



MCI Telecommunications Corporation

1801 Pennsylvania Avenue, NW
Washington, DC 20006
202 887 2779
FAX 202 887 2204

Donald H. Sussman
Regulatory Analyst
Federal Law and Public Policy

ORIGINAL

DOCKET FILE COPY ORIGINAL

RECEIVED

August 27, 1998

AUG 27 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

Re: In the Matter of Local Exchange Carrier's Rates, Terms, and Conditions for Expanded Interconnection Through Virtual Collocation for Special Access and Switched Transport; CC Docket No. 94-97

Dear Ms. Salas:

Enclosed herewith for filing are the original and six (6) copies of MCI Telecommunications Corporation's Comments regarding the above-captioned matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Don Sussman

Enclosure
DHS

027
SEARCHED
INDEXED

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

RECEIVED

AUG 27 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of:)
)
Local Exchange Carriers' Rates)
Terms, and Conditions for) CC Docket No. 94-97
Expanded Interconnection Through)
Virtual Collocation for Special)
Access and Switched Transport)

MCI COMMENTS

MCI Telecommunications Corporation ("MCI") respectfully submits its comments in the above-referenced docket. In an order released July 13, 1998, the Common Carrier Bureau (Bureau) resolved all pending confidentiality requests filed by Southwestern Bell Telephone Company (SWBT), Cincinnati Bell Telephone Company (CBT), and Ameritech in the virtual collocation proceeding by allowing parties to this proceeding to examine these carriers' virtual collocation cost support under the terms of a protective order.¹ The cost support that these carriers filed in the fall and winter of 1994-95 was filed under confidential cover to preclude

¹ Local Exchange Carriers' Rates, Terms and Conditions for Expanded Interconnection Through Virtual Collocation for Special Access and Switched Transport, CC Docket No. 94-97, Southwestern Bell Telephone Company, Request for Inspection of Records, FOIA Control Nos. 94-310, 325, 328, Southwestern Bell Telephone Company, Cost Support Filed under Request for Confidential Treatment, Cincinnati Bell Telephone Company, Request for Inspection of Records, Application for Review, FOIA Control Nos. 95-149, 223, Cincinnati Bell Telephone Company, Cost Support Filed under Request for Confidential Treatment, The Ameritech Operating Companies, Cost Support Filed under Request for Confidential Treatment, Order, DA 98-1389, July 13, 1998.

interested parties from providing meaningful and timely comments in the tariff review process and in the initial phases of the Commission's investigation. Through these delay tactics, these carriers have prevented the Bureau from drawing upon industry expertise, which at a minimum would have facilitated and helped to expedite the Commission's now four-year review of LEC virtual collocation tariffs.²

MCI did not request that SWBT, CBT and Ameritech provide their virtual collocation cost support under the terms of the protective order that accompanied the Bureau's July 13, 1998 Order because, at this point in time, rather than evaluating cost information that is at least five years old to determine whether the proposed virtual collocation rates are reasonable, MCI believes that the Bureau should compare the LECs' proposed virtual collocation rates to rates derived from a forward-looking cost model. Virtual collocation enables some competition for interstate access, in an environment where only minimal competition has yet to develop.³ As the Commission has previously recognized, setting prices for bottleneck interconnection facilities at

² MCI opposed these LEC delay tactics when SWBT, CBT and Ameritech first filed their unsupported requests for confidential treatment four years ago. These unsupported claims have since become a routine ILEC delay tactic, and have severely constrained the public's ability to provide timely comments in Commission review processes. Moreover, considering the de minimis level of competition existing in the exchange access markets, the notion that the LECs are giving away something of value by divulging cost support, which has historically been provided on the public record, is completely unfounded, and yet to be supported. See, Absence of Local Competition In The Exchange Access Market, May 7, 1998, filed as Ex Parte in Access Charge Reform, CC Docket No. 96-262, Consumer Federation of America, International Communications Association and National Retail Federation Petition requesting Amendment of the Commission's Rules Regarding Access Charge Reform and Price Cap Review for Local Exchange Carriers, RM 9210 on May 7, 1998 (Local Competition Report).

³ See, Local Competition Report.

forward-looking cost is one of the best ways to promote efficient competition.⁴ The Commission should therefore ensure that virtual collocation rates reflect forward-looking costs, and not LEC embedded costs.

