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July 11, 1997

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FEDERAL COMMUNICATIONS COMMISSION
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BY HAND DELIVERY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: CC Docket Nos. 96-262, 94-1, and 91-213
Access Charge Reform

Dear Mr. Caton:

Enclosed for filing in the above referenced docket are the original and eleven copies of the Petition for Reconsideration of WorldCom, Inc.

Please return a date-stamped copy of the enclosed (copy provided).

Respectfully submitted,

David Sieradzki

David L. Sieradzki
Counsel for WorldCom, Inc.

DLS/rlw

Enclosures

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JUL 11 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Transport Rate Structure and Pricing	)	CC Docket No. 91-213
	)	
End User Common Line Charges	)	CC Docket No. 95-72
	)	

PETITION FOR RECONSIDERATION OF THE FIRST REPORT AND ORDER OF WORLDCOM, INC.

WORLDCOM, INC.

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Counsel for WorldCom, Inc.

Dated: July 11, 1997

SUMMARY

WorldCom, Inc. respectfully submits that the Commission should reconsider the transport rate structure and pricing rules adopted in the Order. Instead of looking forward to the future and establishing rate levels and rate structures reflecting the way transport costs are incurred, the Order moved back to the past. It set tandem switching prices based on the historical, rate-of-return based cost methodology, even though that pricing approach has been discredited for almost a decade and has not been used for carriers subject to the price cap rules. And the Order improperly re-adopted the Commission's 1982 transport rate structure rules, even though those rules do not reflect the way costs are incurred, unreasonably discriminate against tandem-switched transport customers, and create uneconomic incentives for the ILECs. Fortunately, the Commission still has the chance to correct these mistakes, and to move forward rather than backward. It should do so expeditiously.

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PETITION FOR RECONSIDERATION OF THE FIRST REPORT AND ORDER OF WORLDCOM, INC.

WorldCom, Inc., by its attorneys, submits this petition for reconsideration of the First Report and Order ("Order") in the above-captioned proceedings, FCC 96-158 (released May 16, 1997), 62 FR 31868 (published June 11, 1997), pursuant to Section 1.429 of the Commission's rules, 47 C.F.R. § 1.429.

WorldCom supports the general thrust of the Order and the use of a primarily competition-driven approach to driving access charges toward costs, with a prescriptive backstop. In particular, WorldCom strongly supports the Commission's reaffirmation that interstate access charges may not be applied to the purchase of unbundled network elements -- a critical and indispensable step in facilitating competition in local and full-service telecommunications markets. On the other hand, we have serious questions and concerns about certain decisions in

the Order, particularly those involving the transport rate structure and pricing. We discuss these concerns below.

I. THE COMMISSION SHOULD RECONSIDER THE TRANSPORT RATE STRUCTURE AND PRICING POLICIES ADOPTED IN THE ORDER.

The rate structure and pricing rules for the transport component of access charges have been hotly debated for over 15 years. In this proceeding, the Commission had the opportunity to develop new approaches to transport that would have looked forward to the twenty-first century. For example, it could have developed rules reflecting the way transport costs are incurred, consistent with the most recent knowledge about how incumbent local exchange carriers' ("ILECs"') networks are configured.

Instead of looking forward to the future, however, the Order moved back to the past. It adopted historical, rate-of-return based pricing rules, even though that pricing approach has been discredited for almost a decade. The Order re-adopted the Commission's 1982 rate structure rules, even though those rules, at best, may reflect the state of the ILECs' transport networks in the 1970s. Fortunately, the Commission still has the chance to correct the mistakes it made in the transport section of the Order, and to move forward rather than backward. It should do so expeditiously.

