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October 11, 1994

VIA AIRBORNE

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

RE: Expanded Interconnection Phase II and Local Transport Restructure -

~~921074 - TP~~

Dear Ms. Bayo:

Please find enclosed for filing the original and fifteen (15) copies along with a 5-1/4" diskette of Sprint Communications Company Limited Partnership's Post-hearing Statement in the above-referenced matter. Please return a file-stamped copy in the *enclosed self-addressed stamped envelope.

Thank you.

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RCH cc: All Parties of Record

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Sincerely,

Chanthina R. Bryant

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In Re: Expanded Interconnection) Docket No: 921074-TP
Phase II and Local Transport)
Restructure) Filed: October 12, 1994
_____)

**POST-HEARING STATEMENT OF
SPRINT COMMUNICATIONS COMPANY LIMITED PARTNERSHIP**

In accordance with Rule 25-22.056, Florida Administrative Code, and the Florida Public Service Commission's ("Commission") Order Establishing Procedure in the above-captioned docket, Sprint Communications Company Limited Partnership ("Sprint") respectfully submits the following Post-hearing Statement and respectfully requests that the Commission adopt the positions taken herein.

Procedural History

This docket was initiated as a result of a Petition filed by Intermedia Communications of Florida, Inc. ("Intermedia") requesting an Order requiring Local Exchange Companies ("LECs") to permit Alternative Access Vendors ("AAVs") to provide authorized services through collocation arrangements in Local Exchange Company ("LEC") central offices. The Commission held hearings and issued an Order in Phase I of this proceeding which involved the provisioning of Private Line and Special Access expanded interconnection. Expanded interconnection for switched access and local transport restructuring was addressed in Phase II of this proceeding which is now properly before this Commission for decision.

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FPSC-RECORDS/REPORTING

Basic Position

It is Sprint's position that the Commission should develop a more competitive local access market by adopting a policy requiring expanded interconnection for switched local transport services. Long term advantages would be realized by Florida consumers of telecommunications services with switched expanded interconnection and local transport restructure policies geared toward a more competitive environment. Unless switched interconnection is allowed, there is no need for LECs to restructure local transport rates since, in the absence of switched interconnection, LECs will face no effective competition for transport services. Thus, with the adoption of switched interconnection, Sprint supports the LEC's restructuring of local transport services as long as an appropriate cost-based pricing methodology is used in developing rates for direct trunked transport and other elements.

Discussion of Issues

At the commencement of the hearings in Phase II of this docket, the Commission voted to approve stipulations which had been previously been entered into by the parties with respect to Issues 1, 2, 9, 10, 11 and 13. Discussion of these issues has been omitted from this Post-hearing Statement accordingly.

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

***** Summary of Sprint's Position:** The Commission should embrace

the same switched interconnection policies and prices that were adopted by the FCC. Given that the same facilities will be used to interconnect both interstate and intrastate traffic, it is both appropriate and reasonable that interconnection prices and policies be consistent between the two jurisdictions. ***

ISSUE 4: Is expanded interconnection for switched access in the public interest?

***** Summary of Sprint's Position:** Yes. Switched interconnection will encourage competitive entry in the provisioning of switched access services. Several benefits will be derived including accelerated deployment of new and advanced technologies and services, competitive alternatives to LEC switched transport services, improve responsiveness to access customers in the provisioning of existing services, and emerging competition that will eventually move prices closer to the cost of providing access services. ***

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

***** Summary of Sprint's Position:** Sprint takes no position on this issue. ***

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

***** Summary of Sprint's Position:** Sprint takes no position on this issue. ***

ISSUE 7: Does a physical collocation mandate raise federal or

state constitutional questions about the taking or confiscation of LEC property expanded interconnection?

*** Summary of Sprint's Position: Sprint takes no position on this issue. ***

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

*** Summary of Sprint's Position: In light of the recent United States Court of Appeals for the District of Columbia Circuit decision regarding physical collocation, this Commission should focus on the merits of mandatory virtual collocation requirements. ***

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

*** Summary of Sprint's Position: No. Collocators should not be required to offer interconnection but should be allowed to voluntarily negotiate individual arrangements. However, the Commission should require that any individual arrangements negotiated be made public and made available to all interested parties at the same location. ***

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

*** SUMMARY OF SPRINT'S POSITION: Yes. Sprint believes non-dominant carriers could potentially affect the market with discriminatory pricing. In addition, given that interexchange carriers may be an interconnector and are required to file tariffs, all interconnectors should be required to file tariffs to prevent discrimination. ***

DISCUSSION: Sprint concurs with GTE's description of a tariff as being an excellent source of information centrally available to the public, Public Counsel and everyone else about the state of service in the marketplace. Beauvais, Transcript, page 262. The Commission should continue the requirement of tariff filings to prevent discrimination and to afford all interested parties the opportunity to take full advantage of services being offered at various prices, terms and conditions.

