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

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Forward-Looking Mechanism for High Cost Support for Non-Rural LECs	)	CC Docket No. 97-160

REPLY COMMENTS OF THE NEW YORK STATE DEPARTMENT OF PUBLIC SERVICE

Dated: October 2, 1997
Albany, New York

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REPLY COMMENTS OF
THE NEW YORK STATE DEPARTMENT OF PUBIC SERVICE

INTRODUCTION AND SUMMARY

The New York State Department of Public Service (NYDPS) submits these reply comments in the above-captioned proceeding in response to the Initial Comments of GTE Service Corp. (GTE). The Federal Communications Commission's (the Commission) Further Notice of Proposed Rulemaking (FNPR) requested comments on issues involving the modeling of costs related to the outside plant network. These comments reply to the recommendations of GTE for determining the appropriate mix of optical fiber and copper technologies in the local exchange network (i.e., the fiber-copper crossover point). A cost model that allows the fiber-copper crossover to be varied to accommodate the full range of reasonable design choices more accurately projects the costs for loop design in New York.

The Cost Model Adopted By The Commission Should Allow A Fiber-Copper Crossover Point That Recognizes 100% Fiber In The Feeder

NYDPS believes that, generally, the most economic, cost-efficient, forward-looking network design, even for a narrowband network, is one that uses 100% fiber in the feeder.

Such a network design offers greater flexibility for the provision of telecommunications services (including interconnectability), reliability, and ultimately savings with respect to maintenance and growth.[1] The New York Public Service Commission (NYPSC) has found that fiber's flexibility, reliability and lower total costs made it the medium of choice when developing a forward-looking network design for New York Telephone Company (New York Telephone).[2] In determining the appropriate network design for New York Telephone's forward-looking costs, the NYPSC stated:

> While New York Telephone's embedded telephone plant incorporates substantial amounts of copper feeder, virtually none is being installed on a going-forward basis, and fiber is clearly the forward-looking medium of choice (footnote omitted). This can be attributed to fiber's superiority with respect to its initial cost, its ongoing operation and maintenance expense, and its flexibility and reliability.
>
> With respect, first, to initial costs (incorporating both material and installation), fiber's material costs are lower for the same capacity. Factoring in the cost of fiber's electronics (even those needed solely for narrowband) can, to be sure, reverse that advantage, making copper

---

[1] Although any fiber-based network would have potential broadband capability, the Commission's cost models need only reflect the cost of fiber and electronics necessary to provide narrowband services. The additional cost for both fiber and electronics required to upgrade a narrowband fiber network to a fully broadband fiber network need not be included in the cost model.

[2] See NYPSC Cases 95-C-0657, 94-C-0095 and 91-C-1144, Opinion No. 97-2, pp. 82-84 and 114-120 (Attachment 1) and NYPSC Opinion No. 97-14 (Attachment 2) for a discussion of the advantages of deploying fiber technology in New York.

appear cheaper for short loops; but the comparison does not end there. For one thing, copper's greater weight and volume cause its installation to require heavier equipment and more labor, and the labor costs may further be increased by the greater number and shorter length of the individual copper conductors. Particularly in large metropolitan areas, both media are installed in conduit, a very costly process, (footnote omitted) but the far smaller space taken up by fiber per unit of capacity means that these costs will be substantially less when fiber offers similar advantages, albeit to a lesser degree, when it is buried or placed overhead.

On an ongoing basis, fiber's maintenance costs have been substantially less on an historical basis than those of copper, by factors of roughly two for buried and underground plant and at least four for aerial plant. Those factors, fully reflected in the different maintenance carrying charge factors for copper and fiber, (footnote omitted) may in fact be understated on a going-forward basis, inasmuch as maintenance encompasses repairs and rearrangements, and those activities tend to be increased when plant is first installed and "bugs" need to be worked out. Because there is more newly installed fiber than newly-installed copper, fiber's current maintenance costs, though already lower than copper's, may fall further in the future, particularly when one recognizes that fiber/DLC rearrangements can often be executed electronically, avoiding the cost of dispatching a technician to the site. And fiber's effectively unlimited capacity can produce further savings in customer provisioning, which can be accomplished by the addition of electronics rather than additional cabling or network reconfiguration. The historical savings, as noted, are already reflected in the CCF's; they may also be taken into account, in the Phase 2 decision, in setting the non-recurring charges (NRCs) associated with customer provisioning activities. And to the extent additional savings are realized in the future, the CCF's and NRCs can be further adjusted (footnote omitted).

