



**Attorney General
Betty D. Montgomery**

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February 2, 2000

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Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th St. S.W.
Portals II Building
Washington, D.C. 20554

Re: *In the Matter of Federal-State Joint Board
on Universal Service, CC Docket No. 96-
45, and Implementation of the Local
Competition Provisions of the
Telecommunications Act of 1996, CC
docket No. 96-98.*

Dear Ms. Salas:

Enclosed, please find the original and 5 copies of the **Comments of the Public Utilities Commission** in the above referenced case. Please date stamp and return one copy in the enclosed, self-addressed stamped envelope.

Thank you for your consideration in this matter.

Respectfully submitted,

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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)
Federal-State Joint Board on)
Universal Service.)
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COMMENTS OF
THE PUBLIC UTILITIES COMMISSION OF OHIO

INTRODUCTION AND BACKGROUND

On January 3, 2000, GTE Florida Incorporated (GTE) filed with the Federal Communications Commission (FCC) a Petition for Reconsideration (Petition) of the FCC's November 2, 1999, Ninth Report & Order and Eighteenth Order on Reconsideration in CC Docket No. 96-45 (96-45). GTE's Petition requests that the FCC waive its Section 51.507(f) rules that non-rural carriers institute de-averaged unbundled network element (UNE) and interconnection rates until at least May 1, 2001. The FCC's 96-45 decision lifted a temporary stay and required that deaveraged UNE and interconnection rates for non-rural carriers be established by May 1, 2000.

GTE's Petition notes that almost all of the States in which GTE provides service will need time past May 1, 2000, to complete their proceedings. Consequently, GTE submits that a waiver extending the stay on the required deaveraging of UNEs, in light of the overwhelming need for additional time, would

serve the public interest. GTE submits that the stay should be continued until at least May 2001. GTE maintains that a national stay of the deaveraged UNE requirements will allow States to concentrate on the complex tasks at hand rather than using resources to apply and wait for a waiver to be granted.

GTE's Petition further reflects that the deaveraging of UNE and interconnection rates will have a fundamental effect on competition, particularly for high-cost customers. Consequently, to ensure that deaveraging results in efficient, fair competition, GTE maintains that it is critical that States have sufficient time to implement a comprehensive regulatory plan that simultaneously deaverages wholesale rates, removes implicit subsidies from retail rates, and replaces the implicit subsidies with explicit, portable universal service funding

Through these comments, the Public Utilities Commission of Ohio (Ohio Commission) provides its limited support of GTE's Petition requesting an extension of time for States to develop deaveraged UNE rates for non-rural carriers.

DISCUSSION

The Ohio Commission agrees with GTE that certain States will need additional time to implement fully the FCC's requirements regarding deaveraged UNEs for non-rural carriers. The Ohio Commission has issued Finding and Orders establishing deaveraged UNE rates for both the Cincinnati Bell Telephone Company (CBT) and Ameritech Ohio (Ameritech). We note, however, that the determination of permanent UNE is a tedious, labor-intensive process.

For example, on October 9, 1996, Ameritech filed with the Ohio Commission an application in Case No. 96-922-TP-UNC (96-922) seeking authority to introduce deaveraged UNEs supported by total element long run incremental cost (TELRIC)

studies. On June 19, 1997, the Ohio Commission issued an Opinion and Order addressing in detail Ameritech's proposed TELRICs for UNEs. The Ohio Commission's 96-922 decision addressed, among other things, methodological issues such as: economic lives of plant, the cost of capital, annual charge factors, utilization factors, joint and common costs, non-volume sensitive costs, telephone plant indices, and labor rates. The Ohio Commission's 96-922 proceeding also addressed issues regarding non-recurring charges, service order charges, line connection charges, unbundled local switching billing and development charges, service coordination fees, unbundled local switching costs, unbundled tandem switching costs, unbundled loop costs, virtual and physical collocation charges, and cancellation charges, etc. Moreover, the Ohio Commission informs the FCC that our public hearings on Ameritech's proposed UNEs lasted approximately 30 days. Nine interested parties participated in the hearing.

Likewise, on May 15, 1997, the Ohio Commission initiated its investigation into CBT's proposed TELRIC rates for UNEs (Case No. 96-899-TP-ALT). On January 20, 2000, the Ohio Commission issued a Second Entry on Rehearing addressing CBT's proposed deaveraged UNEs. This decision deals with similar issues to those identified above for Ameritech's deaveraged UNEs. Additionally, the public hearings regarding CBT's proposed TELRICs included six interested parties and took place over a 20-day time period.

The Ohio Commission notes that each of its decisions regarding Ameritech's and CBT's UNEs mandated three deaveraged rate zones. These decisions also required a "rate true-up" between the incumbent carriers and interconnecting new entrant carriers (NECs). In particular, the Ohio Commission required that a "rate true-up" between the incumbent and NECs that retrospectively reflects the

difference between interim UNE rates adopted through negotiated agreements or arbitrations and the Ohio Commission-ordered permanent rates. The result of interim rates that are ultimately subject to a true-up is that competition is fostered and the ability of a NEC to enter the local exchange market is not delayed.

The Ohio Commission has not established permanent TELRIC UNEs for the two remaining non-rural carriers located in the state of Ohio: GTE and Sprint-United. Concerning Sprint-United deaveraged UNEs, the Ohio Commission informs the FCC that its staff is currently executing its review of the company's proposed UNE rates and corresponding cost studies (Case No. 99-238-TP-UNC). Concerning GTE, the Ohio Commission expects proposed UNEs to be filed after Ohio's decision is issued concerning the pending GTE/Bell Atlantic merger. Consequently, we anticipate that GTE's proposed deaveraged UNEs will be filed in the year 2000.

Taking into consideration the circumstances surrounding Ohio's review of Sprint-United's and GTE's deaveraged UNEs, it is clear that the Ohio Commission will be unable to complete a comprehensive review of the companies' applications by May 1, 2000. As a result, the Ohio Commission supports GTE's Petition to the FCC recommending that the FCC extend the stay of the deaveraging requirement on a nationwide basis until no earlier than May 2001.

In the event the FCC is hesitant to adopt a national extension of time for the development of deaveraged UNEs, the Ohio Commission respectfully requests that the FCC consider these comments as a request for an extension of time until at least May 1, 2001, to complete a thorough review of GTE's and Sprint-United's proposed deaveraged UNEs in Ohio. This request for an Ohio-specific waiver is being made pursuant the FCC's April 28, 1999, decision in CC Docket No. 96-98 (In the Matter of

the Local Competition Provisions of the Telecommunications Act of 1996), Paragraph 7, which permits States to file for an extension of time to review the non-rural carriers' deaveraged UNEs.

On a final matter concerning GTE's Petition, the Ohio Commission currently takes no position concerning GTE's belief that States must replace implicit subsidies contained in retail rates with a commensurate amount of universal service funding. Various issues regarding the necessary level (if any) of intra-state universal service support for non-rural carriers is currently under review by the Ohio Commission in its universal service proceeding (Case No. 97-632-TP-COI). Consequently, the Ohio Commission does not take a position on this matter at this time.

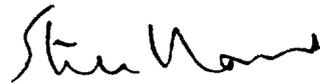
CONCLUSION

In closing, the Ohio Commission wishes to thank the FCC for the opportunity to file comments in this proceeding and for its consideration of our waiver request for an extension of time in which to complete our review of Sprint-United's and GTE's deaveraged UNEs based on TELRIC.

Respectfully submitted,

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