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**ORIGINAL
FILE COPY**

October 5, 1994

HAND DELIVERED

Blanca S. Bayo, Director
Division of Records and Reporting
101 E. Gaines Street
Tallahassee, Florida 32301

Re: In re: Petition for expanded interconnection for alternate access vendors within local exchange company central offices by Intermedia Communications of Florida, Inc.; Docket Nos.: 921074-TP, 930955-TL, 940014-TL, 940020-TL, 940190-TL

Dear Ms. Bayo:

Enclosed is the original and 15 copies of the Interexchange Access Coalition's late-filed exhibit no. 55. To preserve the parties' ability to guard the confidentiality of the information, I am submitting a non-confidential (redacted) version of the entire exhibit as well as a confidential version.

The confidential exhibit should be held in confidential status pursuant to the provisions and procedures of Rule 25-22.006, Florida Administrative Code. I will provide to GTE, United and Southern Bell only the portions of the confidential exhibit that pertain to each of them, respectively.

Thank you for your assistance.

Sincerely,

Vicki Gordon Kaufman
Vicki Gordon Kaufman

VGK/bam

Enclosures

cc: Jon Fons
Mary Jo Peed
Kimberly Caswell

DOCUMENT NUMBER-DATE

10214 OCT-5

FPSC-RECORDS/REPORTING

IAC Response to GTE Cost Data

The goal of the cost-based rate methodology recommended by the Interexchange Access Coalition is that the price difference between each of the three interoffice transport options reflect the long run incremental cost differences between the options.

GTE recognizes that the sole difference between the DS1 and DS3 options consists of additional multiplexing and cross connect equipment with a monthly cost of [REDACTED]. Based on this information, the DS1 option should be only [REDACTED] (i.e., [REDACTED] more per month (fixed) than GTE's DS3 option, with no mileage-related cost differences (on a per-unit basis).

This price differential would satisfy GTE's definition of "cost-based" because the rates would be supported by, and are above, long-run incremental costs. Because the DS3 rate already contains contribution towards common and administrative expenses, all other prices built from this benchmark would similarly contain this contribution. Nothing in GTE's discussion implies that the common and administrative costs it suggests must also be considered in developing rates that differ among the three options.

The LRIC cost information provided by GTE is sufficient to establish cost-based rates for interoffice transport, with the exception of tandem switching (which GTE has failed to provide a cost-study to support). Establishing the correct price differentials should be based on the LRIC differences between these three options. The continued use of copper plant in GTE's network is not a proper basis for pricing -- but, even if it were, it is useful to note that GTE has made no effort to quantify the effect on its network costs.

DOCUMENT NUMBER-DATE

10214 OCT-58

FPSC-RECORDS/REPORTING

IAC Response to United Cost Data

The goal of the cost-based rate methodology recommended by the Interexchange Access Coalition is that the price difference between each of the three interoffice transport options reflect the long run incremental cost differences between the options.

United (like GTE) recognizes that the sole difference between the DS1 and DS3 options consists of additional multiplexing and cross connect equipment with a monthly cost of [REDACTED]. Based on this information, the DS1 option should be only [REDACTED] (i.e., [REDACTED] more per month (fixed) than United's DS3 option, with no mileage-related cost differences (on a per-unit basis).

These cost numbers should be used in lieu of United's calculated difference because United incorrectly "double counted" the effect of a fill factor. On page 6 of attachment A, United increases the cost of each of the network components in a DS3 configuration by applying a utilization factor of [REDACTED]. For instance, the "cost" of a DS1 cross connect panel is increased from [REDACTED] to [REDACTED].

United then uses this inflated component cost as the starting point for its DS1 costs, and applies the [REDACTED] fill rate a second time. In the case of a DS1 cross connect panel, United's DS1 analysis begins with the [REDACTED], which divided by [REDACTED], yields [REDACTED] per month. Therefore, the cost already includes the [REDACTED] utilization rate. United then incorrectly applies a second [REDACTED] utilization factor, inflating the DS1 cost to [REDACTED].

The double application of a utilization factor is especially unjustified because it implies that the DS1 option is less effective at improving network utilization. To the contrary, carriers which interface at DS1 speeds provide the local exchange carrier with the maximum flexibility to complete partially-filled DS3s, thereby achieving the most efficient use of the network. There is no justification for United's methodology which penalizes the very configuration that promotes the more efficient fill factor.

Finally, it is important to note that United did not criticize or modify its cost study which estimated the cost of tandem switching at [REDACTED] (Item 11 to Staff's Third POD).

IAC Response to Southern Bell Cost Data

The goal of the cost-based rate methodology recommended by the Interexchange Access Coalition is that the price difference between each of the three interoffice transport options reflect the long run incremental cost differences between the options.

The relevant cost comparison between the DS1 and DS3 transport options should correctly reflect the difference between these choices. The key difference is that the DS1 option must be multiplexed to a DS1 interface at both the end office (for connection to the LEC's switch) and at the serving wire center (for connection to the interexchange carrier). A DS1 cost study need not be adjusted to recognize this configuration because it would already include the costs of DS1 interfaces at each end.

