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FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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SEP 30 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

REBUTTAL OF GTE

GTE Service Corporation and its
affiliated GTE domestic telephone
operating companies

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SUMMARY

GTE replies to the Oppositions filed to the Local Exchange Carriers' ("LECs") Direct Cases in this investigation of the expanded interconnection tariffs. GTE previously has filed detailed cost information including disaggregated unit investments and expenses for recurring and nonrecurring EIS rate elements. GTE also has provided exhibits showing rate elements partitioned and mapped to the appropriate function as required by the *EIS Designation Order*. These exhibits and supplements show that the EIS rate elements proposed are reasonable and justified.

The opposing parties claim that the LECs have failed to show that the rates are reasonable. Some parties suggest that the Commission should prescribe a uniform rate structure and rates adopting the lowest filed rates for all LECs. The Commission previously declined to impose a detailed rate structure for the LECs. The *EIS Order* permitted the LECs flexibility to tailor their EIS rate structure. Moreover, GTE has justified the rates filed based upon its investment and expenses. Because there are legitimate differences in the investment and expenses not only between LECs but between central offices of a particular LEC, mandating uniform rates would be unreasonable. GTE believes that it has properly justified the reasonableness of the rates and the rate structure proposed.

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REBUTTAL OF GTE

GTE Service Corporation ("GTE"), on behalf of its GTE affiliated Telephone Operating Companies (the "GTOCs") and the GTE System Telephone Companies (the GSTCs"), (collectively "GTE"), hereby submits this Rebuttal to Oppositions to GTE Direct Case in the above-referenced proceeding.

BACKGROUND

On August 20, 1993, GTE filed its Direct Case in response to the Common Carrier Bureau's ("Bureau") Order Designating Issues for Investigation (the "*EIS Designation Order*"), 8 FCC Rcd 4589 (1993). Oppositions to the Direct Case were filed on September 20, 1993 by Association for Local Telecommunications Services ("ALTS"), MCI Telecommunications Company ("MCI"), MFS Communications Company ("MFS"), Ohio Public Utilities Commission Staff ("OPUC"), Sprint Communications Company L.P. ("Sprint"), Teleport Communications Group ("TCG") and Teleport Denver Ltd. ("TDL").

As will be shown herein, these Oppositions while presenting broad and unsubstantiated objections to the EIS rates, terms and conditions failed to show that the proposals are unjust and unreasonable.

I. GTE's DIRECT CASE AND SUPPORTING DOCUMENTATION ARE IN COMPLIANCE WITH REQUIREMENTS OF THE *EIS DESIGNATION ORDER*.

In its Direct Case, GTE filed detailed cost information including disaggregated unit investments and expenses for recurring and nonrecurring EIS rate elements. GTE also provided exhibits showing rate elements partitioned and mapped to the appropriate function as required by the *EIS Designation Order*. These exhibits and supplements show that the EIS rate elements proposed are reasonable and justified.[1] Nonetheless, the opposing parties claim that the Local Exchange Carriers ("LECs") have failed to show that the rates are reasonable.

Many of these claims, however, are based upon broad unsupported allegations. Many object to the fact that the LECs' rates and rate structures are different, suggesting that since the rates differ, they must be unreasonable. These parties advocate prescribed, uniform rates. Such simplistic arguments ignore the legitimate differences in the investment and expenses not only between LECs but between central offices of a particular LEC. GTE has justified the rates filed based upon its investment and expenses. Specific responses to issues raised are provided as follows:

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[1] Notwithstanding this showing, ALTS accuses the LECs "with few minor exceptions" of providing confusing and incomplete data and inadequate or non-responsive explanations. ALTS (at 5-6) request that the Bureau take unprecedented punitive actions against the LECs, including imposing sanctions or delaying or restricting the LECs' zone density plans, is totally unjustified.

