

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petitions by AT&T) DOCKET NO. 960833-TP
Communications of the Southern) DOCKET NO. 960846-TP
States, Inc., MCI) DOCKET NO. 960916-TP
Telecommunications Corporation,)
MCI Metro Access Transmission) ORDER NO. PSC-96-1238-PHO-TP
Services, Inc., American) ISSUED: October 7, 1996
Communications Services, Inc.)
and American Communications)
Services of Jacksonville, 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.)
_____)

Pursuant to Notice, a Prehearing Conference was held on October 3, 1996, in Tallahassee, Florida, before Commissioner J. Terry Deason, Prehearing Officer.

APPEARANCES:

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On behalf of BellSouth Telecommunications, Inc.

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On behalf of AT&T Communications of the Southern States,
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On behalf of MCI Telecommunications Corporation and MCI
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DOCUMENT NUMBER-DATE

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On behalf of the Commission Staff.

PREHEARING ORDER

I. CASE BACKGROUND

Part II of the Federal Telecommunications Act of 1996 (Act), P.L. 104-104, 104th Congress 1995, sets forth provisions regarding the development of competitive markets in the telecommunications industry. Section 251 of the Act regards interconnection with the incumbent local exchange carrier and Section 252 sets forth the procedures for negotiation, arbitration, and approval of agreements.

Section 252(b) addresses agreements arrived through compulsory arbitration. Specifically, Section 252(b)(1) states:

(1) Arbitration. - During the period from the 135th to 160th day (inclusive) after the date on which an incumbent local exchange carrier receives a request for negotiation under this section, the carrier or any other party to the negotiation may petition a State commission to arbitrate any open issues.

Section 252(b)(4)(c) states that the State commission shall resolve each issue set forth in the petition and response, if any, by imposing the appropriate conditions as required. This Section requires this Commission to conclude the resolution of any unresolved issues not later than 9 months after the date on which the local exchange carrier received the request under this section.

By letter dated March 4, 1996, AT&T Communications of the Southern States (AT&T), on behalf of its subsidiaries providing telecommunications services in Florida, requested that BellSouth Telecommunications, Inc. (BellSouth) commence good faith

negotiations under Section 251 of the Act. On July 17, 1996, AT&T filed its request for arbitration under the Act. The Initial Order Establishing Procedure, in Docket No. 960833-TP, established the key procedural events and a hearing was set for October 9 - 11, 1996. See Order No. PSC-96-0933-PCO-TP, issued July 17, 1996.

MCI requested BellSouth to begin good faith negotiations by letter dated March 26, 1996. Docket No. 960846-TP was established in the event MCI Telecommunications Corporation and MCI Metro Access Transmission Services, Inc. (MCI) filed a petition for arbitration of the unresolved issues. On July 30, 1996, AT&T and MCI filed a joint motion for consolidation with the AT&T's request for arbitration with BellSouth. By Order No. PSC-96-1039-TP, issued August 9, 1996, the joint motion for consolidation was granted. On August 15, 1996, MCI filed its request for arbitration under the Act.

On August 19, 1996, American Communications Services, Inc. and American Communications Services of Jacksonville, Inc. (ACSI) requested that the Commission consolidate its arbitration proceeding with BellSouth with the petitions filed by AT&T and MCI. ACSI filed its petition for arbitration under Section 252 of the Act on August 13, 1996 and Docket No. 960916-TP was established. By Order No. PSC-96-1138-PCO-TP, issued September 10, 1996, ACSI's motion for consolidation was granted.

As stated in the orders regarding consolidation, the following guidelines were established to govern these proceedings:

- 1) The parties shall identify two categories of issues: those that are common to the AT&T/BellSouth petition; the MCI/BellSouth petition, and the ACSI/BellSouth petition; and those that are unique to each petition.
- 2) All parties shall participate fully in the litigation of the issues that are common to both petitions. The Commission's decision on the common issues shall be binding on all parties.
- 3) Only the parties directly involved will participate in the litigation of the issues that are unique to only one of the petitions. The non-affected petitioner shall not present testimony, conduct cross-examination, or file a brief with respect to the issues that affect only another petitioner. The commission's decision on the unique issues shall be binding only on the parties who litigated the issue.

II. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

A. Any information provided pursuant to a discovery request for which proprietary confidential business information status is requested shall be treated by the Commission and the parties as confidential. The information shall be exempt from Section 119.07(1), Florida Statutes, pending a formal ruling on such request by the Commission, or upon the return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been used in the proceeding, it shall be returned expeditiously to the person providing the information. If a determination of confidentiality has been made and the information was not entered into the record of the proceeding, it shall be returned to the person providing the information within the time periods set forth in Section 364.183(2), Florida Statutes.

B. It is the policy of the Florida Public Service Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 364.183, Florida Statutes, to protect proprietary confidential business information from disclosure outside the proceeding.

In the event it becomes necessary to use confidential information during the hearing, the following procedures will be observed:

- 1) Any party wishing to use any proprietary confidential business information, as that term is defined in Section 364.183, Florida Statutes, shall notify the Prehearing Officer and all parties of record by the time of the Prehearing Conference, or if not known at that time, no later than seven (7) days prior to the beginning of the hearing. The notice shall include a procedure to assure that the confidential nature of the information is preserved as required by statute.
- 2) Failure of any party to comply with 1) above shall be grounds to deny the party the opportunity to present evidence which is proprietary confidential business information.
- 3) When confidential information is used in the hearing, parties must have copies for the Commissioners, necessary staff, and the Court Reporter, in envelopes clearly marked with the nature of the contents. Any party wishing to

examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.

- 4) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise the confidential information. Therefore, confidential information should be presented by written exhibit when reasonably possible to do so.
- 5) At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the Court Reporter shall be retained in the Division of Records and Reporting confidential files.

Post-hearing procedures

Rule 25-22.056(3), Florida Administrative Code, requires each party to file a post-hearing statement of issues and positions. A summary of each position of no more than 50 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of the prehearing order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 50 words, it must be reduced to no more than 50 words. The rule also provides that if a party fails to file a post-hearing statement in conformance with the rule, that party shall have waived all issues and may be dismissed from the proceeding. Because of the complexity of this case, each part may summarize its position in 50 words per subpart for each issue. The word limitation for post-hearing positions may be cumulative for those issues with subparts.

Rule 25-22.056, Florida Administrative Code, provides that a party's proposed findings of fact and conclusion of law, if any statement of issues and positions, and brief, shall together total no more than 60 pages, and shall be filed at the same time. I have modified the page limit to 100 pages for good cause shown.

III. PREFILED TESTIMONY AND EXHIBITS

Testimony of all witnesses to be sponsored by the parties has been prefiled. All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. After all parties and Staff have had the opportunity to object and cross-examine, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer. In effort to ensure that the hearing is concluded within the three days for which it is scheduled, the cross-examination, and redirect, of the direct and rebuttal testimony for each witness is combined.

IV. ORDER OF WITNESSES

In an effort to ensure that the hearing is concluded within the three days for which it is scheduled, the cross-examination, and redirect, of the direct and rebuttal testimony for each witness is combined.

<u>Witness</u>	<u>Appearing For</u>	<u>Issues #</u>
Joseph P. Cresse (Direct & Rebuttal)	AT&T	3
Joseph Gillan (Direct & Rebuttal)	AT&T	4, 1(b)
Ronald H. Shurter (Direct & Rebuttal)	AT&T	6-9, 11-17(a), 19
James L. Tamplin, Jr. (Direct & Rebuttal)	AT&T	1, 2, 8-11, 18, 20
David L. Kaserman (Direct & Rebuttal)	AT&T	1(b)