As an initial matter, WorldCom wishes to dispel a myth about the transport issue. Many appear to believe that smaller interexchange carriers ("IXCs") seek to retain a non-cost based subsidy -- unreasonably low, non-cost-based

tandem-switched transport rates, subsidized by an unduly high transport interconnection charge ("TIC") -- to give them an unfair advantage *vis a vis* their larger competitors. In the case of WorldCom, which is a competitive local exchange carrier as well as an IXC, nothing could be further from the truth. We strongly support cost-based rates and the elimination of cross-subsidies from the ILECs' access rate structures, which impede the development of local competition. And we have argued strenuously for the rapid elimination of the TIC, which constitutes a barrier to entry by competitive local carriers. 1/ WorldCom seeks nothing more than cost-based pricing of tandem switching -- not subsidies from ILECs or other access customers. And we seek comparable or parallel pricing of interoffice dedicated transport and interoffice common transport -- not in order to obtain some unfair advantage or non-cost based subsidy, but because both types of transport are provided in the same manner, costs are incurred in the same way for both, and thus the same cost-based rate structure should apply to both.

1/ *See, e.g.,* WorldCom Initial Comments at 59-72 (filed Jan. 29, 1997).

A. The Tandem-Switched Transport Pricing Rules Fly In The Face of the Commission's Established Cost-Based Pricing Policies.

1. The Tandem Switching Rate Should Not Be Set Based on Fully Distributed Cost.

a. The Order Unjustifiably Allocates Substantially Greater Overheads to Tandem Switching Than to Other Access Services, In Violation Of the *CompTel v. FCC* Remand.

In *CompTel v. FCC*, 2/ the D.C. Circuit held that the FCC must either price direct-trunked transport, tandem switching, and other elements based on cost-based overheads, or "must provide a reasoned explanation for its change of course" if it "determines not to pursue its announced goal of a cost-based system." 3/ But the Order neither adequately justifies the overhead assignments to different types of transport offerings nor explains the departure from cost-based pricing.

The Order will predictably lead to ILECs' recovering a dramatically higher proportion of overhead loadings from tandem switching than from any other interstate access service. The Order does not provide a reasoned justification for this non-cost-based allocation of overheads. Indeed, it concedes that its decision allocates a substantially greater amount of overheads to tandem switching than to any other transport element. 4/

2/ *Competitive Telecommunications Ass'n v. FCC*, 87 F.3d 522 (D.C. Cir. 1996) ("*CompTel v. FCC*").

3/ 87 F.3d at 533.

4/ Order, ¶ 201.

In the context of tandem switch pricing, the Order makes the incredible claim that the historical, fully distributed cost-based ratemaking methodology provided in the Commission's rules "allocate[s] overhead in a reasonable, cost-based manner." 5/ This claim is undercut by virtually everything the Commission has said about the historical, fully distributed cost-based ratemaking methodology over the past decade. 6/ Elsewhere in the Order itself, the Commission criticizes the implicit cross-subsidies inherent in current rates derived under both the price cap and cost-of-service rules. 7/ And in the *Local Competition Order*, the Commission, correctly, soundly discredited pricing based on historical, fully distributed costs as non-cost based, economically inefficient, and unreasonably favorable to the ILEC. 8/ The Order provides no basis for this apparent sudden change in the Commission's views.

5/ Order, ¶ 202; *see generally* ¶¶ 202-05.

6/ *See, e.g., Policy and Rules Concerning Rates for Dominant Carriers*, Second Report and Order, 5 FCC Rcd 6786, 6789-91 (1990). Specifically, the Commission observed that "attempts to adopt a rational basis for allocating costs between services were unsuccessful," that rate of return regulation incents "carriers [to] attribute unnecessary costs to their operations in an effort to generate more revenue," and that "rate of return does not provide sufficient incentives for broad innovations in the way firms do business." *Id.* at 6789-90, ¶¶ 23, 29, 32.

7/ *E.g.*, Order, ¶¶ 28-31.

8/ *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, First Report and Order, 11 FCC Rcd 15499, 15857-58, ¶¶ 705-06 ("*Local Competition Order*") (1996).

b. Pricing Based On Fully-Distributed Cost Violates The Commission's Well-Established Price Cap Ratemaking Policies.

