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December 2, 2002

BY HAND DELIVERY
Ms. Blanca Bayó, Director
The Commission Clerk and Administrative Services
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 990649B-TP

Dear Ms. Bayó:

Enclosed for filing on behalf of AT&T Communications of the Southern States, LLC and MCI WorldCom, Inc. are an original and fifteen copies of the Motion for Reconsideration in the above referenced docket.

Please acknowledge receipt of this letter by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely yours,

Tracy W. Hatch

TWH/amb
Enclosure
cc: Virginia Tate, Esq.
Parties of Record

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into pricing of unbundled network elements (Verizon track)	))))	Docket No. 990649B-TP Filed: December 2, 2002

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, LLC,
AND
WORLDCOM, INC.

MOTION FOR RECONSIDERATION

Come now, AT&T Communications of the Southern States, LLC, (AT&T) and WorldCom, Inc. on behalf of its Florida operating subsidiaries MCI WorldCom Communications, Inc., MCImetro Access Transmission Services, LLC, and Intermedia Communications, Inc. (collectively, WorldCom), by and through undersigned counsel, and pursuant to Rule 25-22.060, Florida Administrative Code and respectfully move for the Florida Public Service Commission ("Commission") to reconsider the herein below identified portions of Order No. PSC-02-1574-FOF-TP, issued in this docket on November 15, 2002.

Verizon's Cost Model is not TELRIC Compliant

1. The cost model filed in the instant proceeding by Verizon Florida, Inc. (Verizon) is not TELRIC compliant. The network architecture of the Verizon's ICM suffers several fatal flaws that the Commission has overlooked or failed to consider in its assessment that the model is sufficient to set TELRIC rates.

2. As noted by the Commission in Order 02-1574, the FCC's pricing rules define TELRIC network architecture in §51.505(b)(1). This rule provides:

Efficient network configuration. The total element long run incremental cost of an element should be measured based on the use of the most efficient telecommunications technology currently available and the lowest cost network configuration, given the existing location of the incumbent LEC's wire centers. (Order 02-1574, p. 53).

As further noted by the Commission, this provision is typically known as the "scorched node" approach to TELRIC network design. Under this provision, the network designed by a TELRIC compliant model assumes the existing wire center locations and then "builds" the lowest cost most efficient network possible using the most efficient technology currently available.

3. The ICM violates this rule in several ways. First, the location of Digital Loop Carrier (DLC) equipment in the ICM is fixed based on Verizon's existing DLC in its embedded network. Second, certain DLC equipment was arbitrarily placed where it would not otherwise exist in order to enable the ICM to model a feeder route that exists in Verizon's embedded network. Both of these flaws were acknowledged by Verizon's witness Tucek in his deposition:

> Well, the DLC input started with the existing DLC locations and in some cases ended there, too, but there were situations in which we wanted to preserve existing feeder routes that we would add additional locations in the model. So we would have a feeder route that we know existed in the network, we had to put a DLC where one did not exist so that ICM would model that feeder route. (Exh. 25, Tucek Depo. p.42)

4. The Commission noted these flaws in Order No. 02-1574, citing to Verizon's response to the Commission Staff's discovery that reiterates the testimony of Mr. Tucek. (Order No. 02-1574, p. 56). Notwithstanding that these flaws are absolutely inconsistent with scorched node requirement of §51.505(b)(1), the Commission concluded that the ICM should be used to set UNE rates for three reasons: 1) there is no

viable alternative basis upon which rates can be set and 2) there is some comfort in the fact that the ICM-FL model does not fully replicate Verizon's existing network because it models less sheath feet of cable than currently exists and 3) because other modifications to the inputs produce rates that are on balance reasonable. (See Order No. 02-1574, p. 57).

5. The Commission erred in its conclusion as a matter of fact and law. There is no question that the ICM fails to comply with the requirements of §51.505(b)(1). The assumption of existing DLC locations in the ICM and the arbitrary placement of DLC equipment where none would otherwise exist to insure the existing embedded feeder routes are modeled are crystal clear violations of the scorched node requirements. No adjustment to the inputs to the model can possibly remedy this flaw. Neither does the fact that the ICM reproduces less sheath feet remedy this violation of §51.505(b)(1). It is inescapable that the ICM-FL is not TELRIC compliant. On this fact alone the ICM must be rejected.

