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September 30, 1993

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Mr. Caton:

Re: *CC Docket No. 93-162 - Local Exchange Carriers' Rates Terms and Conditions for Expanded Interconnection for Special Access*

On behalf of Pacific Bell, please find enclosed an original and six copies of its "*Rebuttal*" in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,

Enclosures

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of Local Exchange Carriers' Rates Terms and Conditions for Expanded Interconnection for Special Access	)))))))	CC Docket No. 93-162

REBUTTAL OF PACIFIC BELL

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September 30, 1993

SUMMARY

Pacific Bell submits this Rebuttal in response to the oppositions to its Direct Case filed in this proceeding. Pacific Bell demonstrated in its Direct Case that the rates, terms and conditions applicable to its provision of Special Access Expanded Interconnection Service ("EIS") are just and reasonable and consistent with the Commission's orders. As we show herein, the challenges to Pacific Bell's EIS tariff are meritless and should be rejected.

Many of the objections simply restate arguments advanced in the tariff review phase of this proceeding and ignore the extensive cost and other information submitted by Pacific Bell in its Direct Case. In particular, the oppositions fail to refute Pacific Bell's demonstration that its EIS recurring rates should be and are based on long run incremental costs. The commenting parties also fail to contradict the extensive data submitted in Pacific Bell's Direct Case showing that its non-recurring charges are cost-based.

In addition, many of the comments that are styled as challenges to Pacific Bell's Direct Case in fact amount to untimely requests for reconsideration of the Commission's orders governing EIS. These irrelevant objections should be summarily rejected.

Finally, Pacific Bell demonstrated in its Direct Case that the terms and conditions governing the manner in which EIS is provided to its customers are just and reasonable.

None of the commenting parties refuted that showing. Rather, in many cases they resort to mischaracterizations and misrepresentations of Pacific Bell's tariff provisions. The Commission should reject these tactics.

TABLE OF CONTENTS

		Page
ARGUMENT		6
A.	Pacific Bell's Direct Case Demonstrated That Its EIS Rates Are Just and Reasonable	6
	1. TRP Documentation	6
	2. Interconnector-Specific Construction	8
	3. Cost of Money	10
	4. Non-Recurring Charges	10
	5. Overheads	12
	6. Sample Price Outs	14
	7. Floor Space Charges	17
	8. Power Charges	31
	9. Cross-Connection Charges and Termination Equipment Charges	32
	10. Security Installation Function	37
B.	Pacific Bell's Rate Structure For EIS Is Reasonable	39
	1. Central Office Construction Charges	39
	2. Payment of Non-Recurring Charges	42
	3. Extraordinary Charges	43
C.	Pacific Bell's Provisions Governing the Size, Expansion and Location of Interconnection Space Are Reasonable	44
	1. Initial and Expansion Space Requirements	44
	2. Costs of Processing Additional Order	46
	3. Contiguous Expansion Space	47
D.	Dark Fiber Service	48

