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September 20, 1996

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OF COUNSEL W. ROBERT FOKES

Ms. Blanca S. Bayó Director, Records & Reporting Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850

Re: Docket Nos. 960846-TP, 960833, 960/16

Dear Ms. Bayó:

Enclosed for filing on behalf of MCI Telecommunications Corporation in the above docket are the original and 15 copies of MCI's prehearing statement.

By copy of this letter this document has been provided to the parties on the attached service list.

Very truly yours,

Rie O. Me

Richard D. Melson

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Petitions by AT&T Communications of the Southern States, Inc., MCI Telecommunications Corporation, MCI Metro Access Transmission Services, Inc., American Communications Services, Inc. for arbitration of certain terms and conditions of a proposed agreement with BellSouth Telecommunications, Inc. concerning interconnection and resale under the Telecommunications Act of 1996.

Docket No. 960833-TP Docket No. 960846-TP Docket No. 960916-TP

Filed: September 20, 1996

MCI'S PREHEARING STATEMENT

MCI Telecommunications Corporation and MCImetro Access Transmission Services, Inc. (collectively, MCI) hereby file their prehearing statement in accordance with the requirements of Order No. PSC-96-0933-PCO-TP.

A. <u>Known Witnesses</u>. MCI has prefiled the testimony of the following witnesses:

<u>Witness</u>	<u>Testimony</u>	<u>Subject</u>	
Don Price	Direct Additional Direct Rebuttal	Overview of negotiations; provisioning and pricing of wholesale services; ancillary services and arrangements.	
Drew Caplan	Direct	Overview of MCI network; technical aspects of interconnection; unbundled network elements; collocation.	
Ron Martinez	Direct	Operations support	561

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	Rebuttal	systems.
Don Wood	Direct Rebuttal	Pricing of unbundled network elements and interconnection.
Nina Cornell	Direct Rebuttal	Economic principles; pricing of unbundled network elements and interconnection.

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B. <u>Known Exhibits</u>. MCI has prefiled the following exhibits. MCI reserves the right to use additional exhibits for the purpose of cross-examination or rebuttal.

<u>Witness</u>	<u>Exhibit</u>	Description
Don Price	Petition Ex. 1	Letter to BellSouth requesting negotiations
	Petition Ex. 2	Interim Agreement between MCImetro and BellSouth
	Petition Ex. 3	Annotated Term Sheet
	Petition Ex. 4	Term Sheet Items
	DGP-1	Resume
	DGP-2	Wholesale Services Prices and Provisioning White Paper
	DGP-3	Wholesale Pricing Discount Model
	DGP-4	Requirements for Long Term Local Number Portability
	DGP-5	BellSouth-Florida Avoided Cost 1995
Ron Martinez	RM-1	MCImetro/ILEC Interconnection Agreement 1996
Don Wood	DJW-1	Resume

DJW-2	Florida Model Inputs
DJW-3	Hatfield Model Results
DJW-4	Model Description Hatfield Model Version 2.2, Release 2

Nina Cornell NWC-1

Resume

C. <u>Basic Position</u>. This arbitration proceeding, and others like it, will shape the future of local competition for years to come. The Telecommunications Act of 1996 sets forth numerous standards that the Commission must apply in resolving the issues submitted for arbitration. Among these is the provision in Section 252(c) which states that the Commission must apply the requirements set forth in the regulations prescribed by the Federal Communications Commission pursuant to Section 251 of the Act.

MCI understands that the Commission has moved for a stay of the FCC's Local Competition Rules pending appeal. If the stay is denied, the Commission will be required to apply the FCC Rules. If the stay is granted, the Commission nevertheless should give great weight to the FCC's interpretation in order to promote national uniformity to the maximum extent possible, consistent with the Commission's view of any Florida-specific public interest factors.

In resolving the numerous issues presented in this proceeding, the Commission should ask:

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- Does its decision create an environment that promotes investment and the development of a flourishing array of new services?
- Does it establish prices that mirror a fully competitive market?
- Does it provide vigilant oversight against anticompetitive practices?