> Finally, fiber offers numerous operational advantages in comparison with copper. Its ability to have its performance monitored on a real-time basis permits faults to be detected and remedied more quickly. In addition, it permits the use of SONET ring networks, which route traffic around faults automatically. Fiber's added reliability is an important public good in a society whose safety and economic well-being depend heavily on reliable telecommunications, and greater reliability tends to reduce costs as well.

NYPSC Opinion No. 97-14, pp. 24-26. The NYDPS therefore recommends that the Commission adopt a cost model that allows the fiber-copper crossover to be varied to accommodate the full range of reasonable network design choices, including 100% fiber feeder.

Respectfully submitted,

Lawrence G. Malone

Lawrence G. Malone
General Counsel
New York State
Department of Public Service
Albany, New York, 12223-1350
(518) 474-2510

Of Counsel
Cheryl L. Callahan

Dated: October 2, 1997
Albany, New York

CC Docket No. 96-45 In the Matter of

Federal-State Joint Board on Universal Service

CC Docket No. 97-160 In the Matter of

Forward-Looking Mechanism for High Cost Support for Non-Rural LECs

Reply Comments of New York State Department of Public Service

CERTIFICATE OF SERVICE

I, Cheryl L. Callahan, hereby certify that an original and four (4) copies of comments in the above-captioned proceeding were sent via Airborne Express to William Caton, Acting Secretary to the Federal Communications Commission, on October 2, 1997. Eight copies plus a diskette were sent via Airborne Express to Ms. Sheryl Todd, Universal Service Branch of the Federal Communications Commission, on October 2, 1997. In addition, on October 3, 1997, copies are being sent by First Class Mail, postage prepaid, to all parties on the attached service list.

Cheryl L. Callahan

Cheryl L. Callahan
Assistant Counsel
Office of General Counsel
NYS Dept. of Public Service
Three Empire State Plaza
Albany, New York 12223-1350
(518) 486-2650

Dated: October 2, 1997
Albany, New York

James Lanni
Rhode Island Division
of Public Utilities
100 Orange Street
Providence RI 02903

Joel B. Shifman
Maine Public Utility Commission
State House Station 18
Augusta ME 04865

Charles F. Larken
Vermont Department of
Public Service
120 State Street
Montpelier VT 05602

Rita Barmen
Vermont Public Service Board
89 Main Street
Montpelier VT 05602

Keikki Leesment
New Jersey Board of
Public Utilities
2 Gateway Center
Newark NJ 07102

Veronica A. Smith
Deputy Chief Counsel
Pennsylvania Public Utility
Commission
P.O. Box 3265
Harrisburg PA 17105-3265

Mary J. Sisak
District of Columbia
Public Service Commission
Suite 800
450 Fifth Street
Washington DC 20001

Telecommunications Report
1333 H Street, N.W. - 11th Floor
West Tower
Washington DC 20005

International Transcription
Services, Inc.
2131 20th Street, NW
Washington DC 20036

Brad Ramsay
NARUC
Interstate Commerce
Commission Bldg., Room 1102
12th & Constitution St., NW
Washington DC 20044

William Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW
Washington DC 20554

Richard Metzger
Common Carrier Bureau
Federal Communications Commission
1919 M Street, NW
Washington DC 20554

Camille Stonehill
State Telephone Regulation
Report
1101 King Street
Suite 444
Alexandria VA 22314

Alabama Public Service
Commission
1 Court Square
Suite 117
Montgomery AL 36104

Archie R. Hickerson
Tennessee Public Service
Commission
460 James Robertson Pky.
Nashville TN 37219

Sandy Ibaugh
Indiana Utility
Regulatory Commission
901 State Office Bldg.
Indianapolis IN 46204