E. Pacific Bell's Customers Will Control The Assignment of Channels on Their Networks . . 48

F. Pacific Bell's Tariff Provisions are Reasonably Designed To Promote Efficient Use of Space 48

G. Pacific Bell's Tariff Provides EIS Customers Reasonable Notice in the Event of Termination 50

H. Pacific Bell's Tariff Properly Authorizes Termination of an EIS Customers' Service for Tariff Violations 52

I. Pacific Bell's Provisions Governing Termination In The Event of Catastrophic Loss are Reasonable 54

J. Pacific Bell's Provisions Governing Relocation of EIS Customers' Facilities are Reasonable 57

K. Pacific Bell's Insurance Provisions are Reasonable 59

L. Pacific Bell's Limitations on Liability are Reasonable 65

M. The Commission Should Permit All Existing Tariff Provisions Governing Billing for EIS to Remain in Effect 70

N. Pacific Bell's Provisions Governing the Use of Letters of Agency are Reasonable 71

O. Pacific Bell's Provisions Governing Inspection of EIS Customers' Space and Facilities are Reasonable 72

P. Pacific Bell's Proposed Provision Concerning the Recovery of Taxes is Reasonable 74

CONCLUSION 75

APPENDIX A

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REBUTTAL OF PACIFIC BELL

Pacific Bell submits this rebuttal in response to the oppositions to its Direct Case that were filed on September 20, 1993.[1] Pacific Bell showed in its Direct Case that the rates, terms and conditions applicable to its provision of Special Access Expanded Interconnection Service ("EIS") are just and reasonable. In particular, Pacific Bell supplied detailed cost information demonstrating that its EIS non-recurring and recurring charges are properly cost-based and designed to recover from the cost-causative customer the costs incurred because it is furnishing EIS. As we show herein, no party has refuted that showing and, accordingly, the Commission should deny each of the objections to Pacific Bell's tariff.

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[1] Pacific Bell has received oppositions to its Direct Case filed by the following parties: Teleport Communications Group Inc. ("TCG"); MFS Communications Company, Inc. ("MFS"); The Association for Local Telecommunications Services ("ALTS"); Sprint Communications Company L.P. ("Sprint"); and MCI Communications Corporation ("MCI").

The oppositions largely reprise the unsubstantiated assertions and mischaracterizations advanced by the same parties during the tariff review phase of this proceeding. These parties simply ignore the detailed cost and other supporting documentation submitted by Pacific Bell in its Direct Case.[2]

In addition, many of the objections amount to untimely requests for reconsideration of the Commission's EIS orders.[3] Many of TCG's objections are based on its continued insistence that it has the right to lease central office space and use it for any purpose, unless space in the office has been exhausted and another EIS customer is prepared to take over the space. The Commission's EIS regulations, however, specify that expanded interconnection provides space in a central office solely for the purpose of housing interconnector transmission equipment used to interconnect with exchange carrier special

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[2] Pacific Bell's Direct Case, including extensive Appendices, approached 1,000 pages. It is unfortunate most commentors have ignored the partitioned functions and resulting data which, per FCC design, made review more "apples to apples." Instead, they continue to respond to FCC issues or TRP cost functions with respect to bundled tariff rates, deliberately inflating and misrepresenting the costs under discussion (comparing "apples to oranges").

[3] See In the Matter of Expanded Interconnection with Local Telephone Company Facilities, Report and Order and Notice of Proposed Rulemaking, 7 FCC Rcd. 7369 (1992) ("Expanded Interconnection Order"), recon., 8 FCC Rcd. 127 (1992) ("Modification Order"), Pets. for Recon. Pending, Appeal Pending Sub Nom., Bell Atlantic v. FCC, No. 92-1619 (D.C.Cir., filed Nov. 25, 1992). For example, MCI (at 3) contends that "more structure should have been imposed on the LEC EIS tariff offerings."

access services.[4] Such complaints by TCG and others are irrelevant to the issue before the Commission in this tariff investigation: whether Pacific Bell's tariff provisions governing EIS comply with the rules that the Commission adopted.[5]

Finally, some of the parties filing oppositions, particularly ALTS, resort to the tactic of identifying only a few selected carriers as having an alleged problem and then broadly asserting that their objection applies to all exchange carriers. The Commission should summarily reject this obvious ploy. Such tactics cannot obscure the failure of those parties to satisfy their burden of demonstrating, on the basis of evidence specific to a particular exchange carrier, that the tariff provision at issue is unjust or unreasonable.

Before addressing specific allegations raised in the oppositions, three general lines of argument that are advanced, implicitly or explicitly, by certain parties require brief discussion. First, some parties generally criticize the direct cases on the grounds that they include information and explanations presented previously.[6] Contrary to the

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[4] ALTS similarly claims that "the issue in this investigation is whether the LECs' collocation tariffs will fulfill the Commission's Expanded Interconnection policy." ALTS at 3. The Commission's tariffing requirements were designed to carry out the Commission's "policy." They are already embodied in its Expanded Interconnection Order and are not subject to reconsideration in this proceeding.

[5] See Order Designating Issues for Investigation (DA 93-951), CC Dkt. No. 93-162, Para. 1 (July 23, 1993)("Designation Order").