6. The Commission also erred in concluding that there is no other viable alternative to setting rates than the ICM. Recognizing that a state commission may find itself in a situation where the appropriate information necessary to determine UNE rates may be unavailable, the FCC has provided a mechanism to put interim UNE rates in place pending receipt and analysis of the appropriate information which in this case is a TELRIC compliant cost model. Section 51.513(a) of the FCC's pricing rules provides:

> Where a state commission determines that the cost information available to it with respect to one or more elements does not support the adoption of a rate or rates that are consistent with the requirements set forth in §§ 51.505 and 51.511, the commission may establish a rate for an element that is consistent with the proxies specified in this section as long as the

> commission sets forth in writing a reasonable basis for its selection of a particular rate. (Emphasis added)

The proxy rates for various UNEs are set forth in §51.513(c). Contrary to the Commission's conclusion in the Order, there is a viable alternative to set UNE rates. This alternative is the FCC's proxy rates found in §51.513(c).[1] The Commission can reject the ICM and still have appropriate UNE rates on an interim basis until Verizon produces an appropriate TELRIC compliant cost model.

7. AT&T and WorldCom urge the Commission to reconsider its decision and reject the ICM-FL filed in this proceeding because it violates §51.505(b)(1). AT&T and WorldCom further urge the Commission to establish UNE loop rates in accordance with FCC Rule §51.513 or, in the alternative, as set forth in Exhibit 43 and Orders Nos. PSC-01-1181-FOF-TP and PSC-01-2131-PCO-TP. AT&T and WorldCom submit that to do otherwise is to condone and reward Verizon for its abject failure to produce a TELRIC compliant cost model.

Verizon's ICM-FL Does Not Model Forward Looking Switching Technology

GTD-5

8. The switch technology advanced by Verizon in this proceeding inappropriately contains the GTD-5 switches that are deployed in Verizon's Florida territory. It is neither an accident nor a sheer coincidence that Verizon places the same type of switch in its modeling in the same places as one currently finds in its embedded

[1] A second viable alternative for establishing interim UNE rates that is supported by the record is the rates proposed by AT&T and WorldCom in this proceeding. These rates are shown in Exhibit 43. For those UNEs for which rates are not shown in Exhibit 43, AT&T and WorldCom urge the Commission to adopt the rates approved for BellSouth in Orders Nos. PSC-01-1181-FOF-TP and PSC-01-2131-PCO-TP issued in Docket No. 990649A-TP.

network. This is simply another example of Verizon modeling its embedded network, which is another clear violation of §51.505(b)(1). The Commission's endorsement of the GTD-5 as forward looking technology is premised on the following rationale: 1) simply because Verizon is the only ILEC to use the GTD-5 does not alone render it non-TELRIC compliant, 2) the Commission determined the GTD-5 was not forward looking technology for all ILECs[2] in the generic proceeding to determine the cost of basic local service but not for Verizon specifically, 3) the GTD-5 may not be forward looking for any other ILEC but it appears forward looking for Verizon, and 4) Verizon will still be purchasing the GTD-5 as remotes switches.

9. Section 51.505(b)(1) requires that the TELRIC be based on the least cost most efficient technology available given existing embedded wire center locations. The forward-looking technology available to any one carrier is obviously available to all carriers. The Commission notes that the GTD-5 is not forward looking technology for any ILEC except Verizon. Under TELRIC, the notion that a technology is forwarding looking for one ILEC and not another is completely illogical and moreover, would violate TELRIC standards.

10. By Order No. PSC-98-0068-TP, the Commission determined that the GTD-5 was not forward looking for the purpose of determining the cost of basic local service. There is nothing in the present record that is inconsistent with the Commission's determination in Order No. 98-0068. The Commission erroneously suggests that there is a difference between the generic proceeding in Docket No. 980696-TP and the instant

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[2] Verizon-Florida was a party to the Commission's Universal Service Proceeding in Docket 980696-TP in which the GTE-5 was determined to be not forward looking for the purpose of determining the cost of providing basic local service. The cost of providing basic local service was determined in the proceeding for Verizon. Order No. PSC-99-0068-FOF-TP.

proceeding. Any such distinction is without difference. By Order 98-0068, the Commission determined the cost of providing basic local exchange service of each ILEC including Verizon (then GTE Florida, Inc.). The only thing generic in that proceeding was that the modeling methodology utilized was the same for each ILEC with more than 100,000 access lines. The forward looking costs determined in that proceeding for Verizon, including those attributable to switching costs, were specific to Verizon. Specific cost were also determined for the other ILECs as well.

11. Finally, as the Commission notes, the GTD-5s that Verizon will be purchasing in the future are simply as remotes to subtend an existing GTD-5 host switch. The fact that Verizon has not announced any plans to add any new GTD-5s as a host switch is a clear indication that it is not forward looking even for Verizon. Moreover, the lack of any plans to retire the GTD-5 is irrelevant. Verizon's embedded network is irrelevant to the question of which switching technology is the least cost most efficient forwarding looking technology appropriate for inclusion in a TELRIC compliant cost model.

12. As noted in the discussion above, the Commission's conclusion that the GTD-5 switch is forward looking switching technology is inconsistent with the Commission's own prior determinations and its rationale is illogical and inconsistent with the TELRIC standard set forth in §51.505(b)(1). Accordingly, AT&T and WorldCom urge the Commission to reconsider its decision regarding the GTD-5 and eliminate it from the consideration of appropriate TELRIC switching costs. In view of the fact that the ICM model itself is not compliant with TELRIC, AT&T and WorldCom further urge that the Commission establish UNE switching rates in accordance with §51.513.