LEC PRICE OUTS

ALTS (at 8) claims that GTE was one of several LECs who failed to file the complete TRP information, providing data for only 10 out of the 14 categories delineated by the *EIS Designation Order*. ALTS is mistaken. GTE filed a TRP for every category for which it has costs.[2] Only two functions, Active Security Function and the Termination Equipment Function, were identified by GTE to have no associated costs. GTE also filed TRPs for all of its NRCs.

MCI (at 8) suggests that the LECs' rates for floor space, dc power and DS1 cross-connect cannot be cost-based because of the large standard deviations between the various LECs' rates. This ignores the legitimate differences between the LECs. The LECs have widely disparate cost structures. Moreover, the LECs are not recovering the same costs in each rate element. Such a comparison is not justified.

COST OF MONEY

MFS (at 2) claims many LECs employed arbitrary and insupportable cost of money factors in setting rates and that the Commission should prescribe cost of debt and equity factors. This should not apply to GTE because 11.25% rate of return was used uniformly.

OVERHEAD LOADINGS

ALTS (at 10) claims GTE provided no explanation of its DS1 and DS3 "overhead factors," merely providing a table "taken from 1992 Annual Charge Factor Studies." This is simply not true. On page 9, GTE explains how overhead factors for DS1 and DS3 were developed. Then in Appendix 10, GTE

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[2] GTE sees little purpose in filing TRPs full of zeroes.

provided detailed overhead factor calculations for many of the DS1 and DS3 services.

ALTS (at 17) claims that the LECs have failed to establish that they have used overhead loadings for EIS that do not exceed those used in the DS1 and DS3 services facing competition. GTE has made this showing in the Direct Case.[3] Lines 55 and 56 of the TRP show the overheads proposed for EIS and column E in Attachment 10 shows GTE's DS1 and DS3 overheads. The overhead factors calculated in the DS1 and DS3 studies vary from service to service and state to state. While some DS1 and DS3 overheads are higher than those used for EIS, some are lower. Nonetheless, a comparison of these exhibits shows that the EIS overheads are reasonable.

ALTS (at 20) argues that the LECs must show that their EIS overhead loadings are consistent with the overhead loadings used for LEC discounted services. Such a comparison is inappropriate because EIS does not require the same customer commitments, and does not provide the same level of risk to the LEC. Lower term and volume discounted rates are offered in return for a guaranteed term or a specified amount of volume. EIS rates are not based on such commitments. Therefore, it is appropriate for overhead loadings between these services to differ.

II. GTE's RATE STRUCTURE AND RATE CATEGORIES COMPLY WITH THE *EXPANDED INTERCONNECTION ORDER* AND ARE REASONABLE.

As stated in GTE's Direct Case, the Commission previously declined to impose a detailed rate structure for the LECs. The *EIS Order* permitted the

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[3] As stated in the Direct Case, GTE continues to dispute the relevance of overhead comparisons between competitive and noncompetitive services.

LECs flexibility to tailor their EIS rate structure. GTE believes that it has properly justified the reasonableness of the structure proposed.

BUILDING MODIFICATION

GTE has proposed that the first interconnector would be charged the full building modification charge and would be credited for one third of this amount when the next two customers interconnect within one year. ALTS (at 31) argues that rate structures which impose a heavy charge on the first interconnector (even with refund) will deter competition. GTE believes that a credit procedure such as it has proposed is absolutely necessary to assure that the LEC recovers the cost of providing EIS from the cost causer.

It is indisputable that LECs will incur costs to provide EIS that would not be incurred but for the provision of physical interconnection. Usually, in determining rates to recover these costs, the LEC will project a demand for a service. However, since EIS is a new service, GTE does not have any historical basis upon which to base a physical EIS requirement.[4] Thus, GTE cannot predict how many customers will request interconnection at each central office. Without an accurate forecast of the number of physical EIS customers in each wire center, it is difficult to develop a rate that will assure that costs would be recovered from the cost causer. Without a mechanism such as that proposed by GTE, GTE's general ratepayers may have to bear the cost of physical interconnection if less than the projected number of interconnectors actually order interconnection.

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[4] Although some customers have indicated an interest in interconnecting in certain GTE wire centers, interest alone does not guarantee the customer will actually order EIS in a particular wire center.