The Order argues that setting tandem switching rates based on forward-looking cost would be inconsistent with the Commission's overall decision to use a market-based approach with a prescriptive backstop, rather than reinitializing access rates based on forward looking costs, and that "the first step in access reform is to make the current system as economically efficient as is possible within the limits of current ratemaking practices." 9/ The Order fails to recognize, however, that setting tandem switch prices based on historical, fully distributed costs directly contradicts the Commission's "current ratemaking practices" for ILECs subject to the price cap rules. Moreover, the Order fails to justify its economically inefficient departure from standard practice under the price cap rules.

The price cap rules provide a pricing methodology for new services which, while not strictly speaking a "long run incremental cost" test (and certainly different from the TELRIC pricing test that the Commission adopted for unbundled network elements), is roughly based on forward looking costs. Specifically, the price cap new services test provides for rates to be set based on direct costs plus a reasonable share of overhead loadings. 10/ The price cap new services test has been

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9/ Order, ¶ 199 (emphasis added).

10/ 47 C.F.R. § 61.49(g)(2) & (h); *Policy and Rules Concerning Rates for Dominant Carriers*, 5 FCC Rcd 6786, 6825 (1990), *recon. sub nom. Amendments of Part 69 of the Commission's Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture*, Report and Order, 6 FCC Rcd 4524,

[Footnote continued]

applied not only (as originally contemplated) to new services that ILECs voluntarily introduced, but also to new services that ILECs were required to introduce, such as unbundled basic serving elements ("BSEs") in the context of open network architecture and expanded interconnection -- as well as newly unbundled components of pre-existing service offerings. 11/ While the transport rate restructure was considered a "restructured" service rather than a "new" service under the price cap rules, cost-based prices for the transmission elements were developed using special access rates as a very rough surrogate for cost-based pricing. The tandem switch element, now unbundled from the equal charge rate structure, falls into the category of a newly unbundled component.

Indeed, tandem switching is the only new price cap ILEC rate element since the inception of price cap regulation that the Commission has ever established based on fully distributed cost. 12/ There is thus absolutely no basis for the Order's

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[Footnote continued]

4531 (1991) ("*Open Network Architecture Order*"), *further recon.*, 7 FCC Rcd 5235, 5236-37 (1992).

11/ *Expanded Interconnection with Local Telephone Company Facilities*, Report and Order and Notice of Proposed Rulemaking, 7 FCC Rcd 7369, 7428-30, ¶¶ 127-129 (1992); *Open Network Architecture Order*, 6 FCC Rcd at 4531. The test has also been used to govern the pricing of newly unbundled elements of existing services that ILECs have voluntarily introduced pursuant to waivers of the access rules. *Ameritech Operating Companies Petition for Waiver of Part 69 of the Commission's Rules to Establish Unbundled Rat Elements for SS7 Signalling*, Order, 11 FCC Rcd 3839, 3856-57, ¶ 40 (Com. Car. Bur. 1996).

12/ In the tariff investigation of physical collocation under expanded interconnection, the Common Carrier Bureau initially suspended the rates and

[Footnote continued]

contention that "current ratemaking methods" support setting tandem switching rates on this basis. And the Order provides no justification for its departure from established policy.

2. Use of Historical Minutes of Use to Derive Common Transport Transmission Rates Violates Price Cap Policies and Creates Incentives for Inefficiency.