Six of the major issues in this proceeding are the extent to which BellSouth is required to provide the unbundled network elements requested by MCI; the appropriate price for such network elements; the prices, terms and conditions for interconnection and for the transport and termination of local traffic; the extent to which BellSouth is required to allow its services to be resold; the appropriate wholesale price for such resold services; and how to ensure that MCI is provided access to operational support systems that is equal in quality to BellSouth's access to such systems.

With respect to unbundled network elements, the Commission should strictly scrutinize any claim by BellSouth that unbundling is not technically feasible. The Commission should reject claims that unbundling is technically infeasible based on the lack of current ordering or tracking systems, or the need to make additional investment to permit access on an unbundled basis. Unless the Commission applies an appropriate standard for technical feasibility, BellSouth will be able to create barriers to competitive entry by MCI and others. The Commission should

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also reject BellSouth's claim that MCI should not be allowed to combine unbundled network elements in any manner it chooses, even if that combination is used to provide a service that BellSouth provides today. Prices for unbundled network elements should be based on their forward-looking economic cost in accordance with total element long-run incremental cost (TELRIC) principles. The Hatfield Model results presented by MCI in this docket include all costs that would be incurred by an efficient wholesale provider of unbundled network elements, and therefore provide a reasonable basis for setting rates consistent with TELRIC principles.

With respect to interconnection, MCI should be permitted to interconnect at any technically feasible point on BellSouth's network that MCI designates and should not be required to interconnect at more than one point per LATA. MCI and BellSouth must use the same MCI-designated interconnection point for traffic in each direction. Prices for transport and termination of local traffic should be based on their forward-looking economic cost in accordance with total element long-run incremental cost (TELRIC) principles.

With respect to resale of BellSouth services, the Commission should not permit BellSouth to withhold any services from resale, nor to impose unreasonable or discriminatory restrictions or limitations on resale. The prices for resold services should be set to reflect the retail costs that BellSouth avoids when it provide services on a wholesale basis. The avoided cost study

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presented by MCI in this docket provides a reasonable basis on which to set a 25.06% discount for such wholesale services.

With respect to operational support systems, the Commission should require BellSouth to provide real-time, interactive electronic interfaces to support the ordering, provisioning, maintenance and billing functions as quickly as such systems can be deployed. BellSouth's failure to provide MCI with access to the same interfaces that BellSouth uses today will impair MCI's ability to offer its customers the same quality of service that end users currently receive from BellSouth.

D-F. <u>Issues</u>. MCI's position on the issues that have been identified through the prehearing issue identification process are as follows:

<u>Issue 10</u>. a) Are the following items considered to be network elements, capabilities or functions? If so, is it technically feasible for BellSouth to provide AT&T, MCI, or ACSI with these elements?

> Network Interface Device (AT&T, MCI) Unbundled Loop (AT&T, MCI, ACSI) Loop Distribution (AT&T, MCI) Loop Concentrator/Multiplexer (AT&T) Loop Feeder (AT&T) Local Switching (AT&T, MCI) Operator Systems (DA Service/911 Service) (AT&T, MCI) Multiplexing/Digital Cross-Connect/ Channelization (AT&T, MCI, ACSI) Dedicated Transport (AT&T, MCI) Common Transport (AT&T, MCI) Tandem Switching (AT&T, MCI) ANI Capabilities (AT&T, MCI) Signaling Link Transport (AT&T, MCI) Signal Transfer Points (AT&T, MCI) Service Control Points/Databases (AT&T, MCI)

<u>MCI</u>: Each of the items requested by MCI is a network element, capability or function, and it is technically feasible to unbundle each of the requested elements. Neither the lack of current ordering and tracking systems nor the fact that some network changes would be required to make these elements available on an unbundled basis constitutes technical infeasiblity within the meaning of the Act. Unbundled access to operator systems requires BellSouth to provide MCI with access to directory listing information in any one of three manners: purchase of data within the database to enable MCI to populate its own database; realtime access to the BellSouth database to enable MCI to provide operator service with its own operators; and access to the entire BellSouth platform, including systems and operators. (Caplan, Cornell, Price)

b) What should be the price of each of the items considered to be network elements, capabilities, or functions?