MCI and AT&T, recognizing the value of a forward-looking cost-based collocation model, developed a technical model that identifies all necessary investments for virtual collocation. The model represents a bottoms-up approach to implementing virtual collocation by creating a forward-looking model based on the use of best practice central office planning strategies, least cost suppliers, and competitive processes. The model identifies all physical requirements for efficient virtual collocation of CLEC equipment at an LEC central office. The MCI-AT&T collocation cost model uses cost-causative principles to associate forward-looking costs of capital (debt and equity) needed to support investments required to provide virtual collocation efficiently. The model estimates overhead costs by incorporating a 10.4% markup and includes the required overhead costs to the extent that such costs vary with the output of a particular activity or capability.

As the price out results below demonstrate, the proposed SWBT, CBT and Ameritech interstate virtual collocation rates are clearly excessive. For a typical 10 year 96 DS3 virtual collocation arrangement, SWBT, CBT and Ameritech propose to charge \$442,590, \$829,234 and \$332,575, respectively. The results of the AT&T-MCI forward-looking collocation cost model demonstrate that SWBT should be charging no more than \$166,210 (or 62.45% less than proposed), CBT should be charging no more than \$173,529 (or 79.07% less than proposed), and

⁴ Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, First Report and Order, 11 FCC Rcd 15499 (1996), at ¶620.

Ameritech should be charging no more than \$161,980 (or 51.3% less than proposed).

	ATT/MCI Collocation Cost Model		Ameritech Tariff	
	<u>NRCs</u>	<u>MRCs</u>	<u>NRCs</u>	<u>MRCs</u>
Planning/Ordering Charge:	\$ 4,220.74		\$ 181.70	
Project Mgmt Fee:	\$ -	\$ -	\$ 3,424.18	\$ -
Collo Space (7' Bay, etc):	\$ -	\$ 36.45	\$ 487.21	\$ 69.25
Entrance Fiber (400')	\$ -	\$ 12.54	\$ -	\$ 28.00
Cable Vault Splicing:	\$ -	\$ -	\$ 193.19	\$ -
Splice Testing	\$ -	\$ -	\$ 44.21	\$ -
Cable Pulling - Manhole to Vault:	\$ -	\$ -	\$ 625.08	\$ -
Cable Pulling - Vault to LGX Panel (50 ft):	\$ -	\$ -	\$ 116.58	\$ -
Riser Fiber Space (2 floors/20 ft):	\$ -	\$ -	\$ -	\$ 8.60
Diverse Riser (an MCI requirement):	\$ -	\$ -	\$ 442.21	\$ -
Power Delivery	\$ 1,279.01	\$ 0.06	\$ 1,928.36	\$ -
Power - 60 AMPs	\$ -	\$ 298.80	\$ -	\$ 479.40
200 Conductor Electrical Xconnect Block:	\$ -	\$ -	\$ -	\$ 89.95
Digital Xconnect Panel (DSX) for 96 DS3s:	\$ -	\$ -	\$ -	\$ 1,937.28
DS3 Xconnect to DSX Panel (96 DS3s):	\$ -	\$ 956.16	\$ -	\$ 96.96
TOTAL	\$ 5,499.75	\$ 1,304.01	\$ 7,442.72	\$ 2,709.44
Assumption: 2 OC 48s (96 DS3s) for 10 yrs		\$ 161,980.95		\$ 332,575.52

	ATT/MCI Collocation		CBT Tariff	
	Cost Model			
	<u>NRCs</u>	<u>MRCs</u>	<u>NRCs</u>	<u>MRCs</u>
Planning/Ordering Charge:	\$ 4,220.74		\$ 5,000.00	\$ -
Project Mgmt Fee:	\$ -	\$ -		
Collo Space (7' Bay, etc):	\$ -	\$ 41.82	\$ 3,216.76	\$ 143.08
Entrance Fiber (400')	\$ -	\$ 13.29	\$ -	\$ 60.00
Cable Vault Splicing:	\$ -	\$ -	\$ 408.19	\$ -
Splice Testing	\$ -	\$ -	\$ 64.19	\$ -
Cable Pulling - Manhole to Vault:	\$ -	\$ -	\$ 112.22	\$ -
Cable Pulling - Vault to LGX Panel (50 ft):	\$ -	\$ -	\$ -	\$ -
Riser Fiber Space (2 floors/20 ft):	\$ -	\$ -	\$ 223.13	\$ 372.80
Diverse Riser (an MCI requirement):	\$ -	\$ -	\$ -	\$ -
Power Delivery	\$ 1,279.01	\$ 0.06	\$ -	\$ -
Power - 60 AMPs	\$ -	\$ 319.80	\$ -	\$ -
Digital Xconnect Panel (DSX) for 96 DS3s:	\$ -	\$ -	\$ -	\$ -
DS3 Xconnect to DSX Panel (96 DS3s):	\$ -	\$ 1,025.28	\$ -	\$ 6,259.20
TOTAL	\$ 5,499.75	\$ 1,400.25	\$ 9,024.49	\$ 6,835.08
Assumption: 2 OC 48s (96 DS3s) for 10 yrs		\$ 173,529.75	\$ 829,234.09	