The Order requires ILECs to derive rates for the transmission component of tandem-switched transport from dedicated transport rates using the actual number of minutes of use on tandem-to-end office circuits, rather than assuming a circuit loading of 9000 minutes of use per month per voice grade circuit, as under the interim structure. This calculation is to be made annually based on the prior year's minutes of use per circuit. 13/

This decision is highly problematic, and should be reconsidered, for several reasons. First, the use of historical minutes of use is inconsistent with the

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[Footnote continued]

prescribed overhead loadings based on the overheads found in ARMIS, which was a fully distributed cost mechanism to derive the overhead loadings, although not the direct costs. *See Ameritech Operating Companies, etc., et al.*, Order, 8 FCC Rcd 4589, 4597 (Com. Car. Bur. 1993); *Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection for Special Access*, First Report and Order, 8 FCC Rcd 8344, 8356-57, 8360-61 (1993). This interim methodology was later abandoned in further proceedings in that docket. *Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection Through Physical Collocation for Special Access and Switched Transport*, CC Docket No. 93-162, Second Report and Order, FCC 97-208 at ¶¶ 304-316.

13/ Order, ¶¶ 206-09.

price cap system's incentives for efficiency. Indeed, the use of a prior year's actual minutes of use per circuit to derive this rate each year creates a very strong incentive for ILECs inefficiently to deploy too many circuits given the amount of traffic, because the greater the number of circuits, the lower the ratio of minutes per circuit, and the higher the per-minute tandem-switched transport transmission rate will be. The Order's only response to concerns about these incentives for inefficiency is that local competition will create pressure to provide service as efficiently as possible.14/ However, the Commission acknowledges elsewhere in the Order that the likelihood of tandem-switched transport competition developing in the short- to medium-term is low because it is relatively difficult "to compete to provide either the tandem switch itself or the myriad common transport end office-to-tandem links." 15/

Second, these circuits are used predominantly for local network traffic, and the ILECs may have independent reasons for deploying a high number of circuits relative to the number of minutes. IXCs should not be burdened by any inefficiencies created by these ILEC network deployment decisions.

Finally, if the Commission retains this inefficient rule, it should at the least clarify that the minutes to be counted are the total traversing the shared circuits between tandems and end offices, and not just tandem-switched transport

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14/ ¶ 209.

15/ ¶ 179.

access minutes. The same common transport circuits are used for numerous types of traffic. In most cases the ILEC's own local interoffice traffic probably amounts to a much greater proportion of the total than tandem-switched transport access traffic. It would be non-cost based, arbitrary and capricious for the Commission to require that tandem-switched transport rates be set based on the blatantly incorrect assumption that interstate tandem-switched transport access is the only type of traffic over common transport circuits. And the Commission should satisfy itself that the ILECs are actually capable of measuring the specific traffic between tandems and end offices. If ILECs are unable to measure this traffic, then they should be required to use a conversion factor of 9000 minutes per circuit, rather than being allowed to engage in a self-serving process of guesstimating traffic quantities -- a process that is almost certain to result in excessive rates for tandem-switched transport.

B. The Rate Structure Adopted for Tandem-Switched Transport Is Not Cost Based and Is Unreasonably Discriminatory.

1. The Commission Should Reconsider Its Elimination of the Unitary Tandem-Switched Transport Rate Structure Option.

WorldCom submits that the cost structures of interoffice dedicated transport 16/ and interoffice common transport 17/ are identical in most respects

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16/ The Commission incorrectly refers to interoffice dedicated transport as "direct trunked transport." This appellation is misleading because such transport is rarely, if ever, provided as a direct trunk along a straight-line path between end office and

[Footnote continued]

and that there is no basis for the radically different rate structures for these services mandated by the Order. 18/ Both forms of interoffice transport use the same types of circuits on the ILECs' interoffice transmission network; the cost of transport does not vary based on the number of minutes for either form of transport; and both forms of transport typically traverse one or more hubs as they pass between the ILEC wire centers designated as service wire centers ("SWCs") and those designated as end offices. For both types of transport, the access customer does not care how the ILEC routes the traffic within its network or what intermediate points in that network the traffic passes through, as long as it reaches its desired end location.

a. The Three-Part Rate Structure for Tandem-Switched Transport Is Unreasonably Discriminatory and Does Not Reflect the Way Costs Are Incurred.

