> "Several parties noted that the issue of criteria for recategorization of services merits review and could efficiently be resolved in the local competition proceeding . . . Indeed, the Commission has already analyzed several issues related to recategorization in that docket. (See D.96-03-020, mimeo. at 53-59.) The Commission adopts this suggestion and directs the ALJ assigned to that proceeding to so notify the parties. Any generic issues regarding the existing service categories and the recateogorization of services not resolved in the local exchange docket will be taken up in the 1998 NRF review." (66 CPUC2d at 277.)

The third strand of the FBC argument is based on a statement made by the assigned ALJ at the March 16, 1998 PHC in this docket. According to the FBC, the ALJ stated that recatgorization was not an issue for this phase. (FBC Opening Brief, p. 44.) The FBC relies on the following statement:

> "[T]hese hearings do not seem the proper place to seek recategorization of services, and I think that's been said in a couple of rulings.
>
> * * *
>
> "But I've certainly understood that, simply because we had so many issues here, that issue of recategorization to be outside the scope of this proceeding." (Tr. 937-38.)

The FBC continues that nothing in the ALJ's written rulings concerning the scope of the UNE pricing phase contradicts this statement. The FBC notes that both the March 4, 1997[171] and March 27, 1998 ALJ rulings were silent on recategorization as a potential issue, and that the December 18, 1996 ruling which directed Pacific to submit TELRIC studies limited the parties'

[171] Administrative Law Judge's Ruling Deciding Issues Raised at January 28, 1997 Prehearing Conference, Granting One-Week Extension of Time for Filing Opening Comments, and Setting Schedule for Proceeding, issued March 4, 1997.

testimony on imputation to the questions of (1) how shared and common costs should be accounted for in price floors, and (2) how the imputation rules should be modified in the event the Commission chose the TELRIC methodology for setting UNE prices. (*Mimeo.* at 27-30.)[172] Hearing issues cannot be created or disposed of by implication, the FBC contends, yet in its view Dr. Tardiff's testimony concerning which network elements are essential attempts to do precisely that. (FBC Opening Brief, pp. 43-50.)

E. Sprint's Position

Sprint's position on price floors is set forth in the testimony of Dr. David Rearden. Like AT&T/MCI and the FBC, Dr. Rearden advocates that the price floor for Pacific's services should be the sum of the prices of the UNEs needed to produce the service, "plus any ILEC specific incremental costs." (Ex. 401, p. 16.) Dr. Rearden offers the following succinct summary of why he believes his price floor formula is correct:

> "This formulation has two advantages. One, it creates a 'level playing field' between the ILEC and the CLECs. Two, it easily allows the ILEC to flexibly respond to entry with retail price competition.
>
> * * *
>
> "This price floor creates the conditions for effective competition by preventing the ILEC from underpricing its retail services relative to its wholesale inputs. Both the ILEC and the CLEC 'pay' the same input prices for UNEs used by

[172] The FBC concedes, however, that the "essentiality" issue was discussed in an April 29, 1997 discovery ruling dealing with Pacific's efforts to obtain planning documents about AT&T's proposed "wireless loop." *See* Administrative Law Judge's Ruling Granting In Part and Denying In Part The Motion of AT&T Communications of California, Inc. For A Protective Order Concerning Discovery, *mimeo.* at 4-7, issued April 29, 1997.

> the CLEC. The factor that makes this a critical condition is that entry is likely to be possible for some market segments only if the CLEC is able to use the [UNE platform]. If CLECs must use inputs priced above TELRIC to recover joint and common costs but the ILEC can price down to TELRIC, then the possibility exists for the ILEC to price services below the level possible for entrants." (*Id.* at 16-17.)

Dr. Rearden argues that this formula would not unduly constrain Pacific in meeting competition, for if a CLEC is able (by self-provisioning some elements) to price below this floor, Pacific has the option of either (1) lowering UNE prices by accepting a lower markup for shared and common costs, or (2) in the longer-run, demonstrating that its incremental costs have diminished. (*Id* at 17-18.)

Complementing Dr. Rearden's testimony, Sprint argues (at page 53 of its Opening Brief) that Dr. Tardiff's proposal to let Pacific price down to the volume-sensitive portion of a service's TSLRIC is inconsistent with the following statement from D.89-10-031, which indicates that price floors should include some shared and common costs:

> " [I]n the event that incremental cost analysis progresses to the point that a local exchange carrier requests modifications to price floors to reflect this theoretically efficient price [*i.e.*, the point at which price is equal to the incremental cost of the least efficient provider whose output is needed to balance supply and demand], *such a floor should provide also for the recovery of some amount of overheads.* We will reserve judgment regarding the appropriate amount of overheads to be included in incremental cost-based floors until such a proposal is before us." (33 CPUC2d at 128; emphasis added.)[173]

[173] Sprint's brief also offers the following economic explanation for why it is reasonable to require price floors to include some shared and common costs:

Footnote continued on next page

On the issue of imputation, Dr. Rearden does not explicitly advocate abandonment of the "contribution" approach set forth in D.94-09-065. However, that is clearly his view, as his formulation of what he considers a proper imputation test makes clear:

> "We would calculate the hypothetical revenues from prices charged to CLECs for UNEs (which includes the joint and common cost adder – maximum of 15%) and compare it to all revenues from a given retail service offered by [Pacific]. If the latter is higher, [Pacific's] proposed prices pass imputation. This indicates that the prices are not anticompetititve. If not, then the proposed price or prices fails imputation and it or they must be raised." (Ex. 401, p. 18.)

Finally, Sprint is very critical of Dr. Tardiff's "essential facilities" analysis, although for somewhat different reasons than those offered by AT&T/MCI and the FBC. Sprint notes that in assessing the current state of competition, Dr. Tardiff claims to have used the kind of approach employed by the U.S. Department of Justice (DOJ) and the Federal Trade Commission (FTC) in antitrust litigation. However, Sprint continues, Dr. Tardiff was forced to admit on cross-examination that his analysis departed in some significant respects from the DOJ-FTC approach, especially in not considering the amount of sunk costs that new entrants would have to incur, or how long it would take these new entrants to become profitable. (Sprint Opening Brief, pp. 55-57.) These

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> "The purpose of price floors is to allow competitors who are at least as efficient as Pacific an opportunity to win business in the market. By definition, a competitor with larger economies of scope is more efficient. If Pacific is permitted to price down to its marginal cost before competition has taken root, it may prevent or deter entry by an equally efficient competitor who has not reached the economies of scope of the UNEs required to provide the retail service at issue." (Sprint Opening Brief, p. 59; footnotes omitted.)

shortcomings, Sprint argues, mean that in most cases Dr. Tardiff offered only a catalogue of potential competitors, and that the Commission should therefore disregard his conclusion that only residential loops are essential UNEs. (*Id* at 57-58.)

F. Positions of Other Parties

TURN, Cox, the California Payphone Association (CPA) and the Office of Ratepayer Advocates (ORA) also addressed price floor issues in their briefs.

TURN is especially critical of Pacific's proposals for variable loop price floors, and of the validity of Dr. Emmerson's tests for detecting cross-subsidies. TURN presents an extensive summary of Dr. Tardiff's cross examination that shows, TURN argues, that the witness lacked personal knowledge of the state of the *potential* competition on which he based his recommendation that the loop should be considered non-essential in most areas. (TURN Opening Brief, pp. 4-8.) TURN criticizes Dr. Emmerson's cross-subsidy testimony for tolerating a situation in which customers without competitive alternatives could end up paying unreasonably large amounts of shared and common costs for those UNEs deemed non-essential under Pacific's proposal. (*Id.* at 8-10.) TURN's position is that the Commission should adhere to its determination in D.96-03-020 that all basic network functions are essential.

Cox argues that the Commission should no longer use the "expedient" contribution method for calculating imputation, because the Commission has now approved fully-litigated long run incremental cost studies that were not available at the time of the IRD decision. Thus, Cox – like AT&T/MCI, the FBC and Sprint – argues that the price floor for a service should be computed by summing the tariffed rates of the UNEs used in providing the service. Cox goes further, however, arguing that price floors should also include

the retailing costs associated with Pacific's bundled services. (Cox Reply Brief, pp. 6-9.)

The sole issue addressed in CPA's opening brief is the need to set price floors for COPT service. CPA criticizes Mr. Scholl's testimony for not proposing such a price floor. CPA did not file a reply brief.

ORA agrees with the FBC and Sprint that the Commission should use the original formulation of the imputation requirement set forth in D.89-10-031; *viz.*, the "tariffed price" of each UNE in a service should be imputed into the price floor for that service. (ORA Reply Brief, pp. 31-32.)

G. Discussion

1. Summary of Price Floor Conclusions

As the foregoing summary of the parties' positions indicates, the questions of (1) which set of cost studies should be used to set price floors, (2) whether the contribution method for determining imputation remains valid, (3) which UNEs should be considered MBBs, and (4) how the contribution from MBBs should be determined (if the contribution method continues to be used), were among the most hotly contested issues in the pricing hearings. They are also issues of state law and regulatory jurisdiction, since in its First Report and Order, the FCC stated that it was leaving the issue of imputation up to the States. (¶¶ 848-850.)

While we acknowledge that there is legitimate room for debate on several of these issues, we have decided that a variant of the price floor approach urged by Pacific best balances the competing interests we must weigh. First, since the contribution method of imputation contained in D.94-09-065 is the algebraic equivalent of the imputation test we first set forth in D.89-10-031, we have concluded that the contribution method remains valid and should be used here, especially since it can fill in certain gaps that even our rigorously-litigated

TSLRIC and TELRIC cost studies have. Second, since the price floors being set here are for services, we agree with Pacific that the starting point for these price floors should be the TSLRIC studies approved in D.96-08-021, because those studies have *services* as their cost object. Third, we agree with Pacific that as to the competitive elements of those services – *i.e.*, every aspect of the service except those elements designated as MBBs – Pacific should *not* be required to include any shared or common costs in the price floors, since firms in competitive markets would not be obliged to do so. Thus, except with respect to MBBs, we will allow Pacific to price down to the *volume-sensitive* TSLRIC costs of the service.[174]

As for monopoly building blocks, we agree with Pacific that our descriptions over the years of what constitutes an MBB make clear that the concept is very close to an "essential facility" under antitrust law. We also agree with Pacific that – as the Supreme Court's decision in *AT&T-Iowa* makes clear -not every element designated as a UNE by the FCC in the First Report and Order can be considered an essential facility.

However, we firmly *disagree* with Pacific and Dr. Tardiff that only loops serving residential and small business customers can now be considered MBBs. For the reasons set forth below, we believe that for the next

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[174] Although we have concluded that Pacific should be allowed to price down to the volume-sensitive portion of the TSLRICs for the services at issue, it is not because we are entirely persuaded of the validity of Dr. Emmerson's cross-subsidy tests. As explained further in Section VIII.G.2., *infra*, we have decided that the best guarantee against improper cross-subsidies is to use TELRIC-based prices as the starting point for determining contribution. As explained in the text, the TELRIC methodology – by assigning shared and common costs to network elements as much as possible – adequately reduces the cross-subsidy risk that using TSLRIC-based prices could lead to. *See* D.98-02-106, *mimeo.* at 19-20; D.96-08-021, *mimeo.* at 21.

few years, the loop, switching and white page listings must all be considered MBBs, since they are all essential to the provision of local exchange service, and since alternatives to them are only beginning to become available in the market.[175] As a corollary of this conclusion, we reject Pacific's suggestion that the price floor for the loop should vary depending on whether it is considered essential or non-essential for a particular regional market or service.

Finally, even though we disagree with Pacific as to what constitute MBBs, we agree with Dr. Tardiff that for the loop, switching and white page listings, the appropriate contribution should be calculated by subtracting the volume-sensitive portion of the TSLRICs of these MBBs from their respective TELRIC-based prices (*i.e.*, the adopted TELRIC cost for the MBB plus 19%). By calculating contribution in this way, we ensure that the non-competitive elements of the services for which we are setting price floors include an appropriate measure of shared and common costs (as required by D.89-10-031), and that both Pacific and competing CLECs will effectively end up paying the same price for these essential elements.[176]

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[175] As explained later in the text, we consider white page listings to be essential only for the basic access line services, *i.e.*, 1 FR, 1 MR and 1 MB service.

However, we do not think it is appropriate to impute switching minutes-of-use (a sub-element of switching) into access line services, since the full price of switching is being imputed to Pacific's toll price floors. If we were to include switching minutes-of-use in access line services as well, we would be requiring Pacific to recognize the same contribution twice.

[176] It should be noted that the price floors for usage products (*i.e.*, ZUM and local usage) are set at TSLRIC, because no contribution from an MBB is imputed to them. The reason for this is the "bill and keep" arrangements between the ILECs and the CLECs. If these bill and keep arrangements were not in effect, it would be appropriate to treat interconnection termination as an MBB for these usage products.

2. The Contribution Method of Imputation Remains Valid And Should be Used in Conjunction with the TSLRIC Studies Adopted in D.96-08-021.

As noted above, most of the non-ILEC parties have argued that the contribution method for determining imputation should be abandoned. The FBCs urge abandonment because they contend that the contribution method does not fit with the TELRIC methodology adopted in D.98-02-106:

> "[T]he use of TELRIC renders the Commission's contribution methodology useless for imputation purposes because much of the shared cost associated with UNEs is directly assigned by TELRIC. Because contribution is calculated as the difference between the tariffed price of the UNE and its cost, shared costs or contribution that has been directly assigned to UNEs under TELRIC is not captured using the contribution methodology. As a result . . . the contribution methodology when used in conjunction with TELRIC significantly understates the contribution which must be imputed into price floors for retail services. This understatement results in a price floor which cannot meet the Commission's imputation test and which will result in an anticompetitive price squeeze." (FBC Opening Brief, p. 30.)

AT&T/MCI urge abandonment of the contribution method not only for this reason, but also because they believe that the contribution method is unnecessary now that the Commission has fully-litigated long-run incremental cost studies. AT&T/MCI state:

> "Now that unbundled cost studies have been adopted by the Commission, there is no longer any reason to allow use of the expedient 'contribution' method of imputation. While the 'contribution' method would automatically reflect any cost differences between providing an [UNE] on an unbundled basis and providing that same element as part of a bundled service, the Commission has stated that reflecting such

> differences in imputation will only be permitted if the incumbent *shows that there are cost differences.* The cost studies adopted by the Commission provide absolutely no basis upon which to conclude that such cost differences exist." (AT&T/MCI Opening Brief, p. 67.)

While these positions may seem appealing at first glance, neither AT&T/MCI, the FBC nor any other party has come to grips with the fact that in D.94-09-065, we agreed with Pacific's contention that the contribution method of imputation is the *algebraic equivalent* of the imputation standard adopted in D.89-10-031. (56 CPUC2d at 232-33.) After rearranging the imputation equation from D.89-10-031, we stated in D.94-09-065 that "the contribution method is equivalent to the general imputation formula we have already adopted." (*Id.* at 233.) In view of the equivalency of the two methods, it is incumbent on those seeking abandonment of the contribution method to show why it is less preferable, and that is something they have failed to do. As Dr. Tardiff tartly puts it in his reply testimony, "suggestions that the Commission should abandon the contribution approach are tantamount to asking it to repeal the laws of arithmetic." (Ex. 124, p. 2.)

Moreover, there is an additional complication with the CLEC argument that price floors should be computed by summing the "tariffed rates" of the UNEs making up the service, and this complication is rooted in the nature of TELRIC itself. As we explained in D.98-02-106, while TSLRIC and TELRIC studies are both based on forward-looking long-run incremental costs, they differ in how they account for shared and common costs and retail costs. TELRIC studies have individual network elements as their cost objects (*i.e.*, subject of study), and assume that the firm producing the elements sells nothing else. As a corollary of these assumptions, TELRIC studies treat as costs of the network elements, costs that would be considered "shared" or "common" under the

TSLRIC approach. Moreover, TELRIC studies do not include retail costs, which are incurred only in selling services. (D.98-02-106, *mimeo.* at 19-22.)

As Pacific points out, the problem with using what Pacific calls the "Adding the UNEs"[177] approach to imputation is that it results in price floors which include far more shared and common costs than any firm in a competitive environment would have to bear:

> "[T]he Adding the UNEs Approach would inflate the price floor for Pacific's retail service by improperly including too much of Pacific's shared and common costs in the price floor. This would occur because proponents of this approach make no distinction between UNEs which are MBBs and UNEs which are not. Therefore, they would add the prices of all UNEs Pacific used to provide the retail service, even though these UNEs were not MBBs. Since UNE prices are based on TELRIC costs, which include some shared and common costs, some shared and common costs would be imputed to Pacific's price floors, even though competitors were not required to pay those shared and common costs because alternatives to Pacific's UNEs are available. This would give Pacific's competitors a clear competitive advantage in pricing their retail services. To be on equal competitive footing, Pacific should only have to impute the shared and common costs CLECs are *required* to pay, namely the shared and common costs recovered in the price of an MBB." (Pacific Reply Brief, pp. 52-53.)[178]

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[177] Pacific uses the term "Adding the UNEs" as short-hand for "set[ting] price floors based on the price for all UNEs used to provide a service, plus the TSLRIC of the competitive components of that service." This is the price floor approach advocated by AT&T/MCI, the FBC and Sprint. (Pacific Reply Brief, p. 52.)

[178] Pacific argues that antitrust courts share its concern. It cites the following passage from *MCI Communications v. American Tel. & Tel. Co.* as support for the view that it should be able to price down to its long-run incremental cost:

Footnote continued on next page

We also think that Dr. Tardiff is on point when he criticizes the "Adding the UNEs" approach for assuming, in effect, that resale is the only viable entry strategy for a CLEC. Dr. Tardiff states:

> "Essentially, the proponents of the adding-up rule view local competition as consisting of a single wholesale provider of network elements (the ILEC) and a number of retail providers that buy these elements and perform retailing functions. This viewpoint is perhaps most clearly articulated in Dr. Rearden's testimony [Ex. 401] when he opines that a CLEC may require a full platform of UNEs to enter some market segments (p. 17).
>
> "Pretending that retail competition consists only of firms adding retail functions to a platform of network elements purchased from a monopoly provider would, at best, optimize competition for that retail function only, but in the process distort competition among facilities-based providers of network elements. In effect, the situation would be one of promoting efficient resellers, while ignoring other types of entrants. This would truly be a case of the 'tail wagging the dog,' because retail functions account for only a small fraction of total costs." (Ex. 124, pp. 5-6; footnotes omitted.)