	AT&T-MCI Collocation		SWBT Tariff	
	Cost Model			
	<u>NRCs</u>	<u>MRCs</u>	<u>NRCs</u>	<u>MRCs</u>
Planning/Ordering Charge	\$ 4,220.74		\$ 1,006.00	\$ -
Floor/Rack Space		\$ 73.84	\$ 46.26	\$ -
Entrance Cable	\$ 2,213.64	\$ 24.58	\$ 617.58	\$ 26.18
DS3 Xconnect	\$ 32,765.76	\$ 960.00	\$ 10,848.00	\$ 3,557.76
TOTALS:	\$ 39,200.14	\$ 1,058.42	\$ 12,517.84	\$ 3,583.94
Assumption-2 OC48's (96 DS3's) for 10 years		\$ 166,210.54	\$ 442,590.64	

The excessive virtual collocation rates proposed by the LECs impede the development of competition and result in artificially inflated telecommunications prices. The Bureau should utilize the AT&T-MCI collocation cost model as a benchmark for interstate collocation rates to ensure that telecommunications services are cost based, and to achieve Congress' goal of competition in all telecommunications markets.

Respectfully submitted,

MCI TELECOMMUNICATIONS CORPORATION

A handwritten signature in black ink, appearing to read 'Don Sussman', with a long, sweeping horizontal line extending to the right.

Don Sussman
Regulatory Analyst
1801 Pennsylvania Ave., NW
Washington, D.C. 20006
(202) 887-2779

August 27, 1998

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on August 27, 1998

A handwritten signature in black ink, appearing to read 'Don Sussman', with a long horizontal flourish extending to the right.

Don Sussman
1801 Pennsylvania Avenue, NW
Washington, D.C. 20006
(202) 887-2779

CERTIFICATE OF SERVICE

I, Vivian I. Lee, do hereby certify that copies of the foregoing MCI Commets were sent via first class mail, postage paid, to the following on this 27th day of August.

William E. Kennard, Chairman**
Federal Communications Commission
Room 814
1919 M Street, NW
Washington, DC 20554

Harold Furchtgott-Roth**
Federal Communications Commission
Room 802
1919 M Street, NW
Washington, DC 20554

Michael Powell**
Federal Communications Commission
Room 844
1919 M Street, NW
Washington, DC 20554

Susan P. Ness**
Federal Communications Commission
Room 832
1919 M Street, NW
Washington, DC 20554

Gloria Tristani**
Federal Communications Commission
Room 826
1919 M Street, NW
Washington, DC 20554

Kathryn C. Brown**
Chief, Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

Kathleen Levitz**
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

James Schlichting**
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

Jane Jackson, Chief**
Competitive Pricing Division
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, D.C. 20554

Ann Stevens**
Competitive Pricing Division
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, D.C. 20554

Judy Nitsche**
Policy Division
Federal Communications Commission
Room 514
1919 M Street, N.W.
Washington, D.C. 20554

Mika Savir**
Competitive Pricing Division
Federal Communications Commission
Room 518
1919 M Street, NW
Washington, DC 20554

Paul D'Ari**
Competitive Pricing Division
Federal Communications Commission
Room 518
1919 M Street, NW
Washington, DC 20554

Carol Matthey**
Chief, Policy and Program Planning
Division
Common Carrier Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

International Transcription Service**
1919 M Street, NW
Washington, DC 20554

Andrew D. Lipman
Attorneys for WorldCom Communications
Company Inc.
Swidler & Berlin Chartered
3000 K Street, NW, Suite 300
Washington, DC 20007-5116

Brian Conboy
John L. McGrew
Melissa E Newman
Wilkie Farr & Gallagher
Attorneys for Time Warner
Communications Holding Inc.
Three Lafayette Centre
1155 21st Street, NW Suite 600
Washington, DC 20036