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

***** Summary of Sprint's Position:** Sprint takes no position on this issue. ***

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

***** Summary of Sprint's Position:** Sprint takes no position on this issue. ***

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

***** Summary of Sprint's Position:** Sprint takes no position on this issue. ***

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

***** Summary of Sprint's Position:** Yes. LECs should be granted additional pricing flexibility through zone density pricing. ***

DISCUSSION: LECs should have the ability to set prices for services based on the underlying costs. The cost of providing access is largely determined by end office demand and associated cost differences should be reflected in access prices. Density zone pricing provides LECs with an opportunity to tailor rates more closely to underlying costs regardless of whether an AAV or any other entity has interconnected with the LEC.

Although density based pricing should facilitate fair competition between LECs and AAVs, once entry has occurred, it is even more important that LECs access prices reflect underlying costs so that interconnectors can determine whether or not entry would even be economic. Allowing LECs to price access by density zones will send the right economic signals and should facilitate sound entry decisions.

On the other hand, pricing plans that bear no relationship to costs should not be approved by this Commission. GTE is proposing a switched access discount plan that will provide discounts to interexchange carriers that commit to various time periods at a specified usage and/or to a specified percentage of growth. Lee, Transcript, page 316. Although admittedly, GTE has yet to develop any rates and has filed only an illustrative tariff in support of its plan, the plan is conceptually flawed and would most likely result in discriminatory pricing. Guedel, Transcript, page 841. For a monopoly access supplier to discount the price it charges for access traffic, without a demonstration that providing that access traffic creates a cost savings for the supplier, is both

discriminatory and potentially anti-competitive. Id. at 855.

GTE has failed to demonstrate that either of the plans proposed, the Term Plan or the Growth Plan, are economically justified or reasonable. Absent a showing that GTE will, in fact, realize a cost savings from an access customer's term of commitment or percentage of growth, the plan should be rejected. Non-cost based discounts for access service cannot be justified in an environment that is not competitive. Id. at 855.

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.

***** Summary of Sprint's Position:** The Commission should only modify its switched transport pricing and rate structure with the implementation of switched expanded interconnection. Without expanded interconnection, competition will not exist for intrastate switched transport and the current "equal charge" local transport structure would remain appropriate. ***

DISCUSSION: The FCC restructured local transport rates to "promote competition for interstate switched transport and interexchange service and to encourage efficient use of the access network, thereby promoting economic investment and innovation.¹

¹ In the Matter of Transport Rate Structure and Pricing, CC Docket No. 91-213, Report and Order and Further Notice of Proposed Rulemaking, FCC 92-422, Released October 16, 1992.

The FCC further stated that it had proposed rules in a companion docket "for expanded interconnection for switched transport that would facilitate the ability of competitive access providers to compete with the LECs in the provisioning of switched transport."²

More importantly, to promote competition, the FCC unbundled the elements of the LECs switched transport services. The unbundled rate elements coupled with switched access interconnection, provide the means for AAVs to compete on a level playing field with the LECs for switched access transport. As a result of switched access interconnection and the restructure of transport rates, AAVs can interconnect with a LEC's switched access network, provide the transport piece of the service and pay only for the switched access elements they need to purchase from the LEC. Prior to these FCC orders, any competitive access provider seeking to compete for switched access transport was required to purchase all switched access elements.

One of the main purposes for transport restructure, to encourage competition, cannot be fully achieved without expanded interconnection. AAVs cannot have a presence in the intrastate market in Florida until the Commission issues an order approving expanded interconnection for switched access. Sprint appreciates the fact that local transport restructuring has provided the LECs a necessary first step in structuring their rates to respond to the services and prices of AAVs. However, without switched access interconnection, AAVs cannot interconnect with the LEC's network in

² Id.

a way that will allow them an economically competitive alternative to the LEC's switched access transport. Without the real potential for such competition, one of the primary reasons for restructuring local transport rates is diminished. It is Sprint's position that the existing equal charge transport rates remain in effect until the Commission orders and LECs implement switched access interconnection.

Thus, the Commission should not approve restructured local transport tariffs until the issues of expanded interconnection for switched access are resolved, including any statutory barriers. Without the ability to interconnect with the LEC network for purposes of transporting switched access traffic between the IXC's facilities and the LEC network, competition for switched local transport does not exist. Rock, Transcript, page 653.

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.