<u>Witness</u>	<u>Appearing For</u>	<u>Issues #</u>
Wayne Ellison (Direct & Rebuttal)	AT&T	1(b), 18, 19, 21
L. G. Sather (Direct)	AT&T	3, 5
Art Lerma (Direct & Rebuttal)	AT&T	4
William J. Carroll (Direct & Rebuttal)	AT&T	1-3, 5, 8, 9, 13, 17(b), 22
Don Price (Direct & Rebuttal)	MCI	1(a), 3-6, 8-9, 11- 12, 17, 22, 23, 26
*Drew Caplan (Direct)	MCI	1(a), 10, 20, 25, 28
Ron Martinez (Direct & Rebuttal)	MCI	7, 13-16
Don Wood (Direct & Rebuttal)	MCI	1(b), 21, 25
*Dr. Nina Cornell (Direct & Rebuttal)	MCI	1, 2, 9, 10, 21, 24
Richard Robertson (Direct)	ACSI	1a & 1b
Mr. C. William Stipe, III (Direct & Rebuttal)	ACSI	1a & 1b
Dr. Marvin Kahn (Direct & Rebuttal)	ACSI	1a & 1b
A. J. Varner (Direct & Rebuttal)	BellSouth	1-3, 5, 7-9, 17, 19, 21-22, 26-27
Robert C. Scheye (Direct & Rebuttal)	BellSouth	1-10, 12, 14-21, 23- 28
Dr. Richard D. Emmerson (Direct & Rebuttal)	BellSouth	1(b), 4
D. Daonne Caldwell (Direct & Rebuttal)	BellSouth	1(b)
Walter S. Reid (Direct & Rebuttal)	BellSouth	4

<u>Witness</u>	<u>Appearing For</u>	<u>Issues #</u>
Gloria Calhoun (Direct & Rebuttal)	BellSouth	13, 15
W. Keith Milner (Direct & Rebuttal)	BellSouth	1, 8, 9, 11
Anthony Pecoraro (Direct & Rebuttal)	BellSouth	1, 8-9
William V. Atherton, Jr. (Direct & Rebuttal)	BellSouth	18, 20

* MCI has indicted that these witnesses will not be available to testify on Wednesday, October 9, 1996, because they are testifying in proceedings in other states.

V. BASIC POSITIONS

AT&T: The Telecommunications Act of 1996 has created an historic opportunity for this Commission to provide consumers in the state of Florida with real choices in obtaining local exchanges services through the introduction of competition in the local exchange market place. The Act, far from simply permitting local exchange competition, is designed to inject competition in the local exchange market on a broad scope to allow customers the widest array of choices to meet their needs. To accomplish its goal, the Act creates the foundation for effective competition by mandating the availability from incumbent LECs of the tools needed by competitors that are essential to an effectively competitive marketplace. The Act, together with the FCC's Order and Rules implementing the Act, requires that LECs: resell each of their services at wholesale rates calculated on the basis of avoidable cost; provide facilities, equipment and services for interconnection at any technically feasible point and in a manner that is qualitatively equal to that which the LEC provides itself; unbundle network elements; and price interconnection and unbundled network elements at TSLRIC or TELRIC. It is essential to the development of effective competition in the local market that the Commission make available the tools set forth in the Act to the furthest extent possible. Whether service is provided to customers through resale or on a facilities basis or a combination of both, it is critical that

BellSouth be required to provide the items required by the Act to local exchange competitors in a manner that allows competitors to serve their customers in a fashion equal to that in which BellSouth provides service to its customers. To do less will be to relegate the availability of quality competitive telecommunications service to consumers to those instances where facilities based competition is available; such a result is clearly contrary to the goals of the Act to bring about widespread competition to as many as possible as soon as possible.

MCI:

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:

- 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 anti-competitive 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 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 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

ACSI:

ACSI and BellSouth have an Interconnection Agreement which resolves all outstanding issues except for the pricing of unbundled loops, cross connects and channelization. Even though BellSouth has agreed to provide the types of unbundled loops ACSI requested, the pricing has not been unbundled and BellSouth is structuring its prices in a manner which would require ACSI to pay for unnecessary features and functionalities thus impairing development of effective competition, e.g., special access prices for a two-wire copper loop. Furthermore, the prices which BellSouth proposes are not based on TELRIC studies and are not consistent with the Telecommunications Act of 1996. This Commission should require BellSouth to offer unbundled network elements at TELRIC based rates as set forth in the FCC Local Interconnection Order of August 8, 1996 (FCC 96-235). If BellSouth cannot produce proper TELRIC studies, the Commission should use the Hatfield Model as a proxy to determine the appropriate prices. ACSI has developed deaveraged rates for unbundled elements (using both three and six density zones) using publicly available information and the publicly available costing model, i.e., the Hatfield Model. Those rates should be used in the absence of TELRIC based rates from BellSouth. As an alternative, absent TELRIC studies or use of the Hatfield Model, the Commission should rely upon the default proxy ceilings established by the FCC in the August 8, 1996 Local Interconnection Order (FCC 96-325) as a statewide average. The Hatfield model should be used as the basis for determining the relative prices in each density zone, such that the weighted average equals the FCC proxy.

BELLSOUTH:

BellSouth has negotiated in good faith with AT&T, MCI, and ACSI for several months in an effort to reach an interconnection agreement. MCI and BellSouth were able to resolve several issues, including, but not limited to, the financial and technical arrangements for local interconnection, directory listings, and 911 issues. MCI and BellSouth signed a Partial Agreement for several states, including Florida, on May 13, 1996. The Partial Agreement was filed with and approved by this Commission under the provisions of Section 252 of the Telecommunications Act of 1996 (the "Act") on August 13, 1996. On July 25, 1996, BellSouth and ACSI signed a Partial Agreement resolving most of the issues between these parties. This Partial Agreement was filed with the Commission on August 20, 1996.

As a result of the parties' inability to reach agreement on some critical issues, AT&T, MCI, and ACSI exercised their option under Section 252 of the Act and petitioned the Commission for Arbitration of these issues. BellSouth, however, believes that the Act is specific as to the issues that are to be arbitrated, and as such, some of the issues that AT&T and MCI have requested be arbitrated are beyond the scope of the Act and are not issues appropriate for the Commission to arbitrate.

Moreover, MCI, in spite of the Partial Agreement between BellSouth and MCI, insists that certain items contained in that agreement should be arbitrated. At the time that the Partial Agreement was entered into, Florida and Tennessee had state proceedings underway dealing with interconnection and unbundling issues. MCI wished to retain its rights to continue to participate in such proceedings and Section II B of the Partial Agreement allowed such participation. Section II B was not intended to allow MCI to revisit the specific issues in arbitration proceedings. That, however, is what MCI is attempting.

On August 8, 1996, the Federal Communications Commission ("FCC") released its First Report and Order in Docket No. 96-98 (the "Order") concerning interconnection issues. With regard to the pricing of unbundled loops, the FCC Order established a Florida proxy loop rate for use on an interim basis until such time as Total Element Long Run Incremental Cost ("TELRIC") studies were completed by

BellSouth. Moreover, the FCC Order requires pricing of loop rates for at least three geographically deaveraged zones. The FCC order also set a proxy rate for local interconnection.

BellSouth believes that the FCC's Order contravenes the clear intent of Congress in the Act and is a case of regulatory micromanagement by the FCC. The Order is not final and various entities including the Florida Public Service Commission and BellSouth have publicly declared their intent to appeal the Order, as well as in some instances to seek a stay. In the interim, the Commission must continue to exercise its authority to carry out its responsibilities in implementing Congress' intent. Until such time as it becomes known whether the FCC Order will stand, and until such time as BellSouth submits TELRIC studies, BellSouth believes the Commission should price loops at BellSouth's proposed rates on a non-deaveraged basis and price interconnection at BellSouth's proposed rate.

Although the parties have requested the arbitration of a myriad of issues in their petitions, three major issues stand out: the specific elements to be unbundled, the pricing of local interconnection and the unbundled elements, and the appropriate resale discount. BellSouth believes that the local interconnection rate should be set at a rate that mirrors the traffic sensitive elements of the toll switched access rate, i.e. approximately \$0.01 per minute. This will facilitate the inevitable transition of all interconnection types to a single rate structure. BellSouth's proposed rate is consistent with the pricing standards of the Act and has been agreed to by other competitors, including MCI, in agreements reached with BellSouth.

BellSouth also believes its proposal for pricing the various unbundled elements is consistent with the Act, with Florida Statutes, and with previous decisions by this Commission. BellSouth has submitted LRIC/TSLRIC cost studies to support these rates. By contrast, the other parties propose adoption of the Hatfield Model which is not an appropriate model for pricing. Moreover, the parties have proposed deaveraged loop rates that are not feasible in Florida until a complete restructure of local rates is accomplished. In addition, BellSouth has set forth exactly which unbundled elements BellSouth is technically able to provide and which unbundled elements

are not technically feasible. Further, BellSouth believes its avoided cost study is consistent with the Act, indicating clearly the costs that will be avoided for resale.