- <u>MCI</u>: The price of unbundled elements should be based on the forward-looking, long-run economic costs, calculated in accordance with TELRIC principles, that a wholesale-only LEC would incur to produce the entire range of unbundled network elements. These costs are calculated by the Hatfield Model, and the appropriate prices are set forth in the direct testimony of Mr. Wood. (Cornell, Wood)
- Issue 12. Should AT&T and MCI be allowed to combine unbundled network elements in any manner they choose, including recreating existing BellSouth's services?
- MCI: Yes. Section 251(c)(3) of the Act requires that BellSouth offer unbundled elements in a manner that allows MCI to recombine such elements in order to provide telecommunications services. The Act does not allow limitations on the manner in which the elements are combined, or the telecommunications services which can be provided through the use of unbundled elements. (Cornell)
- <u>Issue 1</u>. What services provided by BellSouth, if any, should be excluded from resale.
- <u>MCI</u>: Section 251(c)(4) of the Act requires BellSouth to offer for resale any telecommunications service that it provides at retail to end use customers who are not telecommunications carriers. Thus no retail services should be excluded from resale. Specifically, grandfathered services, promotions, contract services, volume discounts, and Lifeline and LinkUp services must be made available for resale. (Price)

- <u>Issue 7</u>. What are the appropriate wholesale rates for BellSouth to charge when AT&T or MCI purchases BellSouth's retail services for resale?
- MCI: Section 252(d)(3) of the Act requires wholesale rates to be based on the retail rates for the service less costs that are avoided by BellSouth as a result of offering the service on a wholesale basis. The application of this standard produces wholesale rates for BellSouth in Florida that are 25.06% below the current retail rates. (Price)
- <u>Issue 2</u>. What terms and conditions, including use and user restrictions, if any, should be applied to resale of BellSouth services?
- <u>MCI</u>: Section 251(c)(4)(B) of the Act prohibits BellSouth from imposing unreasonable or discriminatory conditions or limitations on the resale of services. No restrictions should be allowed except for user restrictions which permit residential service, grandfathered services, and Lifeline and LinkUp services to be sold only to end users who would be eligible to purchase the service directly from BellSouth. (Price)
- <u>Issue 5</u>. Should BellSouth be required to provide notice to its wholesale customers of changes to BellSouth's services? If so, in what manner and in what timeframe?
- <u>MCI</u>: BellSouth should be required to provide notice to its wholesale customers of changes to BellSouth's services at least 45 days prior to the effective date of the change, or concurrent with BellSouth's internal notification process for such changes, whichever is earlier. (Price)
- <u>Issue 14</u>. What are the appropriate standards, if any, for performance metrics, service restoration, and quality assurance related to services provided by BellSouth for resale and for network elements provided to AT&T and MCI by BellSouth?
- <u>MCI</u>: BellSouth should be required to provide service quality that is at least equal to what BellSouth provides to itself or its affiliates. In addition, BellSouth should meet all technical standards and performance measures contained in industry guidelines. (Martinez)
- <u>Issue 3</u>. a) When AT&T or MCI resells BellSouth's services, is it technically feasible or otherwise appropriate for

BellSouth to brand operator services and directory services calls that are initiated from those resold services?

MCI: Yes. Such branding is technically feasible, and is necessary to enable a reseller to establish its own identity in the market. (Price)

b) When BellSouth's employees or agents interact with AT&T's or MCI's customers with respect to a service provided by BellSouth on behalf of AT&T or MCI, respectively, what type of branding requirements are technically feasible or otherwise appropriate?