If the LECs are not allowed to recover a significant amount of their up-front EIS costs, they could find themselves in the position of spending a great deal of money on non-reusable assets. For GTE, the costs recovered by the Building Modification, Office Arrangement, and Engineering Fee are only incurred at the request of an EIS customer. If they use the service for a month and then leave, the investments are useless for any other service, *i.e.*, no other service provided by a LEC requires cages within wire centers and security precautions to handle non-GTE personnel in GTE buildings. Consequently GTE's position of recovering start-up costs from the first interconnector is fully justified.

TCG (at A-1) points out that some LECs capitalized recurring expenses into nonrecurring charges and that this is not a common practice. While this is not a common practice, EIS is not a common service. As stated above, due to the large amount of up-front investment required by the LECs and the lack of alternative uses, or even the need, for the equipment and modifications without EIS customers, GTE is in a position of significant risk. GTE considers it absolutely necessary to minimize this risk by attaching the cost to the cost causer.

ORDER PROCESSING AND DESIGN

ALTS (at 32) claims, without providing specific detail, that design and planning fees have not been justified and suggests that any significant charges in this area should be rejected. The Commission cannot rely on such broad and unsubstantiated accusations as justification for modifying rates and rate structures proposed by the LECs. GTE fully explained its Engineering Fee in its Direct Case (at 24-25), in the Description and Justification accompanying its

original filing (at A-6) and in GTE's Reply (at 36-37) to oppositions to the original tariff filing. GTE has provided sufficient information to justify the rates proposed.

TCG (at A-4) proposes that the Commission prescribe the rate proposed by Ameritech, $531, as the upper limit for order processing and design work. There is absolutely no justification for picking and choosing the lowest LEC rates for each function and applying this rate to all LECs. LECs do not have the same costs or cost structure. Furthermore, LECs did not include the same costs in each rate element because of the flexibility accorded in developing their rate structure. The Commission must evaluate the reasonableness of the rates filed by each carrier. GTE believes it has provided sufficient justification for the rates filed.

CAGE CONSTRUCTION

TCG (at A-5) argues that the simple construction of a basic 100 square foot cage could be constructed for around $1,000. The cage construction element, however, includes more than four walls. GTE provides a cage with an AC power outlet, lighting, and miscellaneous equipment (*i.e.* fire protection, grounding, battery connections). These items are required to make the cage usable and to meet fire and safety regulations. Thus, these costs are properly included in and recovered by the cage construction rate element.

GTE firmly believes that it is appropriate and proper to include in the EIS rates all costs incurred in providing the service. While ALTS objects to including these costs which are directly related to the provision of the service, such objections are groundless. For example, ALTS (at 24) objects that GTE has included the incremental increase in property taxes resulting from building improvements. It is reasonable to expect that building improvements related to

interconnection will lead to increased property taxes and to include these costs in the EIS rates.

SECURITY SYSTEM

ALTS (at 30) objects to GTE's security rates suggesting that GTE has included the cost of installing entirely new security monitoring and access systems. GTE's rates range from $11,000 for a simple office to $30,000 for a complex office, but these rates recover only the cost of securing the offices necessitated by the provision of physical EIS.

In developing the costs, GTE took a sample of offices and conducted an estimate on the costs of providing a separate and secure entrance for the interconnector. This cost is classified as "Building Modification". The size of the office determined whether it was "simple" (0 to 16,000 square feet), "moderate" (16,000 to 48,000), and "complex" (greater than 48,000). Fifteen offices were surveyed and costs were gathered on Card Access, Partition Walls, HVAC requirements, Installation of exterior doors, Door Hardware, and Elevator Access. The larger sized offices required additional costs to provide a secure and separate arrangement. Because the offices vary widely, the rates also vary.

TCG (at A-5) suggests that GTE is seeking to recover the cost of a security system for the purpose of allowing and tracking the interconnector's access. The security to be installed is needed to protect and to assure the integrity of other central office facilities. This security would not be necessary but for the physical interconnection. It provides no incremental value to GTE outside the requirement to provision physical EIS. The system will be installed in a wire center when a request is implemented. Therefore, the cost-causer (the interconnector) appropriately should bear the cost for this additional equipment.