[6] See e.g. TCG at B-3.

allegations of these parties, Pacific Bell's Direct Case provided data required by the Designation Order, including both information submitted previously as well as additional cost and other information. The information originally provided in support of Pacific Bell's Transmittal No. 1613 remains relevant since it formed the basis for the development of its EIS rates, terms and conditions and is essential to the establishment of a complete record in this proceeding. Further, the Commission nowhere indicated that such information could not be resubmitted and supplemented in this proceeding.

Second, some parties erroneously speculate that all exchange carriers will engage in practices that are intended to harass EIS customers and hamper their competitiveness. These parties do not (and cannot) cite a single example of such conduct by Pacific Bell. More fundamentally, these baseless claims ignore the fact that both EIS customers and their end user customers are and will continue to be important customers of Pacific Bell. Any actions by Pacific Bell that undermined the service of EIS customers would adversely affect the mutual end user customers of Pacific Bell and EIS customers. This would harm Pacific Bell's reputation with customers that have increasing alternatives to the use of the local exchange network. Moreover, the availability of the Commission's complaint procedure is an effective deterrent to harassment tactics.

Finally, several parties essentially ask the Commission to ignore the extensive cost and other information presented by Pacific Bell and other exchange carriers in their direct cases.[7] These parties contend that the Commission should unilaterally prescribe "appropriate expanded interconnection terms, conditions, and rates."[8] For these parties, "appropriate" terms would be those that would require all exchange carriers to offer EIS at uniform rates that would bear no relation to the underlying cost of service, and on uniform terms and conditions that would bear no relation to the particular service environment and facilities of the exchange carriers.

For example, as discussed below, TCG recommends that the Commission prescribe a charge of $531 for construction provisioning, because that happens to be the lowest rate tariffed by an exchange carrier for that function.[9] TCG's request ignores the fact that Pacific Bell (and other carriers) perform a variety of different tasks as part of construction provisioning that are not furnished under that function by the carrier tariffing that low rate. Further, TCG's request ignores the detailed cost information submitted by Pacific Bell in its Direct Case to substantiate its charges for construction provisioning.

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[7] TCG at 3; MFS at 1-2; ALTS at 33.

[8] TCG at 3.

[9] TCG at A-4.

Simply stated, it would be arbitrary, capricious and, therefore, unlawful for the Commission to accede to the demands of parties seeking the prescription of uniform rates and terms for the offering of EIS by all exchange carriers. The record information submitted by Pacific Bell and other exchange carriers demonstrates beyond serious debate that the costs of providing EIS differ significantly among carriers and those differences properly should be reflected in each carrier's EIS rates. The prescription of uniform rates for all exchange carriers when their costs are significantly different would necessarily produce economically inefficient rates that would artificially stimulate or suppress demand for EIS and produce a misallocation of resources, as well as a misallocation of cost to other ratepayers. Such a result, which TCG, in effect, recommends, is flatly inconsistent with the Commission's statutory goal of efficiency.

ARGUMENT[10]

A. Pacific Bell's Direct Case Demonstrated That Its EIS Rates Are Just and Reasonable

1. TRP Documentation

ALTS erroneously alleges that Pacific Bell did not comply with the Commission's cost documentation requirements with respect to administrative expenses. Specifically, ALTS contends that Pacific Bell "used percentage factors to assign this claimed expense to investment," whereas the Designation

[10] To facilitate the Commission's review, Pacific Bell has addressed the issues in this Rebuttal in the same sequence as set forth in the Designation Order.

Order directed LECs to "define the actual administrative costs caused by the various collocation functions."[11] ALTS does not cite any relevant section of the Designation Order purportedly containing this requirement. In addition, ALTS uses selective quotes from Pacific Bell's Direct Case in an effort to show that "costs unrelated to collocation have been included" in Pacific Bell's rates.[12]

The Designation Order, contrary to ALTS's unsubstantiated claim, does not "require" exchange carriers "to define the actual administrative costs caused by the various collocation functions." Rather, the Order required that "any cost factors . . . should be fully explained and justified." Pacific Bell complied with this requirement in its Direct Case, pages 18-22 and Appendix Q.