As we demonstrate below, the cost structures for the transmission components of tandem-switched transport and dedicated interoffice transport are identical. It follows that both should be subject to the same cost-based "unitary"

[Footnote continued]

SWC. Rather, it is almost always provided over a shared transport network that traverses one or more intermediate offices, often including tandem offices.

17/ Interoffice common transport is also referred to as "tandem-switched transport."

18/ *See* WorldCom Reply Comments at 27-38 (filed Feb. 14, 1997)

rate structure (or customers should have the option of selecting the unitary structure or a partitioned structure recognizing intermediate hubs). In the alternative, both types of interoffice transport should be priced based on the actual physical routing of the transmission, in a three- (or more) part rate structure. But it is arbitrary, capricious, and unreasonably discriminatory to apply radically different rate structures to forms of transport with identical cost structures.

The Order recognizes that network architectures are changing dramatically, but fails to incorporate its understanding of those changes into the transport rate structure. For example, in the context of the discussion of dedicated transport, the Order states, "US West and Sprint make a persuasive showing that, as carriers expand their use of fiber-optic ring architecture and other modern network designs, transport costs should become less distance sensitive because LECs may transport a call along any one of many paths to its destination based on transient traffic levels." 19/ Yet in the context of tandem-switched transport, the Order adopts a rate structure that forces ILEC rates to become substantially more distance-sensitive. This stems from the Order's persistence in basing its decisions erroneously on the 1970s-era "triangular" model of interoffice transport networks. 20/

19/ Order, ¶ 154; *see also* ¶¶ 188-90.

20/ *NPRM*, ¶ 24.

The Order does not dispute that dedicated interoffice transport often traverses many hubs, just as common interoffice transport does. 21/ In other words, when providing dedicated transport, the ILEC typically establishes (at least) one dedicated circuit path (time slot) between the SWC and an intermediate hub office, and a second circuit path (time slot) between that hub office and the end office. There is no difference between this dedicated interoffice transport configuration and the two (or more) transmission paths involved in tandem-switched transport on which the three-part rate structure is based. The Order emphasizes that "the transmission component of tandem switched transport has in fact been *offered* on an end-to-end basis," but "is not, in fact, *provisioned* by the incumbent LEC on an end-to-end basis." 22/ Exactly the same is true of interoffice dedicated transport: it is *offered*, but not *provisioned*, on an end-to-end basis.

The Order reasons that "the tandem-switched transport customer, unlike the direct-trunked transport customer, requires the incumbent LEC to route its traffic to the tandem, and so should pay the costs of reaching the tandem." 23/ The Order fancies that the tandem-switched transport customer has an irrational desire that its traffic pass through a particular geographic location where the ILEC has decided to place its tandem, and that this customer therefore should pay the

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21/ Order, ¶¶ 186-87.

22/ ¶ 182 (emphasis in original); *see also* ¶ 188.

23/ ¶ 187 (emphasis omitted).

costs that flow from this decision. But the fact that the customer uses the ILEC's tandem switching *functionality* does not mean that the customer wants its traffic to be routed to a tandem switch at a particular geographic location in the ILEC network. Like dedicated transport users, the tandem-switched transport customer cares only about the traffic being routed to the desired end point, and is willing to have the tandem function performed at whatever point is most convenient for the ILEC to provide it. And of course, tandem-switched transport users have no control over the ILECs' decisions about where and how many tandems to deploy.

The Commission and the ILECs acknowledge that in today's fiber networks, distance sensitivity is not a material factor in the cost of ILEC transmission networks. 24/ In these circumstances, there is no reason not to expect that the ILECs will backhaul common transport traffic over a distance to tandem switching locations. But it does not follow that tandem-switched transport customers should be required to pay for such distances, any more than dedicated transport customers -- or for that matter, retail customers for long distance service -- should have to pay for such distances if traffic is routed by way of indirect geography en route to its final destination. This would be like Federal Express charging for mileage to Memphis and back for a package sent from Washington, D.C. to New York.