In addition to being the mathematical equivalent of our original imputation formula and ensuring that only the shared and common costs of non-competitive elements are included in price floors, the contribution

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"Because of the elasticity of demand in competitive markets, any rate substantially above LRIC would cause AT&T to lose business against an equally efficient competitor and, hence, decrease AT&T's total revenue from competitive markets. There would thus be less revenue available from competitive services to contribute to the firm's joint and common costs, and monopoly customers would be required to provide a greater share of these costs." (708 F.2d at 1124, *quoted at* Pacific Reply Brief, pp. 54-55.)

approach enables us to overcome discontinuities between the TSLRIC studies we adopted in D.96-08-021 (which concern services), and the TELRIC studies that we adopted in D.98-02-106 and that are the basis for UNE pricing. As Pacific states:

> "Despite [the] rigorous examination and identification of TSLRICs [in D.96-08-021], there is still not a perfect mapping of competitive and non-competitive components for all of those services. Even AT&T/MCI, who were intimately involved in the litigation of the TSLRIC studies, admit this fact. The contribution method allows price floors to be set accurately despite this imperfection.
>
> "Neither Pacific nor the Commission is to blame for the imperfect breakdown of retail service cost studies into competitive and non-competitive components. Pacific's studies are based on 'disaggregated pieces' of its network. As agreed to in the Consensus Costing Principles by many of the parties in this proceeding, including AT&T/MCI, those disaggregated pieces were 'not precisely defined,' but referred to a 'higher level of aggregation than "nuts and bolts" items such as line cards, but (typically) a lower level of aggregation than tariffed LEC services.'
>
> "The inability to precisely define disaggregated pieces and divide them into competitive and non-competitive components is the product of a rapidly changing industry and laws and regulations governing that industry. The regulatory definition of network components and, thus, service components[,] was changed by the Telecommunications Act of 1996 and the FCC's First Report and Order . . . The Commission recognized the occurrence of these changes in D.98-02-106. Fortunately, however, changing the definition of individual service components does not affect the validity of the TSLRIC cost for the entire service. Thus, it can be used with the contribution method of imputation to set accurate price floors." (Pacific Reply Brief, pp. 48-49; footnotes omitted.)

Because the contribution method results in the imputation of no more shared and common costs than are appropriate,[179] and also allows us to set price floors for the services at issue here using cost studies that have services as their cost object, we have concluded that it should be used.[180]

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[179] Setting price floors based on the "Adding the UNEs" approach would be akin to building a new car from repair parts purchased at their full retail price. It could create very comfortable price umbrellas for inefficient new entrants, thus harming consumers.

[180] In its comments on the PD, CCTA argues that our decision to continue using the contribution method of imputation constitutes legal error, because "the PD ignores the evidentiary record in this proceeding and the Commission's previous determination in D.94-09-065 that the contribution method was *interim* in nature and its use was to be terminated after unbundled cost studies were determined herein." (CCTA Opening Comments, p. 11.)

To support its argument, CCTA relies on two passages from the IRD decision. In the first, we noted that "the contribution formula will help us overcome some of the shortcomings of the LECs' cost studies; our use of this formula, however, should not be seen as condoning the LECs' failure to follow the principle that [MBBs] should be unbundled." (56 CPUC2d at 233.) In the second passage, we stated that "we will require [unbundled LRIC] studies to be submitted in our OAND proceeding . . . In that proceeding, the LECs may propose price floors based on unbundled LRICs. For services for which unbundled cost studies are not now available, and only until costs are developed on an unbundled basis, Pacific and GTEC may use the [contribution formula] we have discussed . . ." (*Id.* at 237.)

These passages do not preclude us from continuing to use the contribution method. First, as noted in the text, the contribution method allows us to overcome gaps that exist in both the TSLRIC and TELRIC studies. Second, as demonstrated in the IRD decision and reiterated above, the contribution method is the *algebraic equivalent* of the imputation standard adopted in D.89-10-031. In view of this, CCTA's assertion that such equivalence is "irrelevant", or that our decision to continue using the contribution method reflects "unfounded bias", is bizarre. (CCTA Opening Comments, pp. 12-13.) CCTA is simply unwilling to acknowledge that an administrative agency has discretion in its choice of analytical methods when it turns out that one of two equivalent methods cannot live up to the expectations the agency originally had for it. Use of the contribution method therefore does not constitute legal error.

It is important to point out, however, that we have not reached this conclusion because we are necessarily persuaded by Dr. Emmerson's arguments that prices based on Pacific's TSLRIC studies can be shown not to give rise to improper cross-subsidies. One difficulty with Dr. Emmerson's approach is that it assumes if shared family expenses are recovered from a *family* of services as a whole, there is no improper cross-subsidy. Thus, Dr. Emmerson is satisfied even if *one* service within a family recovers *all* of the shared family costs, and the other services recover *none* of these costs.

Dr. Emmerson also acknowledges that in their pure form, his tests would require many millions of computations. To simplify the computational task, he approves of Pacific's practice of placing its 230 services into 40 "service groups," which he states are based on a "natural aggregation" of services. (Ex. 106, p. 9.) He also approves of Pacific's practice of allocating its 20 shared family cost categories among the 40 service groups according to a *pro rata* method based on the contribution from each group, a result he likens to producing a fully-distributed cost. (*Id.* at 10-11.)

Although Dr. Emmerson claims to be satisfied with the tests that Pacific conducted using these simplifying assumptions, it is evident that they involve a large element of subjectivity, and that verifying them each time approval for a new price floor is sought would be an overwhelming task.[181] Moreover, Dr. Emmerson has not explained why Pacific should be able to

[181] We are also skeptical of the rationale Dr. Emmerson has given for assigning a zero contribution to situations in which service groupings produce a negative contribution. Dr. Emmerson's explanation that this is proper because "the services and service groupings that receive a cross-subsidy are already known at this stage of the analysis," *id.* at 12-13, is unconvincing.

recover shared family costs from purchasers of its UNEs, while not also being required to do so from its retail customers, a dichotomy his tests would permit.[182]

We think that computing contribution beginning with the TELRIC-based price of the three UNEs we deem to be essential is a better protection against improper cross-subsidy than Dr. Emmerson's complicated tests. As noted above, a key aspect of TELRIC is that it assigns to the individual network elements, costs that are considered "shared" or "common" under the TSLRIC methodology. As a result of this difference, the total of shared and common costs in the TELRIC studies we approved in early 1998 is about $800 million less than the total of shared and common costs in the TSLRIC studies we approved in the Summer of 1996. *See* D.98-02-106, *mimeo.* at 19-20. By beginning with TELRIC-based prices, we therefore ensure that the resulting contribution includes a reasonable share of TSLRIC shared and common costs, the absence of which Dr. Emmerson's cross-subsidy tests are designed to detect. The fact that we are also requiring Pacific to impute contribution from the loop and switching (which account for a substantial percentage of Pacific's direct costs), and that we are rejecting Pacific's proposal to treat the loop as essential only for certain customer groups in certain geographic areas, means in practical terms that the risk of improper cross-subsidies here is greatly reduced.

As noted in Section VIII.A., the only price floors that we are setting in this decision are for certain local exchange services that were designated as Category II in D.96-03-020. (65 CPUC2d at 190.) However, this does not mean that the price floor formula described above is intended to apply only to those nine services. In the future, we will expect Pacific to use this price

[182] Dr. Emmerson concedes that under his approach, shared family expenses will not necessarily be recovered from services such as 1 MB and Centrex.

floor formula (*i.e.*, the volume-sensitive portion of a service's TSLRIC, plus the contribution from MBBs used to provide the service) when it proposes a price floor for a service newly reclassified as a Category II service, or for new customer-specific contracts or express contracts pursuant to the procedures laid out in the IRD decision (56 CPUC2d at 238-242).[183] We will not, however, require Pacific to submit new price floors for existing contracts that have already been approved pursuant to these procedures.

3. Not All UNEs Should Be Considered Monopoly Building Blocks, Because Only Some UNEs Are Essential Facilities

One of the most hotly-contested issues in the price floor debate was whether or not all of the UNEs designated by the FCC in its First Report and Order should be considered monopoly building blocks. As the preceding section indicates, this debate was closely intertwined with whether the contribution method of imputation should continue to be used.

One of the reasons for this vigorous debate is that our decisions over the years have never precisely defined what constitutes an MBB. The reason we were not specific, of course, was that at the times D.89-10-031 and D.94-09-065 were decided, adequate cost studies for unbundled network elements were not available. For example, after laying out the basic principles of unbundling and imputation for the post-NRF world in D.89-10-031, we said:

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[183] In its comments on the PD, Pacific asks that we make clear that where new contracts are submitted with price floors computed according to this decision, existing price floors for a service (such as Centrex or toll) will remain in effect until any protests of the new contracts are resolved. (Pacific Opening Comments, pp. 15-16.) Pacific fears that unless such a clarification is made, its contracts "could be placed in abeyance pending review and resolution of [unmeritorious] protests." (*Id.* at 15.) Pacific's concern is a valid one, and we have modified the relevant OP accordingly.

> "Because of the wide variety of utility services and functions, we are not ready at this time to pass judgment on which functions are or are not [MBBs], nor is the record sufficient to determine whether factors exist which would militate against application of the principles of unbundling and nondiscriminatory access to any specific [MBB]. As a result, these principles should be applied on a case-by-case basis." (33 CPUC2d at 121.)

However, we agree that our characterizations of MBBs over the years are strongly suggestive of what antitrust law calls an "essential facility." Thus, in a section of D.89-10-031 entitled "Unbundling of Monopoly Service Elements," we noted that:

> "[T]he need for unbundling, uniform pricing, and nondiscriminatory availability of the [LECs'] *monopoly bottleneck building blocks* (MCI's terminology) or *essential services and facilities* (AT&T's terminology) was raised by many competitors and potential competitors . . ." (*Id.* at 119; emphasis supplied.)

Five years later in the IRD decision, we opened our discussion of the imputation issue with the following description of the MBB concept:

> "The foundation for telecommunications in this country remains to a large degree the public switched network developed and owned by the LECs. Consequently, companies operating in relatively competitive telecommunications areas, such as IECs, are frequently compelled to purchase services from the monopoly LECs *when no other company offers the service and no reasonable alternatives to the service are available.* Of particular concern are the *essential services called [MBBs] or bottleneck functions.*" (56 CPUC2d at 227; emphasis supplied.)

We agree with Pacific that whatever the precise theoretical contours of an MBB may be, the concept we were expressing in these decisions is

very close to the antitrust concept of an "essential facility." In its important 1983 opinion in *MCI Communications v. American Tel. & Tel. Co., supra,* the Seventh Circuit described the elements necessary to establish liability under the essential facilities doctrine as follows:

> "The case law sets forth four elements necessary to establish liability under the essential facilities doctrine: (1) control of the essential facility by a monopolist; (2) *a competitor's inability practically or reasonably to duplicate the essential facility;* (3) the denial of the use of the facility to a competitor; and (4) the feasibility of providing the facility [to the competitor]." (708 F.2d at 1132-33; emphasis supplied.)

In *MCI v. AT&T,* the Seventh Circuit found that AT&T (prior to divestiture) was liable under this doctrine because of its refusal to interconnect MCI with the local distribution facilities of the Bell operating companies, a refusal that made it impossible for MCI to offer foreign exchange (FX) and common control switching arrangement (CCSA) service to customers. In the part of its discussion most germane to the issues here, the Court noted that the Bell companies' local distribution networks should be considered "essential facilities" because

> ". . . MCI could not duplicate Bell's local facilities. Given present technology, local telephone service is generally regarded as a natural monopoly and is regulated as such. *It would not be economically feasible for MCI to duplicate Bell's local distribution facilities (involving millions of miles of cable and line to individual homes and businesses),* and regulatory authorization could not be obtained for such an uneconomical duplication." (*Id.* at 1133; emphasis supplied.)

Although this is not an antitrust case, the above description is very close to the language we used in D.89-10-031 and D.94-09-065 to describe

MBBs. The situation that the Seventh Circuit was describing in 1983 is also, of course, the reason why we have endorsed unbundling principles since D.89-10-031, and why the Telecommunications Act of 1996 embraces them, too.

4. Under the First Report and Order and *AT&T- Iowa*, Not All Unbundled Network Elements Are Essential Facilities

It is evident from a review of the opinions of both the U.S. Supreme Court and the Eighth Circuit in *Iowa Utilities Board* that not all of the network elements designated as UNEs in the First Report and Order constitute essential facilities. Further, the non-ILEC parties in this proceeding are simply wrong when they assert that this Commission's prior decisions declare all UNEs to be monopoly building blocks for imputation purposes.

In its January 25, 1999 opinion in *AT&T-Iowa*, the U.S. Supreme Court vacated 47 C.F.R. § 51.319, the rule setting forth the FCC's list of network elements to be unbundled. Although the Court declined to hold that § 251(d)(2) of the Act, the statutory basis for the rule, codified the "essential facilities" doctrine, it had no difficulty in concluding that the First Report and Order had failed to give adequate consideration to the "necessary and impair" standard contained in § 251(d)(2).

The Supreme Court began its analysis with the following summary of the FCC's interpretation of the statutory provision:

> "In the general statement of its methodology set forth in the First Report and Order, the [FCC] announced that it would regard the 'necessary' standard as having been met regardless of whether 'requesting carriers can obtain the requested proprietary element from a source other than the incumbent,' since '[r]equiring new entrants to duplicate unnecessarily even a part of the incumbent's network could generate delay and higher costs for new entrants, and thereby impede entry by competing local providers and delay competition, contrary to the goals of the 1996 Act.' First Report and

> Order ¶ 283. And [the FCC] announced that it would regard the 'impairment' standard as having been met if 'the failure of an incumbent to provide access to a network element would decrease the quality, or increase the financial or administrative cost of the service a requesting carrier seeks to offer, compared with providing that service *over other unbundled elements in the incumbent LEC's network,' id.*, ¶285 (emphasis added) – which means that comparison with self-provision, or with purchasing from another provider, is excluded." (119 S.Ct. at 735.)

The Court held that this highly elastic interpretation of § 251(d)(2)'s language amounted to virtually no standard at all:

> "The Commission cannot, consistent with the statute, blind itself to the availability of elements outside the incumbent's network. That failing alone would require the Commission's rule to be set aside. In addition, however, the Commission's assumption that *any* increase in cost (or decrease in quality) imposed by the denial of a network element renders access to that element 'necessary,' and causes the failure to provide that element to 'impair' the entrant's ability to furnish its desired services is simply not in accord with the ordinary and fair meaning of those terms." (*Id.*)[184]

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[184] Although the Supreme Court did not discuss the Eighth Circuit's rationale for upholding the FCC's interpretation of § 251(d)(2), it is apparent from the Eighth Circuit's discussion of the "necessary and impair" standard – which Dr. Selwyn, among others, relies on – that that court also did not understand the FCC to be holding that all network elements designated as UNEs in the First Report and Order should be considered "essential":

> "[W]e think the FCC reasonably determined that the 'necessary' and 'impairment' standards in subsection 251(d)(2) do not require an inquiry into whether a competing carrier could obtain the element from another source. Subsection 251(c)(3) requires incumbent LECs to provide competing carriers with fairly generous unbundled access to their

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Clearly, the Supreme Court's discussion of § 251(d)(2) does not support the view that all of the UNEs included in the original version of 47 C.F.R. § 51.319 are essential to local competition, or should be considered MBBs.

5. This Commission Has Not Held That, For Purposes of Imputation, All UNEs Must Be Considered Monopoly Building Blocks

The claim that this Commission has independently ruled that all UNEs are monopoly building blocks fares no better than the claim that the FCC has.[185] Although the FBC and other parties have cited several cases to support this argument, the decision on which they place their principal reliance is D.96-03-020. In that decision, as noted above, we set interim resale discounts for Pacific and GTEC and also redesignated as Category II, or "partially competitive," most local exchange services. Previously, virtually all local exchange services had been treated as Category I, or "monopoly," services. We justified these recategorizations on the ground that D.96-03-020 and other

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> network elements in order to expedite the arrival of competition in local telephone markets. Allowing incumbent LECs to evade their unbundling duties whenever a network element could be obtained elsewhere would eviscerate unbundled access as a means of entry and delay competition, because many network elements could theoretically be duplicated eventually. The Act, however, provides for unbundled access to incumbent LECs' network elements as a way to jumpstart competition in the local telecommunications industry." (120 F.3d at 811.)

[185] In discussing this argument, we leave aside for the moment the fact that § 251(d)(2) appears to preempt the States' power to determine which network elements must be unbundled. Although the First Report and Order allowed the States to designate for unbundling additional elements beyond those set forth in 47 C.F.R. § 51.319, no one has disputed, either before the Supreme Court or the Eighth Circuit, that § 251(d)(2) strips the States of whatever power they may previously have had to designate a *shorter* list of elements for unbundling than the FCC's.

decisions in the Local Competition proceeding had created a partially competitive market. (65 CPUC2d at 189-90.) However, we continued:

> "We will retain Category I status for certain limited services. We shall adopt DRA's proposal to retain Category I status for the following services: public policy payphones, 911 services, and basic service elements (BSEs) as well as for basic network functions developed in OANAD . . . Since BSEs represent bottleneck elements of the LEC network, they do not exhibit the characteristics of partially competitive services and should remain in Category I." (*Id.* at 190.)