ALTS's allegation that Pacific Bell used these factors to assign expenses to investment is entirely false. Pacific Bell's administrative and overhead cost factors are used <u>only</u> to generate recurring cost by applying to investment amounts a ratio of recurring cost to investment. Investment itself is not adjusted or impacted in any way by the cost factors.

ALTS's charge that Pacific Bell included costs unrelated to collocation is also false. In fact, ALTS's quote from Pacific Bell's Direct Case regarding advertising costs is taken entirely out of context in an obvious attempt to mislead

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[11] ALTS at 10.

[12] ALTS at 10.

the Commission. A review of the complete text of the passage cited by ALTS shows that Pacific Bell expressly stated that such costs were not assigned to collocators:

> The administration factor is developed for a group of like products but is not specific to any one product. The aggregate factor for the Special Access group of products (2.87% of investment) was applied in the collocation cost analysis to reasonably identify overall direct administrative costs such as product management, real estate management, cost analysis, regulatory support, building janitorial services., etc.
>
> The fact that the administration factor is not specific to any single product is especially true at the account level. No inferences should be made from the account level detail as to the type of costs that are identified for any particular product. For example, the detail on the following page shows a small proportion of advertising included in the Special Access administration factor. As a result, the TRPs for recurring collocation functions will show dollar amounts on the advertising line. However, no advertising costs will be incurred for collocation, and no inference should be made that advertising costs were erroneously or improperly identified and added in as a collocation cost.

Direct Case, App. Q, at Q.1. (emphasis added).

2. Interconnector-Specific Construction

TCG contends that Pacific Bell's non-recurring charge of $16,000 for cage construction is excessive.[13] TCG does not attempt to substantiate this allegation by identifying the specific elements of Pacific Bell's charge

[13] TCG misquotes Pacific Bell's interconnector-specific construction function charge, apparently by referencing a tariff rate element which includes other TRP functions. Pacific Bell's actual interconnector-specific construction function charge is $12,993 (App. E, at E.6, line 20).

that it claims are overstated or by submitting an itemized cost estimate of its own. Rather, its contention rests solely on its unsupported statement that based on discussions with unnamed subcontractors, TCG has determined that "a cage that fits the requirements for expanded interconnection can be constructed for about $1,000."[14]

TCG has offered no credible evidence to substantiate its bare allegations. Indeed, according to Pacific Bell's current information, the costs of cage materials and construction alone exceed $1,000.[15] Pacific Bell's interconnector specific construction function charge recovers not only the labor and material costs of constructing the cage itself, but also other costs that are incurred in connection with providing this facility, such as ironwork, cable racking, lighting and other items. (A complete list of items and individual costs was included in the Direct Case, Appendix E, at E.6.)

Sprint erroneously assumes Pacific Bell is projecting a demand of two and will always build two spaces.[16] Pacific Bell is doing neither. Pacific Bell correctly recognized that certain economies will be achieved in constructing a second space (e.g., shared wall, shared

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[14] TCG at A-5.

[15] Pacific Bell's interconnector-specific construction includes material and installation costs of $2,169 for the cage. Pacific Bell chose cage vendors that: 1) offered reasonable pricing; 2) had experience in building cages; and 3) could supply the number of cages required to meet current and future demand.

[16] Sprint App. A, at 3.

ironwork, prewired electrical) Rather than over-recovering its cost if it constructs a second space, Pacific Bell has spread the economies across both spaces to derive a standard per space construction rate. Pacific Bell is accepting the comparatively minor risk of failure to recover cost if a second space is never ordered.

3. Cost of Money

Certain parties object to cost of money factors reported in the direct cases, claiming that some carriers used excessive amounts and that the factors varied unreasonably among LECs.[17] None of these parties, however, objected to Pacific Bell's cost of money factor. Pacific Bell used the FCC-authorized cost of money of 11.25% in all of its recurring cost calculations. Pacific Bell also explained in its Direct Case (at 22) why the percentage cost of money factors reported on its TRPs do not equal 11.25% and why these factors vary by function. The commentors have not challenged Pacific Bell's explanations for the variances.

