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Decision 91-04-046 April 24, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
MTEL DIGITAL SERVICES, INC., a Dela-)
ware Corporation, for a Certificate)
of Public Convenience and Necessity)
to Provide High-speed Digital Pri-)
vate Line Service for IntraLATA)
Transmissions throughout the State)
of California.

ORIGINAL

Application 90-12-027 (Filed December 13, 1990)

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OPINION

This decision grants applicant, MTEL Digital Services, Inc. (MTEL or applicant), a certificate of public convenience and necessity (CPCN) to offer intraLATA high-speed digital private line transmission service in the state of California. The CPCN is granted subject to various specified conditions.

The Applicant

MTEL is a Delaware corporation that has been formed for the purpose of providing interLATA-switched and intraLATA private line digital data and voice-grade transmission facilities and services over point-to-point microwave paths within the state of California. "LATA" is the acronym for local access transport area. The applicant is authorized by the Secretary of State to do business in California as MTEL.

MTEL currently provides private line data and voice-grade microwave interLATA services to other carriers and end users within the state of California pursuant to authority granted by Decision (D.) 88-01-060. The applicant's existing service area extends throughout the state of California. Its facilities-based system is presently confined to Southern California. It uses DS-1 and DS-3 links to serve nine points of termination in the Los Angeles area. Eight transmission routes are identified in its currently filed interLATA tariff.

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Authority Sought

In this application, MTEL seeks authority to offer intraLATA high-speed digital services pursuant to the Commission's first interim opinion in its investigation into alternative regulatory frameworks for local exchange carriers (LECs), D.88-09-059 (Phase I). In Phase I, the Commission defined "intraLATA high-speed digital private line" service as the dedicated connection of two or more end user premises within a LATA for the purpose of providing intraLATA high-speed digital nonswitched services. "High-speed" refers to the transmittal of digital data at a minimum rate of 1.544 megabits per second.

The service proposed by MTEL will utilize existing capacity; it will not involve either the construction of additional facilities or the expansion of the existing system. MTEL anticipates that at the end of the first year of its proposed service, it will have one customer; at the end of five years, it will have five customers.

CPCN

In Phase I, the Commission concluded, "Competition to provide intraLATA high-speed digital private line services as provided in Appendix A is in the public interest and should be authorized." The Commission also stated, "A certificated interexchange carrier whose ability to render service has not substantively deteriorated since it received its interLATA CPCN should encounter no obstacle to speedy receipt of an intraLATA CPCN if its application is in full compliance with the requirements of our Rules of Practice and Procedure."

MTEL was certified by this Commission to provide interLATA private line transmission service on January 28, 1988. No complaints against MTEL for inadequate service have been lodged with the Commission.

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A certified copy of the MTEL articles of incorporation as has been filed with the Commission as required by Public Utilities (PU) Code \$ 1004.

The applicant has served a copy of the application on all utilities and persons with which the proposed service is likely to compete. However, MTEL requests relief from the requirement of Rule 18 of the Commission's Rules of Practice and Procedure that it serve the application on all of the cities and counties within which the proposed service will be rendered. MTEL asserts that no rate changes are proposed and no new construction will result from the requested relief. We concur that given this lack of impact on those cities and counties, notifying those entities of the application is unnecessary and unduly burdensome. In this particular case, the requirement that cities and counties be served with a copy of the application should be waived. However, in order to facilitate public notice concerning the applicant's activities if need should arise in the future, the applicant should submit to the Commission Advisory and Compliance Division (CACD) for maintenance in the formal file the names and addresses of the cities and counties within which service will be rendered in the exercise of the required certificate.

The financial viability of the applicant is illustrated by its most recent balance sheet and income statement. Its unaudited income statement shows an operating profit equal to 4.3% of revenues.

The applicant estimates that in the first year of operations, it would utilize one switch to serve one customer. During the fifth year, the applicant estimates that five switches would be used to serve five customers. Since the proposed service would not require immediate additional capital investment and will be marketed to only a few customers, it appears that MTEL's resources are sufficient to enable it to expand its offering to include intraLATA high-speed digital transmission.