J. Manning Lee
Vice President-Regulatory Affairs
Teleport Communications Group Inc
2 Teleport Drive, Suite 300
Staten Island, NY 10311

Richard Metzger
Association for Local Telecommunications
Services
888 17th Street, NW, Suite 900
Washington, DC 20006

Dana Frix
Attorneys for Lightwave LTD
Swidler & Berlin Chartered
3000 K Street, NW Suite 300
Washington, DC 20007-5116

Russel Blau
Attorneys for Cablevision Lightpath Inc.
Swidler & Berlin Chartered
3000 K Street, NW Suite 300
Washington, DC 20007-5116

ADC
Kathie MiKucki
4900 W 78th Street
Minneapolis, MN 55435

John Canis
Kelly, Dry & Warren
1200 19th Street, NW, Suite 500
Washington, DC 20036

NEC America Inc
Alfred Lipperini
14040 Park Center Road
Herndon, VA 22071

Fujitsu Network Transmission Systems Inc.
Bob Zuccaire
2801 Telecom Parkway
Richardson, TX 75082

TELLABS
Don Gutzmer
4951 Indiana Avenue
Lisle, IL 60532

AT&T
Piper Kent-Marshall
4450 Rosewood Dr. RM 5460
Pleasanton, CA 94588-3050

Reliance COMM/TEC
Dave Grannel
Law Department
6065 Parkland Blvd.
Cleveland, OH 44124-6106

Alcatel Network Systems Inc
Dennis Kraft
1225 North Alma Road
Richardson, TX 75081

Northern Telecom
Paul Dejongh
40001 East Chapel Hill-
Nelson Highway
Research Triangle Park, NC 27709

Frank Panek
Ameritech Operating Companies
Room 4H84
2000 West Ameritech Center Drive
Hoffman Estates, IL 60196

Lawrence W. Katz
Bell Atlantic Telephone Companies
1320 North Courthouse Road
Arlington, VA 22201

William Baskett Frost & Jacobs
2500 Central Trust Center
201 East Fifth Street
Cincinnati, OH 45202

Gail Polivy
Daniel L. Bart
GTE Service Corporation
Suite 1200
1850 M Street, NW
Washington, DC 20036

Paul Walters
Thomas A. Pajda
Robert M. Lynch
Richard C. Hartgrove
Durward D. Dupre
Attorneys for
Southwestern Bell
Telephone Company
One Bell Center, Room 3530
St. Louis, Missouri 63101

Rich Fruchterman
WorldCom
1120 Connecticut Ave., NW
Suite 400
Washington, DC 20036

M. Robert Sutherland
Richard M. Sbaratta
Helen A. Shockey
BellSouth Telecommunications, Inc.
4300 Southern Bell Center
675 West Peachtree Street, NE
Atlanta, GA 30375

Richard McKenna
GTE Service Corporation
HQE03J36
P.O. Box 152092
Irving, TX 71015-2092

Jay C. Keithly
United Telecommunications, Inc.
Suite 1110
1850 M Street, NW
Washington, DC 20036

Diana R. Stafford
The Sprint LECS
P.O. Box 11315
Kansas City, MO 64112

C. Dean Durtz
Central Telephone Company
8745 Higgins Road
Chicago, IL 60631

Leon M. Kestenbaum
H. Richard Juhnke
Sprint Communications, L.P.
11th Floor
1850 M Street, NW
Washington, DC 20036

Heather Burnett Gold
Association for Local Telecommunications
Services
888 17th Street, NW, Suite 900
Washington, DC 20006

W. Richard Morris
United Telephone Companies
POB 11315
Kansas City, MO 64112

Theodore D. Frank
Vonya B. McCann
Arent, Fox, Kinter, Plotkin, & Kahn
1050 Connecticut Avenue, NW
Washington, DC 20036-5339

Joe Ader
Bellcore
2101 L Street, NW 6th Floor
Washington, DC 20037

Michael S. Pabian
Attorney for Ameritech
Room 4H82
2000 West Ameritech Center Drive
Hoffman Estates, IL 60196-1025

William D. Baskett III
Thomas E. Taylor
David S. Bence
Cincinnati Bell Telephone
Frost & Jacobs
2500 PNC Center
201 East Fifth Street
Cincinnati, OH 45201-5715

Kathryn Marie Krause
Attorney for
US West Communications, Inc.
Suite 700
1020 19th Street, NW
Washington, DC 20036

Hand Delivered**


Vivian I. Lee
Vivian I. Lee