- <u>MCI</u>: When interacting with customers with respect to a service provided by BellSouth on behalf of MCI, it is both feasible and appropriate for BellSouth employees to identify themselves as providing service on behalf of MCI and for such employees to use "leave-behind" cards or other written materials provided by MCI which identify MCI as the provider of service. (Price)
- <u>Issue 4</u>. When AT&T or MCI resells BellSouth's local exchange service, or purchases unbundled local switching, is it technically feasible or otherwise appropriate to route 0+ and 0- calls to an operator other than BellSouth's, to route 411 and 555-1212 directory assistance calls to an operator other than BellSouth's, or to route 611 repair calls to a repair center other than BellSouth's?
- <u>MCI</u>: Yes. The technical feasibility is demonstrated by a recent agreement between Bell Atlantic-Pennsylvania and AT&T to fully implement such routing by the end of June, 1997, using AIN capabilities. Such routing is required so that customers of MCI will enjoy dialing parity with customers of BellSouth and to avoid creating a barrier to entry. (Price, Cornell)
- <u>Issue 8</u>. What are the appropriate trunking arrangements between AT&T or MCI and BellSouth for local interconnection?
- <u>MCI</u>: The appropriate trunking arrangements require the establishment of several types of trunk groups, each using industry standard signaling. There should be no requirement to separate local and intraLATA traffic onto separate trunk groups, and two-way trunking should be provided at MCI's request. (Caplan)

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- <u>Issue 11</u>. Do the provisions of Sections 251 and 252 apply to access to unused transmission media (e.g. dark fiber, coaxial cable, twisted pair)? If so, what are the appropriate rates, terms, and conditions?
- MCI: Yes. From an engineering perspective, dark fiber is simply another level in the transmission hierarchy and is a network element which must be unbundled upon request. Like any other unbundled element, the price for dark fiber should be based on its forward looking economic cost in accordance with TELRIC principles. (Caplan, Cornell)
- <u>Issue 13</u>. Is it appropriate for BellSouth to provide copies of engineering records that include customer specific information with regard to BellSouth's poles, ducts and conduits? How much capacity, if any, is appropriate for BellSouth to reserve with regard to its poles, ducts, and conduits?
- <u>MCI</u>: BellSouth should provide reasonable access to engineering records necessary to use its poles, ducts and conduits. Any customer-specific information contained in such records can be protected by appropriate confidentiality provisions. BellSouth should not be allowed to reserve capacity in its poles, ducts and conduits, but should make any unused capacity available on a nondiscriminatory basis to all carriers, including itself. (Price)
- <u>Issue 9</u>. What should be the compensation mechanism for the exchange of local traffic between AT&T or MCI and BellSouth?
- <u>MCI</u>: The compensation mechanism for transport and termination of local traffic between MCI and BellSouth should use symmetrical rates for transport and termination set in accordance with total element long run incremental cost principles. The Hatfield Model produces costs calculated in accordance with these principles for tandem switching, local switching and transport. (Cornell, Wood)
- <u>Issue 6</u>. How should BellSouth treat a PIC change request received from an IXC other than the AT&T or MCI for an AT&T's or MCI's local customer?
- <u>MCI</u>: BellSouth should not accept a PIC change directly from an IXC for an MCI local customer; such requests should be made by the IXC through MCI. (Price)

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Issue 16. Should BellSouth be required to provide real-time and interactive access via electronic interfaces as requested by AT&T and MCI to perform the following:

Pre-Service Ordering Service Trouble Reporting Service Order Processing and Provisioning Customer Usage Data Transfer Local Account Maintenance

If the process requires the development of additional capabilities, in what time frame should they be deployed? What are the costs involved, and how should these costs be recovered?

- <u>MCI</u>: Yes. Real-time, interactive access via electronic interfaces is required in order for MCI to be able to provide the same quality of service to its customers as is currently provided by BellSouth. The FCC Rules require such interfaces to be deployed by January 1, 1997. If the Commission determines that it is impossible to deploy the required interfaces by January 1, 1997, interim arrangements should be implemented by that date and permanent arrangements should be implemented as soon thereafter as possible. Each party should bear its own costs of implementing the necessary interfaces. (Martinez)
- <u>Issue 17</u>. a) Should BellSouth be required to use the CMDS process for local and intraLATA calls in the same manner as it is used today for interLATA calls?
- MCI: Yes. (Martinez)

b) What are the appropriate rates, terms and conditions, if any, for rating information services traffic between AT&T or MCI and BellSouth?

MCI: No position at this time.