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Under Phase I, parties desiring to offer intraLATA highspeed digital services must comply with existing CPCN requirements to offer such services and must file tariff schedules for such services. Carriers that are certified to provide interLATA services must file separate applications to provide intraLATA services.

Rule 18(h) requires submission of a statement of the proposed rates to be charged for service to be rendered by the applicant. MTEL has offered to file appropriate tariffs reflecting the terms on which it will provide the proposed services after receipt of its CPCN. The "initial rate plan" appended to the application had listed prices arranged by "number of hubs" and "number of Tl's." The name "MCAA Microwave" appears on the sheet. This submittal does not provide the information required of an applicant for CPCN.

The Commission has confirmed that an applicant for a CPCN to provide intraLATA high-speed digital private line service must submit its specific proposed tariff schedules (D.90-09-083). Pursuant to a request by the assigned administrative law judge, MTEL provided its draft tariff schedules for its proposed service. The draft tariff sheets are incorporated in this decision as Appendix A.

The draft tariff sheets should be revised before they are submitted for filing. The title page should be amended to state that MTEL is offering "Dedicated (nonswitched) IntraLATA High-speed Digital Private Line Telephone Services." A Preliminary Statement should be drafted to indicate the limited nature of MTEL's authority to provide intraLATA service. A service area map should be provided.

CACD has promulgated "Guidelines for Tariff Filing Nondominant Interexchange Carriers" to assist non-LECs to comply
with the requirements of General Order 96-A, as amended by

D.90-08-032. MTEL should observe these guidelines when it submits its final tariff schedules prior to issuance of the CPCN.

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Retail rates to end users would be the same as to resale entities, and there would be a nonrecurring fee of \$500 per T-1 span and \$10,000 per DS-3 to any point in the network. Rates would include the cost of hardware located at the points of presence and dedicated to interconnecting with the customer's own system. Facilities necessary for delivery of customers' own traffic to or from its own point of presence would be the sole responsibility of the customer and are not included in the proposed schedule of rates.

The applicant asserts that it will charge fees for this intraLATA service such that the percentage of profit for both inter- and intraLATA services will be the same. The fees are proposed to be "consistent with charges for interLATA services currently offered by applicant."

The grant of CPCN to provide intraLATA high-speed private line service pursuant to D.88-09-059 has been conditioned on the submittal of certain customer billing information on a semiannual basis. See, for example, D.90-09-083. MTEL should be required to report monthly in-service volumes, monthly inward movement volumes, monthly recurring billings by tariff rate item, and monthly nonrecurring billings by tariff rate item as other similarly situated carriers have been required to do as a condition of their authority to provide intraLATA high-speed private line service.

Non-LEC competitors, other than AT&T Communications of California, Inc., may change tariff rates and conditions by advice letter on five days' notice to CACD without cost support. This rule should govern MTEL's tariff filings as well.

Conclusion

We find that the service proposed by MTEL would compete with the provision of intraLATA high-speed digital private line service by LECs. This service has been approved expressly by the

Commission's first interim decision on alternative regulatory frameworks, D.88-09-059. The regulatory standards established in Phase I for competitive carriers should apply to MTEL. The application of MTEL for a CPCN, if modified to be consistent with this order, would meet those standards and should be granted.

Pindings of Fact

- 1. MTEL seeks a CPCN to offer intraLATA high-speed digital private line transmission service.
 - 2. No protest to the application has been filed.
- 3. The service proposed by MTEL is authorized by the service D.88-09-059.
- 4. There will be no incremental physical construction associated with this application for CPCN.
- 5. MTEL must file a tariff schedule for intraLATA high-speed digital private line transmission service.
- 6. MTEL's proposal to set its intraLATA high-speed digital private line rates and charges at an amount whereby the profit earned from this proposed service will equal the profits earned from its existing analogous interLATA service will minimize the potential for anticompetitive cross-subsidization of one class of service by the other.
- 7. The financial information submitted in the application and lack of service complaints regarding MTEL's existing provision of interLATA services indicate that MTEL's provision of intraLATA high-speed digital transmission service would serve the public interest.
- 8. MTEL has provided the information required of angular applicant for a CPCN.
- 9. The grant of CPCN to provide intraLATA high-speed private line service pursuant to D.88-09-059 has been conditioned on the submittal by the carrier of the following customer billing information on a semiannual basis: monthly in-service volumes, monthly inward movement volumes, monthly recurring billings by

tariff rate item, and monthly nonrecurring billings by tariff rate item.