4. Non-Recurring Charges

TCG objects to Pacific Bell's non-recurring illustrative charge of $3,070.39 for construction provisioning[18] on the flamboyant grounds that it reflects the cost of "a small army of sales, marketing, real estate, and

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[17] TCG at A-6; MCI at 9-10; MFS at 2.

[18] Although TCG refers to this figure as a "filed" rate, it is, in fact, a partitioned "illustrative" charge.

engineering professionals" for processing a service order.[19] TCG proposes that the Commission limit the construction provisioning charge to $531, which is the rate tariffed by Ameritech.[20] According to Ameritech's direct case (at 4), however, its rate for the construction provisioning function is low because that rate recovers only service order processing costs and "the cost of identifying where walls, doors, locks and keys are required."

Pacific Bell clearly identified in its Direct Case the tasks required for the construction provisioning function as defined by the Commission (Direct Case, at 28-29, App. D, at D.3). These tasks include not only service order processing, but also a variety of other functions that are essential in designing the collocation space to meet a customer's requirements, including equipment evaluation, customer meeting, space assignment, environmental review and customer walkthrough. Arbitrarily limiting the charge for construction provisioning to the level suggested by TCG would necessarily require the elimination of such tasks and, in Pacific Bell's view, result in an unacceptable and unprofessional provisioning service, not to mention a poorly provisioned expanded interconnection product.[21] Pacific

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[19] TCG at A-4.

[20] TCG at A-4.

[21] It is ironic that TCG objects to proper provisioning on Pacific Bell's part, while protesting possible frequent relocation, which would be the unfortunate outcome of inadequate pre-planning for space availability and use as part of the provisioning process.

Bell's charge of $3,070 (construction provisioning function, App. D, at D.3) has been fully explained by the tasks associated with its construction provisioning process and the time required to complete those tasks. The Commission should reject TCG's baseless challenge to Pacific Bell's construction provisioning charge.

With regard to Pacific Bell's cross-connection provisioning function, TCG incorrectly asserts that Pacific Bell utilizes "six different work groups to provision a single DS1 or DS3 cross-connect order, at a total cost of $179.20."[22] As Pacific Bell's Direct Case clearly documents (App. J, at J.2 and J.4), only three work groups are involved. Although six different work functions are involved, total provisioning time is a very reasonable 2.5 hours, which TCG does not criticize.

5. Overheads

ALTS generally attacks the LECs' collocation rates on the grounds that they are based on excessive overhead loadings.[23] ALTS asserts that "Pacific supports its volume and term discounts by calculating an average variable cost, rather than FDC, using cost factors that plainly do not

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[22] TCG at A-5. One might mistakenly infer from TCG's argument that Pacific Bell's cross-connect provisioning costs include depreciation, cost of money, and income taxes, which is not the case. The costs are strictly labor-related.

[23] ALTS at 16-21.

attempt to allocate total revenue requirements."[24] ALTS further asserts that "LECs must demonstrate that their collocation rates involve cost principles and overhead loadings that are fully consistent with, and no less favorable to the LECs than the overhead loadings used by the LECs for their discounted services."[25]

ALTS's characterization of Pacific Bell's use of average variable cost ("AVC") to support volume and term discounts is misleading in that it implies that these services are priced at AVC, which is not the case. In response to a directive from the Common Carrier Bureau, Pacific Bell provided average variable costs for its discounted services.[26] The information submitted to the Bureau demonstrated that AVC on an annual basis for DS3x12 is $7,342. The Rate for DS3x12 is $9,982, yielding a rate-to-direct cost ratio of 1.35%. The rate-to-direct cost ratio for the EIS DS1 and DS3 cross-connects is 1.10%. Following are rate-to-direct cost ratios for all of Pacific Bell's EIS functions:

Entrance Facility Installation-Non-Recurring	1.19-1.21
Entrance Space Installation-Recurring	1.05-1.07
Common Construction-Recurring	1.34-1.36
Common Construction-Non-Recurring	1.03-1.11
Construction Provisioning-Non-Recurring	1.18
Interconnector-Specific Construction-Recurring	1.35
Interconnector-Specific Construction-Non Recurring	1.00
Floor Space-Recurring	1.04-1.05
Termination Equipment-Recurring	1.10

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[24] ALTS at 18.