Ronald Choura
Michigan Public
Service Commission
6545 Mercantile Way
Lansing MI 48910

Mary Street
Iowa Utilities Board
Lucas Building
5th Floor
Des Moines IA 50316

Gary Evenson
Wisconsin Public
Service Commission
P.O. Box 7854
Madison WI 53707

Gordon L. Persinger
Missouri Public Service
Commission
P.O. Box 360
Jefferson City MO 65102

Sam Loudenslager
Arkansas Public Service
Commission
1200 Center Street
P.O. Box C-400
Little Rock AR 72203

Maribeth D. Swapp
Deputy General Counsel
Oklahoma Corp. Commission
400 Jim Thorpe Building
Oklahoma City OK 73105

Marsha H. Smith
Idaho Public Utilities
Commission
Statehouse
Boise ID 83720

Edward Morrison
Oregon Public Utilities
Commission
Labor and Industries Bldg.
Room 330
Salem OR 97310

Mary Adu
Public Utilities Commission of the
State of California
505 Van Ness Avenue
San Francisco CA 94102

Rob Vandiver
General Counsel
Florida Public Service
Commission
101 East Gaines Street
Tallahassee FL 32301

Glenn Blackmon
Washington U&TC
1300 S. Evergreen Park Dr., S.W.
P.O. Box 47250
Olympia WA 98504-7250

Policy and Planning Division
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W. - Room 544
Washington DC 20554

Myra Karegianes
General Counsel
Illinois Commerce Commission
State of Illinois Building
160 No. LaSalle - Suite C-800
Chicago IL 60601-3104

Margie Hendrickson
Assistant Attorney General
Manager, Public Utilities Division
121 7th Place East, Suite 350
St. Paul MN 55101

Robin McHugh
Montana PSC
1701 Prospect Avenue
P.O. Box 202601
Helena MT 59620-2601

Cynthia Norwood
Virginia State Corp. Commission
P.O. Box 1197
Richmond VA 23201

Honorable Sharon L. Nelson
Chairman
Washington Utilities and
Transportation Commission
1300 South Evergreen Park Dr., SW
PO Box 47250
Olympia, WA 98504-7250

Ms. Sheryl Todd
Universal Service Branch
Accounts and Audits Division
Federal Communications Commission
2100 M Street, NW
8th Floor
Washington DC 20554

Diane Munns
Iowa Utilities Board
Lucas State Office Building
Des Moines, IA 50319

The Honorable Reed E. Hundt, Chairman
Federal Communications Commission
1919 M Street, N.W.
Room 814
Washington, DC 20554

The Honorable Rachelle B. Chong
Commissioner
Federal Communications Commission
1919 M Street, NW
Room 844
Washington, DC 20554

The Honorable Susan Ness
Commissioner
Federal Communications Commission
1919 M Street, NW
Room 832
Washington, DC 20554

The Honorable James H. Quello
Commissioner
Federal Communications Commission
1919 M Street, NW
Room 802
Washington, DC 20554

Thomas Boasberg
Office of the Chairman
Federal Communications Commission
1919 M Street, NW
Room 814
Washington, DC 20554

James Casserly
Office of Commissioner Ness
Federal Communications Commission
1919 M Street, NW
Room 832
Washington, DC 20554

Kathleen Franco
Office of Commissioner Chong
Federal Communications Commission
1919 M Street, NW
Room 844
Washington, DC 20554

Paul Gallant
Office of Commissioner Quello
Federal Communications Commission
1919 M Street, NW
Room 802
Washington, DC 20554

Emily Hoffnar, Federal Staff Chair
Accounting and Audits Division
Universal Service Branch
Federal Communications Commission
2100 M Street, NW
Room 8617
Washington, DC 20554

Timothy Peterson
Deputy Division Chief
Accounting and Audits Division
Federal Communications Commission
2100 M Street, NW
Room 8613
Washington, DC 20554

The Honorable Julia Johnson
State Chair
Florida Public Service Commission
2540 Shumard Oak Boulevard
Gerald Gunther Building
Tallahassee, FL 32399-0850

The Honorable David Baker
Commissioner
Georgia Public Service Commission
244 Washington Street, SW
Atlanta, GA 30334-5701