24/ Order, ¶ 154.

b. The Three-Part Rate Structure Creates Incentives for Inefficient Deployment of Facilities

The basic theory of price cap regulation is that if ILECs' rates are regulated using a formula rather than based on detailed cost accounting, then ILECs will have the same incentives as any unregulated business to deploy facilities efficiently. The three-part rate structure, however, cuts directly against this incentive and undermines the theory of price caps. Under the unitary rate structure that applies to dedicated interoffice transport, the rates ILECs recover have no relationship to the specific location of facilities deployed in ILEC networks, so ILECs have business incentives to deploy facilities as efficiently as possible. The same is true with respect to tandem-switched transport under the current unitary rate structure: ILECs have incentives to deploy the number of tandems in geographic locations that are convenient and efficient from the point of view of their own network planning.

The three-part rate structure, however, introduces a pernicious, anti-efficiency incentive to the ILECs' planning process. First, under that rate structure, ILECs will receive additional access revenues if they deploy additional tandem switches. IXCs would be charged for additional circuits to reach such tandems, and distance-based charges would increase. Second, ILECs will have incentives to locate tandem switches as far as possible from the wire centers serving IXCs' points of presence, so as to maximize their tandem-switched transport revenues. The Order recognizes this possibility, but then dismisses it primarily because it contends that the threat of competitive entry will give ILECs efficient

incentives. 25/ The Order overstates the force of competitive entry. Moreover, no one contends that the inefficient incentives created by the three-part rate structure will by themselves lead to immediate redeployment of tandem switches to maximize tandem-switched transport revenue. ILECs may well have other incentives for efficient tandem deployment, and there is no data to verify whether the inefficient incentives of the three-part rate structure will or will not outweigh these other incentives. What we have demonstrated, however, is that the three-part rate structure creates a significant incentive for inefficiency, and that this contravenes the entire policy rationale of the price cap system.

c. The Public Interest Does Not Require Elimination of the Unitary Rate Structure Option.

The Commission has recognized that the public interest favors bringing a greater array of options for communications services to customers, and eliminating unnecessary restrictions on what telecommunications providers may offer. Yet the elimination of the unitary rate structure reduces the options available to consumers and to carriers. Consumers of interstate access service will be deprived of an option that many of them prefer. And even those ILECs that may wish to offer tandem-switched transport on a unitary rate structure basis are

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25/ Order, ¶ 183.

deprived of the opportunity to do so. 26/ The public interest is not served by withdrawing options from consumers and carriers.

More fundamentally, the public interest requires the Commission to recognize the effect that elimination of the unitary rate structure will have in the interexchange marketplace. In particular, requiring tandem-switched transport users, but not dedicated interoffice transport users, to pay based on the three-part rate structure creates unreasonable discrimination in favor of large incumbent carriers -- AT&T with its large market share that is the legacy of its historical monopoly, GTE, and in the near future, the BOCs' long distance affiliates. The structure therefore skews the long distance marketplace to favor these carriers, which are most likely to have the volumes to be able to avoid using tandem-switched transport. Worse, this structure will significantly raise the costs faced by all carriers obtaining access service to serve rural areas, because of the low volumes and the long distances involved. Thus, a diminution of service choices for rural households and business can be expected.

In conclusion, the elimination of the unitary rate structure option for tandem-switched transport is not cost-based, is unreasonably discriminatory, and will have effects on ILEC efficiency, the interstate access marketplace, and the long distance marketplace that will not advance the public interest.

26/ *Cf.* Order, ¶ 193 (stating that issue of ILECs' flexibility to offer tandem-switched transport on a unitary rate structure basis will be addressed in a future order).

2. The Commission Should Reconsider The Imposition of Multiplexer Charges Solely on Tandem-Switched Transport.

The Commission, on reconsideration, should direct ILECs to recover multiplexing costs consistently from users of both dedicated interoffice transport and tandem-switched transport, either through separately identified charges or through charges bundled together with transmission rates. The Commission should either undo the Order's imposition of DS3/DS1 and DS1/voice grade multiplexer charges in the context of tandem-switched transport, or should impose the same charges in the context of dedicated transport as well.