BellSouth believes its positions on the individual issues in this case are reasonable, nondiscriminatory and will lead to local competition in the State of Florida. Moreover, BellSouth's recommendations will allow BellSouth to remain a viable local exchange company, providing quality telecommunications services at affordable rates to consumers in Florida. Overall, BellSouth's recommendations are in the public interest, comport with the provisions of Sections 251 and 252 of the Act, and form the basis for a full interconnection agreement between BellSouth and MCI, AT&T, and ACSI.

STAFF: None pending discovery.

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions.

VI. ISSUES AND POSITIONS

POSITIONS:

The Prehearing Officer has ruled that Issues 20, 21, 22, 27, and 28 do not apply to MCI and that MCI may participate in Issues 23, 24, and 26. The ruling is set forth in Section X of this Order. Because the Prehearing Officer's decision may be reconsidered by the Commission, MCI's positions are shown in this Prehearing Order for those contested issues and are marked with an asterisk. A single asterisk (*) denotes those contested Issues which the Prehearing Officer denied participation by MCI, and a double asterisk (**) denotes those contested Issues which the Prehearing Officer allowed participation by MCI.

UNRESOLVED ISSUES COMMON TO AT&T, MCI, ACSI, AND BELLSOUTH:

ISSUE 1(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 Loops (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)
AIN Capabilities (AT&T, MCI)
Signaling Link Transport (AT&T, MCI)
Signal Transfer Points (AT&T, MCI)
Service Control Points/Database (AT&T, MCI)

AT&T: All twelve (12) items requested by AT&T are network elements, capabilities and functions. All twelve network elements are technically feasible to provide.

MCI: 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 infeasibility 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; real-time 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)

ACSI: Yes. BellSouth and ACSI have agreed that unbundled loops, loop cross-connects and loop multiplexers should be made available but have not agreed as to the rates for the unbundled elements. However, BellSouth is proposing to offer unbundled network services rather than unbundled elements and should be required to make available unbundled elements.

BELLSOUTH:

BellSouth offers the following in response to 10(a) and (b):

Network Interface Device ("NID")

(1) NID-to-NID connection should not be considered an unbundled element, however, it is technically feasible. BellSouth will develop an appropriate rate.

(2) Neither unbundling of the NID nor direct connection of the AT&T or MCI loop to the BellSouth NID are technically feasible.

Unbundled Loops

These are unbundled network elements and are technically feasible. BellSouth's proposed prices are as follow:

	Monthly Rate	Nonrecurring Rate
2-wire analog voice grade loop	\$17.00	\$140.00 / first \$ 45.00 / add'l
4-wire analog voice grade loop	\$ 31.90	\$140.00 / first \$ 45.00 / add'l
4-wire DS-1 digital grade loop	\$140.90	\$740.00 / first \$645.00 / add'l
2-wire ISDN digital grade loop	\$ 43.00	\$360.00 / first \$325.00 / add'l

BellSouth has not yet developed cost studies for these 2-wire ADSL and 2-wire/4-wire HDSL loops and is currently analyzing the technical capabilities required to provide such loops.

Loop Distribution

Loop distribution is not technically feasible and cannot be provided.

Loop Concentrator/Multiplexer

Non-central office based loop concentrator/multiplexer is not technically feasible and cannot be provided.

Loop Feeder

Loop feeder will be provided as part of the unbundled loops.

Local Switching

Local Switching capability, involving the line termination (port) and line side switching (dialtone) is an unbundled network element. BellSouth's proposed rates are contained in Mr. Scheye's testimony. If defined to include selective routing, this is not considered to be an unbundled network element, capability, or function. Local switching, if defined as selective routing, is not technically feasible for all ALECs.

Operator Systems

Unbundled operator services are unbundled network elements. BellSouth's proposed rates are contained in Mr. Scheye's testimony. If defined to include specific branding requirements associated with selective routing, this is not considered to be an unbundled network element, capability, or function. Operator systems, if defined to include these functions, is not technically feasible.

Multiplexing/Digital Cross-Connect/Channelization

These elements are technically feasible and BellSouth's proposed rates are included in Mr. Scheye's testimony.

Dedicated Transport

Unbundled dedicated transport is an unbundled network element offered under the same rates, terms, and conditions as described in BellSouth's Special Access Tariff.

Common Transport

Unbundled common transport is an unbundled network element, currently offered under the same rates, terms, and conditions as described in BellSouth's Switched Access Tariff. Because by its definition, common

transport connects two BellSouth switches, it must be provided in conjunction with these switches.

Tandem Switching

This is considered to be an unbundled network element, capability or function and is technically feasible. BellSouth's proposed rates are included in Mr. Scheye's testimony.

AIN Capabilities

This is considered to be an unbundled network element, and will be provided with mediation. Analysis is still underway to define the rates, terms and conditions.

Signaling Link Transport

This is considered to be an unbundled network element, capability or function and is technically feasible. BellSouth's proposed rates are contained in Mr. Scheye's testimony.

Signal Transfer Points

This is considered to be an unbundled network element and is technically feasible. BellSouth's proposed rates are contained in Mr. Scheye's testimony.

Service Control Points/Database

Direct access to the SCP is not an unbundled network element and is not technically feasible. Access to the SCP via the STP is technically feasible. BellSouth's proposed rate is contained in Mr. Scheye's testimony.

STAFF: No position at this time.

ISSUE 1(b):

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

AT&T: Given that the cost studies filed by BellSouth are not compliant with the requirements of FCC Order 98-96, AT&T recommends that the Commission set proxy rates for all unbundled network elements requested by AT&T. The proxy prices for each element are as follows:

Network Interface Device	\$ 0.55
Combined Loop	1- 200 lines
psm	\$27.91

201- 650	\$14.98
651- 850	\$12.24
851-2550	\$11.23
2550-up	\$ 9.61

Loop Distribution \$
Loop Concentration/Multiplexer \$
Loop Feeder
Multiplexing/Digital Cross-Connect/Channelization
Local Switching
Operator Systems
Dedicated Transport
Common Transport
Tandem Switching
AIN Capabilities
Signaling Link Transport
Signal Transfer Points
Service Control Points

MCI: 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)

ACSI: The price of the unbundled elements should be equal to TELRIC plus a reasonable allocation of efficiently incurred forward-looking joint and common costs. The rates which BellSouth proposes are not based on TELRIC studies and they are rates for services and not elements. ACSI has utilized publicly available data and the Hatfield Model (Version 2.2, Release 2) as a proxy and calculated the recurring costs for the unbundled loop as shown on Revised Exhibit MHK-1 filed by Dr. Kahn.

BELLSOUTH:

See Issue 1(a).

STAFF: No position at this time.

UNRESOLVED ISSUES COMMON TO AT&T, MCI, AND BELLSOUTH:

ISSUE 2: Should AT&T and MCI be allowed to combine BellSouth's unbundled network elements in any manner they choose including recreating existing BellSouth services?

AT&T: Yes. Pursuant to the Act, AT&T may order unbundled network elements individually or in any combination it chooses. Any combinations will be pre-determined and identified to BellSouth by AT&T so that they can be ordered and provisioned together and shall not require the enumeration of each network element with that combination on each provisioning order.

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)

BELLSOUTH:

No. AT&T and MCI should be allowed to combine BellSouth provided elements with their own capabilities to create a unique service. They should not be allowed to rebundle these elements to recreate a retail service that is already available to AT&T/MCI via resale.

STAFF: No position at this time.

ISSUE 3: What services provided by BellSouth, if any, should be excluded from resale?

AT&T: The Act and the FCC Order requires Bellsouth to offer for resale at wholesale rates any telecommunications service that BellSouth provides at retail to non-telecommunications carriers. The Act and the FCC Order do not provide for any exceptions to BellSouth's obligation.

MCI: 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)

BELLSOUTH:

Obsoleted/grandfathered services, Contract Service Arrangements, promotions, Link Up, Lifeline, 911/E911, state specific discount plans or services, and N11 services should be excluded from resale.

STAFF: No position at this time.

ISSUE 4: What are the appropriate wholesale rates for BellSouth to charge when AT&T or MCI purchases BellSouth's retail services for resale?

AT&T: The appropriate wholesale rate for services available for resell is the retail rates of BellSouth offered by BellSouth less 39.99%. This reduction in retail rates shall apply to all services, including both recurring and nonrecurring service charges.

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)

BELLSOUTH:

The wholesale discount rate for BellSouth to charge when AT&T/MCI purchases BellSouth's retail services for resale is 19.0% for residential services and 12.2% for business services.

STAFF: No position at this time.

ISSUE 5: What terms and conditions, including use and user restrictions, if any, should be applied to resale of BellSouth's services?