Philip F. McClelland
Pennsylvania Office of
Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120

The Honorable Laska Schoenfelder
Commissioner
South Dakota Public Utilities
Commission
State Capitol
500 E. Capitol Street
Pierre, SD 57501-5070

Martha S. Hogerty
Public Counsel for the State
of Missouri
301 West High Street
Suite 250
PO Box 7800
Jefferson City, MO 65102

Charles Bolle
South Dakota Public Utilities
Commission
State Capitol
500 E. Capitol Street
Pierre, SD 57501-5070

Deone Bruning
Nebraska Public Service Commission
300 The Atrium
1200 N Street
PO Box 94927
Lincoln, NE 68509-4927

Rowland Curry
Texas Public Utility Commission
1701 North Congress Avenue
PO Box 13326
Austin, TX 78701

Bridget Duff, Staff Chair
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0866

Sandra Makeeff
Iowa Utilities Board
Lucas State Office Building
Des Moines, IA 50319

Lori Kenyon
Alaska Public Utilities Commission
1016 West Sixth Avenue
Suite 400
Anchorage, AK 99501

Debra M. Kriete
Pennsylvania Public Utilities
Commission
Commonwealth and North Avenues
North Office Building
Room 110
PO Box 3265
Harrisburg, PA 17105-3265

H. Russell Frisby, Jr.
Chairman
Maryland Public Service Commission
6 St. Paul Street
16th Floor
Baltimore, MD 21202-6806

Thor Nelson
Colorado Office of Consumer Counsel
1580 Logan Street
Suite 610
Denver, CO 80203

Barry Payne
Indiana Office of the
Consumer Counsel
100 North Senate Avenue
Room N501
Indianapolis, IN 46204-2208

Brian Roberts
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Tiane Sommer
Georgia Public Service Commission
244 Washington Street, SW
Atlanta, GA 30334-5701

ATTACHMENT 1

94-C-0095

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Original

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

OPINION NO. 97-2

CASE 95-C-0657 - Joint Complaint of AT&T Communications of New York, Inc., MCI Telecommunications Corporation, WorldCom, Inc. d/b/a LDDS WorldCom and the Empire Association of Long Distance Telephone Companies, Inc. Against New York Telephone Company Concerning Wholesale Provisioning of Local Exchange Service by New York Telephone Company and Sections of New York Telephone Company's Tariff No. 900.

CASE 94-C-0095 - Proceeding on Motion of the Commission to Examine Issues Related to the Continuing Provision of Universal Service and to Develop a Regulatory Framework for the Transition to Competition in the Local Exchange Market.

CASE 91-C-1144 - Proceeding on Motion of the Commission Regarding Comparably Efficient Interconnection Arrangements for Residential and Business Links.

OPINION AND ORDER SETTING RATES
FOR FIRST GROUP OF NETWORK ELEMENTS

Issued and Effective: April 1, 1997

CASES 95-C-0657, 94-C-0095, and 91-C-1174

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APPEARANCES

FOR NEW YORK TELEPHONE COMPANY:

Thomas J. Farrelly, Counsel, and Joseph Post, Counsel, 1095 Avenue of the Americas, Room 3824, New York, New York 10036.

Rogers & Wells (by David A. Schulz, Esq.), 200 Park Avenue, New York, New York 10166.

FOR ROCHESTER TELEPHONE CORP.:

Gregg C. Sayre, General Attorney, 180 South Clinton Street, Rochester, New York 14646.

FOR AT&T COMMUNICATIONS OF NEW YORK, INC.:

Harry Davidow, Chief Regulatory Counsel, Robert Mulvee, Senior Attorney, and Frederick Pappalardo, Attorney, 32 Avenue of the Americas, New York, New York 10013.

FOR MCI TELECOMMUNICATIONS CORP. AND MCIMETRO ACCESS TRANSMISSION SERVICES, INC.:

Richard Fipphen, Senior Counsel, Five International Drive, Rye Brook, New York 10573-1095.

Reboul, MacMurray, Hewitt, Maynard & Kristol (by Robert L. Sills, Esq.) 48 Rockefeller Plaza, New York, New York 10111.