FLOOR SPACE

ALTS (at 14-15) claims that the LECs are not entitled rates and terms comparable to commercial real estate because the real estate at issue is "monopoly" real estate. The Commission has recognized, however, that the LECs are entitled to receive just compensation for their property.

The Commission based its authority to require physical collocation on its Communications Act authority to regulate interstate common carrier services and to require physical interconnection between carriers. It found EIS to be a telecommunication service. As such, all regulatory principles including the right of the carrier to earn on its investment would apply equally to floor space as it would with any other service offering from the LEC. It would be unjust to require the LECs other customers to support earnings on this investment and give the interconnectors a free ride.

ALTS (at 21) claims that the justification for rates fall short of the Commission's requirements of reasonableness. GTE disagrees. GTE has provided complete justification of floor space rates in GTE's Direct Case (at 11-17). GTE has used a replacement cost method to justify its floor space rates. The replacement costs methodology accurately evaluates what it would cost to provide space within the specific wire center. Rates will necessarily vary between locations, as shown on page 16 of the Direct Case, just as housing or office rates vary throughout the country. The investment in the building and the year the investment was made significantly affect the calculation of a current replacement cost. GTE firmly believes the replacement cost methodology is the best representation of floor space costs.

ALTS (at 22) notes that GTE's replacement cost methodology yields a higher cost than the BOMA report. As explained in the Direct Case (at 15), BOMA is based upon averages within large metropolitan areas and surrounding

suburbs. These averages camouflage rates for specific locations within the larger whole which serves only to provide a general range of the rates. Replacement costs for telecommunications buildings providing HVAC, security, network protection, backup DC power and facilities to meet company, state and federal regulations for fire and safety will naturally cost more than general commercial real estate. This is not a reflection of monopoly rent, but true costs.

ALTS (at 23) claims that it is unreasonable for EIS rates to be priced at a level that the interconnector would have to incur to build the same space from scratch today. Wire center floor space is an expensive and limited commodity. Allowing for interconnection will exhaust floor space within the wire center more rapidly than originally planned. Future LEC growth will require building additions, these additions will be built from scratch. Replacement value properly reflects GTE's cost of replacing the space that the interconnector has been provided.[5]

MCI (at 8-9) wants the Commission to require the use of net book value for the pricing of floor space. The net book cost standard is too low. EIS is the only service for which the LEC is providing actual central office floor space to a customer. Consequently, the relevant cost for the LEC is the cost of replacing that floor space. When that time comes to build out, the cost to the LEC will not be net book value, it will be current replacement cost. To require the LECs to surrender wire center space at a rate significantly below the replacement cost is financially damaging to the LEC and results in a subsidy to the EIS customers.

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[5] The LEC charges for floor space cannot be judged by other interconnection arrangements, such as SNFAS, that were in effect with other customers prior to the adoption of the EIS plan. The Commission has stated these arrangements are grandfathered and all new customers or revisions to existing arrangements will be handled by the EIS tariff.

TCG (at A-5) asserts that LECs failed to provide both market and book floor space information required by the Commission. TCG is incorrect. GTE provided both market and book floor space information in Attachment 15 of its Direct Case.

MFS (at 6, 10, 13) is opposed to the various market based methodologies used by some of the LECs and supports the use of BOMA to set a base rate as reasonable. GTE believes any market approach contains flaws. The market approach does not yield a true representation of a wire center building cost and, as stated above, BOMA is not an appropriate source since it provides a general range of rates over broad market areas as opposed to evaluating specific locations. LECs should be allowed to provide floor space rates based on costs.

CROSS-CONNECT

MFS (at n. 36) claims that it is not possible to evaluate the reasonableness of the total investments numbers unless the LECs identify the assumptions concerning average length of jumper cable that connects the interconnector's equipment to the LECs' main distribution frame (MDF).