The Order's decision to create these multiplexer charges appears to rest on several implicit, unsupported assumptions that may well be untrue in most circumstances. 27/ First, as the ILEC networks are updated and increasingly rely on technologies such as ATM and SONET rings, it is unclear whether and to what extent multiplexers are used at all.

Second, the Order implicitly assumes that comparable multiplexers are not used in the context of dedicated interoffice transport (although it cites no record evidence verifying the use of this assumption). To the extent that ILECs use such multiplexers for dedicated interoffice transport, then the cost of such multiplexers already should be reflected in the rates for tandem-switched transport transmission, which are based on dedicated transport rates. In fact, WorldCom

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27/ Order, ¶¶ 170-73.

believes that ILECs frequently do multiplex dedicated transport down from DS3 to DS1 at serving wire centers and intermediate hubs, and then multiplex it back up. Whether or not the dedicated transport users want or need the functionality of such multiplexers is beside the point. Tandem-switched transport users do not want or need multiplexing either. 28/ The point is that, to the extent that the same multiplexing is used for both types of transport, the same pricing structure should apply to both.

Finally, the Commission should make it clear that the price cap ILECs must provide cost justification for newly unbundled rate elements such as the multiplexer element and the tandem switch port elements, using the established price cap new services test. 29/

3. The Commission Should Clarify The Waiver of Non-Recurring Reconfiguration Charges.

As it did when adopting the original interim transport rate structure, the Order facilitates the process of IXCs' reconfiguring their networks to adapt to the new rate structure by requiring ILECs to waive non-recurring reconfiguration charges "when a transport customer converts trunks from tandem-switched to direct-trunked transport or orders the disconnection of overprovisioned trunks." If

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28/ Instead, they would prefer the use of updated tandem switches that are capable of accepting traffic from DS3 ports. Consistent with incentive-based price cap regulation, the ILECs should be held responsible for their decisions to update, or not to update, their networks.

29/ *See supra* 6-8.

the Commission decides to reaffirm its elimination of the unitary rate structure, the Order should clarify (or broaden) this required waiver of non-recurring charges ("NRCs"). As in the context of the implementation of the interim rate structure, 30/ the Commission should issue the following two clarifications:

First, the Commission should clarify that the waiver applies to NRCs paid in connection with the ordering of additional dedicated transport trunks or shifts between voice grade, DS1, and DS3 circuits in the context of the overall reconfiguration of IXC networks in light of the new rate structure, since the reconfiguration will not necessarily take the form of one-for-one conversion of tandem-switched transport to dedicated trunks.

Second, the Commission should clarify that ILECs must also waive reconfiguration NRCs that apply if customers decide to shift traffic from ILEC networks to competitive access providers' networks. In response to the new ILEC access rate structure, customers may well decide to shift traffic to competitors. (Such competitors may offer the option of a unitary rate structure for tandem-

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30/ *Transport Rate Structure and Pricing*, Third Memorandum Opinion and Order on Reconsideration, 10 FCC Rcd 3030, 3077, ¶ 102 (1994) (declining to adopt clarification requested by AT&T as moot because LECs had already waived application of NRCs to certain types of reconfigurations not explicitly listed in initial transport order); *Expanded Interconnection with Local Telephone Company Facilities*, Second Memorandum Opinion and Order on Reconsideration, 8 FCC Rcd 7341, 7362, ¶ 48 (1993) (requiring LECs to waive reconfiguration NRCs for customers that switch to competitors' transport service to the same extend that they waive such charges for their own customers' reconfigurations); *Expanded Interconnection with Local Telephone Company Facilities*, Second Report and Order, 8 FCC Rcd 7374, 7439, ¶ 130 (1993) (same).