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- 10. The proposed intraLATA high-speed private line service is subject to the three-tenths percent (0.3%) surcharge on gross intrastate revenues to fund Telecommunications Devices for the Deaf, as outlined in Resolution T-13005, dated July 22, 1988, and modified by Resolution T-13061 dated April 26, 1989.
- 11. MTEL is also subject to the user fee as a percentage of gross intrastate revenue for these services under PU Code §§ 431 through 435, currently set at 0.10% by Resolution M-4752.
- 12. Applicant is also subject to the 3.4% universal telephone service charge applicable under PU Code § 879.

 Conclusions of Law
- 1. Environmental review is not required prior to issuance of the requested CPCN.
- 2. MTEL has met the requirements for a CPCN applicable to the proposed service.
- 3. MTEL may change tariff rates and conditions by advice letter on five days' notice to CACD without cost support.
- 4. MTEL should be subject to the same semiannual reporting requirements imposed on other applicants for CPCN to provide intraLATA megabits high-speed private line service.
- 5. As a telephone corporation operating as a telecommunications service supplier, applicant is subject to:
 - a. The current surcharge on gross intrastate revenues to fund Telecommunications Devices for the Deaf.
 - b. The user fee which is based on a percentage of gross intrastate revenue from authorized services.
 - c. The universal telephone service charge.
- 6. Only the amount paid to the State for operative rights may be used in rate fixing. The State may grant any number of

rights and may cancel or modify the monopoly feature of these rights at any time.

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7. Because of the public interest in effective intraLATA competition in the provision of high-speed private line service, this order should be effective today.

ORDER OF BUILDING

IT'IS ORDERED that: We went to be all you down to down the army

- 1. A certificate of public convenience and necessity (CPCN) is granted to MTEL Digital Services, Inc. (MTEL), to provide intraLATA high-speed digital private line transmission service within all LATAs in California subject to the following conditions:
 - a. MTEL may offer and provide multiplexing equipment or multiplexing services, including voice services, as part of such high-speed digital services.
 - b. Digital private line services at 1.544
 megabits or above are considered to be
 "high-speed digital private line service."
 "IntraLATA high-speed digital private line"
 service is defined as the dedicated
 connection of two or more end user premises
 within a LATA for the purpose of providing
 intraLATA high-speed digital nonswitched
 services.
 - c. MTEL may provide multiplexing service for voice and/or data at the end user's premises such that the transmission speed from or to the end user's premises is at 1.544 megabits or above.
 - d. This authority does not permit the transport from or to the end user's premises for intraLATA service of either analog or digital transmissions at speeds less than 1.544 megabits.
 - e. MTEL shall refrain from holding out to the public the provision of any intraLATA services it is not authorized to provide.

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Compliance Division (CACD) the names and addresses of the cities and counties within which service will be rendered in the exercise of the required certificate.

g. MTEL should provide to CACD for its review, tariff schedules for the provision of intraLATA high-speed private line service as shown in Appendix A, but modified consistent with the following:

i. The tariff cover sheet shall state,
 "Rates, Tariff, and Special Conditions
 Applicable to Dedicated (Nonswitched)
 IntraLATA High- speed Digital Private
 Line Telephone Services of MTEL Digital
 Services, Inc. (U-5141-C)." The tariff
 sheets shall be relabeled to conform
 with the sample tariff schedule in
 CACD's "Guidelines for Tariff Filing;
 Nondominant Interexchange Carriers."
 The tariff sheets for this service
 shall include a Preliminary Statement
 that states the nature of MTEL's
 telecommunications offerings and that:

"MTEL has been granted authority by the California Public Utilities Commission to provide dedicated (nonswitched) intraLATA high-speed (1.544 megabits or higher) digital private line service between customer premises. MTEL does not otherwise hold itself out as offering intraLATA service. Other intraLATA communications should be placed over the facilities of the local exchange company."