GTE's rate structure does not include the cost of the jumper cable from the interconnector's cage to the termination point because this cable is to be provided by the interconnector. GTE will provide the actual length requirements of the cable to the interconnector when the two parties meet to finalize implementation details.

DC POWER

ALTS (at 29) states that because GTE's DC power is charged on a per square foot basis that charge will sometimes exceed the floor space rental. GTE described its calculation of power charges in its Direct Case, pages 17-19, and

its calculation of floor space charges on pages 11-12. There is no cost relationship between these two elements. The floor space investment was divided by total square footage in the building to get a floor space rate per square foot. Floor space is rated per foot and ordered in increments of 100 square feet. Power was calculated based on the total cost to provision 100 amps of power to the customer's equipment. This investment was divided by 100 such that it could be ordered in conjunction (on the same scale) with floor space. The actual rates of the two elements are not correlated. Other than stating a dislike for an uncorrelated rate relationship between floor space and power charges, ALTS provides no statement or analysis to identify any errors in GTE's cost development.

III. GTE's TERMS AND CONDITIONS ARE JUST AND REASONABLE AND STRIKE A BALANCE BETWEEN INTERESTS OF THE INTERCONNECTOR AND GTE.

LIMITATION OF PRO-RATA REFUND

As stated *supra*, GTE has proposed to pro rate the building modification charge for customers interconnecting within a twelve month period. OPUC (at 10) objects to GTE's limiting the pro-rata refund for the building modification charge to twelve months. GTE limited the pro-rata adjustment to a twelve month period for administrative and record keeping reasons. A single point of contact has been established in each Area to, among other duties, maintain status of interconnectors' accounts. An annual follow-up will identify and refund if another interconnector establishes service in a wire center within the period.

OPUC's recommendations would require establishment and ongoing maintenance of a system until the third interconnector subscribes to EIS, which may never occur. There will be cases in which, after the initial interconnector

obtains EIS service, there may not be another EIS customer for several yearsif ever. Having to retain records for this period would become a significant burden on GTE and its rate payers.

Under GTE's proposal, an interconnector subscribing to EIS service after the initial year would be treated as if it were the fourth customer seeking EIS service within the initial year. GTE would have to determine if additional charges are required for the new EIS customer. Thus, after the initial year, ongoing customer records for refund purposes are not required, just a determination of additional labor requirements for installation of the new customer service. Should additional charges be applicable they will be administered on an individual case basis.

MFS (at 19) contests the rate structure proposed by Pacific Bell, which imposes all wire center preparation costs on the first interconnector, and provides pro-rata refunds if other parties receive EIS within a twelve month period. The key to this argument is "if". GTE has received very limited multiple intereconnection inquiries for its initial 109 offices identified for EIS. Only in fifteen offices have two potential interconnectors expressed any interest in interconnection and only in one office has there been any expressed interest from three interconnectors. None of the offices have received expressions of interest from four or more potential interconnectors. If the initial interconnector's rate does not cover the total cost of the necessary wire center modifications, then other customers not getting the benefits of EIS will be required to bear the cost.

GTE believes that by prorating the initial wire center conversion costs among the initial three interconnectors within the first year provides a fair, appropriate and balanced approach which does not require subsidies from other ratepayers. If only a single customer locates in a wire center then costs must be

fully recovered from that single customer. If there is sufficient demand for the service in selected locations, there will priobably be two or more participants within a few months. In this situation the first three customers will pay their proportional share of the charges. To only charge based on an across the board customer assumption (forecast) of either three or four interconnectors or any other number is not appropriate in light of the fact that there is no historical demand for this service and future demand is highly speculative.

