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July 27, 1994

Ms. Blanca S. Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, FL 32399-0850

Re: Docket No. ~~921074-TP~~  
Expanded Interconnection Phase II and Local Transport  
Restructure

Dear Ms. Bayo:

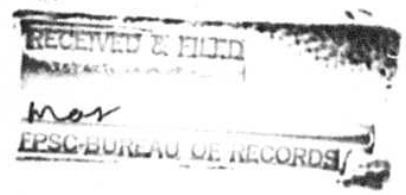
Please find enclosed for filing in the above matter an original  
and 15 copies of GTE Florida Incorporated's Prehearing Statement  
together with a WordPerfect 5.1 diskette.

- ACK
- AFA
- AFM
- CPE
- CPM
- CPN
- EPN
- LEN
- LNH
- LSN
- STC
- WTS
- OTH

Service has been made on the parties of record as evidenced by  
the Certificate of Service.

Very truly yours,

*Kimberly Caswell*  
Kimberly Caswell  
4 KG:tas  
Enclosures



**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Expanded Interconnection	)	Docket No. 921074-TP
Phase II and Local Transport	)	Docket No. 930955-TL
Restructure	)	Docket No. 940014-TL
<hr/>		Docket No. 940020-TL
		Docket No. 931196-TL
		Docket No. 940190-TL

Filed: July 27, 1994

**GTE FLORIDA INCORPORATED'S PREHEARING STATEMENT**

In accordance with the Commission's Orders PSC-94-0076-PCO-TL (January 21, 1994) and PSC-94-0277-PCO-TL (March 10, 1994) and Rule 25-22.038(8), GTE Florida Incorporated (GTEFL) files its Prehearing Statement in this proceeding.

(a) **Witnesses**

Edward C. Beauvais will be GTEFL's witness for Issues 3-17 and 24. R. Kirk Lee will address Issues 1, 2, and 19-24. Mr. Lee will be the primary witness for Issue 18, but Mr. Beauvais may also discuss this issue to some extent.

(b) **Exhibits**

At the hearing, GTEFL plans to introduce at least two exhibits, which are attached to Mr. Beauvais' Direct Testimony. These are Mr. Beauvais' resume and GTEFL's Response Brief in Phase I of this case. GTEFL reserves the right to introduce additional exhibits at the hearing.

DOCUMENT NUMBER-DATE

07655 JUL 27 8

FPSC-RECORDS/REPORTING

**(c) Basic Position**

Chapter 364 does not permit alternative access vendors (AAVs) to provide switched services. Legislative changes will be necessary before full competition is permitted for these services. If and when these changes occur, GTEFL recommends a policy permitting local exchange carriers (LECs) and interconnectors to negotiate switched access interconnection arrangements. This approach is consistent with the recent court decision overturning the FCC's physical collocation mandate.

The LECs must be granted switched access pricing flexibility in the form of volume and term discounts and zone pricing. Further, switched transport service must be restructured with or without expanded interconnection; in no event should switched expanded interconnection be implemented before transport restructuring. Otherwise, LECs will be unable to fairly compete with non-LEC companies, which are free to accommodate customers with innovative pricing and service arrangements the LEC is prevented from using today.

**(d)-(f) Specific Issues and Positions**

With regard to the issues discussed below, Issues 1 and 2 are questions of fact; Issues 6 and 7 are legal questions; and the remaining issues include aspects of fact, law, and policy.

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

**Position:** Switched access is provided under a feature group arrangement. Interexchange carriers which use the networks of the LECs subscribe to either a premium or non-premium connection arrangement. Several rate elements apply to each feature group service, and these elements are priced under the equal charge rule. That is, each unit is priced the same as the next unit for a given rate element.

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

**Position:** For GTEFL, the current intrastate local transport rate element is applied on a per-minute-of-use, per-termination basis. Because GTEFL bills its interexchange carrier (IXC) customers under a single bill, single tariff arrangement for the entire length of haul between offices, two transport terminations per minute of use apply. This method is consistent with the Company's interstate rate structure and billing methodology for the transport rate element. The actual rate applied is, again, based on the equal charge rule.

**Issue 3:** Under what circumstances should the Commission impose the same or different forms and conditions of expanded interconnection than the FCC?

**Position:** The FCC's physical collocation mandate has been vacated on appeal and the other aspects of its expanded interconnection order remanded to the FCC for further proceedings. Regardless of what the FCC eventually decides, this Commission should allow LECs

and interconnectors to negotiate the terms of their own interconnection arrangements.

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

**Position:** Switched access expanded interconnection will benefit some sectors of the public, but may harm others. Interconnectors themselves will benefit most from switched access expanded interconnection. The increased competition for switched access services should also yield some benefits for some customers, such as large business users. But competition brings with it costs as well as benefits. Expanded interconnection for switched access will place a significant strain on the support flows that keep basic residential service prices low. Thus, interconnection threatens to most harm the LECs' rural and residential customers. Greater competition for switched services could also have significant effects on separations, as more costs are allocated to intraLATA toll and local services.

Ultimately, the impact of switched access expanded interconnection on LECs and small customers will depend on the degree to which this Commission gives the LECs the flexibility to respond to competitive pressures.

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

**Position:** Consistent with GTEFL's position on Issue 4, GTEFL believes greater competition in these markets could be in the public interest if LECs are granted additional pricing flexibility sufficient to meet this increased competition. The existing statutory prohibition against non-LEC provision of service between non-affiliated entities will also need to be changed for this expansion of competition to occur.