Several things are noteworthy about this passage. First, it was issued on March 13, 1996, barely a month after passage of the Telecommunications Act, and five months before issuance of the First Report and Order. Unsurprisingly, therefore, it makes no mention of the "unbundled network elements" that § 251(c)(3) of the Act obliges ILECs to make available to "requesting carriers." Second, the passage refers to "basic network functions developed in OANAD" without specifying what they are. This, too, is not surprising, since it was not until two weeks after the issuance of D.96-03-020 that the ALJ assigned to this docket issued a ruling setting forth which basic network functions (BNFs) would be considered in the 1996 pricing, tariffing and unbundling hearings because they were "integral to local competition."[186] Third, there are two references in the passage to "retaining" Category I treatment for BNFs. The use of this verb does not preclude the possibility, and indeed

[186] Administrative Law Judge's Ruling Setting Forth the Scope of Issues To Be Decided In Pricing, Tariffing and Unbundling Hearings, issued March 25, 1996 (March 25, 1996 ALJ Ruling), *mimeo.* at 5. At another point in this ruling, the ALJ stated that the 1996 hearings would deal with those BNFs "needed to enable meaningful local competition to begin on January 1, 1997." (*Id.* at 2.) In other words, the purpose of the 1996 hearings was not to consider *all* BNFs, but only those deemed essential for local competition.

suggests the likelihood, that recategorization of BNFs will occur later upon an appropriate showing.[187]

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[187] As noted in Section VIII.D., *supra*, the FBC contend that Pacific's price floor evidence is an improper attempt at recategorization because, in D.96-05-036, 66 CPUC2d 274 (1996), the Commission held that the Local Competition and NRF dockets would be the exclusive forums for considering recategorization issues. The FBC rely on the following passage from D.96-05-036:

> "Several parties noted that the issue of criteria for recategorization of services merits review and could efficiently be resolved in the local competition proceeding . . . Indeed, the Commission has already analyzed several issues related to recategorization in that docket. (See D.96-03-020, mimeo. at 53-59.) The Commission adopts this suggestion and directs the ALJ assigned to that proceeding to so notify the parties. Any generic issues regarding the existing service categories and the recategorization of services not resolved in the local exchange docket will be taken up in the 1998 NRF review." (66 CPUC2d at 277.)

For several reasons, this passage does not support the broad argument that the FBC bases upon it. First, D.96-05-036 was a procedural decision that concluded a second formal phase of the NRF proceeding was unnecessary; it did not make forever immutable decisions about where particular issues could be considered.

Second, while the quoted passage certainly does suggest that our intention in mid-1996 was to consider recategorization issues in a docket other than OANAD, the quoted language does not preclude such consideration. As we stated in D.98-02-106, it is well within our discretion to decide the order in which this Commission decides issues, *mimeo.* at 94, and that discretion extends to venues as well. For example, we recategorized local transport service as Category II in this docket after concluding that competition was developing rapidly in the transport market. D.95-04-073, 59 CPUC2d 389, 408-410 (1995). In D.99-06-053, we recently granted Pacific's request to recategorize from Category II to Category III its Interexchange Carrier Directory Assistance service, its Operator Assistance Services Billing alternatives services, and its business and residential Inside Wire Repair services. We are also considering recategorization requests by Pacific in other applications. *See, e.g.*, A. 98-05-038, 98-07-020, 98-07-029. Thus, there is ample precedent for considering recategorization issues in proceedings other than the Local Competition and NRF dockets when circumstances warrant it.

Of course, the preceding discussion assumes for the sake of argument that Pacific's evidence on which UNEs are essential amounts to an improper attempt at

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Of course, when the FCC issued its First Report and Order, it set forth in Rule 319 (47 C.F.R. § 51.319) a list of network elements to be offered on an unbundled basis that was similar to, but also different from, the list of elements specified as potential candidates for unbundling in the March 25, 1996 ALJ Ruling. In light of the differences between the FCC's list and our own, it is a fair question whether the designation of BNFs as Category I "services" in D.96-03-020 retained any validity after the First Report and Order.[188] But in light of the differences, the non-ILEC parties certainly cannot claim that D.96-03-020 precludes consideration of which network elements should be considered MBBs for imputation purposes.

Moreover, other rulings in this docket support Pacific's contention that this Commission has never ruled that all the UNEs specified in Rule 319 would automatically be considered essential for imputation purposes. In an April 29, 1997 discovery ruling,[189] for example, the assigned ALJ refused to

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recategorization. As stated in the text, we do not agree with this characterization, and think the FBC are confusing service categorization with imputation.

[188] Indeed, Pacific raised this very point at a discovery hearing held on July 1, 1997. Although the ALJ stated in a subsequent written ruling that discovery on the demand elasticities for UNEs would be permitted because "a UNE's inclusion on the FCC's list does not necessarily depend upon a judgment that the element is 'essential' or 'indispensable'," the ALJ also stated parenthetically that "Pacific is under a good-faith duty to apply the categorization decisions in D.96-03-020 as much as possible to the FCC's list of UNEs." (Administrative Law Judge's Ruling Setting Out Limits of Permissible Discovery In Response To Discussion at July 1, 1997 Hearing, issued August 25, 1997, *mimeo.* at 4-5 & n. 6.) Clearly, such an admonition would not have been necessary if it were evident that all the UNEs set forth in 47 C.F.R. § 51.319 were MBBs.

[189] Administrative Law Judge's Ruling Granting in Part and Denying in Part the Motion of AT&T Communications of California, Inc. For A Protective Order Concerning Discovery, issued April 29, 1997 (April 29, 1997 ALJ Ruling).

grant Pacific access to AT&T internal planning documents that discussed deployment plans for a new "wireless loop." Pacific contended that these documents were relevant because they called into question whether traditional copper-fiber loops could still be considered MBBs, and therefore whether it would "be appropriate to apply the Commission's imputation rules to them." (*Mimeo.* at 4.) Noting that this contention was at "the far edge of relevance, and is inconsistent with prior rulings of both this Commission[190] and the [FCC]," the ALJ denied the requested discovery. However, the ALJ noted that his ruling might be subject to reconsideration in the future, because "in *Iowa Utilities Board v. FCC*, GTEC, Pacific [and the other RBOCs] are contending that the FCC overstepped its authority in prescribing the list of network elements to be unbundled in 47 C.F.R. § 51.319, because Congress intended the FCC to have such a prescriptive power only with respect to true 'bottleneck' facilities." (*Mimeo.* at 7.) In light of the fact that the Supreme Court has vacated the FCC's original list of UNEs on essentially these grounds, AT&T/MCI, Sprint and the FBC cannot reasonably claim that our decision to assess in the 1998 hearings which UNEs should be considered MBBs for imputation purposes came as any surprise.

Finally, it should be noted that Pacific is correct when it argues that it is not seeking recategorization of the services involved here. As Pacific states, price floors are set only for Category II services, and D.96-03-020 designated as Category II the services for which price floors are now being set.

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[190] Later discussion in the April 29, 1997 ALJ Ruling makes it clear that the reference to prior Commission rulings is to the March 25, 1996 ALJ Ruling, which – the ALJ noted – had expressed the view that "copper loops are a 'bottleneck' network element." (*Mimeo.* at 6.)

Thus, recategorization of these services is not at issue, and parties arguing to the contrary appear to be confusing recategorization with imputation. (Pacific Reply Brief, pp. 61-62.)

6. The Parties Had Adequate Notice That The Issue of Which UNEs Should Be Treated As MBBs Would Be Considered in the Pricing Hearings

In its comments on the PD, CCTA argues that our decision herein to consider which UNEs constitute MBBs is a violation of both Pub. Util. Code § 1708 and the requirements of due process. (CCTA Opening Comments, pp. 1-9.) The violations of these constitutional and statutory provisions have occurred, according to CCTA, because the issue of which UNEs constitute MBBs was not properly noticed for the 1998 hearings by the Commission, but was instead unilaterally injected into the case by Pacific's testimony.

Although this same argument was made in the FBC's post-hearing briefs,[191] CCTA's separate comments on the PD cite additional cases in support of its position, and we believe that these cases merit some discussion.

CCTA's Opening Comments place special reliance on D.97-05-091. In that case, the Commission granted a petition for modification to delete from D.96-02-072 --a decision in Phase II of the Local Competition docket -- a finding that the "provision of subscriber listings by the LEC" was *not* an "essential service". The FBC contends that modification was granted because of the Commission's failure to provide notice that this would be an issue in the Local Competition proceeding, and argues that the same result is required here:

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[191] As noted in Section I.B., CCTA was a member of the FBC and joined in its post-hearing briefs.

> "The context of the essential facility determination in this proceeding is equally infirm. Just like the directory listings proceeding, Pacific made unilateral claims on an unnoticed issue. Thus, just as D.97-05-091 had to delete its essential facility finding based on a failure of the Commission to give proper notice, an opportunity to be heard and develop a proper record, the PD must delete its essential facility determinations herein." (CCTA Opening Comments, pp. 4-5.)

We have carefully examined D.97-05-091, and we believe that the circumstances of that case are quite distinguishable from the ones here. In D.97-05-091, we based our decision that modification of D.96-02-072 was required partly on a lack of notice, but more on the fact that there was no evidence to support the conclusion that the provision of subscriber listings was not an essential facility. After agreeing with the petitioning party that an "essential facilities" determination is inevitably "a fact-laden endeavor," (*mimeo.* at 7), we pointed out that the challenged conclusion of law had been proposed by Pacific in its comments on the draft rules that were issued on April 26, 1995, and had not been tested in any kind of evidentiary proceeding. We said:

> "[A] complete factual record to support [the conclusion that the provision of subscriber listings is not an essential service] was not developed in Phase II. Although Pacific presented claims in its Phase II comments that the directory publishing industry was competitive, such unilateral claims by one party do not constitute a complete record regarding the competitiveness of the directory publishing industry, nor whether LEC directory listings are an 'essential facility.' A complete record requires that all parties have a notice of an opportunity to be heard based on due process." (*Id.* at 9.)

In this case, unlike D.97-05-091, there can be no doubt about the adequacy of the record on which we have based our conclusions about which

UNEs constitute MBBs. As noted in Sections VIII.G.7. and VIII.G.8., our conclusions on these issues rest not only on the testimony of Dr. Tardiff, but also on the reply testimony of AT&T/MCI witness Dr. Lee Selwyn. On the critical issues of whether the loop and switching should be considered MBBs, we have agreed with Dr. Selwyn rather than Dr. Tardiff.

We also think that although the group of Commission decisions and ALJ rulings that laid out the issues for hearing in this phase could have been improved, they were adequate to give notice to CCTA and every other party that they should be prepared to litigate the question of which UNEs in the original version of FCC Rule 319 constituted MBBs or "essential facilities".

To begin with, the December 18, 1996 ALJ Ruling – which CCTA attempts to rely upon as rigidly limiting the scope of the imputation issues here – noted the concerns of the CLC Group that the TELRIC methodology did not appear to mesh well with the contribution method of imputation approved in D.94-09-065. The ALJ Ruling suggested that the CLC Group's concern "may only be a semantic problem," but agreed that whether the Commission ultimately chose TELRIC or TSLRIC for pricing purposes, "the Commission's imputation rules should reflect an awareness of whether the 'contribution' calculated under the chosen methodology is likely to be large or small," and that if TELRIC was chosen, "the parties will be free to address in their supplementary testimony the extent to which the imputation rules must be adjusted to take account of these developments." (December 18, 1996 Ruling, *mimeo.* at 29-30.) If anything should have been clear from this discussion, it was that the Commission was not inclined to abandon the contribution method of imputation set forth in D.94-09-065, and that the issue of how to apply it would receive a full reappraisal in the event the TELRIC costing methodology was chosen.

After we decided to use TELRIC costs for pricing in D.98-02-106, the assigned ALJ convened a PHC for the purpose of determining how the approved TELRIC costs should be "translated" into prices. In his March 4, 1998 ruling convening the PHC,[192] the ALJ set forth a "preliminary list of issues" that had been complied from D.98-02-106 and ALJ rulings issued since December 1996. The parties were specifically invited to add to this list, if necessary, in their PHC statements. (*Mimeo.* at 2-3.) Six PHC statements were filed, including one by the FBC.

In the PHC statement that it submitted on March 11, 1998, Pacific – after noting the many legal and regulatory changes that had occurred since the 1996 pricing hearings -- clearly stated its intention to litigate the "essentiality" of the various UNEs, because in its view D.94-09-065 required contribution only from "essential facilities", and not all UNEs could be considered "essential".[193] Pacific reiterated this position at the PHC after the

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[192] Administrative Law Judge's Ruling Convening Prehearing Conference To Discuss Issues For Supplementary Pricing Hearings, issued March 4, 1998.

[193] After noting the many changes in the regulatory landscape since 1996, Pacific's PHC statement gave the following description of how Pacific intended to update its price floor and imputation testimony:

> "We will identify what facilities are 'essential facilities' for purposes of applying the Commission's imputation rule. We will also propose and justify specific price floors for measured business service, measured and flat residential service, zoned-usage measurement (ZUM) service, and local usage. Since it would be inappropriate from an economic standpoint to include shared and common costs in price floors, we will propose a cross-subsidy test which will allow the Commission to ensure that a family of services will recover the costs shared by services within the family. At the conclusion of the proceeding, the Commission would adopt actual price floors for the services identified in Pacific's testimony." (Pacific PHC Statement, p. 10.)

assigned ALJ asked Pacific's counsel, Mr. Dawson, to summarize the scope of his proposed price floor testimony. In his response, Mr. Dawson stated:

> "We read IRD as saying that . . . what you impute are [MBBs], and there needs to be a determination in this case what would qualify as a[n] [MBB] under the IRD standards. Our reading of IRD is that a[n] [MBB] is pretty close to the antitrust concept of essential facilities.
>
> ALJ MCKENZIE: And not necessarily coincident with an unbundled network element; is that right?
>
> MR. DAWSON: Correct. Correct." (March 16, 1998 PHC Tr., p. 938.)

After this colloquy, the ALJ indicated that he thought such testimony was reasonably within the scope of the December 18, 1996 Ruling, and he did not suggest that an inquiry into which UNEs were "essential" was outside the proper bounds of testimony:

> "I think it's a fair point that . . . we have said in the prior rulings, and specifically in the December 18, 1996 ruling, that . . . reconsidering the imputation rules now is an issue before us, if only, Mr. Casciato, for a point that AT&T and MCI also raised in their [PHC] statement, [that] you probably need to use one . . . costing methodology to set your prices and another to set your price floors; and I think . . . if it's those kind of issues Mr. Dawson's proposing to address and – and it sounds like he is – that does sound reasonably within the scope of what we are doing." (*Id.* at 939.)

Under these circumstances, CCTA cannot reasonably claim that it failed to receive notice that the issue of which UNEs were "essential" was likely to be litigated in the pricing hearings. Pacific made its position plain in its

March 11, 1998 statement and at the PHC, and the ALJ refused to rule its proposed testimony off-limits.[194] In view of this situation, the prudent course of action for CCTA and every other party was to be prepared to submit testimony on the issue of which UNEs should be considered MBBs (*i.e.*, "essential"). As

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[194] Thus, the situation here is quite different from the one in D.94-10-040, 56 CPUC2d 621 (1994), another case on which CCTA relies. In that decision we granted rehearing of D.94-04-043, which had granted cellular carriers permission to extend the Commission's temporary tariff procedure to new services. The extension was granted in response to a suggestion made by PacTel Cellular in its comments on the Assigned Commissioner's Ruling (ACR) that led to D.94-04-043. We held that rehearing was required because the ACR gave no hint that extending the temporary tariff procedure to new services was under consideration, and because it specifically directed parties "to restrict their comments to issues raised in this ruling and not . . . [to] argue for broadening the scope of this Ruling or proposing additional flexibility." (56 CPUC2d at 622.) Under these circumstances, we concluded that parties had not received adequate notice that extending the temporary tariff procedure to new services would be an issue.

D.94-10-040 is an illustration of the principle, well-established in federal law, that in the context of a rulemaking resolved on written comments, parties should not be deemed to have notice of an issue merely because another party mentions the issue in passing in its comments. In rejecting a claim that such mention constituted adequate notice in *Small Ref. Lead Phase-Down Task Force v. U.S.E.P.A.*, 705 F.2d 506 (D.C. Cir. 1983), the D.C. Circuit said:

> "[The agency's] construction would ill-serve the purposes behind the notice requirement. It would turn notice into an elaborate treasure hunt, in which interested parties, assisted by high-priced guides (called 'lawyers'), must search the record for the buried treasure of a possibly relevant comment. Inevitably, many parties will not attempt this costly search and many others will fail in their search. The agency will not get the informed feedback it needs, the parties will feel unfairly treated, and there will be a meager record for us to review." (705 F.2d at 550.)

Clearly, the situation that worried the D.C. Circuit is very different from the one here. In this case, the issues were resolved after hearings, the party claiming lack of notice was given a very clear statement (both orally and in a PHC statement) of the issue its opponent intended to raise, and the assigned ALJ ruled that proposed testimony on the issue was not outside the scope of the general questions he had designated for hearing.

noted above, Dr. Selwyn *did* submit such testimony on behalf of AT&T/MCI, and we have found that testimony to be persuasive with respect to certain UNEs. Furthermore, CCTA was given a full opportunity to cross-examine Dr. Tardiff on his "essential facilities" analysis, and CCTA's counsel took advantage of that opportunity. (Tr. 45: 6643-75.) For all of these reasons, CCTA's lack-of-notice argument is without merit.

7. Loops Should Be Considered Monopoly Building Blocks For Imputation Purposes

Having concluded that the contribution method of imputation should be used here, that our prior decisions do not require that all UNEs be treated as monopoly building blocks, and that the parties had adequate notice of the issue, the time has arrived to decide which network elements should be considered MBBs. As indicated in Section VIII.G.1., we have concluded such treatment is appropriate for the loop, the port (i.e., switching) and the white pages listing. Accordingly, we will impute the difference between the TELRIC-based price of these elements and the volume-sensitive portion of their respective TSLRICs into the price floors of services that use these elements.