[25] ALTS at 20.

[26] See Letter from Joanne Goddard, Pacific Telesis, to Kathleen Levitz, Acting Chief, Common Carrier Bureau, dated May 14, 1993.

DC Power Installation-Recurring	1.36
DC Power Installation-Non-Recurring	1.00
DC Power Generation-Recurring	1.09
Cross-Connection Provisioning-Non-Recurring	1.27
Cross Connection Cable/Cable Support-Recurring	1.10
Cross-Connection Equipment-Recurring	1.10
Security Installation-Recurring	1.31
Security Installation-Non-Recurring	1.00
Active Security-Non-Recurring	1.00

Clearly, the rates for Pacific Bell discounted services are farther above direct cost than are EIS rates as a whole.[27]

6. Sample Price Outs

MCI purports to show, through graphic displays in its Exhibit 1, something "dramatic" and "quizzical" in the variability of exchange carrier EIS and DS1 channel termination rates. No such dramatic conclusion in fact can be drawn from the table and chart in MCI's Exhibit 1.

Exhibit 1 displays the percentage differences between the low and high rates among LECs for EIS and channel

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[27] For all recurring functions, a constant overhead loading of 2.87% was applied to investment. The overhead loading appears to vary by function in the above numbers because it is stated in terms of direct cost. Direct cost is not a constant percentage of investment, because depreciation rates, cost of money, and maintenance factors vary by plant account. For the recurring functions of Common Construction, Interconnector-Specific Construction, DC Power Installation, and Security Installation, the overhead loading appears to be deceptively large only because direct costs exclude cost of money, income taxes, and depreciation. For these functions direct costs are comprised only of maintenance, administration, and overheads, and the overhead loading of 2.87% is applied to contributed capital as a surrogate investment. For non-recurring costs, overhead varies primarily according to how much of the cost is comprised of Pacific Bell labor. For example, Cross-Connection Provisioning is strictly Pacific Bell labor; Security Installation is strictly vendor cost (to which no overheads are added); and Common Construction is a combination of Pacific Bell labor and vendor costs.

terminations. MCI asserts, without explanation or support, that LECs should rank exactly the same in terms of their cost levels for the two different services. Because the "rate ranking" (as MCI calls it) in Exhibit 1 is not the same, MCI claims it is "telling," although MCI notably fails to explain clearly what precisely has been revealed. For example, US West's channel termination rate is the lowest of all LECs displayed (though not all LECs are included in Exhibit 1), while its EIS Price Out is the highest. This gives US West MCI's worst rate ranking. Pacific Bell's rates, though at the low end of the channel termination range of rates, are virtually at the middle of the range of EIS rates, and yet Pacific Bell is alleged to have the second worst rate ranking. So essentially what MCI's chart accomplishes is to claim that a LEC with relatively low rates for one service, and midpoint rates for another (i.e., Pacific Bell), has some sort of costing or pricing problem. Carrying this so-called analysis to an extreme, according to MCI's bar chart, if a company had exorbitantly high rates for one service (the highest of all companies compared), and exorbitantly high rates for another (again, the highest of all), its rates would not fall into question, since the bars for the two products would be the same height.

Apparently what MCI has attempted to demonstrate in its Exhibit 1 (though this is not entirely clear from MCI's discussion) is that the relationship to other LECs' rates of a single LEC's rate for one service, is different than that

relationship for another service. That, in MCI's view, supposedly proves that something is awry.