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

**Position:** No. As the Commission has recognized, Chapter 364 allows AAVs to provide only dedicated services. The Commission cannot authorize full competition for switched access services.

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

**Position:** Yes. The United States Court of Appeals for the District of Columbia Circuit recently vacated the FCC's physical collocation mandate. That decision confirmed that a physical collocation requirement raises a taking issue. This Commission has admitted that it has no authority to take property. Therefore, it cannot require physical collocation for either special or switched access interconnection.

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

**Position:** No. The Commission has no authority to order physical collocation. It should not order any form of collocation, but instead allow the LECs and interconnectors to negotiate their own interconnection agreements.

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

**Position:** If expanded interconnection for switched access is eventually authorized, GTEFL would support extension of this requirement to large (Tier 1) LECs only.

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

**Position:** If switched access expanded interconnection is ordered, it should be offered only in those central offices where sufficient demand exists for it. Interconnection should be permitted at any central office location with the capability to independently route traffic to an interexchange carrier.

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

**Position:** If expanded interconnection for switched access is permitted, it should be available to all types of entities. Technological and market changes have rendered it difficult or impossible to neatly categorize telecommunications providers and

the LEC cannot enforce arbitrary distinctions among entities.

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

**Position:** Yes. This approach is consistent with the concept that all market participants must be treated equally for true competition to develop. In addition, if the LEC can serve a particular customer more cheaply or more efficiently by connecting with non-LEC facilities, there is no reason the LEC should be foreclosed from doing so.

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

**Position:** Practical considerations with regard to space constraints strongly indicate that expanded interconnection should be limited to fiber technology. However, if the Commission allows negotiated interconnection arrangements, acceptable agreements for interconnection of other types of technologies may be possible.

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

**Position:** All switched access transport providers should be treated equally. Ideally, no providers would have to file tariffs. But if one type of entity is required to file tariffs, all others should be required to do so. A unilateral requirement imposed on the LECs may weaken price competition, to the detriment of the ultimate consumer.



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

**Position:** Yes. Flexible pricing is imperative for the LEC to respond effectively to increased competition.

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

**Position:** Yes, but with the understanding that the tariffs may need to be revised later based on the outcome of the U.S. Court of Appeals' recent remand of portions of the FCC's expanded interconnection decision.

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

**Position:** Yes, but with the understanding that the tariffs may need to be revised later based on changes in the FCC's switched access expanded interconnection policies. In addition, no interconnection tariffs should be approved before local transport restructuring as outlined by GTEFL is implemented.

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

**Position:** Yes. As noted, the LEC will need additional tools to meet increasing competition in all market sectors. Volume and term discounts for switched access are imperative. In addition, zone pricing, which this Commission approved for special access, should be authorized for switched access as well. The Company also recommends expanding the current contract serving arrangement (CSA)

process to include switched access.

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

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

**Position:** The Commission should allow local transport restructuring with or without the implementation of switched access expanded interconnection. Even without expanded interconnection, LECs are facing significant access competition. That is why the FCC approved the local transport restructuring before the implementation of switched expanded interconnection service. If LECs are to retain traffic on their networks, they must be granted the ability to offer pricing and other options that their competitors can make available.

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

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

**Position:** The new switched transport policy should permit LECs to mirror their interstate tariffs with respect to structure, terms, and conditions. Rates should not necessarily be mirrored, but should be determined by market factors such as demand, competitive conditions, and the number of available substitutes for transport services in a given market.

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

**Position:** GTEFL's local transport restructure tariff should be approved as is and allowed to go into effect.

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

**Position:** GTEFL takes no position on this Issue, because it is not a party to the MABC agreement.

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

**Position:** The imputation guidelines should not be revised in this proceeding. Discussion of imputation, which deals with setting toll rates, does not belong in this proceeding addressing access rates. If the Commission, in another proceeding, decides to modify its imputation guidelines, it can do so by substituting the new transport rate elements for the old elements where appropriate. Because the residual interconnection charge (RIC) will represent

most of the revenues now recovered for transport, it should be used as an interim surrogate for the previously used transport rate elements in the imputation calculation.

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

**Position:** Yes. The Commission should eliminate its physical collocation mandate and associated requirements.

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

**Position:** These dockets should be closed upon the adoption of GTEFL's positions on all the issues in this proceeding.

(g) **Stipulated Issues**

To GTEFL's knowledge, no issues have been stipulated in this proceeding.

(h) **Pending Motions**

The Commission has not yet ruled on GTEFL's Petition for Reconsideration and Petition for Stay of the Commission's Order PSC-94-0285-FOF-TP, issued in this docket on March 10, 1994. Also outstanding are GTEFL's petition for a space exhaustion exemption from physical collocation in certain central offices; GTEFL's special access and local private line flexible pricing plan; and GTEFL's requests for confidential treatment of certain information

produced in response to Staff's First Set of Interrogatories, Staff's First Request for Production of Documents, and Staff's Fourth Set of Interrogatories.

(i) Order Requirements

There are no requirements set forth in the Commission's procedural order (number PSC-94-0076-PCO-TL) with which GTEFL cannot comply.

Respectfully submitted on July 27, 1994.

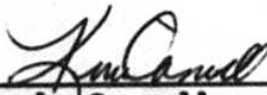
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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that copies of GTE Florida Incorporated's Prehearing Statement in Docket No. 921074-TP were sent by U.S. mail on July 27, 1994, to the parties on the attached list.

  
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