ATM Switching

13. Verizon is currently deploying forward-looking ATM switching technology in its network. Verizon itself in response to discovery from the Staff brought this fact to light. (Exhibit 18 and transcript of the hearing, p. 876.) Verizon's deployment of this technology in its own network in Florida is a clear indication that Verizon considers this technology to be efficient and forward looking. Yet, Verizon did not include this forward looking technology in its modeling of a forward looking network. ATM technology is in every sense a forward-looking technology. Moreover, there is no discussion of this fact in the Order. The absence of a forward-looking technology actually being deployed in Verizon's network from Verizon's switching cost studies is a clear violation of the TELRIC standard. The Commission clearly overlooked this incontrovertible fact in determining that Verizon's modeled switching technology is TELRIC compliant and the Commission erred in doing so. For this reason alone the Commission's decision regarding Verizon's switching costs should be reconsidered. AT&T and WorldCom urge the Commission to reconsider its decision regarding Verizon's switching cost studies and find that they are not TELRIC compliant. AT&T and WorldCom further urge that the Commission establish UNE switching rates in accordance with §51.513 until Verizon provides TELRIC compliant cost information.

A La Carte Pricing for Switching Features

14. Verizon proposed a wholesale price structure in its filing that assesses a charge for each switching feature that is used by the ALEC. This 'a la carte' wholesale price structure is inconsistent with Verizon's cost structure, is inconsistent with the

existing switching price structure previously approved by the Commission for Verizon[3], and is inconsistent with the price structure for switch features approved for BellSouth[4]. Verizon's underlying costs for switching consist of the switch hardware itself including the processor, the software package that includes the switch operating software as well as the software to enable the switch features, any feature specific hardware and the processor operating costs. In this case the only feature that Verizon identified that required specific hardware is conference bridging. No other feature specific hardware costs have been identified. Verizon obtains all the switch features as a package; it does not acquire switch features on an a la carte basis. As a result, Verizon's proposed wholesale price structure is not consistent with its underlying cost structure. If nothing else is clear in the determination of UNE prices, it is clear that the wholesale price for UNEs including switching features must resemble the underlying cost to provide the UNE. It is no coincidence that Verizon's desired wholesale price structure of switch features resembles its retail price structure for these features. It is clear that Verizon will compete with ALECs based on its own cost structure. Imposition of a whole UNE price structure for switch features that is arbitrarily forced to resemble Verizon's retail feature rate structure distorts the cost structure for the ALECs. This distortion will place ALECs at a competitive disadvantage to Verizon.

15. The Commission's decision in this proceeding to approve an a la carte wholesale pricing structure for switch features is an arbitrary and capricious departure from its prior decisions. The Commission's claim that there is no record for a different

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[3] Order No. PSC-97-0064-FOF-TP. The Commission determined in that proceeding that switch features were to be included in the port charge. Order 97-0064, pp.14-16. The rate established for the port charge included the switching features. Features were not individually priced.
[4] Order No. PSC-01-1181-FOF-TP.

result is incorrect. The testimony of Witness Ankum is clear record support that an a la carte structure is inappropriate and that the features should be included in the port charge. (Transcript of the proceedings, pp. 1235-1237). Moreover, the Commission also has a viable alternative to Verizon's proposed switching rates; it is found in §51.513 of the FCC's rules. It is clear from the Order that Verizon did not supply the information requested by the Commission that would support a different result. The Commission should not reward Verizon for its recalcitrance in supplying needed information and default to Verizon's self-serving anticompetitive proposal. AT&T and WorldCom urge the Commission to reconsider its decision to impose an a la carte pricing structure on ALECs. Instead AT&T and WorldCom urge the Commission to establish unbundled switching rates in accordance with §51.513.[5]

WHEREFORE, based on the foregoing, AT&T and WorldCom respectfully request that the Commission reconsider its decisions in Order No. PSC-02-1574-FOF-TP as requested above.

Respectfully submitted this 2nd day of December, 2002.

Tracy Hatch

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[5] As discussed in Footnote 1, a second viable alternative for establishing interim UNE rates that is supported by the record is the rates proposed by AT&T and WorldCom in this proceeding. These rates are shown in Exhibit 43. For those UNEs for which rates are not shown in Exhibit 43, AT&T and WorldCom urge the Commission to adopt the rates approved for BellSouth in Orders Nos. PSC-01-1181-FOF-TP and PSC-01-2131-PCO-TP issued in Docket No. 990649A-TP.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served on the following parties by Hand Delivery (*), and/or U. S. Mail this 2nd day of December, 2002.

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