- <u>Issue 19</u>. What billing system and what format should be used to render bills to AT&T or MCI for services and elements purchased from BellSouth?
- <u>MCI</u>: BellSouth should provide CABS formatted billing for resold services in accordance with the specifications adopted by the industry Ordering and Billing Forum in August, 1996. MCI is concerned with the format of the bill, not with the system used by BellSouth to produce the bill. NYNEX will be

producing bills in the OBF CABS format effective October 1, 1996, by reformatting the output from its CRIS system. (Martinez)

- <u>Issue 20</u>. Should BellSouth be required to provide Process and Data Quality Certification for carrier billing, data transfer, and account maintenance?
- <u>MCI</u>: Yes, but a certification program is not a substitute for providing auditable bills in the OBF CABS format. (Martinez)
- <u>Issue 22</u>. What are the appropriate general contractual terms and conditions that should govern the arbitration agreement (e.g. resolution of disputes, performance requirements, and treatment of confidential information)?
- <u>MCI</u>: The appropriate general contractual terms and conditions are set forth in the MCImetro/ILEC Interconnection Agreement -1996 attached as an exhibit to Mr. Martinez' testimony. (Price)
- <u>Issue 23</u>. Should BellSouth be required to allow AT&T and MCI to have an appearance (e.g. logo or name) on the cover of the white and yellow page directories?
- <u>MCI</u>: Yes. To the extent that the Commission's ability to enforce this requirement directly against BellSouth's directory publishing affiliate is questioned by BellSouth or BAPCO, the Commission should order BellSouth to require -- as a condition of BellSouth providing its customer listing information to BAPCO -- that BAPCO allow MCI to have such an appearance on the directory cover (Price)
- <u>Issue 15</u>. Do the provisions of Sections 251 and 252 apply to the price of exchange access? If so, what is the appropriate price for exchange access?

MCI: This is an ATT-only issue.

<u>Issue 21</u>. Should BellSouth be required to provide interim number portability solutions besides remote call forwarding? If so, what are the costs involved and how should they be recovered?

MCI: This is an ATT-only issue.

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- <u>Issue 24</u>. What are the appropriate arrangements to provide MCI with nondiscriminatory access to white and yellow page directory listings?
- MCI: MCI withdraws this issue in light of its agreement with BAPCO on directory listing and directory distribution issues. While some minor directory listing issues remain, they are the types of issues which the Prehearing Officer determined should be resolved by the parties and included in the comprehensive agreement to be submitted after the Commission's decision on the broader policy issues.
- <u>Issue 25</u>. What should be the cost recovery mechanism for remote call forwarding (RCF) used to provide interim local number portability in light of the FCC's recent order?
- <u>MCI</u>: There should be no explicit monthly recurring charge for remote call forwarding used to provide interim local number portability. BellSouth and MCI should each bear their own cost of implementing the interim number portability mechanism. (Price)
- <u>Issue 26</u>. What intrastate access charges, if any, should be collected on a transitional basis from carriers who purchase BellSouth's unbundled local switching element? How long should any transitional period last?
- <u>MCI</u>: The price for unbundled local switching should be based on its forward looking economic cost in accordance with TELRIC principles. The price should not include any additional charge for intrastate switched access minutes that traverse BellSouth's switch, and in particular should not replace the CCL and RIC revenues that BellSouth would have received if it had retained the end-user customer. (Cornell)
- <u>Issue 27</u>. What terms and conditions should apply to the provision of local interconnection by BellSouth to MCI?
- MCI: MCI should be permitted to interconnect at any technically feasible point on BellSouth's network that it designates, and MCI should not be required to interconnect at more than one point per LATA. MCI and BellSouth must use the same MCI-designated interconnection point (IP) for traffic in each direction since traffic on 2-way trunks (which may be requested by MCI) cannot be segregated to separate IPs. (Caplan)

<u>Issue 28</u>. What are the appropriate rates, terms and conditions for collocation (both physical and virtual)?