AT&T: The Act and the FCC order also requires BellSouth not to impose unreasonable or discriminatory conditions or limitations on the resale of telecommunications services. The FCC Order provides that resale restrictions are presumptively unreasonable except as specified in the Order. Those specific restrictions relate to: (i) short-term promotions, which BellSouth must offer for resale but which a commission may allow BellSouth to offer at the non-promotional price less avoided costs; (ii) cross-class reselling of residential services purchased at wholesale to non-eligible subscribers (specifically residential service to business customers and means-tested services to non-eligible subscribers), which a commission may allow BellSouth to restrict reselling to eligible subscribers; and (iii) withdrawn (grandfathered) services, which BellSouth must offer for resale but a commission may allow BellSouth to restrict AT&T from reselling such services to customers that do not already subscribe to the withdrawn service. Resale restrictions are presumptively unreasonable and prohibited by the Act.

MCI: 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)

BELLSOUTH:

Any use or user restrictions or terms and conditions found in the relevant tariff of the service being resold should apply.

STAFF: No position at this time.

ISSUE 6: 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 time frame?

AT&T: Yes. The Act requires BellSouth not to impose unreasonable or discriminatory conditions or limitations on the resale of Telecommunications Services. One of the purposes of that statutory requirement is to remove

operational barriers to fair competition. The lack of advance notice of changes to the rates, terms and conditions of services offered for resale is an operational barrier to fair competition because new entrants need time to implement any administrative system changes so that the new entrant can initially offer the changed service concurrently with BellSouth. Without advance notice that would allow a new entrant to implement the necessary administrative changes, BellSouth ensures that it will be the first local exchange carrier in the market to offer the changed service.

AT&T recognizes that the possibility exists for the tariff or service or provisioning to change between the time of notification and tariff filing. AT&T accepts the consequences of such "mid-stream" changes as an uncertainty of doing business and, therefore, in way would hold BellSouth responsible for any inconvenience or cost incurred. AT&T will not use the information obtained from advance notice to preempt BellSouth's marketing efforts or entry into the market.

MCI: 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)

BELLSOUTH:

Yes, in the same manner and timeframe that BellSouth provides these services to others, including end users.

STAFF: No position at this time.

ISSUE 7: 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 or MCI by BellSouth?

AT&T: The Act requires nondiscriminatory provision of service to new entrants. Absent such parity between the new entrant and BellSouth, the new entrant cannot compete effectively with BellSouth. AT&T requests the establishment of processes and standards, including Direct Measures of Quality ("DMOQs"), and Service

Assurance Warranties, to ensure that BellSouth provides services for resale, interconnection, and unbundled network elements which meet their obligations to provide nondiscriminatory levels of service.

MCI: 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)

BELLSOUTH:

BellSouth will provide the same quality for services provided to AT&T and MCI that BellSouth provides to its own customers for comparable services.

STAFF: No position at this time.

ISSUE 8 (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?

AT&T: Yes. BellSouth must brand Operator Services and Directory Assistance as requested by AT&T unless BellSouth can demonstrate to the Commission that it lacks the capability to comply with AT&T's rebranding request. AT&T believes it is technically feasible to brand operator services and directory assistance calls. In the alternative, AT&T requests that BellSouth unbrand its services.

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

BELLSOUTH:

No. Selective Routing is not technically feasible.

STAFF: No position at this time.

ISSUE 8 (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, what type of branding requirements are technically feasible or otherwise appropriate?

AT&T: AT&T requires that services made available to AT&T be branded as AT&T to ensure AT&T customers who come into contact with BellSouth personnel and agents are not confused by BellSouth branding, and also in order to permit AT&T to provide its customers with services at parity with BellSouth. Failure to brand provides BellSouth with an unfair competitive advantage. Moreover, BellSouth has the capability to comply with AT&T's branding request.

BellSouth shall provide training for all BellSouth employees and agents who may communicate with AT&T customers and utilize AT&T branded materials (AT&T provided) where appropriate.

MCI: 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)

BELLSOUTH:

BellSouth service technicians will advise customers that they are providing service on behalf of the specific ALEC. They will provide generic access cards with the appropriate provider's name.

STAFF: No position at this time.

ISSUE 9: 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?

AT&T: Yes. BellSouth should be required to route Operator Services, Directory Assistance and Repair calls from AT&T local customers to AT&T's platforms. Such customized routing is technically feasible. PacTel, SNET and GTE have agreed that it is technically feasible to provide such routing.

MCI: 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)

BELLSOUTH:

No, selective routing to multiple provider platforms using the same dialed digits is not technically feasible. BellSouth can route calls to an ALEC's requested service if the ALEC provides the appropriate unique dialing arrangements.

STAFF: No position at this time.

ISSUE 10: Do the provisions of Sections 251 and 252 apply to access to unused transmission media (e.g., dark fiber, copper coaxial cable, twisted pair)? If so, what are the appropriate rates, terms, and conditions?

AT&T: Yes. AT&T believes that unused transmission media is a network element per the FCC definition of network elements. It is technically feasible to unbundle and it should be unbundled as it is not proprietary and its unavailability would introduce unnecessary additional costs to new entrants. The provision of unused transmission media will allow AT&T to add efficiently to its own transmission capabilities.

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)

BELLSOUTH:

No. Unused transmission media is neither an unbundled network element nor a retail telecommunications service to be resold. Therefore, its provisioning is not required under the Act.

STAFF: No position at this time.

ISSUE 11: Is it appropriate for BellSouth to provide copies of engineering records that include customer specific information with regard to BellSouth poles, ducts, and conduits? How much capacity is appropriate, if any, for BellSouth to reserve with regard to its poles, ducts, and conduits?

AT&T: Yes. AT&T requires that BellSouth provide access to appropriate engineering documents upon request for access to right-of-way, while respecting BellSouth's need to redact or protect any proprietary information. Additionally, AT&T requires access to third party rights-of-way owned or controlled by BellSouth.

MCI: 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)

BELLSOUTH:

No. BellSouth will provide structure occupancy information to ALECs and will allow designated ALEC personnel to examine engineering records pertaining to such requests. It is reasonable for BellSouth to reserve five years of capacity in a given facility in advance.

STAFF: No position at this time.

ISSUE 12: How should BellSouth treat a PIC change request received from an IXC other than AT&T or MCI for an AT&T or MCI local customer?

AT&T: AT&T requires that BellSouth reject an IXC initiated "01" PIC order and create the appropriate Industry Standard "3148" code, with the Local Service Provider ID of the Reseller (AT&T's Local Service Provider ID is 7421) and send the reject to the originating IXC within one business day. If these PIC Change Orders are not rejected as outlined above, numerous problems could occur including billing inaccuracies and negative customer experiences for AT&T customers.

The Act's concept of parity requires BellSouth, as the incumbent local exchange carrier, to contact AT&T to effectuate a PIC request. AT&T therefore is entitled to be the contact point for PIC change requests by AT&T local customers. AT&T also has requested that BellSouth reject any PIC change request from another carrier and notify the carrier to submit the request to AT&T. This practice complies with the standards adopted by the National Order and Billing Forum Committee, which has developed industry standards on billing and ordering. AT&T requires BellSouth to adopt a simplified ordering process for PIC changes, which would meet the increased volume demands generated by competition under the Act. Separate identification of PIC changes by BellSouth is necessary to allow AT&T to rebill the appropriate party accurately and efficiently.

MCI: 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)

BELLSOUTH:

BellSouth plans to handle all PIC requests under the same guidelines and framework currently used to handle PIC requests for IXCs.

STAFF: No position at this time.

ISSUE 13: 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?

AT&T: Yes. The Act requires BellSouth to provide AT&T with nondiscriminatory access to systems and functions that AT&T has requested by January 1, 1997. With pre-ordering, ordering, provisioning, and billing, or to otherwise maintaining service with a customer, AT&T must have real-time and interactive access to BellSouth's systems in order to provide at least the same level of service BellSouth provides to its customers.

MCI: 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)

BELLSOUTH:

BellSouth has made available, or has under development, appropriate interfaces for each function. Ordering interfaces should be consistent with industry standards. Interfaces or enhancements not already developed will be available by April, 1997, if not sooner. BellSouth should recover the costs of these interfaces, however, costs are not finalized.

STAFF: No position at this time.

ISSUE 14(a):

Should BellSouth be required to use the CMDS process for local and intraLATA calls in the same manner as used today for interLATA calls?