Before setting forth our reasoning behind these determinations, we must acknowledge that in light of the Supreme Court's decision in *AT&T-Iowa*, the list of UNEs is now in transition. Although the FCC released the text of its Revised UNE List Order on November 5, 1999, it has asked for comments on the order, and judicial appeals seem certain to follow.

Notwithstanding the uncertainty that continues to surround the list of network elements that ILECs must offer on an unbundled basis, we do not believe it would be appropriate to delay our price floor determinations until the "finality" of the FCC's new list has been established. As noted above, the

First Report and Order makes imputation a matter of state law and regulation,[195] so the question of which network elements should give rise to contribution is not technically dependent upon FCC decisions. More importantly, however, we are satisfied that the loop, the port and white page listings will continue to satisfy the "necessary and impair" standard for some time to come. As indicated below, we believe that in California, these elements will be essential for local exchange competition for the next several years.

As to the loop, we cannot agree with Dr. Tardiff that it is essential only for residential customers and small business customers in lower-density areas. Although Dr. Tardiff has attempted to demonstrate that fiber loops offered by ICG, MFS, Brooks Fiber and Cox are meaningful alternatives to the copper loops offered by Pacific, (Ex. 122, pp. 28-32), it seems obvious from the summaries Dr. Tardiff presented that these fiber-loop alternatives are, with few exceptions, available only to business customers in California's larger cities. Dr. Tardiff did not offer an estimate of how many business lines are actually using these fiber loops, and he was forced to concede on cross-examination that his conclusion that *residential* loops are not essential in San Diego was based on an announcement by Cox that it eventually planned to offer telephony services over its cable television system in that city. (Tr. 44:6596-98.)

The evidence that Dr. Tardiff presented with respect to Winstar's "wireless loop" and AT&T's Digital Link service is even thinner. With respect to Winstar, Dr. Tardiff states only that its wireless alternatives to Pacific's system (which are based on transceivers and antennas) are available in 14 cities

[195] First Report and Order, ¶¶ 848-850.

within the Los Angeles, San Francisco and San Diego metropolitan areas. (Ex. 122, p. 32-33.) For AT&T's Digital Link service, Dr. Tardiff asserts that it has "experienced rapid growth," but then acknowledges that AT&T's monthly local volume on this service is equivalent to only about 20,000-30,000 business lines. (Ex. 121-S, p. 28.)

In view of the thinness of Dr. Tardiff's evidence on loops, it is difficult to disagree with Dr. Selwyn's conclusion that "Dr. Tardiff's analysis depends not upon the actual present level of competition, but on the *potential* for competition." (Ex. 612, p. 61.) In our view, the most telling evidence presented here – which Pacific did not refute – is that in 1996 and 1997, Pacific installed 1.44 million new lines in California, while the number of loops being provided by CLECs totaled only about 20,000. (*Id.* at 59.) This means that in 1996-97, Pacific's share of the total loop market remained at over 99%.

Even though we may safely assume that more CLEC loops will be provided in the future, the evidence presented by Dr. Tardiff is too thin to justify an overall conclusion that at the present time, loops are not essential. We agree with Dr. Selwyn that "from a policy perspective[,] there is a far less risk associated with classifying loops as 'essential' when [some] competition is actually present than there is in treating loops as 'non-essential' if in fact no [significant] alternatives actually exist." (*Id.* at 60.)

Nor do we think it would be productive for us to undertake an area-by-area determination of whether loops are essential for large business, small business and residential customers in each area. In view of our decision in D.98-02-106 that we could not adopt geographically-deaveraged costs based on the inadequate record before us, *mimeo.* at 93-94, and our decision in

Section IV.B.5. herein not to adopt AT&T's proposal for a residential loop surcredit financed from the CHCF-B,[196] we are also unwilling to adopt the geographically-varying *price floors* for loops advocated by Dr. Tardiff and Mr. Scholl. We agree with TURN that if we were to adopt their proposal, the resulting pricing floors could be used by Pacific to discourage new entrants in high-density areas:

> ". . . Pacific wants the ability to establish lower price floors for markets where it anticipates competition, with the commensurate ability to lower prices to these price floors on very short notice. For services provided in these areas, Pacific would impute no contribution, while contribution would be included in the prices CLCs must pay for UNEs. This would place CLCs at an unfair competitive disadvantage. If Pacific were to succeed in having UNEs such as loops declared non-essential in areas with *potential* competition, Pacific would have the

[196] In its comments, TURN contends that the PD failed to address the principal issue raised in TURN's testimony; *viz.*, the need to account for Pacific's draw under the CHCF-B in setting the price floor for basic residential service. After reiterating that Pacific is entitled to draw "more than $300 million per year" to "help recover the cost of providing basic service," TURN states:

> "[T]he Commission should either credit [CHCF-B] revenues on a per line basis [*i.e.*, $2.64] against the price floor, . . . or make it clear in its decision that those revenues will be taken into account if and when the Commission acts to reprice local service based on the price floors applied here." (TURN Opening Comments, p. 2.)

We have reexamined the argument in TURN's testimony (which seeks to account for the same funds at which the AT&T/MCI loop surcredit proposal is directed), and we conclude that it is without merit. If price floors were being set here on the basis of embedded costs, it would make sense to take account of the high-cost subsidy, because an embedded methodology should properly reflect all the inherent subsidies in establishing retail prices. However, the price floors being established here are based on TSLRIC, a forward-looking cost methodology. TSLRIC-based costs do not include subsidies, so reflecting Pacific's CHCF-B draw would be inappropriate.

> ability to stave off competitive entry by allowing the rates for its services to plummet to the bottom of their no-contribution price floors, thereby discouraging competitors from entering the market." (TURN Opening Brief, pp. 7-8.)

8. Switching Should Be Considered A Monopoly Building Block for Imputation Purposes

Although it is a closer case than loops, we have also concluded that switching (i.e., the port) should be considered an MBB for imputation purposes. Although Dr. Tardiff is correct that the number of CLEC switches in California is growing, we are not persuaded by his argument that "these switches generally provide coverage over a much wider area than ILEC switches." (Ex. 122, p. 24.) Rather, we find persuasive Dr. Selwyn's argument that the need in many areas to lease the incumbent carrier's loops makes it essential to purchase the incumbent's switching as well, because in such cases collocation is likely to be uneconomic, at least initially. Dr. Selwyn states:

> "One must also recognize the interrelationship between switching and the loop facilities to which the switch ports are connected . . . [E]xcept in a handful of high-density areas, entrants have no choice but to utilize incumbent loops in order to furnish retail services to their customers. In order for a CLC to utilize its own switch in conjunction with an incumbent loop, it must maintain a physical or virtual collocation presence in each incumbent wire center out of which [UNE]-loops are utilized, so that it can cross-connect and multiplex all of the [UNE]-loops it uses in that building to a switch located somewhere on CLC premises. The costs of maintaining such a presence may be prohibitive where the total number of unbundled loops involved is relatively small. In those instances, the only feasible means by which the competitor can furnish end user services is through the use of the incumbent's unbundled switch facilities. Thus, even though *in theory*

> a competitor can purchase and operate a switch of its own, in practical terms *if there is no alternative to the incumbent with respect to the loop, there may well be no feasible alternative to the incumbent with respect to switching either.*" (Ex. 612, pp. 64-65; emphasis in original.)

We recognize that in time, this situation may change. As Dr. Tardiff stated in his testimony, CLECs currently own 43 switches in California, and the number is growing. This Commission is also considering collocation costs in a separate phase of this proceeding, and issues concerning the availability of collocation space are being considered in the Local Competition docket. The combination of more CLEC switches and greater access to collocation may in time weaken the force of the argument made by Dr. Selwyn.[197] For now, however, we think that switching should be considered an essential facility, and that contribution equal

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[197] In its comments on the PD, Pacific strenuously argues that the switching UNE should not be considered an MBB because of the advent of cageless collocation and the Extended Link. Pacific states:

> "[T]he advent of cageless collocation and the Extended Link *ends* the possibility that switching is an essential facility anywhere in the state. Where there is collocation, any CLEC may purchase a link from the collocated CLEC, and then transport the circuit to its own centrally-located switch. Easier yet, any CLEC may purchase an Extended Link from Pacific and route its customer's line to its switch in that manner." (Pacific Opening Comments, pp. 13-14.)

While these predictions may warrant a change in the treatment of switching if future developments bear them out, they are not sufficient to persuade us that at the present time, switching should not be treated as an MBB. The effects of the FCC's recent order on cageless collocation are only beginning to be felt, and we are still evaluating comments on this issue in our Local Competition docket. Similarly, while we directed Pacific in D.98-12-069 to offer an Extended Link as part of its § 271 showing, *mimeo.* at 149, there has been no showing that as of yet, purchases of this product are sufficiently widespread to have had any significant competitive impact.

to the difference between the switching UNE's TELRIC-based price and the volume-sensitive portion of its TSLRIC should be imputed into the price floor of non-access line Category II services that use switching.[198]

As noted in Section VIII.G.1., *supra*, we do not believe that switching minutes-of-use should be imputed into the three access line services, 1 MB, 1 FR and 1 MR. Since switching minutes-of-use based on TELRIC are already imputed into Pacific's toll price floors, requiring such imputation again in access line services would be forcing Pacific to recognize this contribution twice.

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[198] In their comments, both Pacific and CCTA take issue with how contribution from the switching UNE was computed in the PD. CCTA argues that it is impossible to compute such contribution, because the TSLRIC studies for Pacific that we approved in D.96-08-021 did not include a cost for the port. (CCTA Opening Comments, p. 15.) Pacific argues that the TSLRIC port cost reflected in the PD's price floors failed to include any operating expenses. (Pacific Opening Comments, p. 14.)

While we agree that corrections must be made to the TSLRIC port cost that was assumed in the PD's price floors, we disagree with CCTA that it is impossible to derive such a cost from the existing record. The contribution for the switch port reflected in the PD was based on the capital costs for digital circuit equipment reported in Pacific's TSLRIC study for the local loop. After reviewing CCTA's Opening Comments, our staff determined that the specific digital circuit account at issue included electronic costs but did *not* include port costs. Staff therefore developed a TSLRIC port cost based upon the TELRIC costs of the port element that we adopted for Pacific in D.98-02-106. Staff did this by adding back 9.5% to reflect the retail expenses that should be included in the port cost under the TSLRIC methodology.

We do not believe that any change in port costs is justified based on Pacific's objection. Pacific did not include any operating expenses for ports in the TSLRIC studies that it submitted on January 31, 1996, so none are included in the TSLRIC port costs used to compute contribution here.

9. The White Pages Listing Should Be Considered A Monopoly Building Block For Access Line Services

Among the services for which we are setting price floors here are the three basic access line services: basic flat residential access line service (1 FR), basic measured residential access line service (1 MR), and basic business access line service (1 MB). For these services, white page listings constitute a monopoly building block[199]

The data used to produce white page listings is obviously very expensive and difficult to reproduce. Without a single source for white page listings, each CLEC would have to produce its own, an obviously inefficient situation that would greatly reduce the utility of CLEC white pages (and eventually, any white pages). It was presumably for this reason that access to white page listings was included as an item on the 14-point competitive checklist under § 271 of the Telecommunications Act (§ 271(c)(2)(B)(viii)), and why the FCC included access to white page listings as an unbundled network element in the First Report and Order. On this subject, the FCC stated:

> "We find that the databases used in the provision of both operator call completion services and directory assistance must be unbundled by [ILECs] upon a request for access by a competing provider. In particular, the directory assistance database must be unbundled for access by requesting carriers. Such access must include both entry of the requesting carrier's customer information into the database, and the ability to read such a database, so as to enable requesting carriers to provide operator services and directory assistance concerning [ILEC] customer

[199] We do not consider white page listings to be an MBB for ISDN, COPT, business and residence ZUM usage or business and residence local usage, for all of which we are also setting price floors in this decision.

> information. We clarify, however, that the entry of a competitor's customer information into an [ILEC's] directory assistance database can be mediated by the [ILEC] to prevent unauthorized use of the database. We find that the arrangement ordered by the California Commission concerning the shared use of such a database by Pacific Bell and GTE is one possible method of providing such access." (First Report and Order, ¶ 538; footnote omitted.)

We agree with the FCC's conclusion, and so will require that contribution based on white page listings be imputed into the price floors of the access line services at issue here.[200] The computation is a relatively straight-forward one, since we adopted a separate TELRIC for white page listings in D.98-02-106.[201]

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[200] Our treatment here of white page listings as an MBB for the three basic access line services is not meant to prejudge what rate is appropriate under § 222(e) of the Telecommunications Act for providing directory listings to third-party publishers. That question is currently being considered in our Local Competition docket.

[201] Although the computation is straight-forward, both CCTA and Pacific took issue with the treatment of white pages contribution reflected in the PD.

CCTA suspects that contribution for the white pages listing cannot be computed, because a TSLRIC cost for white pages was not identified in the calculations underlying the PD's price floors. (CCTA Opening Comments, p. 16.)

Pacific argues that the white pages listing should reflect "zero contribution" – *i.e.*, not be treated as an MBB – because in its negotiated interconnection agreements, Pacific and the CLECs have agreed that there should be a "no charge" price for the white pages listing. However, if the Commission continues to believe that MBB treatment of the white pages listing is justified, Pacific points out that the TSLRIC cost of white pages must be deducted from the $0.40 price for this element shown in Appendix A. (Pacific Opening Comments, p. 14.)

We disagree with Pacific that a "zero contribution" approach is justified based on negotiated interconnection agreements, but CCTA is wrong to suggest that the record lacks sufficient data from which to compute the contribution at issue here. The TSLRIC

Footnote continued on next page

The price floors we are adopting for the services at issue here are set forth in a Compliance Reference Document (CRD), the redacted version of which is attached to this decision as Appendix D. As in D.98-02-106, the full, unredacted contents of this CRD will be made available only to parties who have entered into an appropriate nondisclosure agreement with Pacific. (*Mimeo.* at 9-10). The form of this nondisclosure agreement is set forth in the Administrative Law Judges' Ruling Concerning Proposed Protective Order of GTE California Incorporated, issued on November 16, 1995 in this docket (November 16, 1995 ALJs' Ruling). Parties entitled who are entitled to access to the unredacted version of the CRD because they have signed such a nondisclosure agreement with Pacific may obtain a copy of the CRD by contacting the Telecommunications Division.

IX. WHEN SHOULD THE FINAL RECURRING AND NON-RECURRING CHARGES FOR UNEs ADOPTED IN THIS DECISION GO INTO EFFECT?

The PD that was served on May 10, 1999 simply provided that Pacific and the parties with which it had entered into arbitrated interconnection agreements should "substitute" the final recurring and non-recurring charges adopted in this decision for the interim charges set forth in the interconnection agreements. In response to comments from several parties that there was a need for more precision on this issue, the revised PD that was made available on August 5, 1999 directed Pacific to prepare amendments to the interconnection agreements reflecting the final prices, and to file these amendments pursuant to

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studies for Pacific that we approved with modifications in D.96-08-021 included a study for white page listings. Due to a cell referencing error in the calculations that supported the PD's price floors, our staff inadvertently neglected to subtract this TSLRIC cost. That error has been corrected in the computations that support the price floors shown on the unredacted version of Appendix D adopted herein.

the advice letter process within 30 days after the effective date of the decision. The revised PD also provided that, if these amendments were not protested, they would go into effect 5 days after filing.

Because we are now adopting final UNE prices only six weeks before the end of 1999, Y2K implementation issues have arisen. In the comments it filed on November 10, 1999 concerning Commissioner Hyatt's proposed alternate decision, Pacific describes these problems and its proposed solution as follows:

> "Unfortunately, if the final decision is voted out on November 18, [the advice letter process proposed in the revised PD] will cause Y2K problems for Pacific. The new prices would become effective about December 23. However, Pacific, like most other businesses, has a freeze on any reprogramming of their computer systems during this period. This includes the [approximately 11,000] billing changes that will come out of the OANAD decision. If there are no major glitches, we expect that reprogramming can resume in mid-January, 2000. Accordingly, if the final decision is voted out November 18, Pacific would be willing to do billing adjustments back to December 23, provided it can obtain a waiver of any impacts such adjustments would create on its performance measurements in the 271 proceeding." (Pacific's 11/10/99 Comments, pp. 6-7.)

In their opening comments on Commissioner Haytt's proposed alternate decision, ICG and NEXTLINK urge that the final rates we are adopting herein should take effect immediately. After noting that Pacific had requested in its June 4, 1999 opening comments that the rate changes in the May 10 PD not take effect until October 4, 1999 (Pacific's next regularly-scheduled date for billing program changes), ICG and NEXTLINK assert that Pacific has had plenty of time since June to prepare for the billing changes.

Further, "if Pacific *still* claims that it cannot put the new rates into effect immediately, the Commission should require Pacific to make the new rates effective as of the date of the decision, regardless of when Pacific implements them, and then require Pacific to provide a true-up of rates back to the date of the decision." (ICG/NEXTLINK 11/10/99 Comments, pp. 4-5 & n. 13; emphasis in original.)

We have concluded that both Pacific and ICG/NEXTLINK raise valid points, and that the best solution is to adopt an approach that addresses both of their concerns. Accordingly, although we will still require Pacific to submit advice letters reflecting the necessary rate and contract changes within 30 days, we agree that because of the Y2K moratorium, Pacific should have until March 1, 2000 to complete all of the necessary billing program changes. We also agree that this delay should not count against the performance measurements applicable to Pacific in the ongoing § 271 proceeding, inasmuch as the delay is attributable to the Y2K programming moratorium, which is applicable to many businesses.