FOR TIME WARNER COMMUNICATIONS HOLDINGS, INC.; CABLEVISION LIGHTPATH, INC.; TELECOMMUNICATIONS, INC.; AND CABLE TELEVISION AND TELECOMMUNICATIONS ASSOCIATION OF NEW YORK:

LeBoeuf, Lamb, Greene & MacRae (by Brian Fitzgerald, Esq.), Twin Towers, Albany, New York 12210.

FOR MFS INTELENET OF NEW YORK AND RESIDENTIAL COMMUNICATIONS NETWORK:

Swidler & Berlin, (by Antony Richard Petrilla, Esq.) 3000 K Street, NW, Suite 300, Washington, DC 20007-5116.

FOR LLDS WORLDCOM AND EMPIRE ASSOCIATION OF LONG DISTANCE TELEPHONE COMPANIES, INC.:

Roland, Fogel, Koblenz & Carr (by Keith J. Roland, Esq.), 1 Columbia Place, Albany, New York 10210.

APPEARANCES

FOR NEW YORK CLEARING HOUSE ASSOCIATION:

Levine, Blaszak, Block & Boothby (by Laura F.H. McDonald, Attorney-at-Law), 1300 Connecticut Avenue, N.W., Suite 500, Washington, D.C. 20036-1703.

FOR SPRINT TELECOMMUNICATIONS COMPANY, L.P.:

Craig Dingwall, Esq., 1850 M Street, N.W., Suite 1110, Washington, D.C. 20036.

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

COMMISSIONERS:

John F. O'Mara, Chairman
Eugene W. Zeltmann
Thomas J. Dunleavy

CASE 95-C-0657 - Joint Complaint of AT&T Communications of New York, Inc., MCI Telecommunications Corporation, WorldCom, Inc. d/b/a LDDS WorldCom and the Empire Association of Long Distance Telephone Companies, Inc. Against New York Telephone Company Concerning Wholesale Provisioning of Local Exchange Service by New York Telephone Company and Sections of New York Telephone Company's Tariff No. 900.

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CASE 91-C-1144 - Proceeding on Motion of the Commission Regarding Comparably Efficient Interconnection Arrangements for Residential and Business Links.

OPINION NO. 97-2

OPINION AND ORDER SETTING RATES
FOR FIRST GROUP OF NETWORK ELEMENTS

(Issued and Effective April 1, 1997)

BY THE COMMISSION:

INTRODUCTION

In this opinion,[1] we set permanent rate levels for the sale by New York Telephone Company (New York Telephone) of the following unbundled network elements: local loops, local switching, tandem switching, interoffice transport, signaling

[1] This opinion is the second in a series of costing and pricing opinions contemplated in this proceeding. The first, Opinion No. 96-30 (issued November 27, 1996), dealt with the sale of telephone service at wholesale for resale. The third will deal with network elements that are not considered here and with all network elements for Rochester Telephone Corp. (Rochester Telephone).

links, signal transfer points (STPs), and signal control points (SCPs). These network elements constitute some (but not all) of the elements the FCC has identified, in its rules under the Telecommunications Act of 1996 (the Act), as those that must be made available by incumbent local exchange carriers (LECs),[1] on an unbundled basis, to any requesting telecommunications carrier.[2]

The genesis and early procedural history of this proceeding are described in Opinion No. 96-30 and will not be repeated here. But even the more recent procedural history is tortuous enough to require the lengthier than usual account that follows.

As recounted in Opinion No. 96-30, the hearings held in July 1996 considered not only wholesale rates but also rates for unbundled links and ports. Following the close of those hearings, the FCC issued the First Report and Order, and its requirements, including those pertaining to pricing, were considered in the ensuing briefs. Nevertheless, initial consideration of the record in light of the FCC's requirements disclosed some concerns about its adequacy, and a conference was convened on September 4, 1996, at which the parties were asked their views on the need, if any, to reopen the record.

On September 9, 1996, Administrative Law Judge Joel A. Linsider ruled, among other things, that the record on links should be reopened and that pricing of the other network elements specified in the FCC's rules should be considered at the reopened

---

[1] A list of acronyms used in this analysis is set forth in Attachment A.