AT&T:

Yes. The use of the Centralized Message Distribution System ("CMDS") for intraLATA collect, third party and calling card calls would provide a uniform system that simplifies the billing process. The telecommunications industry currently uses the CMDS process to determine applicable rates and appropriate compensation for collect, third party and calling card interLATA calls. The originating and terminating carriers for the three types of calls may disagree over rates and compensation in the absence of a uniform system. AT&T's request that BellSouth use CMDS for intraLATA calls provides a uniform system that would prevent such potential disputes.

MCI:

Yes. (Martinez)

BELLSOUTH:

No, CMDS does not perform this type of function and no uniform system of rating of calls for LECs, independent companies and other providers exists for all nine BellSouth states.

STAFF:

No position at this time.

ISSUE 14(b):

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

AT&T:

Calls to Information Service providers must be provided to AT&T in a rated format so that AT&T may bill the customer. Until such time as AT&T develops the appropriate billing capability for Information Service Provider calls, AT&T requests BellSouth to continue billing the end user.

MCI:

MCI adopts AT&T's position.

BELLSOUTH:

None. This issue is not appropriate for an arbitration proceeding. In the alternative, ALECs should negotiate their own contracts with information service providers.

STAFF: No position at this time.

ISSUE 15: What billing system and what format should be used to render bills to AT&T or MCI for services and elements purchased from BellSouth?

AT&T: AT&T requires BellSouth to render Local/IntraLATA bills by utilizing the existing billing systems (CABS) in the standard format (SABR). This is the system that is currently in place for Specials and Switched billing and is the standard being sought nationally.

As an interim process, AT&T will accept CRIS as long as BellSouth can deliver the same information AT&T could obtain using the existing billing systems (CABS) via DIRECT:Connect. Initially (for the first few months), AT&T may not be able to accept the CRIS Detail bill via DIRECT:Connect and will accept a CRIS Detail bill in paper format until the translator for non-standard billing is in place. Implementation via DIRECT: Connect in AT&T's systems is scheduled for delivery with the December bill.

AT&T requires from BellSouth a date for the discontinuance of CRIS and the implementation of CABS. AT&T has proposed that this date be within one year of Agreement execution or when billing standards for Local Services are adopted by the Open Billing Forum, whichever is earlier.

MCI: 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)

BELLSOUTH:

BellSouth will employ those billing systems that can produce accurate and timely bills. To accomplish this, BellSouth will use both its Customer Record Information System and its Carrier Access Billing Systems.

STAFF: No position at this time.

ISSUE 16: Should BellSouth be required to provide Process and Data Quality Certification for carrier billing, data transfer, and account maintenance?

AT&T: Yes. AT&T requires BellSouth to meet the Direct Measures of Quality ("DMOQs") for connectivity billing. Such standards are currently used in the provision of Specials and Switched billing. AT&T requires such performance measurement standards to ensure meaningful control over billing quality.

MCI: Yes, but a certification program is not a substitute for providing auditable bills in the OBF CABS format. (Martinez)

BELLSOUTH:

BellSouth will provide the same quality for services provided to ALECs that it provides to its own customers and to other carriers.

STAFF: No position at this time.

ISSUE 17: 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?

AT&T: Yes. BellSouth has an obligation under the Act to provide AT&T with non-discriminatory access to its Directory Listings. If BellSouth's name and logo should appear on the directory cover, AT&T's name and logo also must appear on the cover in the same size and format as BellSouth's name and logo, and under the same terms and conditions as its publishing company, BellSouth Advertising & Directory Publishing Corporation ("BAPCO") requires of BellSouth. "BELLSOUTH" (not BAPCO) appears in very large print on the cover of all of BellSouth's

directories and notifies customers that it contains information about BellSouth customers. Without AT&T's name equally prominent on the cover, subscribers may not readily know that the directory includes listings of local subscribers of AT&T as well. Given the current monopoly status of BellSouth, the monopoly power exercised in part through publication of directories, and the purpose of the Act, BellSouth should be required to put AT&T's name and logo on directory covers. In addition, BellSouth should not be permitted to extract unreasonable commitments from AT&T as a condition for placing AT&T's name and logo on the directory cover.

MCI: 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)

BELLSOUTH:

No. The issue of customized directory covers is not subject to arbitration under Section 251 of the Act. Moreover, the appropriate contracting party is BellSouth Advertising and Publishing Company, not BellSouth Telecommunications, Inc.

STAFF: No position at this time.

UNRESOLVED ISSUES SPECIFIC TO AT&T AND BELLSOUTH:

ISSUE 18: 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?

AT&T: Yes. Interim Number Portability shall be provided by Remote Call Forwarding ("RCF"), Route Indexing, or Local Exchange Routing Guide (LERG) reassignment. In addition to providing RCF, BellSouth agrees to provide Route Indexing and LERG reassignment in every local service office. AT&T shall specify on a per telephone number basis as to which method is to be employed and BellSouth

shall provide such method to the extent technically feasible.

BELLSOUTH:

BellSouth will also provide DID capability at rates that have been negotiated with other parties and filed with this Commission.

STAFF: No position at this time.

ISSUE 19: Do the provisions of Section 251 and 252 apply to the price of exchange access? If so, what is the appropriate price for exchange access?

AT&T: Yes. Section 251(c)(2)(A) requires incumbent LECs to provide interconnection with facilities and equipment to requesting carriers for transmission and routing for telephone exchange service and exchange access. Exchange access is defined as access to telephone exchange services or facilities for the purpose of the origination or termination of telephone toll services. The pricing standards set forth in Section 252(d)(1) expressly apply to interconnection with facilities and equipment described in Section 251(c)(2)(A). Therefore exchange access and the concomitant switched access charges must be priced according to Section 251(d)(1).

The appropriate price for exchange access is the same as the price for the unbundled elements that are used to transport and terminate a long distance call. The price will vary depending on the interconnection arrangements used to terminate the call.

BELLSOUTH:

No.

STAFF: No position at this time.

***ISSUE 20:**

What are the appropriate trunking arrangements between AT&T or MCI and BellSouth for local interconnection?

AT&T: Two way trunking is necessary for efficient interconnection and reflects the interconnection capability available to BellSouth.

MCI: 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)

BELLSOUTH:

Each interconnecting party should have the right to determine the most efficient trunking arrangements for its network.

STAFF: No position at this time.

***ISSUE 21:**

What should be the compensation mechanism for the exchange of local traffic between AT&T or MCI and BellSouth?

AT&T: The Commission should order that interconnection be priced at TELRIC and that BellSouth be ordered to develop TELRIC studies as promptly as possible. Until such studies are completed, this Commission should require a bill and keep arrangement for interconnection.

MCI: 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)

BELLSOUTH:

Rates for local interconnection should be based on intrastate switched access charges, minus the Residual Interconnection Charge and the Carrier Common Line Charge.

STAFF: No position at this time.

***ISSUE 22:**

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)?

AT&T: The Act requires BellSouth to provide interconnection, unbundled network elements and wholesale services at terms and conditions that are just, reasonable and non-discriminatory. The terms and conditions proposed by AT&T in its proposed interconnection agreement are appropriate and should be adopted.

MCI: 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)

BELLSOUTH:

This issue is not subject to arbitration under Section 251 of the Act.

STAFF: No position at this time.

UNRESOLVED ISSUES SPECIFIC TO MCI AND BELLSOUTH:

****ISSUE 23:**

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?

MCI: 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)

BELLSOUTH:

The rates for RCF are established in the MCI BellSouth Partial Agreement. Issues related to the FCC's order are not subject to arbitration under the Act.

STAFF: No position at this time.

****ISSUE 24:**

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?

MCI: 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)

BELLSOUTH:

This issue arises from the FCC's Order in Docket 96-98 and should not be addressed in an arbitration proceeding between two parties.

STAFF: No position at this time.

ISSUE 25: 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)

BELLSOUTH:

The appropriate rates, terms, and conditions for physical collocation are contained in BellSouth's Handbook for Physical Collocation. The rates, terms, and conditions for virtual collocation are contained in BellSouth's Access Services tariffs.

STAFF: No position at this time.

****ISSUE 26:**

What are the appropriate rates, terms, and conditions related to the implementation of dialing parity for local traffic?

MCI: 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)

BELLSOUTH:

This is not an appropriate issue for arbitration under Section 251 of the Act. Moreover, it is more appropriate to a generic proceeding.

STAFF: No position at this time.