However, we agree with ICG and NEXTLINK that it is appropriate to require Pacific to make billing adjustments reflecting the recurring and non-recurring charges adopted herein back to November 18, 1999; *i.e.*, the effective date of this decision. In view of the long pendency of the PD, we agree that competitors should have the benefit of the final prices we are adopting herein immediately, even though it may take some time for Pacific to complete all of the adjustments necessary to reflect these final prices in bills. The conclusions of law and ordering paragraphs have been revised to reflect our new approach.

Findings of Fact

1. On February 19, 1998, the Commission issued D.98-02-106, which adopted TELRIC costs for Pacific for the UNEs specified in 47 C.F.R. § 51.319.

2. On March 4, 1998, the assigned ALJ issued a ruling convening a PHC to discuss issues likely to arise at the supplementary pricing hearings held to determine how the TELRIC costs adopted by the Commission should be translated into prices for Pacific's UNEs.

3. On March 16, 1998, the PHC to discuss issues for the supplementary pricing hearings was held.

4. At the March 16 PHC, the assigned ALJ ruled that parties should submit new testimony on all issues for the supplementary pricing hearings, owing to the many changes that had occurred in telecommunications regulation since the 1996 pricing hearings.

5. On March 27, 1998, the assigned ALJ issued a ruling dealing with issues discussed at the March 16 PHC, and describing issues the ALJ wanted the parties to address in their hearing testimony.

6. On April 8, 1998, parties filed their opening testimony on all hearing issues.

7. On April 28, 1998, parties filed their reply testimony on all hearing issues.

8. On May 4, 1998, various parties filed extensive motions to strike portions of the opening and reply hearing testimony.

9. On May 11, 1998, parties filed responses to the motions to strike hearing testimony.

10. On May 15, 1998, the assigned ALJ issued a ruling dealing with certain hearing issues and ruling on the motions to strike the testimony of Dr. Jerry Hausman and portions of the motion to strike the testimony of Dr. Lee Selwyn.

11. The supplementary pricing hearings for Pacific began on May 18 and ended on June 10, 1998.

12. Parties filed their opening briefs concerning hearing issues on July 10, 1998.

13. All parties except ORA filed their reply briefs concerning hearing issues on July 31, 1998.

14. With the permission of the assigned ALJ, ORA filed a reply brief on hearing issues on August 3, 1998.

15. On January 25, 1999, the United States Supreme Court issued its decision in *AT&T Corp v. Iowa Utilities Board (AT&T-Iowa).*

16. The ALJ's PD was served on all parties on May 10, 1999.

17. Opening comments on the PD were filed on June 4, 1999, and reply comments on June 9, 1999.

18. In *AT&T*-Iowa, the Supreme Court held that the FCC's rulemaking power under § 201(b) of the 1934 Telecommunications Act extends to the local competition provisions set forth in §§ 251 and 252 of the Telecommunications Act of 1996.

19. In *AT&T-Iowa,* the Supreme Court held that § 2(b) of the Communications Act of 1934 does not prohibit the FCC from promulgating regulations implementing the local competition provisions in §§ 251 and 252 of the Telecommunications Act of 1996.

20. In *AT&T-Iowa,* the Supreme Court vacated FCC Rule 319 (47 C.F.R. § 51.319) on the ground that the FCC had failed to give adequate consideration to the requirement of § 251(d)(2) that access to proprietary network elements should be given only if "necessary," and if failure to give access to a particular network element would "impair," competing carriers from offering telecommunications services.

21. In *AT&T-Iowa*, the Supreme Court ruled that the definition of "network element" in the 1996 Telecommunications Act was broad enough to justify the FCC's inclusion of OSS, operator services, directory assistance and vertical switching functions within the list of network elements that must be offered on an unbundled basis, assuming the requirements of § 251(d)(2) could be met with respect to these elements.

22. In *AT&T-Iowa*, the Supreme Court ruled that the FCC had not acted improperly in requiring that ILECs make UNEs available to competing carriers without any requirement that these competing carriers own facilities of their own.

23. In *AT&T-Iowa*, the Supreme Court held that the FCC had acted within its jurisdiction in promulgating Rule 315(b), which prohibits ILECs from separating, except upon a competing carrier's request, network elements that the ILEC combines for itself.

24. In *AT&T-Iowa*, the Supreme Court reinstated the FCC's "pick and choose" rule, finding that because it tracked the language of § 252(i) of the 1996 Act almost exactly, it was the most readily apparent interpretation of the statute.

25. SBC, the corporate parent of Pacific, has agreed that Pacific will continue to honor the terms of its existing interconnection agreements, including the combination provisions thereof, while the FCC is reconsidering Rule 319 to determine which network elements satisfy the "necessary and impair" standard of § 251(d)(2). Moreover, Pacific has failed to seek renegotiation within the time provided for in its interconnection agreements in the situation where a judicial decision allows but does not require Pacific to discontinue providing any network element, service or combination provided for in the interconnection agreements.

26. Pacific proposes that the price for each UNE should be set no lower than its adopted TELRIC cost, plus a markup of 22% to cover shared and common costs.

27. The markups proposed by Pacific in setting UNE prices range from 22% over adopted TELRIC costs to 9900% over adopted TELRIC costs.

28. Pacific's claim that there is a risk of stranded, unrecoverable investment in providing UNEs is based on the concern that a CLEC purchasing UNEs may suddenly decide to stop serving its customers through UNEs and begin serving them instead through the CLEC's own facilities, once the CLEC has enough customers to make such a switch economic.

29. The risk of stranded, unrecoverable investment described in Finding of Fact (FOF) 28 can allegedly be eliminated through an adder calculated by multiplying the investment component of a UNE's TELRIC by a factor of 3.3, as described by Dr. Hausman. The price of a UNE is then determined by taking the sum of (a) the aforesaid adder, (b) the element's TELRIC, and (c) a markup to cover shared and common costs.

30. An alternative method of reducing the alleged risk of stranded, unrecoverable investment described in FOF 28 is to require the CLEC purchasing UNEs from an ILEC to enter into a contract to purchase the UNEs for a fixed term rather than month-to-month.

31. Pacific's pricing witnesses did not propose markups for UNEs that reflected the adder described in FOF 29, because these witnesses did not believe that the Commission would accept such high markups.

32. Pacific's witnesses did not offer any concrete proposals for making UNEs available to CLECs through fixed-term contracts.

33. Demand for UNEs is only one of the reasons why Pacific is likely to build plant in the future, and thus is only one of the reasons why such plant might become stranded.

34. Regulatory requirements seem likely to play at least as important a role in the future investment decisions of ILECs as the demand for UNEs by CLECs.

35. To the extent that CLECs must advance construction costs for new facilities that they order, it is unlikely that UNEs will be ordered in geographic areas that are unprofitable or only marginally profitable.

36. It is unlikely that plant installed to satisfy demand for UNEs in less-populated geographic areas will become stranded, because the most intense local exchange competition in the near future is likely to be for business customers and high-volume residential customers, most of whom are found in low-cost, densely settled geographic areas.

37. In the densely populated areas where most of the competition for business and residential customers is likely to occur in the near future, Pacific's risks of stranded investment are more likely to be connected with the provision of retail service than with the provision of UNEs.

38. For the purpose of recovering shared and common costs, Pacific advocated a markup of 22% over the TELRIC costs adopted in D.98-02-106, to be applied uniformly to all UNEs.

39. Most of the UNE prices proposed by Pacific fell somewhere between the price that would have been justified under the approach described in FOF 29 and TELRIC plus 22%.

40. Many of the UNE prices proposed by Pacific are close to those set forth in Pacific's current tariffs and interconnection agreements.

41. The degree of wholesale competition that now exists between Pacific and CLECs is small.

42. All non-ILEC parties agreed that Pacific's UNE prices should be set by imposing a uniform markup to cover shared and common costs over the TELRICs adopted in D.98-02-106. The only exception to this was for residential loops, which AT&T/MCI wanted to price below the applicable TELRIC.

43. The non-ILEC parties differed sharply over the extent of the uniform markup appropriate to cover Pacific's shared and common costs, with recommendations ranging from 3% to 15%.

44. Pacific's net revenues from Yellow Pages have been taken into account in setting the revenue requirement that was used to determine the price of basic residential service.

45. AT&T/MCI and Pacific agree that in the situation where a CLEC serves residential customers through a combination of its own facilities and UNEs purchased from Pacific, anomalies can arise from the fact that UNE prices are being set in this proceeding on a statewide-average basis, while funding for Universal Service under the CHCF-B is apportioned on a geographically-deaveraged basis.

46. AT&T/MCI propose to deal with the anomalies described in FOF 45 by applying a surcredit of $2.64 to each loop UNE that is purchased.

47. Pacific proposes to deal with the anomalies described in FOF 45 by dividing the CHCF-B subsidy between the CLEC and Pacific according to a formula that focuses on the cost of the loop.

48. Even with the anomalies described in FOF 45, the current absence of geographically-deaveraged UNE prices does not result in a windfall for Pacific under the Universal Service funding rules adopted in D.96-10-066.

49. Neither AT&T nor MCI has applied to become a carrier-of-last-resort under the rules set forth in D.96-10-066.

50. The anomaly described in FOF 45 will disappear once geographically-deaveraged UNE prices are set.

51. In its June 10, 1999 Order in *Iowa Utilities Board*, the Eighth Circuit has formally reinstated the requirement of geographically-deaveraged UNE prices set forth in the First Report and Order (47 C.F.R. § 51.507(f)).

52. The FCC has granted a stay of the requirement for geographically-deaveraged UNE prices that will remain in effect until May 1, 2000.

53. This Commission expects to institute a proceeding in the near future for the purpose of developing geographically-deaveraged UNE prices.

54. D.98-02-106 did not adopt TELRIC costs for DS-1 line ports, 4-wire entrance facilities, the DS-3 entrance facility without equipment, unbundled loops provided over digital loop carrier and delivered to the entrant as a digital facility, SS7 links, digital cross-connect systems (DCS), and LIDB and 800 database queries.

55. Pacific's TELRIC studies for dedicated transport reflect the benefits of SONET technology.

56. The loop conditioning costs in the ADSL tariff filed by Pacific with the FCC reflect embedded rather than forward-looking costs.

57. In its decision in *Iowa Utilities Board*, the Eight Circuit concluded (at 120 F.3d 813) that the FCC could not prohibit ILECs from tearing apart combinations of UNEs that the ILECs use themselves, because § 251 (c)(3) of the Act does not require ILECs to offer UNEs on a combined basis, and because prohibiting the disassembly of UNE platforms could obliterate the distinction in the Telecommunications Act between access to UNEs at cost-based rates (on the one hand) and the purchase at wholesale rates of the ILEC's retail services (on the other).

58. In the Spring of 1998, Pacific entered into partially-secret Memoranda of Understanding with AT&T, MCI and Sprint which provided that in exchange for the agreement of these carriers to change from the CABS billing system to the CRIS billing system, Pacific would continue to provide AT&T, MCI and Sprint with the UNE combinations specified in their respective interconnection agreements at the rates specified in said agreements, notwithstanding the legal right that Pacific claimed it had under the Eight Circuit decision in *Iowa Utilities Board* to discontinue providing such UNE combinations.

59. The Memorandum of Understanding between Pacific and AT&T provided that Pacific would continue to provide UNE combinations upon the terms set forth therein regardless of any regulatory, legislative or judicial change or ruling, unless such continued performance was expressly prohibited by such a change or ruling.

60. Pacific's Memoranda of Understanding with MCI and Sprint contained provisions comparable although not identical to the provision described in FOF 59.

61. Of the five "points of access" proposed by Pacific, one depends upon extending UNEs requiring cross-connection to a point of termination in a CLEC's collocation cage, and a second requires extending UNEs requiring cross-connection to the common frame in a collocation common area.

62. It is possible that degradation of telephone service might result from combining UNEs in the manner required under the points-of-access proposal described in FOF 61.

63. In remand proceedings before the Eighth Circuit following *AT&T-Iowa*, the parties have disagreed whether the Eight Circuit's vacation of FCC Rules 315(c)-(f) was challenged in the petitions for certiorari filed in the Supreme Court, and assuming it was, whether the reasoning given by the Supreme Court

for reinstating Rule 315(b) applies to Rules 315(c)-(f) as well. In its June 10, 1999 Order in *Iowa Utilities Board*, the Eighth Circuit has asked for briefing on these issues.

64. Only Pacific attempted to submit model tariff language with its testimony, in the form of a generic appendix that Pacific proposed to include with future interconnection agreements.

65. The parties who participated in the pricing hearings disagreed over whether this Commission has authority under the Telecommunications Act to require that UNE prices be set forth in tariffs.

66. In D.89-10-031, the Commission concluded that it was necessary to set price floors for Category II (partially-competitive) services.

67. In D.89-10-031, the Commission required LECs to set price floors by imputing into the tariffed rate for any bundled service, the tariffed rate of any function deemed a monopoly building block (MBB) that is necessary to provide the bundled service.

68. In D.94-09-065, the Commission approved an alternative form of imputation known as the "contribution" method, under which the price floor for a service equals the sum of (a) the long run incremental cost (LRIC) of the bundled Category II service, and (b) the difference between the tariffed rate of any MBB used in the service and the MBB's LRIC. The second factor is called the "contribution" from the MBB.

69. D.96-03-020 reclassified certain local exchange services as Category II services, and ruled that price floors for these services would be set in the OANAD proceeding after TSLRICs were adopted for them. The services so reclassified were: basic flat rate residential access line service (1 FR), basic measured residential access line service (1 MR), basic business access line service (1 MB), business and residence ISDN feature, business and residence ZUM

usage, business and residence local usage, and coin operated pay telephone service.

70. The ALJ ruling issued in this docket on December 18, 1996 determined that price floors for the services set forth in FOF 69 would be set in the pricing hearings following the Commission's decision choosing between the TSLRIC and TELRIC methodologies.

71. The prices of firms in competitive markets do not include arbitrary allocations of shared and common costs.

72. The volume-sensitive portion of the TSLRIC costs adopted in D.96-08-021 do not include any shared or common costs.

73. The fiber loops characterized by Dr. Tardiff as alternatives to Pacific's copper loops are, as a general matter, available only to business customers in California's larger cities.

74. Dr. Tardiff offered no estimate of how many business lines in California actually use fiber loops.

75. Dr. Tardiff failed to demonstrate that either the "wireless loop" offered by Winstar or the "Digital Link" service offered by AT&T is available to a significant number of Pacific's customers.

76. In 1996-1997, Pacific's share of the total market for loops in its service area exceeded 99%.

77. At the present time, a CLEC that leases loops in a central office where it is not economic for the CLEC to collocate has no practical choice but to lease switching from the ILEC providing the loops.

78. At the present time, CLECs are collocated in only 86 of the 700-plus central office buildings that Pacific has in its service territory, which is less than 15% of such central offices.

79. The competitive impacts of the Extended Link service ordered in D.98-12-069, and of the cageless collocation recently ordered by the FCC, cannot yet be determined with any certainty.

80. The data used to produce white page listings is expensive and difficult to produce.

81. Without a single source for white page listings, the utility of both CLEC and ILEC white pages would be reduced.

82. Access to white page listings is one of the items on the 14-point competitive checklist included in § 271 of the Telecommunications Act.

83. Transport that is competitive with Pacific's is widely available in California. Most of this alternative transport occurs through fiber, although it is also offered via HFC, microwave and SONET.

84. Directory assistance and operator services are available from a significant number of vendors other than Pacific.

85. Pacific's price floor approach assumes that the total revenues from a service are sufficient to cover the non-volume sensitive costs attributable to the service.

86. Pacific proposes to use a series of cross-subsidy tests to ensure that each service's non-volume sensitive costs are recovered as described in FOF 85.

87. The cross-subsidy tests advocated by Pacific involve a large degree of subjectivity in placing services into "service groups," and in determining how the 20 shared family cost categories should be allocated among the 40 service groups.

88. Verifying that Pacific's proposed cross-subsidy tests were satisfied each time approval was sought for a new price floor would be a very labor-intensive task for Commission staff and the affected parties.

89. D.89-10-031 states that the price floor for an ILEC service should include some of the overheads applicable to the service.

90. Because of Y2K concerns, many businesses including Pacific are imposing a moratorium on computer programming in their firms during December 1999 and January 2000.

Conclusions of Law

1. It will take some time for the full implications of *AT&T-Iowa* to work their way through the interconnection agreements that have been approved and the UNE costs and prices that have been determined since 1996.

2. It is not appropriate to adopt geographically-deaveraged UNE prices at this time in light of the facts that (a) this Commission did not adopt geographically-deaveraged costs in D.98-02-106, (b) the FCC has granted a stay of the requirement in the First Report and Order for geographically-deaveraged UNE prices, and (c) this Commission expects to commence a proceeding in the near future to develop geographically-deaveraged UNE prices.

3. Dr. Hausman's proposal for an adder on UNE prices to account for the risk of future stranded investment is ultimately based on the assumption that the TELRIC methodology does not adequately distinguish between fixed and sunk costs. As such, it represents an improper collateral attack on the decision in D.98-02-106 to use TELRIC costs for UNE pricing.

4. Dr. Hausman's proposal for an up-front adder on UNE prices to account for the risk of future stranded investment is inconsistent with how this Commission ruled in Ordering Paragraph (OP) 7 of D.96-09-089 that it would handle similar stranding claims arising from "franchise impacts."

5. Dr. Hausman's proposal for an adder on UNE prices to account for the risk of future stranded investment is inconsistent with the interpretation of § 252(d)(1) of the Telecommunications Act set forth in Judge Illston's May 11,

1998 summary judgment ruling in *AT&T Communications of California, Inc. v. Pacific Bell, et al.*, from which this Commission is not appealing.

6. For the reasons set forth in FOFs 33-37, it is unlikely that Pacific will incur any stranded investment in the near future that is solely attributable to its obligation to provide UNEs to requesting telecommunications carriers.

7. Dr. Hausman's proposal to include an adder in the price of UNEs to account for the alleged risk of future stranded investment, as described in FOF 29, should not be adopted.