- ii. MTEL shall include a service area map in its tariff schedules because its description of service territory on Sheet 3 makes reference to such a map.
- 2. MTEL may deviate from the following provisions of General Order 96-A:

a. Paragraph II.C.(1)(b), which requires consecutive sheet numbering and prohibits the reuse of sheet numbers.

- b. Paragraph II.C.(4), which requires that "a separate sheet or series of sheets should be used for each rule." Tariff filings incorporating these deviations shall be subject to the approval of the Chief of the Telecommunications Branch, CACD.
- 3. Upon review and approval of the amended proposed tariff schedules by the Chief of CACD's Telecommunications Branch, MTEL would be authorized to file those tariff schedules by advice letter.
- 4. MTEL may not offer the authorized service until the approved tariffs are on file.
- 5. MTEL shall notify the Commission in writing of the date the proposed service is first rendered to the public within 5 days after service begins.
- 6. Within 30 days of the effective date of this order, MTEL shall file a written acceptance of the certificate granted.
- 7. The certificate granted and the authority to render service under the rates, charges, and rules authorized will expire if service is not rendered pursuant to the certificate within 12 months after the effective date of this order.
- 8. MTEL shall continue to keep its books and records in accordance with the Uniform System of Accounts specified in Part 32 of the FCC Rules.
- 9. MTEL shall track the implementation of its intraLATA 1.544 megabits HS-DPLS and shall submit semiannual reports for a 2-year period beginning with the effective date of the rates and charges for this service. These reports shall be filed with CACD Telecommunications Branch with copies to Division of Ratepayer Advocates Telecommunications Rate Design Branch and shall include the following recorded data for applicant's intraLATA 1.544 megabits private line service:

- a. Monthly in-service volumes.
- b. Monthly inward movement volumes.
- c. Monthly recurring billings by tariff rate item.
- d. Monthly nonrecurring billings by tariff rate item.

The format of these semiannual reports shall be determined in consultation with the CACD staff.

- 10. The reporting requirement of Ordering Paragraph 11 shall commence within 45 days after the applicant files its authorized tariffs and shall terminate upon submission of the report for the semiannual period ending 24 months after the tariff filing.
- 11. MTEL shall pay a monthly surcharge to fund Telecommunications Devices for the Deaf. The current surcharge rate has been set at 0.3% by Resolution T-13061.
- 12. MTEL shall pay the universal telephone service surcharge applicable to service rates for any intraLATA message toll and intrastate interLATA message toll services. The current surcharge rate has been set at 3.4% by Resolution T-14081.
- 13. MTEL shall pay the user fee consisting of a percentage of its gross intrastate revenue. The current user fee has been set at 0.10% by Resolution M-4752.

This order is effective today.

Dated April 24, 1991, at San Francisco, California.

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE

COMMISSIONERS TODAY

Executive Director

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

Schedule Cal. P.U.C. No. 3-T
Original Sheet No. Title

RATES TARIFF AND SPECIAL CONDITIONS APPLICABLE TO

INTRA-LATA TELEPHONE SERVICES OF

MTEL DIGITAL SERVICES, INC. (U-5141-C)

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Decision No. _____ NAME Effective ______

TITLE

Resolution No. _____

And Schedule CallPlu.C. No. 3-T

Designal Sheet No. 1

INTRA-LATA TELEPHONE SERVICES

LIST OF EFFECTIVE SHEETS

Sheet	Number of Revision
Title	Original
1	Original
2	Original
3	Original
4	Original .
5	Original
6	Original
Ž	Original
8	Original
	-

Advice Letter No. ______ Date Filed ______

Decision No. _____ NAME ______ Effective ______

TITLE Resolution No. ______

Schedule, Cal.P.U.C. No. 3-T

Original Sheet No. 2

INTRA-LATA TELEPHONE SERVICES

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			2	Contents
	•		3	Applicability Management
	•	• •	3-5	Rates - Private Line Microwave Service Schedules - Schedule A
			6-8	Private Line Microwave Service - Special Conditions
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INTRA-LATA TELEPHONE SERVICES

APPLICABILITY

Applicable to DS-1 and DS-3 links between specified points of origination to Utility's One Wilshire Blvd. site and/or various points of termination along the MTEL network in connection with intra-LATA voice and data telephone communications or such other communications as may be permitted to the Customer under applicable federal, state and local laws and regulations in the State of California.