***ISSUE 27:**

What are the appropriate arrangements to provide MCI 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.

BELLSOUTH:

BellSouth believes this issue is resolved via contract between BAPCO and MCI.

STAFF: No position at this time.

***ISSUE 28:**

What terms and conditions should apply to the provision of local interconnection 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)

BELLSOUTH:

The appropriate terms and conditions for local interconnection are those contained in the BellSouth/MCI Partial Agreement, Exhibit II of MCI's Petition for Arbitration, and not subject to arbitration.

STAFF: No position at this time.

OTHER ISSUES FOR ALL PARTIES:

ISSUE 29: Should the agreement be approved pursuant to the Telecommunications Act of 1996?

AT&T: Yes. The arbitrated agreement should be approved pursuant to the provisions of Section 252(e).

MCI: Yes. The arbitrated agreement which is submitted by the parties at the conclusion of this proceeding should be approved pursuant to Section 252(e) of the Act.

ACSI: Yes. Since ACSI's petition was filed pursuant to Sec. 252 of the Telecommunications Act of 1996, the arbitrated agreement resulting from this proceeding should be approved pursuant to Sec. 252(e) of the Act.

BELLSOUTH:

The resolution of any negotiated issues should be approved under the standards of Section 252(e)(2)(A). The resolution of the arbitrated issues should be approved under the standards of Section 252(e)(2)(B).

STAFF: No position at this time.

ISSUE 30: What are the appropriate post-hearing procedures for submission and approval of final arbitrated agreement?

AT&T: The deadline for filing a comprehensive agreement should be 14 days from the issuance of the Order reflecting the Commission's decisions on the issues in this proceeding. If no agreement is reached, the parties should file their respective proposed contractual language for each issue that remains unresolved within 20 days after the issuance of the Order. The Commission should then adopt on an issue-by-issue basis the proposed contractual language that best reflects the determinations made in the Order.

MCI: 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 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.

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

ACSI: Since ACSI has only one issue in this docket, the parties should be able to negotiate a contract based upon the Commission's order within 20 days. If unsuccessful, or the parties earlier reach an impasse, each party should thereafter submit proposed contracts with the Commission choosing the proposed contract that best complies with its order.

BELLSOUTH:

Pursuant to Order No. PSC-96-1107-PCO-TP issued on August 29, 1996, the following constitutes BellSouth's proposal for post decision procedure. BellSouth proposes that 60 days from the date the order is issued is the appropriate length of time for the parties to submit arbitrated agreements incorporating the Commission's decision. This proposed timeframe is consistent with BellSouth's experience in negotiations. BellSouth can find no authority under the Act that allows parties to submit individual arbitration agreements from which the Commission may choose in the event the parties cannot reach agreement. BellSouth believes that such a procedure would result in a nonbinding contract because there would be no meeting of the minds between the parties involved. Because of this objection, BellSouth proposes, as an alternative, that a neutral independent third party be appointed by the Commission to assist the parties in reaching a written agreement between the individual entities and BellSouth.

STAFF: No position at this time.

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)

VII. EXHIBIT LIST

<u>WITNESS</u>	<u>PROFFERED BY</u>	<u>I.D. NO.</u>	<u>DESCRIPTION</u>
William J. Carroll	AT&T	<u>JC-1</u>	AT&T's seventeen volumes of documents filed on July 17, 1996 with AT&T's Petition for Arbitration
		<u>JC-2</u>	Inter-connection Agreement between BellSouth and AT&T
William J. Carroll	AT&T	<u>JCS-1</u>	Florida Matrix Summarizing FCC Rules by Issue
William J. Carroll	AT&T	<u>JCS-1</u>	Comparison Chart of BellSouth Inter-connection Prices and FCC Proxy Prices
Joseph P. Cresse	AT&T	<u>JPC-1</u>	Cresse background and qualifications.
Wayne Ellison	AT&T	<u>WE-1</u>	Florida - Unbundled Elements
		<u>WE-2</u>	Items Requiring Cost Information

Wayne Ellison	AT&T	<u>WE-3</u>	Capital Costs - Bell versus AT&T Assumptions
		<u>WE-4</u>	Adjusting BellSouth Initial Loop Study and Revised Loop Study
		<u>WE-5</u>	Local Switching Usage Costs
Joseph Gillan	AT&T	<u>JPG-1</u>	Qualifica- tions, Publications and Testimony
		<u>JPG-2</u>	Relation Between Expenses and Revenues
David L. Kaserman	AT&T	<u>DLK-1</u>	Vitae
Art Lerma	AT&T	<u>AL-1</u>	Information Flow Chart
		<u>AL-2</u>	Armis Data Treatment
		<u>AL-3</u>	Identificatio n and Assignment Factors
		<u>AL-4</u>	Avoided Cost Study
		<u>AL-5</u>	Bellsouth Chart, "1995 Regulated BellSouth Telecommunica tions - Florida Financial"

Art Lerma	AT&T	<u>AL-6</u>	Florida Comparison Chart
		<u>AL-7</u>	Avoided Cost Analysis
		<u>AL-1</u>	Worksheet, "State of Florida, The At&T Simplified cost Study"
		<u>AL-2</u>	Workpapers, Calculation of Return on Avoided General Support and Operator System Investment
James L. Tamplin, Jr.	AT&T	<u>JAT-1</u>	Network Schematic
		<u>JAT-2</u>	Unbundled Network Elements
		<u>JATR-1</u>	
Don Price	MCI	<u>Pet. Ex-1</u>	Letter to BellSouth requesting negotiations
		<u>Pet. Ex-2</u>	Interim Agreement between MCImetro and BellSouth
		<u>Pet. Ex-3</u>	Annotated Term Sheet
		<u>Pet. Ex-4</u>	Term Sheet Items

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Don Price	MCI	<u> </u>	Resume
		DGP-1	
		<u> </u>	Wholesale
		DGP-2	Services Prices and Provisioning White Paper
		<u> </u>	Wholesale
		DGP-3	Pricing Discount Model
		<u> </u>	Requirements
		DGP-4	for Long Term Local Number Portability
		<u> </u>	BellSouth-
		DGP-5	Florida Avoided Cost 1995
Ron Martinez	MCI	<u> </u>	MCI metro/ILEC
		RM-1	Inter- connection Agreement -- 1996
Don Wood	MCI	<u> </u>	Resume
		DJW-1	
		<u> </u>	Florida Model
		DJW-2	Inputs
		<u> </u>	Hatfield
		DJW-3	Model Results
		<u> </u>	Model
		DJW-4	Description - - Hatfield Model Version 2.2, Release 2
Dr. Nina Cornell	MCI	<u> </u>	Resume
		NWC-1	

Dr. Marvin H. Kahn	ACSI	<u>MHK-1</u>	Hatfield Default Proxies by Density Zone including Statewide Average - Florida
Richard Robertson	ACSI	<u>RR-1</u>	Chart of Bundled Network Services and Unbundled Basic Network Elements
A. J. Varner (AT&T Direct)	BellSouth	<u>AJV-1</u>	Part 51 - Inter- connection
Robert C. Scheye (AT&T Direct)	BellSouth	<u>RCS-1</u>	Agreement Between BST and AT&T Corporation
(AT&T Direct)	BellSouth	<u>RCS-2</u>	Price List for Unbundled Service Elements
(AT&T Rebuttal)	BellSouth	<u>RCS-3</u>	Comparison of Resale Proposals
(AT&T Rebuttal)	BellSouth	<u>RCS-4</u>	Local Inter- connection, Unbundled Services and New Services Proposed Rates
(AT&T Rebuttal)	BellSouth	<u>RCS-5</u>	BellSouth Negotiations Handbook for Collocation

Robert C. Scheye (MCI Direct)	BellSouth	<u> </u> RCS-1	BellSouth's Modified Version of MCI's Exhibit 4 Term Sheet Items
Robert C. Scheye (ACSI Direct)	BellSouth	<u> </u> RCS-1	Comments of BellSouth in FCC Docket 96-45 dated August 9, 1996
(ACSI Direct)	BellSouth	<u> </u> RCS-2	Comparison of cost to BellSouth and ACSI proposed prices (proprietary)
D. Daonne Caldwell (AT&T Direct)	BellSouth	<u> </u> DDC-1	Illustrative Example for Unbundled Loops
(AT&T Direct)	BellSouth	<u> </u> DDC-2	Unbundled 2- wire Analog Voice Grade Loop Cost Development Procedures
(AT&T Direct)	BellSouth	<u> </u> DDC-3	General Flow Diagram for Developing Nonrecurring Costs
(AT&T Direct)	BellSouth	<u> </u> DDC-4	Drawings of Various Types of Ports
(AT&T Direct)	BellSouth	<u> </u> DDC-5	Illustrative Local Exchange Network