By comparison, a DS3 used in a switched access configuration would include a DS3 interface at the serving wire center and a DS1 interface at the end-office for interconnection with the switch. A standard DS3 cost study, however, would be based on a configuration with DS3 interfaces at both ends. Therefore, to correctly incorporate the particular configuration requirements of dedicated switched transport, the additional costs of multiplexing (identified by both GTE and United as consisting of a 3:1 multiplexer and DS1 cross connect panel) must be added to the cost of standard DS3.

The failure to include DS3-to-DS1 interface costs in Southern Bell's "new" cost numbers for "generic" DS1s and DS3s is the most obvious problem with the cost information supplied in Southern Bell's late filed exhibit.

It is important to understand, however, it is difficult to evaluate Southern Bell's late filed exhibit -- particularly in comparison to the cost information underlying the IAC direct testimony -- because no supporting explanation was provided. For instance, Southern Bell's DS3 costs provided in their FCC filing showed that the fixed-cost component varied by mileage band, while the mileage component was identical in each band. Southern Bell's generic DS3 cost study supplied in the late filed exhibit, however, completely reverses this relationship: mileage-costs now vary by mileage band, while the fixed cost component is the same. Mileage-related cost relationships are also difficult to evaluate because Southern Bell used different mileage bands for the DS1 and DS3 cost studies. Despite these flaws, however, the following corrects the interface-deficiency identified above to identify the cost difference between the DS1 and DS3 configurations.

As noted, the DS3 cost study must be adjusted to include the additional costs associated with a DS1 interface at the end-office. This amount can be estimated from BellSouth's FCC cost-study which identified the cost of a DS1 interface as \$342.67 + \$3.96 per DS1. This is a total interface cost of a DS1 of \$453.55. It is necessary to subtract from this amount, however, the cost of the

DS3 interface that is already included in the DS3 cost study (and embedded in the DS1 interface costs). According to the BellSouth FCC cost study, a DS3 interface is \$51.18 per month. Therefore, the additional cost of a DS1 interface is \$402.37 per month (i.e., \$453.55 less \$51.18).

This interface cost should be added to the fixed cost component of Southern Bell's "generic" DS3 cost of [REDACTED], for a total fixed cost of [REDACTED]. On a per DS1 basis, this is a fixed cost of [REDACTED]. Southern Bell's late filed exhibit indicates that the fixed cost of a DS1 is [REDACTED] (compared to \$42.61 in the FCC studies used in the IAC direct testimony). The additional cost per DS1 is [REDACTED] per DS1 [REDACTED] -- a result very much consistent with the cost information supplied by GTE and United.

Southern Bell's late filed exhibit also implies that there are additional "mileage-related" costs of a DS1 option compared to a DS3, but no explanation was provided concerning the source of such differential. This differential might relate to Southern Bell's characterization that DS1 configurations require additional multiplexing at intermediate central offices, but no data was provided to document how prevalent such multiplexing is, nor why such multiplexing is needed in a network architecture increasingly dependent upon SONEt technology.

Overall, the FCC cost studies provide the best data to correctly identify the relevant costs of the DS1 and DS3 options when used with the particular interface requirements of dedicated switched transport -- i.e., a DS1 interface at the end office switch. In this regard, Southern Bell's "correction" to IAC's use of its FCC cost information misses the mark: IAC's numbers correctly identify the cost of a DS3 with a DS3 interface on one end, and a DS1 interface on the other.

Further, it is important to note that the Southern Bell late filed exhibit did not criticize or modify the tandem switching cost information supplied by Southern Bell and recommended by IAC for use in establishing the tandem switching charge. Thus, at the very most, the price differential between the DS1 and DS3 options should be no greater than [REDACTED] per month (on a DS1 equivalent basis) and the tandem switching charge should not exceed [REDACTED] per minute.

MEMORANDUM

October 6, 1994

TO: DIVISION OF APPEALS
 DIVISION OF AUDITING AND FINANCIAL ANALYSIS
 DIVISION OF COMMUNICATIONS
 DIVISION OF ELECTRIC AND GAS
 DIVISION OF RESEARCH
 DIVISION OF WATER AND WASTEWATER
 DIVISION OF LEGAL SERVICES

FROM: DIVISION OF RECORDS AND REPORTING (FLYNN)

RE: CONFIDENTIALITY OF CERTAIN INFORMATION

DOCUMENT NO. 10215-94

DESCRIPTION: Late-Filed Exhibit No. 55

SOURCE: Interexchange Access Coalition

DOCKET NO.: 881074-TP

The above material was received with a request for confidentiality (attached). Please prepare a recommendation for the attorney assigned to the case by completing the section below and forwarding a copy of this memorandum, together with a brief memorandum supporting your recommendation, to the attorney. Copies of your recommendation should also be provided to the Division of Records and Reporting and to the Division of Appeals.

Please read each of the following and check if applicable.

The document(s) is (are), in fact, what the utility asserts it (them) to be.

The utility has provided enough details to perform a