***** Summary of Sprint's Position:** The Commission should adopt the federal structure for switched transport which allows LECs to price dedicated transport facilities on a flat-rate basis. However, the

rate levels for transport facilities should reflect the underlying costs of the service. Specifically, rates for transport services should be cost-based resulting in a price relationship for DS1 and DS3 direct trunked transport that reflects the cost relationship between the two services. ***

DISCUSSION: In its Order,³ the FCC stated three (3) goals in deciding the future of structure and rate levels of switched access transport: 1) to encourage efficient use of transport facilities by allowing pricing that reflects cost; 2) to adopt a rate structure conducive to full and fair interexchange long distance competition; and, 3) to avoid interference with the development of interstate access competition. Sprint agrees with the goals as set forth by the FCC. However, Sprint does not believe that the tariffs filed by the LECs satisfy any of the goals established by the FCC.

First, the LECs failed to provide cost studies supporting the rates proposed in the tariffs. Without proper cost studies, there is no evidence to support that the rates filed in the tariffs reflect their underlying costs.

Second, without supporting cost studies, there is no way to determine whether the LECs pricing of local transport encourages or discourages competition. The LECs failure to file rates that reflect the differences in underlying costs will result in some interexchange carriers contributing more to the LECs joint and common costs than other IXCs with services that use the same network facilities. Rock, Transcript, page 662.

³ Id.

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

***** Summary of Sprint's Position:** No. Sprint recommends that direct trunked transport rates reflect the underlying costs. In the absence of cost studies, however, Sprint recommends a DS3:DS1 price relationship of 22:1. Sprint believes that a DS3:DS1 direct trunked transport price relationship of 22:1 more closely reflects the current fiber optic technology and the shared use nature of the interoffice transmission network. ***

DISCUSSION: Sprint supports the LECs restructuring of local transport services and has no objection to the rate structure as set forth in the tariff filings. However, Sprint opposes the tariffs as filed because the rates proposed by the LECs are not cost-based and are potentially discriminatory to smaller IXCs. Rock, Transcript, page 654. Cost studies are necessary to determine appropriate price floors and price relationships.

Sprint concurs with the methodology proposed by the Interexchange Access Coalition ("IAC") in that costs should first be identified and LECs should then be allowed to reflect those differences in the prices charged for transport options. Gillan, Transcript, page 607. Once costs are identified, IAC recommends that LECs recover evenly from all IXCs, a proportionate level of contribution to joint and common costs. *Id.* at page 600. However, because the necessary cost study information was not filed in support of the proposed rates, Sprint proposes that direct trunked transport rates reflect a DS3:DS1 price relationship of 22:1. (To the extent that any actual cost information is made available, it

should be used in place of this proposed standard to establish the appropriate rate relationship.)

Since a DS1 is simply one (1) of 28 timeslots on a DS3 interoffice transmission system utilizing common optronics and fiber cable, it seems reasonable that the cost of providing DS1 direct trunked transport would be 1/28th of the DS3 direct trunked transport cost, assuming the DS3 system is utilized at full capacity. Sprint realizes that LECs do not generally operate DS3 transmission at 100% capacity, but rather on an average of 79%. Thus, using a 79% average DS3 capacity utilization rate yields a DS1 cost that would be 1/22nd of the DS3 cost (79% times 28).

By maintaining a DS3:DS1 price relationship below 22:1, LECs are encouraging access customers to purchase DS3 service at a point when that customer will only be utilizing a fraction of the available capacity of the DS3. Moreover, IXCs that purchase DS1 level service should not be burdened with prices that recover more joint and common costs than prices for DS3 level service when the same underlying facilities are utilized. By requiring LECs to reduce intrastate DS1 rates, the Commission will come nearer to establishing rates which are more cost-based and that promote competition by avoiding discriminatory volume based pricing.

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

***** Summary of Sprint's Position:** Sprint takes no position on this issue. ***

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

***** Summary of Sprint's Position:** Sprint takes no position on this issue. ***

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?

***** Summary of Sprint's Position:** Yes. The Commission's Order in Phase I of this proceeding should be modified to reflect the change in FCC requirements with regard to mandatory virtual collocation.

ISSUE 24: Should these dockets be closed?

***** Summary of Sprint's Position:** Yes. ***

Respectfully submitted,

SPRINT COMMUNICATIONS COMPANY LIMITED
PARTNERSHIP

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DATED: October 12, 1994

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the within and foregoing Brief of Sprint Communications Company L.P. in Docket No. 921074-TP; "EXPANDED INTERCONNECTION PHASE II AND LOCAL TRANSPORT RESTRUCTURING" via first class mail, by depositing same with sufficient postage and properly affixed and properly addressed to:

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This 11th day of October, 1994.

**SPRINT COMMUNICATIONS COMPANY LIMITED
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