TERRITORY

Point-to-point paths within the State of California, as shown on the map contained herein.

RATES - PRIVATE LINE MICROWAVE SERVICE SCHEDULES - SCHEDULE A

A. Recurring Network Charges.

The following are monthly recurring charges by Utility in consideration for its provision of communications capacity as measured by DS-l's (increments of 1.544 mbps circuits linking the same points), or DS-3's (increments of 28 l's linking the same points), between the specified sites to MTEL's One Wilshire Blvd. site:

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INTRA-LATA TELEPHONE SERVICES

RATES - PRIVATE LINE MICROWAVE SERVICE SCHEDULES - SCHEDULE A (Continued)

A. Recurring Network Charges (Continued)

POINTS OF ORIGINATION TO ONE WILSHIRE BOULEVARD

Site Nos.	Sites	Per DS-12/	Per	os-3 ² /
1. 2. 3. 4. 5. 6. 7. 8. 9.	Sherman Oaks Burbank Mt. Wilson 3550 Wilshire Santa Monica Los Angeles Airport Compton Garden Grove Irvine Ontario			\$6500 6500 3000 6500 6500 6500 6500 8000

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B. Non-Recurring Network Charges²

\$500 per DS-1 and \$8000 per DS-3 plus special construction charges, if any. A volume discount will be given to Customers committing to 28 DS-l's for connection from and to any point on MTEL's network; the discounted rate is \$10,500 for 28 DS-l's.

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^{1/} Customers committing to 28-DS-1's may receive service from any of the above sites to any and all points of presence on the MTEL network at these discounts: for 28 DS-1's from any, several or all of sites 1 - 8: \$10,500: from sites 9 and/or 10: \$10.500 plus \$250 per T-1.

^{2/} Customers connecting to carrier's points of presence within the Utility's One Wilshire Blvd. building will pay these additional, monthly recurring charges: \$50 per DS-1: \$250 per DS-3.

^{3/} Customers connecting to Utility's points of presence within the Utility's One Wilshire Blvd. building will pay these additional non-recurring charges: \$50 per DS-1: \$250 per DS-3; plus special construction charges, if any.

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INTRA-LATA TELEPHONE SERVICES (Continued)

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RATES - PRIVATE LINE MICROWAVE SERVICE SCHEDULES - SCHEDULE A (Continued)

C. Access Charges

1. Option A -- Fully Protected4/

\$2500 for 4-DS-1's \$2500 for 8-DS-1's \$5000 for 28-DS-1's

2. Option B -- Non-Protected

\$1500 for 4-DS-1's \$2250 for 8-DS-1's \$3000 for 28-DS-1's

3. Volume and Contract Discounts

Customers purchasing multiple DS-3's will receive these discounts: for 2nd DS-3: 10% for 3rd DS-3: and 15% for 4th DS-3. Customers committing to written 3-year contract will receive a discount of 5% off the recurring fees on a monthly basis. Customers committing to a written 5-year contri will receive a 15% discount off the recurring fees on a monthly basis.

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INTRA-LATA TELEPHONE SERVICES (Continued)

RATES - PRIVATE LINE MICROWAVE SERVICE SCHEDULES

D. Special Conditions

- 1. Customers must pay a service deposit charge of first and last month's recurring service fees, plus non-recurring fees.
- 2. Service initiation is 14 days after receipt of the Customer's service order; during this period, a Customer cancelling its order with less than 14 days notice will pay a \$500 cancellation fee.
- 3. Minimum service term is one year.
- 4. Customer will provide and carrier assumes:
 - a. Customer premise roof rights and equipment space.
 - b. 2-1/2" conduit from roof top to equipment room.
 - c. 48 volt/2 amp power source.
 - d. 24 hour facility access.
 - e. Line of sight is verified.
 - f. Frequencies are coordinated:

5. Customer Provided Equipment and Attachments

The tariffed rates set froth herein apply to service between and among the Points of Termination specified in the Preliminary Statement. Utility may provide additional equipment and services necessary to link such points to the Customer's premises and/or to the premises of another communications carrier designated by Customer, and where it does so each such additional premise shall be charged as a Point of Termination: Special construction charges and other conditions for such additional service and equipment shall be determined on an individual case basis, and Utility may require Customer to enter into a written special Construction Agreement describing the same. Absent any such additional agreement between Utility and Customer, the Customer shall have sole responsibility for the installation and maintenance of all communications links which interconnect with Utility's specified Points of Termination. All Customer equipment and attachments must be technically compatible with Utility's system, and must conform with all relevant federal and state statutes and regulations. Customer shall be liable for any loss, damage, or expense incurred by Utility as a result of incompatible equipment furnished by Customer and interconnected with Utility's facilities, as well as for any negligence by the Customer in designing, installing, or maintaining equipment which is interconnected with that of Utility.

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INTRA-LATA TELEPHONE SERVICES (Continued)

RATES - PRIVATE LINE MICROWAVE SERVICE SCHEDULES

D. <u>Special Conditions</u> (Continued)

6. Maintenance and Trouble Reporting

Utility shall be responsible for maintaining all links between the designated Points of Termination, and shall maintain a capability of responding on a twenty-four hour basis to trouble reports by Customer. Customer shall report all malfunctions to Utility as soon as possible after learning of them, and by doing so shall authorize Utility to take all steps reasonably necessary to diagnose the source of trouble. If the reported trouble is shown to be the result of malfunction of equipment that does not belong to Utility on Customer's side of the Point of Termination, Utility will report the nature of the malfunction to Customer, and will bill Customer on a time and materials basis for its investigation.

7. Minimum Service

All DS-1's and DS-3's ordered hereunder shall remain in service for a minimum period of one year, with Customer being entitled after the expiration of these minimum periods to terminate service on thirty days' advance written notice to Utility.

8. Routing

Customer shall designate the Points of Termination between which it desires service. Utility reserves the right to change, rearrange, or substitute equipment and routes so long as there is no material impairment to service between the Points of Termination designed by the Customer.

9. Interconnection Services

Provided that Customer shall have furnished compatible equipment and attachments. Utility will assume the responsibility for interconnecting such equipment at the Points of Termination designated by the Customer. Where interconnection is with facilities provided by another certificated communications carrier. Utility will coordinate its interconnection activities with such other carrier.

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INTRA-LATA TELEPHONE SERVICES (Continued)

RATES - PRIVATE LINE MICROWAVE SERVICE SCHEDULES

D. Special Conditions (Continued)

10. Service Date: Proration of Charges

Absent circumstances beyond its reasonable control, Utility will provide service hereunder within ninety days of its receipt of a written service order from Customer, together with payment of all required deposits, non-recurring charges, and special construction charges. Recurring charges will thereafter be billed in advance on a monthly basis. When service has been initiated on other than the first day of the relevant billing period, or terminate on other than the last day of such period, recurring charges for the period shall be determined by prorating the total payment for the period by the number of days during which service was actually provided.

11. Network Standards

Insofar as such standards are relevant. Utility will conform its system to the standards set forth in AT&T Compatibility Bulletin No. 119 (TA-34). October, 1979 Bell Core Technical Publications 62508.

12. Outages

In the event the Utility is unable to provide or restore a portion of the service described herein, or in the event of a service outage, Customer's sole entitlement shall be to a credit for the monthly charges for the affected circuits for the period of time during which service was not provided or there exists a service outage in excess of four hours. If a service outage continues for a period of thirty continuous hours in any thirty-day period. Customer may terminate the affected service upon written notice to Utility and upon payment of any charges which may be due for the period during which service was rendered. Customer's credit and termination rights, as described herein, shall not apply to the extent any mistakes, accidents, omissions, interruptions, delays, errors or defects in the service are caused directly or indirectly by any act or omission of customer.

13. Reselling

The service described herein may not be resold except by carriers that are duly authorized to do so under applicable federal and/or state law.

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