MFS (at n.34) states that allowing a twelve month limitation will result in windfall earnings to the LEC. However, there is no opportunity for over-recovery by the LEC. The cost will be recovered from up to three interconnectors. Once this is recovered, future interconnectors would only be required to pay for any further necessary modifications. Additionally, MFS states that the LEC, by restricting the refund provision to twelve months, is potentially discriminatory because the LEC has ultimate control over the timing of EIS to ensure that subsequent interconnectors do not achieve EIS within twelve months. But, in actuality the customer controls the timing. If there is sufficient demand for EIS, the interconnectors will order service. The first interconnectors also have the benefit of being the first to collocate in the wire center. While others may wait a year simply to avoid the charges, the initial interconnectors would have received the advantages of interconnection before the other carriers. Therefore, GTE believes that it has provided sufficient justification for establishing a pro-rata refund procedure for these charges in order to adequately recover the costs of preparing the wire center for EIS.

CATASTROPHIC LOSS

ALTS (at 37), OPUC (at 10) and TCG (at B-14) assert that GTE's tariffs do not contain specific time requirements for notification to interconnectors in the

event of a catastrophic loss. As stated in the Direct Case (at 45-46), the needs of the interconnector are no greater than any other access customer. Current tariff provisions adequately provide for notification to customers in this situation. However, GTE would agree to add language which states that in the case of a catastrophic loss, where feasible, GTE would provide a preliminary estimate of replacement or repair within 30 days, and that GTE would work with the customer to determine the best alternative method of providing service until service could be completely restored.

TCG states (at B-14) that the Commission should enunciate a standard for restoration of EIS, which, at a minimum, should be the same time the LECs' other access customers are returned to service. TCG offers service guarantees and credits as "proof" of the need to address restoration of EIS services separately. GTE believes that the current provisions regarding restoring service should not be changed to provide preferential and discriminatory treatment in favor of an interconnector over other access customers.

TCG misrepresents GTE's offering of restoration guarantees and credits. This program, which provides for credit in addition to the regular time out of service credit, is evidence of the reliability of GTE's service and of GTE's determination to keep service interruptions to a minimum.[6] This program does not supersede the restoration priorities established in the Commission's Rules.

RELOCATION PROVISIONS

The relocation provisions proposed by GTE are reasonable and serve to protect the interest of all of GTE's customers. There are numerous

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[6] DS1 and DS3 Special Access Cross Connects are eligible for the same credits as other Special Access services under this program. However, the services offered in Section 17 are excluded.

circumstances which may arise, some foreseeable and some not, which may require the moving or rearrangement of LEC and CAP equipment and facilities. As stated in GTE's Direct Case (at 47), the tariff attempts to cover unforeseen situations, not to disrupt the CAPs' services. TCG (at B-16) is concerned with the potential for abuse in that EIS arrangements may be uprooted for no good reason. However, it is not in the best interest of GTE to either capriciously or maliciously disrupt these services. Nonetheless, interconnectors would have the same complaint remedies available to them as other access customers.

TCG (at B-17) also challenges the provision requiring relocations in response to state commission actions. TCG believes that a state commission should have no unilateral right to disrupt a federally mandated EIS arrangement. Nothing is being "disrupted" by this provision. Equipment is simply being relocated as may be needed to comply with Public Service law. The wire centers providing interconnection are used for both interstate and intrastate services. GTE has a responsibility to ensure that it complies with all applicable state and federal regulatory requirements. Although these involuntary moves should be infrequent, these contingencies must be addressed to avoid misunderstandings.

TCG (at B-17) requests that the LECs be obligated to conduct relocations in such a way that interconnector's customers experience no disruption of service. Naturally, GTE will make every effort to ensure continuity of service to our joint customers. However, in those rare cases where disruption must occur, GTE will work cooperatively with the CAP to minimize downtime and schedule timing to limit inconvenience to the customer.

GTE's tariff proposes that GTE "will be responsible for the direct costs associated with the removal, transport and reinstallation of the customer's equipment" [Section 17.2.2 (C)] and that GTE "will reimburse the customer for

reasonable direct costs and expenses in connection with . . . reclamation." (Section 17.2.3). Notwithstanding this tariff language, TCG (at B-17) states that it is unclear if GTE will reimburse the interconnector for its costs. It is nor clear what other costs TCG is referring to in the footnote** on B-17, since these costs were not specified. An interconnector would be responsible for its own costs such as the rerouting of their fiber optic facilities to the new wire center. Moreover, GTE will not be responsible for the interconnector's business losses due to the required move.