8. It would not be reasonable to set prices for the existing list of UNEs based on speculation about which network elements the FCC will retain as UNES after the Revised UNE List Order becomes final.

9. The UNE prices proposed by Pacific should not be adopted because they are highly subjective, are not based on any consistent markup approach, and would confer an unreasonably large amount of pricing discretion on Pacific.

10. The price for each UNE offered by Pacific should be equal to the TELRIC of the element as determined in D.98-02-106 and subsequent compliance filings, plus a markup to cover the shared and common costs approved by this Commission. This markup should be uniform for all UNEs.

11. The total of non-recurring costs adopted in D.98-12-079, $375 million, should be included in the denominator of the fraction used to compute the uniform markup.

12. In determining the fraction used to compute the uniform markup in this decision, there has been no double-counting of Pacific's non-recurring costs.

13. It would be unreasonable to include retail costs in the denominator of the fraction used to compute the uniform markup (as advocated by AT&T/MCI), because no retail costs were included in the shared and common costs approved for Pacific in D.98-02-106 and subsequent compliance filings.

14. It would be unreasonable to include the total forward-looking costs for all of Pacific's Category III and non-regulated services in the denominator of the fraction used to compute the uniform markup, as advocated by AT&T/MCI, because (1) these services have their own separate shared and common costs, and (2) the common costs attributable to these services were removed from the common cost total approved in D.98-02-106 and subsequent compliance filings.

15. The markup formula advocated by the FBC should not be adopted because it ignores the shared and common cost determinations made in D.98-02-106 and subsequent compliance filings.

16. The ARMIS data relied on by Sprint to support its recommendation of a 15% markup is historical cost data, rather than the forward-looking cost data required by the TELRIC methodology.

17. Sprint's experience as a local exchange service provider is of little relevance in determining the shared and common costs that a large firm like Pacific is likely to incur.

18. Sprint's recommendation of a 15% uniform markup to recover shared and common costs should not be adopted.

19. The uniform markup that Pacific should be allowed to add to its TELRIC costs for the purpose of recovering shared and common costs should be computed by dividing the total shared and common TELRIC costs adopted for Pacific's UNEs ($996 million) by the sum of (a) the total direct TELRIC costs approved for these UNEs ($4.814 billion), plus (b) the total NRCs adopted in D.98-12-079 ($375 million).

20. The uniform markup computed as set forth in Conclusion of Law (COL) 19 should be rounded to the nearest whole percentage point, which results in a uniform markup of 19%.

21. Non-recurring charges for UNEs should be determined by adding the 19% uniform markup described in COLs 19 and 20 to the non-recurring costs approved in D.98-12-079.

22. In those situations where a CLEC orders UNEs or combinations from Pacific via LEX or a form of EDI, and such UNEs or combinations are subject to the flow-through obligations set forth on *mimeo.* pages 3-4 of Appendix B of D.98-12-069, the non-recurring charges applicable to such UNEs or combinations should be the fully-mechanized non-recurring charges set forth in Appendix B hereto.

23. Whether it is appropriate to apply the fully-mechanized non-recurring charges set forth in Appendix B to other UNEs or combinations ordered from Pacific via LEX or a form of EDI should be determined in the OSS/NRC phase of this proceeding.

24. Pub. Util. Code § 728.2(a) does not require that Pacific's Yellow Page net revenues be taken into account when setting UNE prices.

25. Since Pacific's Yellow Page net revenues have already been taken into account in D.89-12-048 in setting the revenue requirement used to determine Pacific's basic residential rates, taking such net revenues into account again when setting the price for the UNE residential loop would amount to improper double-counting.

26. If Pacific's Yellow Page net revenues were to be taken into account in setting the price for the UNE residential loop, there would be no way of guaranteeing that residential ratepayers would benefit from this.

27. Adoption of the AT&T/MCI proposal for a $2.64 surcredit on loops financed through the CHCF-B would violate § 252(d)(1) of the Telecommunications Act, because it would result in loop UNE prices that are less than the cost of providing such loops.

28. The CHCF-B funds that AT&T/MCI propose to use to finance the $2.64 loop surcredit have already been used in D.98-07-033 for a permanent offset of certain Pacific rates.

29. The principal policy flaw in the AT&T/MCI proposal for a $2.64 surcredit applicable to the loop UNE is that it would convert an explicit subsidy intended to benefit residential customers in high-cost areas into an implicit subsidy that purchasers of UNEs could use to compete anywhere.

30. The principal flaw in the Pacific proposal described in FOF 47 is that, because most of the costs of providing basic residential service in high-cost areas are accounted for by the loop, the Pacific proposal would result in Pacific's receiving the lion's share of CHCF-B funding in most cases, even though the stated objective of the proposal is to allocate CHCF-B funding equitably between Pacific and a CLEC that provides service using some of its own facilities.

31. The adopted TELRIC cost for End Office Switching Trunk Port Termination, which Pacific refers to as the switch portion of its "Supertrunk" offering, should be used as a proxy for the DS-1 line side port.

32. Based on the record before us, the most reasonable method for developing a TELRIC cost for the DS-3 entrance facility *without* equipment, which we will adopt, is to back the costs of remote circuit equipment out of the adopted TELRIC cost for a DS-3 entrance facility *with* equipment.

33. The AT&T/MCI proposal for developing a TELRIC cost for unbundled loops provided over digital loop carrier (DLC) and delivered to the entrant as a digital facility, by using a combination of fiber and fiber electronics from the adopted TELRIC costs for the DS-1 loop and the DS-1 EISCC, is reasonable and should be adopted.

34. The adopted TELRIC costs for STP transport and transport elements that could serve as SS7 links, should be used to derive TELRIC costs for SS7 links and link mileage.

35. The adopted TELRIC costs for the 4-wire entrance facility should be used to set the UNE price of the 4-wire entrance facility.

36. The UNE price of a 2-wire entrance facility should be set by dividing the UNE price of the 4-wire entrance facility in half.

37. The adopted TELRIC costs for the DS-1 EISCC should be used as a proxy for the DCS cross-connect, and the multiplexing cost of a single DCS channel should be set at one twenty-fourth of the adopted TELRIC for the DS-1 multiplexing function.

38. For the time being, it is reasonable to set UNE prices for LIDB queries and 800 database queries by using the adopted TSLRIC costs for such queries.

39. Recurring prices for the elements described in COLs 31-38 should be set at the costs found reasonable therein plus a 19% markup to cover shared and common costs.

40. The non-recurring charge for DLC loops should be based upon the non-recurring charge for 2-wire loops.

41. The non-recurring charge for the DS-1 switch port should be based upon the non-recurring charge for the DS-1 trunk port.

42. A CLEC ordering DCS service and paying the non-recurring charges for DCS shown in Appendix B is entitled to have 24 DS-0 channels available to it at the DCS bank ordered, but should not be permitted to distribute these DS-0 channels to different locations.

43. The rule set forth in the preceding COL should also apply where DS-1 signals are multiplexed into DS-3, and where either DS-3 or DS-1 signals are de-multiplexed.

44. Pacific should be required to derive and submit, pursuant to the G.O. 96-A advice letter process, TELRIC costs for LIDB queries and 800 database queries. This advice letter submission should be subject to protest.

45. Pacific should be allowed to recover reasonable loop conditioning costs when it furnishes digital-capable copper loops to carriers that provide digital subscriber line service, and those carriers provide their own electronics for the loop.

46. Pacific's proposal to recover the loop conditioning charges for copper loops specified in its ADSL tariff on file with the FCC should not be adopted, because the loop conditioning charges in the FCC tariff are based on embedded costs rather than forward-looking costs.

47. Until the Commission can adopt TELRIC-based costs for loop conditioning, Pacific should be allowed to recover as conditioning charges for all 2-wire loops used to provide digital subscriber line service, the non-recurring charge applicable to an ISDN loop.

48. For ADSL-ready loops that require no additional conditioning, the non-recurring charge should be that applicable to analog loops.

49. The monthly recurring charge for a loop used to provide ADSL service should be that applicable to a 2-wire copper loop, and the monthly recurring charge for a loop used to provide IDSL service should be that applicable to an ISDN loop.

50. The evidence cited in Covad's Opening Comments to justify a reduced price for the ISDN loop UNE should not be considered, because it is outside the record of this proceeding.

51. In *AT&T-Iowa*, the Supreme Court held that the issue raised by the ILECs about the opportunities for arbitrage between purchasing UNEs and purchasing resale service is of minimal concern, because the universal service subsidies

included in resale rates must be phased out pursuant to § 254 of the Telecommunications Act, so any opportunities for arbitrage will be only temporary.

52. In *AT&T-Iowa*, the Supreme Court held that FCC Rule 315(b) represents a reasonable construction of § 251(c)(3) of the Telecommunications Act, which is ambiguous on the question of whether leased network elements may or must be separated, because Rule 315(b) is rooted in § 251 (c)(3)'s nondiscrimination requirement.

53. In view of the reinstatement of FCC Rule 315(b) in *AT&T-Iowa*, Pacific and other ILECs are obliged to provide to requesting telecommunications carriers, network elements that are already pre-assembled or combined on a "platform" that the ILEC uses itself.

54. Under FCC Rule 315(b), an ILEC that provides a UNE platform to a requesting telecommunications carrier is not entitled to a "recombination" fee or "regluing" charge for doing so.

55. In a case where a telecommunications carrier requests an ILEC to provide it with an existing UNE platform (*i.e.*, the "as is migration" situation), the appropriate compensation the ILEC should receive is the sum of the service order charges adopted herein applicable to each UNE included in the platform.

56. In the case where a requesting telecommunications carrier purchases separate unbundled network elements and requests the ILEC to combine them, the appropriate compensation the ILEC should receive for performing this combining work is the sum of the stand-alone non-recurring charges adopted herein for each of the UNEs being combined.

57. In the case where a telecommunications carrier initially requests an ILEC platform (*i.e.*, the "as is migration" situation), and then later requests that additional features or services be combined with the platform, the appropriate

compensation the ILEC should receive for combining the additional features or services with the platform is the sum of the stand-alone non-recurring charges adopted herein for each additional feature or service ordered from the ILEC.

58. Notwithstanding the current uncertainty surrounding the status of FCC Rules 315(c)-(f), this Commission has authority under Pub. Util. Code § 709.2(c)(1) to order ILECs to combine separate UNEs upon the request of a telecommunications carrier, or to order an ILEC to combine additional UNEs with an existing UNE platform.

59. The Supreme Court's decision in *AT&T-Iowa*, which reinstates FCC Rule 315(b), does not prohibit the continued performance of Pacific's obligation as described in FOFs 58-59 to continue providing UNE combinations.

60. If Pacific were to continue performing its obligation as described in FOFs 58-59 to provide UNE combinations to AT&T, while refusing to provide UNE combinations to other CLECs with which it has entered into interconnection agreements on the ground that the list of network elements it must offer on an unbundled basis is uncertain, such refusal would give rise to a claim of unlawful discrimination under §§ 251(c)(3), 251(c)(2) and 252(i) of the Telecommunications Act.

61. This Commission has power under Resolution ALJ-174 to reform interconnection agreements for the purpose of preventing or eliminating unlawful discrimination.

62. Owing to the potential for discrimination created by the Memoranda of Understanding described in FOFs 58-59, and pursuant to this Commission's powers to reform interconnection agreements to prevent unlawful discrimination and to order ILECs to combine UNEs pursuant to Pub. Util. Code § 709.2(c)(1), Pacific should be required to provide UNE combinations to requesting telecommunications carriers whose interconnection agreements with Pacific

provide for such combinations, in consideration of the compensation described COLs 55-57, for the remaining term of such agreements or for as long as such agreements remain in effect.

63. Pacific should be required to provide UNE combinations to any requesting telecommunications carrier covered by the preceding COL whose interconnection agreement with Pacific was entered into prior to January 25, 1999.

64. The Supreme Court's decision in *AT&T-Iowa* to reinstate the FCC's "pick and choose" rule may render moot the controversy about whether the prices, terms and conditions for UNEs should be set forth in tariffs.

65. Pending further clarification from the FCC, it appears that the documents ILECs may be required to file to comply with the "pick and choose" rule will be very similar in form and content to tariffs.

66. In view of the facts that (a) the FCC may revise or clarify the "pick and choose" rule in the near future, (b) many of Pacific's existing interconnection agreements will begin to expire at the end of 1999, (c) existing interconnection agreements must be available for public inspection pursuant to § 252(h) of the Telecommunications Act, and (d) the prices set forth in this decision are matters of public record, it is unnecessary and would not be a good use of the Commission's or the parties' resources to require the filing at this time of tariffs or tariff-like documents for UNEs.

67. Absent direction to the contrary from the FCC, it is unlikely that this Commission will be able to undertake a general reexamination of the TELRIC costs adopted in D.98-02-106 and D.98-12-079 during the next three years.

68. Barring a general reexamination of TELRIC costs, this Commission should hold, beginning in the year 2001, an annual proceeding to reexamine UNE

recurring costs that are alleged to have changed substantially from the costs adopted in D.98-02-106 (and related compliance filings).

69. In each such proceeding, the Commission should reexamine the costs of no more than two UNEs. The network element costs to be reexamined should be chosen by the Commission from nominations made either by Pacific or by a CLEC. The nominations should be contained in a filing made between February 1st and March 1st of each year, beginning in 2001. The party making the nomination should offer a summary of the evidence showing that there has been a change in the recurring costs for the element of at least 20% from the costs adopted for that element in D.98-02-106 (and related compliance filings).

70. Unless and until the Commission determines, pursuant to the procedure outlined in the preceding COL, that there has been a change in the recurring costs of a particular UNE covered by D.98-02-106 (and related compliance filings), the price for such UNE in any future interconnection agreement submitted to this Commission for arbitration pursuant to § 252(b) of the Telecommunications Act should be taken from the prices set forth in the appendices to this decision.

71. The imputation requirement set forth in D.89-10-031 and D.94-09-065 acts as a safeguard against anticompetitive ILEC behavior in two ways: (a) it ensures that the price of an ILEC's bundled competitive service recovers at least the cost of providing the service, thus preventing cross-subsidization, and (b) it prevents the ILEC from underpricing the bundled competitive service, which would harm competitors of the ILEC.

72. The "contribution" method of imputation described in D.94-09-065 is the algebraic equivalent of the original imputation formula set forth in D.89-10-031.

73. Because the contribution method of imputation is the algebraic equivalent of the original imputation formula, it would be appropriate to use the

contribution method for setting price floors here, especially since the contribution method can fill in certain gaps in the TSLRIC and TELRIC costs that this Commission has adopted.

74. Setting price floors for the services here by taking the sum of the prices of all UNEs used in providing the service would result in price floors that include far more shared and common costs than are appropriate in a competitive environment.

75. Using the volume-sensitive portion of the TSLRIC of a service (plus contribution) to set the price floor for the service would allow the Commission to overcome the fact that the competitive and non-competitive components of the services at issue here have not been completely defined.

76. For the reasons set forth in COLs 72-75, the contribution method of imputation should be used in setting price floors for the services specified in FOF 69.

77. For the reasons set forth in FOFs 86-88, the tests advocated by Dr. Emmerson for detecting cross-subsidies in Pacific's services should not be relied upon.

78. The risk of cross-subsidy in the price floors adopted herein will be reduced by starting with the TELRIC-based UNE price in computing contribution, since the TELRIC methodology assigns directly to network elements many costs that would be considered "shared" or "common" under the TSLRIC methodology.

79. The correct method of computing the contribution from MBBs to be imputed into Pacific's price floors is to subtract from the TELRIC-based price of each UNE found to be an MBB, the volume-sensitive portion of the TSLRIC of the MBB.

80. The price floor for each service at issue here should be set equal to the sum of (a) the contribution computed as set forth in COL 79, plus (b) the volume-sensitive portion of the TSLRIC for the service.

81. The test for determining what constitutes an MBB should be considered the same as for determining what constitutes an "essential facility" under antitrust law; *i.e.*, the economic infeasibility for the competing carrier of duplicating the essential facility practicably or reasonably, whether through purchase or self-provision.

82. It is clear under *AT&T-Iowa* that not all of the UNEs set forth in the original version of FCC Rule 319 can be considered MBBs.

83. D.96-03-020 does not hold that all of the UNEs set forth in the original version of FCC Rule 319 should be considered MBBs.

84. This Commission has never ruled that all of the UNEs set forth in the original version of FCC Rule 319 should be considered MBBs.

85. The parties to this proceeding were given sufficient notice that the issue of which UNEs should be classified as MBBs would be considered in the pricing hearings.

86. Those parties arguing that Pacific is improperly seeking recategorization of services in its price floor testimony appear to be confusing imputation with categorization.

87. It would not be appropriate to delay setting price floors until after the FCC's Revised UNE List Order becomes final.

88. At the present time, the loop should be considered an MBB for purposes of determining imputation via the contribution method.

89. In view of our decision in D.98-02-106 not to adopt geographically-deaveraged costs or prices for UNEs, and our decision herein not to adopt the AT&T/MCI proposal for a surcredit on loops financed through the

CHCF-B, the geographically-deaveraged price floors advocated by Pacific, which depend on a determination of whether or not the loop is essential in a particular geographic area, should not be adopted.

90. At the present time, switching (*i.e.*, the port) should be considered an MBB for purposes of determining imputation via the contribution method.

91. Contribution from switching minutes-of-use should not be imputed into the three access line services at issue here (*i.e.*, 1 MB, 1 FR and 1 MR), because switching minutes-of-use are already imputed into Pacific's toll price floors.

92. At the present time, white page listings should be considered an MBB for purposes of determining contribution for the 1 MB, 1 FR and 1 MR services.

93. None of the other UNEs set forth in the version of FCC Rule 319 that the Supreme Court set aside in *AT&T-Iowa* should be considered an MBB.

94. The determination in COL 90 is not intended to prejudge any of the issues being considered in the Local Competition proceeding about the price to be charged pursuant to § 222(e) of the Telecommunications Act for providing directory listings to third-party publishers.

