LEC shall file tariffs which reflect the new NXX rates, as shown in Table 2. It is further

ORDERED that LECs may file tariffs, with appropriate cost and set-up time support, to include such a factor in MSP usage rates for the Land-to-Mobile option. It is further

ORDERED that the current DID number charges remain in effect until such time as the parties may propose a reasonable change to the rates. Any rate increase shall be supported by either cost studies or sufficient evidence that the rate differential between DID Number Charges and NXX establishment charges is problematic. Structural changes, such as that proposed by SBT, shall be permitted. It is further

ORDERED that SBT's proposed tariff changes for their MSP facilities charges are approved, with the exception of the Control Access Register (CAR) charge, which is denied. GTEFL's proposals are approved. As with the usage rates addressed in prior issues, the parties shall be allowed to negotiate preferable rates if they wish. It is further

ORDERED that the LECs shall provide reports, containing all LTM NXX activity, to the IPPs that they serve. These reports shall be made quarterly, beginning on January 1, 1996. The first report shall contain a complete list of all LTM NXXs that are in service and the projected activity for the next quarter. Subsequent reports shall detail the previous quarter's actual activity and the projected activity for the next quarter. The data reported shall include the LTM NXX codes, implementation dates, and the LATA that the NXXs serve. New IPPs shall be provided the complete list of all LTM NXX codes when the initial service is provided. It is further

ORDERED that no compensation shall be paid to mobile carriers by LECs for land originated calls at this time. It is further

ORDERED that the LECs shall not be required to implement the Land-to-Mobile calling option unless there is a request for service. It is further

ORDERED that the tariffs to be filed pursuant to our decisions in this docket shall be filed no later than sixty days after the date of this final order, with an effective date of December 31, 1995. It is further

ORDERED that this docket shall be closed after the tariffs required by this order have been filed.

By ORDER of the Florida Public Service Commission, this <u>11th</u> day of <u>October</u>, <u>1995</u>.

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BLANCA S. BAYÓ, Director Division of Records and Reporting

(SEAL)

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.