D. Daonne Caldwell (AT&T Direct)	BellSouth	<u>DDC-6</u>	Loop Channeliza- tion System and Central Office Channel Interface
(AT&T Direct)	BellSouth	<u>DDC-7</u>	Florida Cost Study for Unbundled Loops (proprietary)
(AT&T Direct)	BellSouth	<u>DDC-8</u>	Florida Cost Study for 4- wire DS1 Digital Grade Loop (proprietary)
(AT&T Direct)	BellSouth	<u>DDC-9</u>	Florida Cost Study for Unbundled Exchange Ports (proprietary)
(AT&T Direct)	BellSouth	<u>DDC-10</u>	Florida Cost Study for Unbundled Loop Channeliza- tion System and Central Office Interface (proprietary)
(AT&T Direct)	BellSouth	<u>DDC-11</u>	Florida Cost Study Special Access Voice Grade Service (proprietary)

D. Daonne Caldwell (AT&T Direct)	BellSouth	<u>DDC-12</u>	Florida Cost Study for Operator Provided and Fully Automated Call Handling Service (proprietary)
(AT&T Direct)	BellSouth	<u>DDC-13</u>	Florida Cost Study for Verification and Emergency Interrupt Service (proprietary)
(AT&T Direct)	BellSouth	<u>DDC-14</u>	Florida Cost Study for Directory Assistance Access Service (proprietary)
(AT&T Direct)	BellSouth	<u>DDC-15</u>	Florida Cost Study for Directory Assistance Database Service (proprietary)
(AT&T Direct)	BellSouth	<u>DDC-16</u>	Florida Cost Study for Direct Access to Directory Assistance Service (proprietary)
(AT&T Direct)	BellSouth	<u>DDC-17</u>	Florida Cost Study for DACC Access Service (proprietary)

D. Daonne Caldwell (AT&T Direct)	BellSouth	<u>DDC-18</u>	Florida Cost Study for Directory Transport (proprietary)
(AT&T Direct)	BellSouth	<u>DDC-19</u>	Florida Cost Study for Number Services Intercept Access Service (proprietary)
(AT&T Direct)	BellSouth	<u>DDC-20</u>	Florida Cost Study for CCS7 Signaling Transport Service (proprietary)
(AT&T Direct)	BellSouth	<u>DDC-21</u>	Florida Cost Study for 800 Access Ten Digit Screening Service
D. Daonne Caldwell (ACSI Direct)	BellSouth	<u>DDC-1</u>	Illustrative Example for Unbundled Loops
(ACSI Direct)	BellSouth	<u>DDC-2</u>	Unbundled 2- wire Analog Voice Grade Loop Cost Development Procedures
(ACSI Direct)	BellSouth	<u>DDC-3</u>	General Flow Diagram for Developing Nonrecurring Costs

D. Daonne Caldwell (ACSI Direct)	BellSouth	<u>DDC-4</u>	Loop Channeliza- tion System and Central Office Channel Interface
Walter S. Reid (AT&T Direct)	BellSouth	<u>WSR-1</u>	Florida Resale Study
(AT&T Direct)	BellSouth	<u>WSR-2</u>	Avoided Cost Discount
(AT&T Supp.)	BellSouth	<u>WSR-3</u>	Model Basic Equation Calculation based on criteria in FCC's Report and Order released on August 8, 1996
Walter S. Reid (MCI Direct)	BellSouth	<u>WSR-1</u>	Florida Resale Study
(MCI Direct)	BellSouth	<u>WSR-2</u>	Avoided Cost Discount
(MCI Direct)	BellSouth	<u>WSR-3</u>	Model Basic Equation Calculation based on criteria in FCC's Report and Order released on August 8, 1996
(MCI Rebuttal)	BellSouth	<u>WSR-4</u>	Florida Analysis of MCI Model
(MCI Rebuttal)	BellSouth	<u>WSR-5</u>	Florida Analysis of MCI Model

Gloria Calhoun (AT&T Direct)	BellSouth	<u>GC-1</u>	Timeline and Costs
(AT&T Direct)	BellSouth	<u>GC-2</u>	Sample Local Service Request Depicting "Switch As Is"
(AT&T Direct)	BellSouth	<u>GC-3</u>	Comparison of Access and Resale Electronic Order Communica- tions Process
(AT&T Direct)	BellSouth	<u>GC-4</u>	Pre-Ordering Interface for Resellers
(AT&T Direct)	BellSouth	<u>GC-5</u>	Comparison of Access and Resale Processes for Electronic Trouble Reporting
Gloria Calhoun (MCI Rebuttal)	BellSouth	<u>GC-1</u>	BellSouth May 28, 1996, Report filed in response to Order No. PSC-96-0444- FOF-TP in Docket No. 950984-TP
W. Keith Milner (AT&T Direct)	BellSouth	<u>WKM-1</u>	High level view of loop architecture with individual loop elements

W. Keith Milner (AT&T Direct)	BellSouth	<u>WKM-2</u>	Functional schematic of Network Interface Device
(AT&T Direct)	BellSouth	<u>WKM-3</u>	Pertinent section of National Electrical Code relating to grounding of Network Interface Device
(AT&T Direct)	BellSouth	<u>WKM-4</u>	Loop composition relative to Network Interface Device
(AT&T Direct)	BellSouth	<u>WKM-5</u>	Loop Composition relative to Distribution Media
(AT&T Direct)	BellSouth	<u>WKM-6</u>	Loop Composition relative to Concentrator/ Multiplexer
(AT&T Direct)	BellSouth	<u>WKM-7</u>	Loop Composition relative to Contiguous Loop
(AT&T Direct)	BellSouth	<u>WKM-8</u>	Loop composition relative to Integrated Digital Loop Carrier "hair pin" configuration

W. Keith Milner (AT&T Direct)	BellSouth	<u>WKM-9</u>	Loop composition relative to Loop Feeder
(AT&T Direct)	BellSouth	<u>WKM-10</u>	Loop composition in typical special access Feeder circuit
(AT&T Direct)	BellSouth	<u>WKM-11</u>	Letters from Lucent Technologies and Nortel regarding existing capabilities of their respective switching products relative to selective routing
		<u>WKM-12</u>	Table showing Line Class Code (LCC) capacities in the various switch types used in BellSouth's network in Florida
		<u>WKM-13</u>	Table showing the results of BellSouth's study of LCC consumption as a result of selective routing

Anthony V. Pecoraro (AT&T Rebuttal)	BellSouth	<u>AVP-1</u>	Call Translation Blocks
(AT&T Rebuttal)	BellSouth	<u>AVP-2</u>	Terms used in Translation Table Descriptions
(AT&T Rebuttal)	BellSouth	<u>AVP-3</u>	Translations Table Association Chart
Anthony V. Pecoraro (MCI Direct)	BellSouth	<u>AVP-1</u>	Call Translation Blocks
(MCI Direct)	BellSouth	<u>AVP-2</u>	Terms used in Translation Table Descriptions
(MCI Direct)	BellSouth	<u>AVP-3</u>	Translations Table Association Chart
William V. Atherton (AT&T Direct)	BellSouth	<u>WVA-1</u>	Interoffice Inter- connection
(MCI Direct)		<u>WVA-1</u>	Interoffice Inter- connection
(MCI Direct)		<u>WVA-2</u>	Interoffice Inter- connection

Parties and Staff reserve the right to identify additional exhibits for the purpose of cross-examination.

VIII. PROPOSED STIPULATIONS

There are no proposed stipulations at this time.

IX. PENDING MOTIONS

There are no pending motions at this time.