[2] 47 C.F.R. §51.319, adopted in the FCC's CC Docket Nos. 96-98 and 95-105, First Report and Order (released August 8, 1996)(First Report and Order). This section of the rules remains in force, not being among those stayed by the Eighth Circuit Court of Appeals in Iowa Utilities Bd. et al. v. FCC.

hearings as well.[1] The Judge authorized all parties to supplement or modify their previous studies with respect to links as they believed necessary to satisfy the FCC's requirements; directed New York Telephone and Rochester Telephone, and authorized other parties, to submit, by September 30, cost studies with respect to other elements; and set October 29 as the date for hearings. An ensuing ruling, in response to New York Telephone's clarification of its statement at the September 4 conference, limited the studies New York Telephone was required to file on September 30 to those respecting the elements listed above and, in response to Rochester Telephone's motion, extended that company's deadline for all studies to December 31, 1996.[2]

The September 9 Ruling also specified that in the studies to be submitted, incremental costs were to be developed in a manner consistent with both the FCC's rules (47 C.F.R. §§51.505 and 51.511) and our cost manuals for Subscriber Loop Services and Toll and Carrier Access Services and were to be deaveraged with respect to at least three geographic zones:

---

[1] Cases 95-C-0657 et al., Ruling Reopening Record for Limited Purposes (issued September 9, 1996)(the September 9 Ruling). Ports, which also had been considered at the July hearings, were subsumed within the broader switching network element under the FCC's rules.

[2] Ruling on Motions (issued September 18, 1996). Judge Linsider also directed New York Telephone to state, in its September 30 filing, the date by which it would be able to file its remaining cost studies. That date was initially set at December 31, 1996. Later motions and rulings not pertinent here extended that date to January 10 or January 31, 1997 for various groups of New York Telephone's elements; similarly extended the deadline for Rochester Telephone's filings; and added studies of cost onsets and related proposed charges to the material required to be filed. All of those matters will be dealt with in a later opinion. (Rochester Telephone's previously submitted study of links and ports, as updated pursuant to the FCC's standards, also was considered at the hearings here discussed. Nevertheless, for convenience and simplicity, and in the absence of compelling need for an earlier decision, all Rochester Telephone related issues will be considered together, in the later opinion. The present opinion, therefore, is limited to New York Telephone.)

urban, suburban, and rural. In addition, it emphasized the importance of documentation for cost studies, requiring each study to be "complete, self-contained, and fully supported by documentation, work papers, and algorithms."[1]

On September 27, 1996, the U.S. Court of Appeals for the Eighth Circuit temporarily stayed the effectiveness of many provisions of the FCC's rules pertinent to this proceeding, including most of the pricing provisions, and on October 15 it made that stay permanent pending final decision on the merits of various challenges to the rules. On October 18, we invited comment on whether the stay warranted any procedural changes in this case, including a possible delay of the scheduled hearings to permit introduction of additional testimony. The responses disclosed no such need, and, on October 23, Judge Linsider issued a notice announcing that the hearings would go forward as scheduled. The case since then has proceeded in the absence of binding FCC rules on pricing, though the requirements of the Act of course remained in place and parties continued, in various degrees, to look to the FCC rules for guidance. On November 12, the Supreme Court of the United States declined to vacate the stay of the FCC rules.

Hearings before Judge Linsider began, as scheduled, on October 29, 1996 in Albany and continued daily (except for Election Day, November 5) until November 8. Testimony was received (in person or, where cross-examination had been waived, by affidavit) from witnesses on behalf of New York Telephone, Rochester Telephone, AT&T Communications of New York, Inc. (AT&T), MCI Telecommunications Corporation and MCImetro Access Transmission Services, Inc. (MCI), and MFS Intelenet of New York, Inc. (MFS)[2]. Also appearing at the hearings were Sprint

---

[1] September 9 Ruling, p. 7.

[2] Counsel for MFS appeared as well on behalf of Residential Communications Network Inc. (RCN) and the two parties submitted a joint brief, but only MFS is referred to in the witness' testimony.