TCG (at B17, B18) wants the LECs to eliminate excessive mileage charges that may result from a LEC originated move of a interconnector's space. GTE firmly believes that all similarly situated customers should pay the same rates for both EIS and access facilities. No one customer should receive an advantage over the other for these services.

SELF-PROVISIONING

OPUC (at 8) suggests that interconnectors should be allowed to self-provision their EIS services to act as a market-based check on the LECs' rates. OPUC does not suggest establishing any type of qualification or expertise which would be required of contractors allowed to do this work. GTE believes that such self-provisioning could compromise the integrity of the telecommunications network. Carelessness or sloppy work by outside contractors could impair GTE services provided to other customers. For example, contractors attempting to pull cable could easily damage other cables. Adding a self-provisioning option, whether with or without qualification requirements, would add additional burdens and expense on the LECs to monitor the work. GTE's cost for some work functions, such as cable pull, have been cost-justified. GTE believes that allowing interconnectors to "shop around" for the cheapest price to perform the

work is not necessarily the most network-effective solution and could threaten the quality of service for the interconnector, GTE and other access customers.

MINIMUM/MAXIMUM SPACE

GTE had proposed a 100 square foot minimum for an interconnector's space. Additional floor space would also be available in 100 square foot increments. TCG (at B-1) agrees that 100 square foot for the initial space is generally reasonable. However, TCG argues that additional space should be made available in 20 square foot increments. GTE proposed 100 square foot increments to ensure that the available floor space would be used in the most efficient manner and believes that 20 square foot increments are too small. 100 square foot increments permits standardization of cage sizes, minimizes construction costs and simplifies floor space allocation and planning.

ADDITIONAL SPACE REQUIREMENTS

ALTS (at 34) objects that expanding space within a wire center should not be treated as a request for new service. As explained in GTE's Direct Case (at 37-38), since processing orders for either a new EIS service or an expansion will be handled in the same way, similar service request treatment is appropriate. Expansion requires the same work functions to be completed. The Engineering Fee is designed to examine space availability and to engineer and design the cage layout. The Office Arrangement fee provides for the cage construction and the provision of power which is implemented in the same manner as an original request. The Building Modification charge will not apply to an existing EIS customer expanding its wire center space requirements, as will be clarified in the GTE tariff.

TCG (at B-30) suggests that the process of identifying available floor space would be repetitious when handling an additional order. This may be true if both orders are placed at about the same time period, but this usually is not the case. Each time an order is placed, GTE must verify space availability. GTE agrees that once initial construction is completed items such as insurance, employee registrations, and equipment approval requirements have been met. However, the direct costs associated with these activities have not been included in any of GTE's EIS rates. Therefore, no rate adjustment is necessary for subsequent orders.

HVAC, Power, Cabling and Panels, for example, are still needed when expanding service and must be installed accordingly. Power, cable and electrical sub-panels costs were allocated on a square foot basis. Therefore, the expanded service will require additional charges for these items. A distinct NRC for additions, however, is unwarranted.

CONTIGUOUS SPACE INTERCONNECTIONS

TCG (at B-4) suggests that when the LEC is unable to provide contiguous space, the customer should be allowed to interconnect its facilities between cage locations at no charge. GTE does not restrict such connections. Only the interconnection between the partitioned space of different interconnectors is prohibited. While GTE does not disagree with TCG's position, one minor distinction should be noted. Currently GTE is responsible for placing the customer's cable from the cable vault to the customer's partitioned space and the customer is responsible for providing the cable. Similarly, GTE should place the cables interconnecting a customer's partitioned spaces. This will ensure the security of common racking that is supporting the facilities of other

interconnectors. GTE will charge for the interconnection on an individual case basis.