The other major problem with MCI's Exhibit 1 is that the comparisons with respect to Pacific Bell are simply not valid. MCI ignores the fact that Pacific Bell's channel termination rate is priced <u>above</u> direct cost plus overhead, unlike EIS, which is priced <u>at</u> direct cost plus overhead. In Pacific Bell's case, MCI has thus essentially compared a price with margin for one product to a cost for another; that is, MCI has engaged in the age-old invalid comparison of "apples to oranges." In addition, EIS price outs are based on parameters that vary by LEC according to differing rate structure and actual conditions in their central offices which impact cost. For example, the DC power increment varies by LEC, and so does the proration of non-recurring charges. The EIS rate displayed for Pacific Bell assumes one collocator in the central office. An assumption of multiple collocators would lower that rate and produce a different, albeit inconclusive, result for Pacific Bell on MCI's exhibit. With regard to central office parameters, cable run lengths and common construction costs may vary by carrier, all because of the specific collocation requirements of the central office in question. In short, no valid conclusions can be drawn from MCI's Exhibit 1 display of rates, because MCI has presented no analysis of the underlying basis for those rates. This is particularly true of MCI's allegation that EIS rates should have less variability than channel termination rates.

MCI's Exhibit 1 proves nothing, and that is the amount of weight the Commission should give to it in deciding this case.

7. Floor Space Charges

Several parties challenge Pacific Bell's use of long run incremental costs ("LRIC") to develop its rates for the Floor Space element. Not one of these parties, however, addresses or attempts to refute Pacific Bell's demonstration in its Direct Case (at 38-42) that "[i]ncremental cost, the added cost of producing an increment of service output, is universally recognized as the economically relevant cost for use in pricing . . . ." As we now show, the arguments advanced by opponents of incremental cost pricing are based on flawed premises and are simply designed to produce rates that are economically inefficient and unreasonably low.

The parties that attack LRIC as a basis for establishing floor space charges either fail to understand or deliberately ignore a basic principle for rate setting that this Commission has long endorsed. That principle is that customers should face charges for a service that reflect the costs caused by meeting their demand for that service. Such charges produce an economically efficient allocation of resources to serve those customers who are willing to pay the costs caused by their demand. If prices are set below the costs caused by demand for a service, resources will be inefficiently overallocated to that service. If prices are set above the costs caused by demand for a service,

inefficiency also results to the extent that customers go unserved who are not willing to pay those prices, but who would be willing to pay prices directly reflective of the cost of serving their demand.

The cost principle that is the corollary to this rate setting principle is that the costs caused by customer demand for exchange carrier access service are the costs that an exchange carrier will incur to satisfy an increment of demand in the long run, i.e., LRIC.[28] In the case of central office space, short run costs based on the existence of currently unused floor space are largely irrelevant. As demand for central office space grows, the LRIC of serving that demand is the cost of constructing new central office space. Thus, Pacific Bell has properly used the current cost of central office construction as a reasonable proxy for the LRIC of satisfying the floor space demand caused by EIS customer demand. The opponents of Pacific Bell's use of LRIC completely miss this fundamental point.

Sprint erroneously claims that Pacific Bell's LRIC standard is improper because the Commission has not required physical collocation "where there is insufficient space within the existing central office."[29] Sprint's assertion ignores the fact that when physical collocation cannot be offered due to insufficient space, exchange carriers are required to offer

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[28] See A.E.Kahn, The Economics of Regulation, Vol. 1, at 88-89 (The MIT Press 1988).

[29] Sprint App. A, at 12.

virtual collocation, which itself requires the use of central office space.[30] More fundamentally, Sprint ignores what the Commission has not said. The Commission has not said that Pacific Bell may evict collocators in order to create space in the future. When central office space nears exhaustion in the long run, due in part to demand for collocation, Pacific Bell will have to add new central office space and it is the costs of such new space on which economically efficient floor space rates must be based.

Sprint demonstrates its failure to apprehend this fundamental concept by claiming that the use of current construction costs is improper because it "necessarily assumes that all new investment is required to provide expanded interconnection service."[31] In a similar vein, MFS contends that Pacific Bell's use of current construction costs is "unreliable in establishing reasonable floor space rental charges" and "introduces totally fictional costs that the LECs have not, and will not, incur."[32] Finally, ALTS alleges that it is "unreasonable for collocation rates to be priced at the level that an interconnector would have to incur to build the same space from scratch today."[33] Each of these claims fails to recognize that interconnector demand for floor space does cause new construction costs in the long run and that it is

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[30] See Expanded Interconnection Order, 7 FCC Rcd at 7407.

[31] Sprint App. A. at 12.

[32] MFS at 8, 10.

[33] ALTS at 23.