95. The price floor formula set forth in COL 80 should be used by Pacific in the future whenever it proposes a price floor for a newly-recategorized Category II service, or for a customer-specific contract or express contract pursuant to the procedures outlined in D.94-09-065 (56 CPUC2d at 238-242).

96. In view of the widespread moratorium on computer programming attributable to Y2K concerns, it is reasonable to allow Pacific until March 1, 2000 to complete the billing program changes necessary to reflect the UNE prices adopted herein.

97. Provided that Pacific makes promptly all adjustments necessary to reflect in bills that the effective date of the UNE prices adopted herein is the effective date of this decision, it is reasonable not to count the delay in making the billing

program changes described in the preceding COL against Pacific in the performance measurements applicable to Pacific in the ongoing proceeding being conducted pursuant to § 271 of the Telecommunications Act.

ORDER

IT IS ORDERED that:

1. The monthly recurring prices for unbundled network elements (UNEs) offered by Pacific Bell (Pacific) that are set forth in Appendix A to this decision satisfy the requirements of Sections 251(c)(2), 251(c)(3), and 252(d)(1) of the Telecommunications Act of 1996 and are hereby adopted.

2. The non-recurring charges associated with the UNEs offered by Pacific, which charges are set forth in Appendix B to this decision, satisfy the requirements of Sections 251(c)(2), 251(c)(3), and 252(d)(1) of the Telecommunications Act of 1996 and are hereby adopted.

3. Pursuant to Commission Resolution ALJ-174 (adopted June 25, 1997), Pacific shall prepare amendments to all interconnection agreements between itself and other carriers that were reached through arbitration by this Commission. Such amendments shall substitute the monthly recurring UNE prices set forth in Appendix A, and the non-recurring charges set forth in Appendix B, for the interim UNE prices and non-recurring charges set forth in such interconnection agreements. Such amendments shall be filed with the Commission's Telecommunications Division, pursuant to the advice letter process set forth in Rules 4.3.1 and 4.3.2 of Resolution ALJ-174, within 30 days after the effective date of this order. Unless protested, such amendments shall become effective 5 days after filing.

4. Pacific shall prepare amendments to all interconnection agreements between itself and other carriers that were reached through arbitration by this

Commission and that provide for interim UNE combination charges. Such amendments shall use the illustrative examples of UNE combinations set forth in Appendix C to determine the appropriate UNE combination charges that should supersede, pursuant to Commission Resolution ALJ-174, the interim UNE combination charges set forth in such agreements. Such amendments shall be filed with the Commission's Telecommunications Division, pursuant to the advice letter process set forth in Rules 4.3.1 and 4.3.2 of Resolution ALJ-174, within 30 days after the effective date of this order. Unless protested, such amendments shall become effective 5 days after filing.

5. Pacific may have until March 1, 2000 to complete the billing program changes necessary to reflect in bills the monthly recurring prices and non-recurring charges for UNEs adopted in this order. Upon completion of said billing program changes, Pacific shall notify the Director of the Telecommunications Division in writing that all of the necessary billing program changes have been completed.

6. The monthly recurring prices and non-recurring charges for UNEs adopted in this order shall be effective as of November 18, 1999, and Pacific shall make all billing adjustments necessary to ensure that this effective date is accurately reflected in bills applicable to UNEs.

7. The price floors for the Pacific services set forth in the Compliance Reference Document (CRD), a redacted version of which is attached to this decision as Appendix D, satisfy the requirements of Decision (D.) 89-10-031, D.94-09-065, D.96-03-020 and this decision with respect to price floors and are hereby adopted. The unredacted version of the price floor CRD shall be made available only to parties with whom Pacific has entered into a nondisclosure agreement consistent with the terms of the November 16, 1995 Administrative Law Judges' Ruling in this docket.

8. Within 20 days after the effective date of this order, Pacific shall submit to the Commission's Telecommunications Division (TD) for its approval, and shall serve upon all parties to this proceeding, an advice letter consistent with General Order (G.O.) 96-A that contains Total Element Long Run Incremental Costs (TELRICs) for 800 database queries and Line Identifier Database (LIDB) queries, as required by Conclusion of Law (COL) 44 of this order. Upon the request of TD, Pacific shall produce workpapers that show how it has derived these TELRICs, and shall serve such workpapers on those parties to this proceeding who request them. This advice letter shall be subject to protest in accordance with G.O. 96-A.

9. Pacific shall commence preparing loop conditioning cost studies based on the TELRIC methodology, and shall submit such studies for review in such proceeding(s) as the Commission, any Commissioner or any assigned Administrative Law Judge shall direct.

10. Pursuant to COLs 62 and 63, Pacific shall continue providing combinations of UNEs to any party with whom Pacific entered into an interconnection agreement reached through arbitration prior to January 25, 1999 that required Pacific to provide such combinations. This obligation to continue providing UNE combinations in accordance with the terms of such interconnection agreements (as modified by Ordering Paragraph 4) shall continue for the remaining term of any such interconnection agreement, or for as long as such interconnection agreement remains in effect.

11. Unless the Commission undertakes a general reexamination of TELRIC costs no later than February 1, 2001, then the Commission shall, beginning in the year 2001, conduct an annual proceeding to reexamine the recurring costs of no more than two UNEs. The UNEs to be reexamined shall be chosen by the Commission from among those nominated by Pacific or carriers with which

Pacific has entered into interconnection agreements. The nominations shall be set forth in filings made between February 1st and March 1st of each year. If the filing is made by a carrier that has signed an interconnection agreement with Pacific, such filing shall set forth a summary of the evidence alleged to show that the costs of the nominated UNE(s) have declined by at least 20% from the costs approved for such UNE(s) in D.98-02-106 (and related compliance filings). If the filing is made by Pacific, then such filing shall set forth a summary of the evidence alleged to show that the costs of the nominated UNE(s) have increased by at least 20% from the costs approved for such UNE(s) in D.98-02-106 (and related compliance filings).

12. The annual cost reexamination proceeding authorized in the preceding Ordering Paragraph shall not consider any claim that the 19% markup for shared and common costs adopted in COLs 19 and 20 should be changed.

13. When proposing price floors in the future for services that have been newly recategorized as Category II services, or for customer-specific contracts or express contracts pursuant to the procedures outlined in D.94-09-065 (56 CPUC2d at 238-242), Pacific shall use the price floor formula set forth in COL 80. Existing price floors shall remain in effect until new price floors computed pursuant to this decision have been established.

14. The August 3, 1998 motion of AT&T Communications of California, Inc., AT&T Local Services on behalf of TCG Los Angeles, TCG San Diego, and TCG San Francisco (collectively, AT&T), and MCI Telecommunications Corporation (MCI) to file one business day late the redacted version of the joint AT&T/MCI reply brief, is hereby granted.

15. The August 5, 1998 motion of Cox California Telcom II, L.L.C. to file its reply brief one business day late, is hereby granted.

16. The June 9, 1999 motion of Covad Communications Company that its opening comments on the Proposed Decision (PD) be accepted for filing notwithstanding inadvertent service errors, is hereby granted.

17. The June 10, 1999 motion of Northpoint Communications, Inc. that its June 9, 1999 reply comments on the PD be accepted for filing, is hereby granted.

18. The October 15, 1999 emergency petition of AT&T to set aside submission, and to take comments on issues raised by Pacific in connection with the conditions imposed by the Federal Communications Commission in its October 6, 1999 opinion and order approving the proposed merger of Ameritech Corp. and SBC Communications, Inc. (FCC 99-279), is hereby denied.

This order is effective today.

Dated November 18, 1999, at San Francisco, California.

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
JOEL Z. HYATT
CARL W. WOOD
Commissioners

Appendix A.

Summary of Unbundled Network Elements Recurring Prices

Elements	Pacific Bell Monthly UNE Price
Link	
Basic or Assured Link (2-Wire)	$11.70
PBX Trunk Option	$2.18
Coin Option	$2.93
ISDN Option	$4.44
Digital 1.54 Mbps (DS-1)	$94.43
4-Wire Link	$37.28
4-Wire CO Facility Interface Connection	$15.35
Entrance Facilities	
Voice Grade (4W)	$46.90
DS1	$153.46
DS3	$1,837.18
Multiplexing	
DS0 / DS1	$255.58
DS1 / DS3	$287.88
Switching	
Ports	
2-Wire Ports	$2.88
Coin Port	$3.81
Centrex Port	$4.37
DID Port	$4.18
DID Number Block	$1.00
ISDN Port	$14.10
Switch Features	
Call Forward Variable	$0.57
Busy Call Forwarding	$0.56
Delayed Call Forwarding	$0.56
Call Waiting	$0.56
Three Way Calling	$0.57
Call Screen	$0.63
Message Waiting Indicator	$0.56
Repeat Dialing	$0.65
Call Return	$0.65
Call Forward Busy/Delay	$0.56
Speed Calling 8	$0.56
Speed Calling 30	$0.56

Appendix A.

Summary of Unbundled Network Elements Recurring Prices

Intercom	$0.62
Intercom Plus	$0.62
Remote Access to Call Forward	$0.60
Direct Connect -shared	$0.56
Direct Connect -unshared	$0.56
Select Call Forwarding	$0.60
Call Trace	$0.57
Speed Call 6	$0.56
Call Restriction	$0.88
Distinctive Ringing	$0.56
Directed Call Pickup	$0.57
WATS Access per Port	$0.56
WATS Access per Group	$1.73
Caller ID	$0.73
Caller ID Blocking	$0.58
Call Hold	$0.56
Remote Call Forwarding	$0.93
Hunting	$0.29
DNCF	$0.96

Switch Usage

Interoffice – Originating	
setup per attempt	$0.00594
holding time per MOU	$0.00184
Interoffice – Terminating	
setup per call	$0.00700
holding time per MOU	$0.00187
Intraoffice	
setup per call	$0.01399
holding time per MOU	$0.00362
Tandem Switching	
setup per attempt	$0.00075
setup per completed message	$0.00113
holding time per MOU	$0.00067
Tandem Switching (overflow)	
setup per attempt	$0.00552
setup per completed message	$0.00952
holding time per MOU	$0.00565

Trunk Port Termination

End Office Termination	$20.99
Tandem Termination	$142.82

Appendix A.

Summary of Unbundled Network Elements Recurring Prices

InterofficeTransmissionFacilities	
Switched Transport - Shared	
Fixed Mileage per MOU	$0.001259
Variable Mileage per MOU per Mile	$0.000021
Switched Transport - Shared - Overflow	
Fixed Mileage per MOU	$0.011360
Variable Mileage per MOU per Mile	$0.000021
Switched Transport - Common	
Fixed Mileage per MOU	$0.001330
Variable Mileage per MOU per Mile	$0.000021
Dedicated Transport – Voice Grade	
Fixed Mileage	$3.22
Variable Mileage per Mile	$0.19
Dedicated Transport - DS1	
Fixed Mileage	$32.32
Variable Mileage per Mile	$1.84
Dedicated Transport - DS3	
Fixed Mileage	$372.70
Variable Mileage per Mile	$35.72
Expanded Interconnection Service Cross Connect (EISCC)	
Voice Grade/ISDN	
EISCC	$0.44
Jack Panel	$1.79
DS0	
EISCC	$26.07
Jack Panel	$5.60
DS1	
EISCC	$16.52
Jack Panel	$2.49
Repeater	$24.15
DS3	
EISCC	$45.80
Jack Panel	$25.88
Repeater	$101.36

Appendix A.

Summary of Unbundled Network Elements Recurring Prices

White Page Listings	
CLEC Listings	$0.40
Operator Services	
Directory Assistance per Call	$0.39494
Operator Services per work second	$0.02952
SS7	
STP Port	$263.76
Additional Elements	
SS7	
SS7 Links	
Voice Grade	
Fixed Mile	$3.22
Variable Mile	$0.19
DS-1	
Fixed Mile	$32.32
Variable Mile	$1.84
Database Query	
800 Database - per Query	$0.00219
Line Identifier Database (LIDB) - per Query	$0.00256
Entrance Facility	
2-Wire Voice Grade	$23.45
DS-3 without Equipment	$724.04
Unbundled Loops provided over DLC to an Entrant as a Digital Facility	
per Digital Facility	$24.41
per Voice Line Activated	$5.71
Digital Cross-Connect System (DCS)	$16.52
Multiplexing	
DS-0 / DS-1 per Channel	$10.65
DS-1 / DS-3 per Channel	$12.00
Switching	
Ports	
DS-1 Port	$20.99