TERMINATION OF SERVICE

GTE has proposed that it can terminate service for nonpayment, protection of the network or violation of the tariff in a nondiscriminatory manner, whether the service is provided to an interconnector or other access customer. TCG (at B-11) asserts that the different termination provisions should apply to interconnectors. GTE strongly disagrees. TCG offers no sound reason why interconnectors should be treated differently than other access customers. TCG has provided no justification for special treatment and none should be given.

TCG (at B-12) seeks to restrict LECs from terminating EIS customers during the pendency of a Section 208 proceeding. TCG's only attempt at justification is the claim that incidental violations of immaterial aspects of the tariff are insufficient justification for termination. Again, GTE does not believe that EIS customers should be treated differently than other access customers. A carrier has the right to terminate service pursuant to the provisions of its tariff, but could be liable for wrongful termination if such termination was not justified. The termination tariff provisions have worked well during the ten years since the Commission's access plan was introduced and would serve well for EIS also. GTE sees no justification for treating interconnectors any differently than other access customers.

ALTS (at 36) states that a LEC should not be allowed to suspend or "evict" an interconnector in order to reclaim space unless the breach in question involved nonpayment or active interference in the ability of the LEC to provide its services. ALTS believes such reclamation should be based upon ample notification and full reimbursement of costs, and on a basis that does not disrupt

the interconnector's provision of service. As stated in GTE's Direct Case (at 47) GTE has proposed reclamation of space, upon six months notice, in order to fulfill its obligation under Public Service Law and its tariffs. GTE's tariffs also provide for payment of direct costs associated with such reclamation. In addition, GTE would agree to add tariff language to the effect that GTE would work with the customer to assure no interruption of service, at an appropriate charge for service at both locations.

INSTALLATION TIME PERIODS

TCG (at B-9) states that none of the LECs have demonstrated that the time periods required for interconnectors to begin service are reasonable. TCG fears that imposition of any time requirement would "force" the interconnector to turn up service earlier than its business needs require in order to avoid loosing the EIS arrangement. TCG proposes to resolve this problem by requiring the LECs to provide at least one year period before an interconnector is required to turn up a cross connection element. Under TCG's proposal, the one year period would not begin until the LEC has received a second EIS order, which the LEC cannot meet because of lack of space, and the first interconnector is provided notification of the beginning of the one year time.

GTE finds this "solution" to be unworkable, self-serving in favor of the first interconnector and well outside the intent of the Commission's plan for EIS. Implementation of a one year time frame simply allows the first interconnector to acquire the space and warehouse it until it determines that the customer base is sufficient to support the expense of the EIS arrangement. This is exactly the type of situation the Commission sought to prevent by stating that LECs would be allowed to include provisions to prohibit warehousing. Yet TCG (at B-7) still argues that provisions that prohibit warehousing are unnecessary and more

likely to place the interconnector's investment at risk or lead to early availability or LEC pricing flexibility. The plan TCG offers would serve only to allow an interconnector to "reserve" space in many offices where they might be able to acquire a customer base-over time. If this interconnector should order all the available space in a particular wire center he would effectively foreclose any other interconnector from competing on a physical EIS basis.[7] Also, once all the available space is taken, only virtual interconnection would be available to other customers.[8] Thus, GTE believes that six months is more than sufficient time for the interconnector to connect facilities and is well within the intent of the Commission's objectives.

INSURANCE AND LIABILITY REQUIREMENTS

ALTS, TCG and MFS assert that insurance requirements for interconnectors are excessive and unnecessary. TCG (at 20) claims that the LECs' risk is not increased due to the additions of the interconnector's equipment. This is simply incorrect. The risk is increased because the interconnectors are installing and maintaining additional facilities and access is provided to the interconnectors' agents and employees. Under the current arrangements, only GTE equipment and GTE employees and agents have access to the wire center. With the additional access provided through physical interconnection, the risks are clearly higher.

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[7] It should be noted that GTE's tariffs place no maximum space restrictions on interconnectors, theoretically allowing one interconnector to acquire all the available space in a particular wire center.

[8] GTE will not maintain a waiting list. Once the available space is occupied, GTE will file for exemption of that wire center due to lack of space.