- MCI: MCI should have the ability to collocate subscriber loop electronics, such as digital loop carrier; should be permitted to interconnect with other collocators; should be permitted to interconnect to unbundled dedicated transport obtained from BellSouth; and should be able to collocate via either physical or virtual facilities. MCI should be able to convert from virtual to physical collocation at no charge. Rates for collocation should be based on forward looking economic cost in accordance with TELRIC principles. (Caplan, Wood)
- <u>Issue 29</u>. What are the appropriate rates, terms and conditions related to the implementation of dialing parity for local traffic?
- <u>MCI</u>: BellSouth must permit MCI customers located within a defined local calling area to dial the same number of digits to make a local telephone call as are dialed by a BellSouth customer. BellSouth must ensure that call set-up and call processing times for MCI calls within BellSouth's network are equivalent to those experienced by BellSouth, and that dialing delays for processing calls within BellSouth's network are no longer for MCI customers than for BellSouth customers. Any incremental costs directly relating to the provision of dialing parity should be collected on a competitively neutral basis. (Price)

G. <u>Stipulations</u>. There are no stipulations between MCI and BellSouth at this time.

H. <u>Pending Motions</u>. MCI has no pending motions at this time.

I. <u>Post-Hearing Procedures for Submission and Approval of</u> <u>Final Arbitrated Agreement</u>. In Order No. PSC-96-1107-PCO-TP, the Prehearing Officer ruled that the Commission will take action on the major issues identified by the parties to this proceeding, but will not resolve all of the subsidiary issues necessary to produce a final arbitrated agreement. The Prehearing Officer

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proposed a post-decision procedure under which the parties would be given a specified period of time to submit a comprehensive arbitrated agreement that incorporates the Commission's decisions on the major issues. If the parties are unable to reach a comprehensive agreement in the specified time frame, the Prehearing Officer proposed that each party would submit its own version of a proposed agreement, and that the Commission would choose and approve the agreement that best comports with its decision. The Prehearing Officer asked the parties to comment on this proposed procedure in their prehearing statements.

MCI believes that it has a right under the Telecommunications Act of 1996 for the Commission to resolve all the issues that MCI submitted for arbitration. Given the number of issues, MCI initially proposed a "Mediation Plus" procedure that was outlined in its Petition for Arbitration. The Mediation Plus procedure contemplated a hearing on the major issues identified by the parties, coupled with Commission-supervised mediation of other issues. MCI's proposal would have required additional hearings on any issues that the parties were unable to resolve in a timely fashion. The Prehearing Officer denied MCI's request for Mediation Plus, and MCI elected not to seek full Commission review of that ruling.

MCI believes that, with a slight modification, the Prehearing Officer's proposal may be a workable procedure for achieving a final arbitrated agreement.

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First, the Commission should set the deadline for the parties to submit a comprehensive agreement at 14 days after the date of the Commission's vote on the major issues, or December 10, 1997. The parties can continue to negotiate general contractual terms concurrently with the Commission's hearing and post-hearing procedures, and a 14-day time frame should be sufficient to incorporate the effect of the Commission's vote into a comprehensive agreement. Such a deadline is consistent with the intent of the Act that arbitration proceedings be completed on an aggressive schedule.

Second, in the event that a comprehensive agreement is not reached by the Commission-imposed deadline, the Commission should not bind itself to accept, in its entirety, the proposed agreement submitted by either party. Instead the Commission should retain the flexibility (a) to accept the entire proposed agreement submitted by either party, or (b) to accept, on an issue-by-issue basis, parts of the proposed agreements offered by each party.¹

J. <u>Requirements of Order on Procedure</u>. MCI believes that this prehearing statement complies with all the requirements of the Order on Procedure.

¹ This is consistent with the discretion that the FCC would vest in its arbitrators to use either "entire package" final offer arbitration or "issue-by-issue" final offer arbitration in cases where the FCC has assumed jurisdiction over an arbitration. 47 C.F.R. §51.807(d)

RESPECTFULLY SUBMITTED this 20th day of September, 1996.

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HOPPING GREEN SAMS & SMITH, P.A.

By: Pie D. Me

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and

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ATTORNEYS FOR MCI

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished to the following parties by hand delivery this 20th day of September, 1996.

Donna Canzano Division of Legal Services Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399

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