X. RULINGS

1. There is a five-minute limit for each witness' summary of his or her testimony, and there will not be any accumulation of time from one witness to another witness. The parties may request an extension of time, if necessary, from the Chairman at the time the witness is presented.
2. Because of the time limitations, there will be no opening statements by the parties.
3. For purposes of the hearing, cross-examination of the witnesses' direct and rebuttal testimony is combined. Cross-examination should be limited as required in the Orders on Consolidation. Cross-examination on common issues will be limited to differences in positions on those issues. To the extent that there is commonality of positions and cross-examination is used to reinforce that commonality of position, those questions may be subject to objection.
4. BellSouth indicated that it may file Total Element Long Run Incremental Cost Studies prior to the hearing. If those studies are filed with the Commission no later than Friday, October 4, 1996, and served upon the parties, then they may be used for this proceeding. BellSouth agrees to produce Ms. Caldwell for another deposition on the TELRIC loop studies. There may be some latitude at the hearing for the parties' cost witnesses to respond to BellSouth's TELRIC studies.
5. Post hearing procedures have been modified as set forth in Section II of this Order.
6. The following motions have been resolved and withdrawn by the parties:
 - a) BellSouth's Motion to Compel Answers to Its First Set of Interrogatories, filed on August 30, 1996, and supplemented on September 10, 1996;
 - b) ACSI's Motion to Shorten Time for BellSouth's Response to ACSI's Second Request for Production of Documents, filed on September 17, 1996;

- c) ACSI's Motion to Compel BellSouth Answers to ACSI's First Request for Production of Documents, filed on September 19, 1996;
 - d) ACSI's Motion to Compel BellSouth's Answers to ACSI's First Set of Interrogatories filed, on September 19, 1996; and
 - e) AT&T's Motion to Compel Answers by BellSouth Telecommunications, Inc. to AT&T's First Set of Interrogatories and Requests for Production of Documents, filed on September 26, 1996.
7. At an informal conference on September 9, 1996, BellSouth Telecommunications, Inc. (BellSouth), and MCI Telecommunications Corporation and MCI Metro Access Transmission Services, Inc. (MCI) were asked to submit letter briefs setting out their respective positions concerning the right of MCI to arbitrate certain issues in Florida under Section 252 of the Telecommunications Act of 1996 [47 U.S.C. 252] (the Act) in light of an interconnection agreement executed by BellSouth and MCI on May 15, 1996 (agreement). That agreement was approved in Docket No. 950985-TP at this Commission's August 13, 1996, agenda conference. Both BellSouth and MCI submitted the requested letters on September 12, 1996.

BellSouth argued that resolutions of the following issues, which were included in Exhibit 5 of MCI's Petition for Arbitration, filed August 23, 1996, were reached in the agreement [the issues have been renumbered to be consistent with this Prehearing Order]:

- Issue 20: What are the appropriate trunking arrangements between MCI and BellSouth for local interconnection?
- Issue 21: What should be the compensation mechanism for the exchange of local traffic between MCI and BellSouth?
- Issue 22: 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)?

Issue 27: What are the appropriate arrangements to provide MCI nondiscriminatory access to white and yellow page directory listings?

Issue 28: What terms and conditions should apply to the provision of local interconnection by BellSouth to MCI?

[Originally identified as]

Issue 29: What are the appropriate rates, terms, and conditions for access to code assignments and other numbering resources?

BellSouth, in its prehearing statement, responded substantively to Issues 20, 21, and 27. However, its positions on Issues 22 and 28 were consistent with its present positions.

BellSouth further argued that the following additional issues are not appropriate for arbitration in light of recent FCC orders, and must be resolved before state commissions through generic proceedings:

Issue 23: 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?

Issue 24: 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?

Issue 26: What are the appropriate rates, terms and conditions related to the implementation of dialing parity for local traffic?

These issues were not addressed in the agreement. BellSouth's positions on Issues 23, 24 and 26 in its prehearing statement were consistent with its present positions. MCI argued that each of the nine disputed issues is a proper subject for arbitration in accordance with the provisions of Sections 251 and 252 of the Act.

BellSouth stated that MCI's reliance on Section II.B of the agreement is mistaken. Section II.B provides that:

Upon the execution of this Agreement by both parties, MCIIm agrees that during the period this Agreement is in effect MCIIm shall not argue for different treatment of interconnection and local number portability (and if necessary will modify existing positions) before the state commissions in the states covered by this Agreement; provided, that MCIIm shall not be precluded from maintaining any positions in Florida and Tennessee nor from maintaining in any forum that the appropriate pricing standard for transport, collocation and other network elements that may be included in this Agreement shall be according to the standards set out in Section 252 of the Telecommunications Act of 1996. Subject to the foregoing, the parties agree that nothing in this Agreement shall have the effect of preventing MCIIm from actively participating in any regulatory proceeding.

According to BellSouth, it was not the intent in Section II.B to allow for arbitration of agreed-upon issues. MCI stated that Section II.B plainly allows it to take any position on any issue, including those covered by the agreement, even if inconsistent with the agreement, where it has not reached a comprehensive negotiated agreement, and, if necessary, to seek arbitration regarding such issues in Florida.

BellSouth maintained that its negotiations were under the Act, and that, furthermore, the agreement was filed for approval, and then approved by this Commission, under Section 252 of the Act. According to MCI, negotiations were not undertaken to ensure compliance with the Act, but rather to obtain an interim framework to begin offering local services in Florida and other states where switches were planned for 1996.

As to the issues related to recent FCC orders, BellSouth observed that Docket No. 950737-TP is a generic proceeding in respect to interim number portability, and that the FCC's Order and Second Report, issued August 8, 1996, in Docket No. 96-98, requires that cost recovery for dialing parity be accomplished in the same manner as for interim number portability. MCI concurred that the cost recovery mechanism

for interim number portability and rates, terms, and conditions for dialing parity are generic issues, but argued that alone does not preclude the issues from negotiation and arbitration. MCI noted that under Section 252(i) of the Act any provisions for interim local number portability or dialing parity in an arbitrated BellSouth-MCI agreement is immediately available to any other interested party.

Further, MCI argued that BellSouth misapprehends Issue 24. According to MCI, the issue is not what access charges will be paid by the IXC, but rather the price of unbundled local switching provided to MCI. MCI noted that the price for unbundled local switching may include intrastate CCL and a portion of intrastate RIC, but that that does not make this issue an access charge issue outside the scope of the Act.

At its agenda conference on August 13, 1996, this Commission approved the interconnection agreement under the Act. The parties petitioned for approval of the agreement under Section 252 of the Act. Section 252(b)(1) of the Act authorizes parties to the negotiation to petition a state commission to arbitrate any open or unresolved issues. Thus, those issues for which the parties reached an accord in the agreement are not "open" or "unresolved" issues that the parties may now submit to this Commission for arbitration. To accede to MCI's position that, by Section II.B of the agreement, it is free to relitigate in this proceeding any items covered by the agreement would be to render the agreement meaningless, undermine thoroughly our recent approval of the agreement, and strongly discourage parties from negotiating interconnection agreements, contrary to the spirit and intent of the Act and this Commission's policy to encourage negotiated settlements.

Therefore, I find it appropriate, as prehearing officer, to order that Issues 20, 21, 22, 27 and 28, having been resolved through negotiation, shall not be litigated in Docket No. 960846-TP. However, Issues 20, 21 and 22 may be litigated in Docket No. 960833-TP. I note that MCI withdrew what had been identified as Issue 29 at the Prehearing Conference on October 3, 1996. Further, I find it appropriate to allow Issues 23, 24 and 26 to be litigated in Docket No. 960846-TP. While these are issues that are perhaps more appropriately resolved in generic proceedings, there is nothing to preclude parties to an interconnection negotiation from negotiating resolutions of them and, if unsuccessful, submitting them to this Commission to be arbitrated.


8. On September 11, 1996, BellSouth Advertising & Publishing Corporation (BAPCO) filed a Notice of Request for Clarification of Issue Preclusion, or, in the Alternative, Notice of Substantial Interest, and on October 2, 1996, Supplemental Authority for Notice of Request for Clarification of Issue Preclusion, or, in the Alternative, Notice of Substantial Interest. In these pleadings, BAPCO sought clarification of the procedural orders in Dockets Nos. 960833-TP and 960846-TP and confirmation that BAPCO is not to be bound by the Commission's rulings in these proceedings concerning directory publishing matters, i.e., Issue 17.

As Prehearing Officer, I find that BAPCO's concerns are adequately addressed by the procedural orders in these dockets, which state that only the party requesting interconnection and the incumbent local exchange company shall be parties to the arbitration proceeding, and bound, therefore, by the agreement to result. See, Order No. PSC-96-0933-PCO-TP at 2.

It is therefore,

ORDERED by Commissioner J. Terry Deason, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner J. Terry Deason, as Prehearing Officer, this 7th day of October, 1996.


J. TERRY DEASON, Commissioner and
Prehearing Officer

(S E A L)

DLC/CJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.