Shared Common Allocator: 19.00%

Nonrecurring Charges* for Pacific Bell

Appendix B.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
BASIC SWITCHING FUNCTION								
1AESS CLC SWITCH SERVICE ESTABLISHMENT (PER CLC, PER SWITCH) DA TRUNK GROUP (CESAR/LEX - COMPLEX)	$277.98	$133.76	$187.54	$0.00	$0.00	$0.00	$0.00	$0.00
1AESS CLC SWITCH SERVICE ESTABLISHMENT (PER CLC, PER SWITCH) OA & DA TRUNK GROUP (CESAR/LEX - COMPLEX)	$277.98	$133.76	$187.54	$0.00	$0.00	$0.00	$0.00	$0.00
1AESS CLC SWITCH SERVICE ESTABLISHMENT (PER CLC, PER SWITCH) OA TRUNK GROUP (CESAR/LEX - COMPLEX)	$277.98	$133.76	$187.54	$0.00	$0.00	$0.00	$0.00	$0.00
5ESS CLC SWITCH SERVICE ESTABLISHMENT (PER CLC, PER SWITCH) DA TRUNK GROUP (CESAR/LEX - COMPLEX)	$277.98	$133.76	$187.54	$0.00	$0.00	$0.00	$0.00	$0.00
5ESS CLC SWITCH SERVICE ESTABLISHMENT (PER CLC, PER SWITCH) OA & DA TRUNK GROUP (CESAR/LEX - COMPLEX)	$277.98	$133.76	$187.54	$0.00	$0.00	$0.00	$0.00	$0.00
5ESS CLC SWITCH SERVICE ESTABLISHMENT (PER CLC, PER SWITCH) OA TRUNK GROUP (CESAR/LEX - COMPLEX)	$277.98	$133.76	$187.54	$0.00	$0.00	$0.00	$0.00	$0.00
DMS100 CLC SWITCH SERVICE ESTABLISHMENT (PER CLC, PER SWITCH) DA TRUNK GROUP (CESAR/LEX - COMPLEX)	$277.98	$133.76	$187.54	$0.00	$0.00	$0.00	$0.00	$0.00
DMS100 CLC SWITCH SERVICE ESTABLISHMENT (PER CLC, PER SWITCH) OA & DA TRUNK GROUP (CESAR/LEX - COMPLEX)	$277.98	$133.76	$187.54	$0.00	$0.00	$0.00	$0.00	$0.00
DMS100 CLC SWITCH SERVICE ESTABLISHMENT (PER CLC, PER SWITCH) OA TRUNK GROUP (CESAR/LEX - COMPLEX)	$277.98	$133.76	$187.54	$0.00	$0.00	$0.00	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
CROSS CONNECT								
EISCC - BASIC VG/ISDN - INITIAL (CESAR/LEX - SIMPLE)	$2.08	$3.29	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - BASIC VG/ISDN - INITIAL (MECHANIZED)	$0.16	$0.16	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - BASIC VG/ISDN - ADDITIONAL (CESAR/LEX - SIMPLE)	$0.81	$0.81	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - BASIC VG/ISDN - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - DS0 - INITIAL (CESAR/LEX - SIMPLE)	$2.08	$3.29	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - DS0 - INITIAL (MECHANIZED)	$0.16	$0.16	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - DS0 - ADDITIONAL (CESAR/LEX - SIMPLE)	$0.81	$0.81	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - DS0 - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - DS1 - INITIAL (CESAR/LEX - SIMPLE)	$2.08	$3.29	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - DS1 - INITIAL (MECHANIZED)	$0.16	$0.16	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - DS1 - ADDITIONAL (CESAR/LEX - SIMPLE)	$0.81	$0.81	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - DS1 - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - DS3 - INITIAL (CESAR/LEX - SIMPLE)	$2.08	$3.29	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - DS3 - INITIAL (MECHANIZED)	$0.16	$0.16	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - DS3 - ADDITIONAL (CESAR/LEX - SIMPLE)	$0.81	$0.81	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EISCC - DS3 - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
UNBUNDLED SERVICE CROSS CONNECT (DS0) - INITIAL (CESAR/LEX - SIMPLE)	$2.08	$3.29	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
UNBUNDLED SERVICE CROSS CONNECT (DS0) - INITIAL (MECHANIZED)	$0.16	$0.16	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
UNBUNDLED SERVICE CROSS CONNECT (DS0) - ADDITIONAL (CESAR/LEX - SIMPLE)	$0.81	$0.81	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
UNBUNDLED SERVICE CROSS CONNECT (DS0) - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
DIGITAL CROSS CONNECT SERVICE - DCS								
MULTIPLEXING DS1/DS0 (CESAR/LEX - SIMPLE)	$4.05	$4.05	$0.00	$0.00	$80.12	$36.13	$0.00	$0.00
MULTIPLEXING DS1/DS0 (MECHANIZED)	$0.16	$0.16	$0.00	$0.00	$80.12	$36.13	$0.00	$0.00
MULTIPLEXING DS3/DS1 (CESAR/LEX - SIMPLE)	$4.05	$4.05	$0.00	$0.00	$84.17	$36.32	$0.00	$0.00
MULTIPLEXING DS3/DS1 (MECHANIZED)	$0.16	$0.16	$0.00	$0.00	$84.17	$36.32	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
DNCF (DIRECT NUMBER CALL FORWARDING)								
DNCF - CENTREX - INITIAL (MANUAL/FAX - COMPLEX)	$71.39	$54.01	$56.59	$52.07	$0.00	$0.00	$0.00	$0.00
DNCF - CENTREX - INITIAL (CESAR/LEX - COMPLEX)	$44.91	$26.06	$28.32	$23.90	$0.00	$0.00	$0.00	$0.00
DNCF - CENTREX - INITIAL (MECHANIZED)	$0.16	$0.16	$0.16	$0.00	$0.00	$0.00	$0.00	$0.00
DNCF - CENTREX - ADDITIONAL (MANUAL/FAX - COMPLEX)	$4.05	$2.63	$2.29	$0.00	$0.00	$0.00	$0.00	$0.00
DNCF - CENTREX - ADDITIONAL (CESAR/LEX - COMPLEX)	$4.05	$2.63	$2.29	$0.00	$0.00	$0.00	$0.00	$0.00
DNCF - CENTREX - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
DNCF - DID - INITIAL (MANUAL/FAX - COMPLEX)	$71.39	$54.01	$56.59	$52.07	$0.00	$0.00	$0.00	$0.00
DNCF - DID - INITIAL (CESAR/LEX - COMPLEX)	$44.91	$26.06	$28.32	$23.90	$0.00	$0.00	$0.00	$0.00
DNCF - DID - INITIAL (MECHANIZED)	$0.16	$0.16	$0.16	$0.00	$0.00	$0.00	$0.00	$0.00
DNCF - DID - ADDITIONAL (MANUAL/FAX - COMPLEX)	$4.05	$2.63	$2.29	$0.00	$0.00	$0.00	$0.00	$0.00
DNCF - DID - ADDITIONAL (CESAR/LEX - COMPLEX)	$4.05	$2.63	$2.29	$0.00	$0.00	$0.00	$0.00	$0.00
DNCF - DID - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
DNCF - POTS - INITIAL (MANUAL/FAX - SIMPLE)	$56.52	$51.55	$52.11	$49.54	$0.00	$0.00	$0.00	$0.00
DNCF - POTS - INITIAL (CESAR/LEX - SIMPLE)	$29.74	$23.94	$24.51	$22.04	$0.00	$0.00	$0.00	$0.00
DNCF - POTS - INITIAL (MECHANIZED)	$0.16	$0.16	$0.16	$0.00	$0.00	$0.00	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
DNCF – POTS - ADDITIONAL (MANUAL/FAX - SIMPLE)	$3.24	$2.66	$2.97	$0.00	$0.00	$0.00	$0.00	$0.00
DNCF – POTS - ADDITIONAL (CESAR/LEX - SIMPLE)	$2.89	$2.66	$2.97	$0.00	$0.00	$0.00	$0.00	$0.00
DNCF – POTS - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
FEATURES, IN ADDITION TO SELECTED PORT								
CENTREX STATION FEATURES - INITIAL (MANUAL/FAX - SIMPLE)	$3.24	$0.00	$46.53	$0.00	$0.00	$0.00	$0.00	$0.00
CENTREX STATION FEATURES - INITIAL (CESAR/LEX - SIMPLE)	$3.24	$0.00	$18.81	$0.00	$0.00	$0.00	$0.00	$0.00
CENTREX STATION FEATURES - INITIAL (MECHANIZED)	$0.16	$0.00	$0.16	$0.00	$0.00	$0.00	$0.00	$0.00
CENTREX STATION FEATURES - ADDITIONAL (MANUAL/FAX - SIMPLE)	$0.81	$0.00	$2.02	$0.00	$0.00	$0.00	$0.00	$0.00
CENTREX STATION FEATURES - ADDITIONAL (CESAR/LEX - SIMPLE)	$0.81	$0.00	$2.02	$0.00	$0.00	$0.00	$0.00	$0.00
CENTREX STATION FEATURES - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
CENTREX SYSTEM FEATURES (MANUAL/FAX - SIMPLE)	$3.24	$0.00	$46.53	$0.00	$21.27	$15.61	$21.27	$0.00
CENTREX SYSTEM FEATURES (CESAR/LEX - SIMPLE)	$3.24	$0.00	$18.81	$0.00	$21.27	$15.61	$21.27	$0.00
CENTREX SYSTEM FEATURES (MECHANIZED)	$0.16	$0.00	$0.16	$0.00	$21.27	$15.61	$21.27	$0.00
CUSTOM CALLING FEATURE - INITIAL (MANUAL/FAX - SIMPLE)	$3.24	$0.00	$46.53	$0.00	$0.00	$0.00	$0.00	$0.00
CUSTOM CALLING FEATURE - INITIAL (CESAR/LEX - SIMPLE)	$3.24	$0.00	$18.81	$0.00	$0.00	$0.00	$0.00	$0.00
CUSTOM CALLING FEATURE - INITIAL (MECHANIZED)	$0.16	$0.00	$0.16	$0.00	$0.00	$0.00	$0.00	$0.00
CUSTOM CALLING FEATURE - ADDITIONAL (MANUAL/FAX - SIMPLE)	$0.81	$0.00	$2.02	$0.00	$0.00	$0.00	$0.00	$0.00
CUSTOM CALLING FEATURE - ADDITIONAL (CESAR/LEX - SIMPLE)	$0.81	$0.00	$2.02	$0.00	$0.00	$0.00	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
CUSTOM CALLING FEATURE - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
HUNTING - INITIAL (MANUAL/FAX - SIMPLE)	$3.24	$0.00	$46.53	$0.00	$0.00	$0.00	$0.00	$0.00
HUNTING - INITIAL (CESAR/LEX - SIMPLE)	$3.24	$0.00	$18.81	$0.00	$0.00	$0.00	$0.00	$0.00
HUNTING - INITIAL (MECHANIZED)	$0.16	$0.00	$0.16	$0.00	$0.00	$0.00	$0.00	$0.00
HUNTING - ADDITIONAL (MANUAL/FAX - SIMPLE)	$0.81	$0.00	$2.02	$0.00	$0.00	$0.00	$0.00	$0.00
HUNTING - ADDITIONAL (CESAR/LEX - SIMPLE)	$0.81	$0.00	$2.02	$0.00	$0.00	$0.00	$0.00	$0.00
HUNTING - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
REMOTE CALL FORWARDING - INITIAL (MANUAL/FAX - SIMPLE)	$3.24	$0.00	$46.53	$0.00	$0.00	$0.00	$0.00	$0.00
REMOTE CALL FORWARDING - INITIAL (CESAR/LEX - SIMPLE)	$3.24	$0.00	$18.81	$0.00	$0.00	$0.00	$0.00	$0.00
REMOTE CALL FORWARDING - INITIAL (MECHANIZED)	$0.16	$0.00	$0.16	$0.00	$0.00	$0.00	$0.00	$0.00
REMOTE CALL FORWARDING - ADDITIONAL (MANUAL/FAX - SIMPLE)	$0.81	$0.00	$2.02	$0.00	$0.00	$0.00	$0.00	$0.00
REMOTE CALL FORWARDING - ADDITIONAL (CESAR/LEX - SIMPLE)	$0.81	$0.00	$2.02	$0.00	$0.00	$0.00	$0.00	$0.00
REMOTE CALL FORWARDING - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
INTEROFFICE TRANSMISSION FACILITIES (IOF) DEDICATED TRUNK TRANSPORT								
DIGITAL TRUNK TRANSPORT DS1 - INITIAL (MANUAL/FAX - COMPLEX)	$72.75	$44.91	$0.00	$42.48	$67.62	$35.81	$0.00	$0.00
DIGITAL TRUNK TRANSPORT DS1 - INITIAL (CESAR/LEX - COMPLEX)	$46.65	$18.81	$0.00	$14.77	$67.62	$35.81	$0.00	$0.00
DIGITAL TRUNK TRANSPORT DS1 - INITIAL (MECHANIZED)	$0.73	$0.73	$0.00	$0.00	$67.62	$35.81	$0.00	$0.00
DIGITAL TRUNK TRANSPORT DS1 - ADDITIONAL (MANUAL/FAX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$57.35	$29.97	$0.00	$0.00
DIGITAL TRUNK TRANSPORT DS1 - ADDITIONAL (CESAR/LEX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$57.35	$29.97	$0.00	$0.00
DIGITAL TRUNK TRANSPORT DS1 - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$57.35	$29.97	$0.00	$0.00
DIGITAL TRUNK TRANSPORT DS3 - INITIAL (MANUAL/FAX - COMPLEX)	$72.75	$44.91	$0.00	$42.48	$67.25	$35.81	$0.00	$0.00
DIGITAL TRUNK TRANSPORT DS3 - INITIAL (CESAR/LEX - COMPLEX)	$46.65	$18.81	$0.00	$14.77	$67.25	$35.81	$0.00	$0.00
DIGITAL TRUNK TRANSPORT DS3 - INITIAL (MECHANIZED)	$0.73	$0.73	$0.00	$0.00	$67.25	$35.81	$0.00	$0.00
DIGITAL TRUNK TRANSPORT DS3 - ADDITIONAL (MANUAL/FAX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$57.35	$29.97	$0.00	$0.00
DIGITAL TRUNK TRANSPORT DS3 - ADDITIONAL (CESAR/LEX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$57.35	$29.97	$0.00	$0.00
DIGITAL TRUNK TRANSPORT DS3 - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$57.35	$29.97	$0.00	$0.00
VG TRUNK TRANSPORT - INITIAL (MANUAL/FAX - COMPLEX)	$72.75	$44.91	$0.00	$42.48	$62.05	$20.05	$0.00	$0.00
VG TRUNK TRANSPORT - INITIAL (CESAR/LEX - COMPLEX)	$46.65	$18.81	$0.00	$14.77	$62.05	$20.05	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
VG TRUNK TRANSPORT - INITIAL (MECHANIZED)	$0.73	$0.73	$0.00	$0.00	$62.05	$20.05	$0.00	$0.00
VG TRUNK TRANSPORT - ADDITIONAL (MANUAL/FAX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$40.05	$13.65	$0.00	$0.00
VG TRUNK TRANSPORT - ADDITIONAL (CESAR/LEX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$40.05	$13.65	$0.00	$0.00
VG TRUNK TRANSPORT - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$40.05	$13.65	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
INTEROFFICE TRANSMISSION FACILITIES (IOF) ENTRANCE FACILITY								
DS1 - INITIAL (MANUAL/FAX - COMPLEX)	$72.75	$48.15	$0.00	$42.48	$68.87	$43.77	$0.00	$0.00
DS1 - INITIAL (CESAR/LEX - COMPLEX)	$46.65	$22.25	$0.00	$14.77	$68.87	$43.77	$0.00	$0.00
DS1 - INITIAL (MECHANIZED)	$0.32	$0.32	$0.00	$0.00	$68.87	$43.77	$0.00	$0.00
DS1 - ADDITIONAL (MANUAL/FAX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$58.41	$39.48	$0.00	$0.00
DS1 - ADDITIONAL (CESAR/LEX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$58.41	$39.48	$0.00	$0.00
DS1 - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$58.41	$39.48	$0.00	$0.00
DS3 (W/ EQUIPMENT) - INITIAL (MANUAL/FAX - COMPLEX)	$72.75	$48.15	$0.00	$42.48	$114.90	$43.48	$0.00	$0.00
DS3 (W/ EQUIPMENT) - INITIAL (CESAR/LEX - COMPLEX)	$46.65	$22.25	$0.00	$14.77	$114.90	$43.48	$0.00	$0.00
DS3 (W/ EQUIPMENT) - INITIAL (MECHANIZED)	$0.32	$0.32	$0.00	$0.00	$114.90	$43.48	$0.00	$0.00
DS3 (W/ EQUIPMENT) - ADDITIONAL (MANUAL/FAX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$74.60	$38.19	$0.00	$0.00
DS3 (W/ EQUIPMENT) - ADDITIONAL (CESAR/LEX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$74.60	$38.19	$0.00	$0.00
DS3 (W/ EQUIPMENT) - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$74.60	$38.19	$0.00	$0.00
DS3 (W/O EQUIPMENT) - INITIAL (MANUAL/FAX - COMPLEX)	$72.75	$48.15	$0.00	$42.48	$69.10	$44.79	$0.00	$0.00
DS3 (W/O EQUIPMENT) - INITIAL (CESAR/LEX - COMPLEX)	$46.65	$22.25	$0.00	$14.77	$69.10	$44.79	$0.00	$0.00
DS3 (W/O EQUIPMENT) - INITIAL (MECHANIZED)	$0.32	$0.32	$0.00	$0.00	$69.10	$44.79	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
DS3 (W/O EQUIPMENT) - ADDITIONAL (MANUAL/FAX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$58.41	$38.39	$0.00	$0.00
DS3 (W/O EQUIPMENT) - ADDITIONAL (CESAR/LEX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$58.41	$38.39	$0.00	$0.00
DS3 (W/O EQUIPMENT) - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$58.41	$38.39	$0.00	$0.00
VOICE GRADE - INITIAL (MANUAL/FAX - COMPLEX)	$72.75	$48.15	$0.00	$42.48	$21.85	$7.56	$0.00	$0.00
VOICE GRADE - INITIAL (CESAR/LEX - COMPLEX)	$46.65	$22.25	$0.00	$14.77	$21.85	$7.56	$0.00	$0.00
VOICE GRADE - INITIAL (MECHANIZED)	$0.32	$0.32	$0.00	$0.00	$21.85	$7.56	$0.00	$0.00
VOICE GRADE - ADDITIONAL (MANUAL/FAX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$9.36	$5.03	$0.00	$0.00
VOICE GRADE - ADDITIONAL (CESAR/LEX - COMPLEX)	$5.66	$2.43	$0.00	$0.00	$9.36	$5.03	$0.00	$0.00
VOICE GRADE - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$9.36	$5.03	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
LINK								
4 WIRE - INITIAL (MANUAL/FAX - COMPLEX)	$63.06	$49.90	$53.09	$47.50	$28.84	$10.41	$11.40	$0.00
4 WIRE - INITIAL (CESAR/LEX - COMPLEX)	$35.09	$21.57	$24.00	$19.61	$28.84	$10.41	$11.40	$0.00
4 WIRE - INITIAL (MECHANIZED)	$0.16	$0.16	$0.16	$0.00	$28.84	$10.41	$11.40	$0.00
4 WIRE - ADDITIONAL (MANUAL/FAX - COMPLEX)	$3.69	$3.64	$1.94	$0.00	$18.95	$7.43	$0.00	$0.00
4 WIRE - ADDITIONAL (CESAR/LEX - COMPLEX)	$3.69	$3.64	$1.94	$0.00	$18.95	$7.43	$0.00	$0.00
4 WIRE - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$18.95	$7.43	$0.00	$0.00
ASSURED - INITIAL (MANUAL/FAX - SIMPLE)	$57.53	$48.94	$52.25	$47.42	$18.66	$8.54	$15.43	$0.00
ASSURED - INITIAL (CESAR/LEX - SIMPLE)	$29.93	$21.03	$24.33	$19.58	$18.66	$8.54	$15.43	$0.00
ASSURED - INITIAL (MECHANIZED)	$0.16	$0.16	$0.16	$0.00	$18.66	$8.54	$15.43	$0.00
ASSURED - ADDITIONAL (MANUAL/FAX - SIMPLE)	$3.24	$1.85	$2.02	$0.00	$12.53	$5.75	$0.00	$0.00
ASSURED - ADDITIONAL (CESAR/LEX - SIMPLE)	$3.24	$1.85	$2.02	$0.00	$12.53	$5.75	$0.00	$0.00
ASSURED - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$12.53	$5.75	$0.00	$0.00
BASIC - INITIAL (MANUAL/FAX - SIMPLE)	$57.53	$48.94	$52.25	$47.42	$18.56	$8.57	$15.50	$0.00
BASIC - INITIAL (CESAR/LEX - SIMPLE)	$29.93	$21.03	$24.33	$19.58	$18.56	$8.57	$15.50	$0.00
BASIC - INITIAL (MECHANIZED)	$0.16	$0.16	$0.16	$0.00	$18.56	$8.57	$15.50	$0.00
BASIC - ADDITIONAL (MANUAL/FAX - SIMPLE)	$3.24	$1.85	$2.02	$0.00	$12.67	$5.77	$0.00	$0.00
BASIC - ADDITIONAL (CESAR/LEX - SIMPLE)	$3.24	$1.85	$2.02	$0.00	$12.67	$5.77	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
BASIC - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$12.67	$5.77	$0.00	$0.00
DIGITAL DS1 COPPER - INITIAL (MANUAL/FAX - COMPLEX)	$63.06	$49.90	$53.09	$47.50	$104.59	$13.44	$0.00	$0.00
DIGITAL DS1 COPPER - INITIAL (CESAR/LEX - COMPLEX)	$35.09	$21.57	$24.00	$19.61	$104.59	$13.44	$0.00	$0.00
DIGITAL DS1 COPPER - INITIAL (MECHANIZED)	$0.16	$0.16	$0.16	$0.00	$104.59	$13.44	$0.00	$0.00
DIGITAL DS1 COPPER - ADDITIONAL (MANUAL/FAX - COMPLEX)	$3.69	$3.64	$1.94	$0.00	$58.25	$10.73	$0.00	$0.00
DIGITAL DS1 COPPER - ADDITIONAL (CESAR/LEX - COMPLEX)	$3.69	$3.64	$1.94	$0.00	$58.25	$10.73	$0.00	$0.00
DIGITAL DS1 COPPER - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$58.25	$10.73	$0.00	$0.00
DIGITAL DS1 FIBER - INITIAL (MANUAL/FAX - COMPLEX)	$63.06	$49.90	$53.09	$47.50	$108.56	$17.38	$0.00	$0.00
DIGITAL DS1 FIBER - INITIAL (CESAR/LEX - COMPLEX)	$35.09	$21.57	$24.00	$19.61	$108.56	$17.38	$0.00	$0.00
DIGITAL DS1 FIBER - INITIAL (MECHANIZED)	$0.16	$0.16	$0.16	$0.00	$108.56	$17.38	$0.00	$0.00
DIGITAL DS1 FIBER - ADDITIONAL (MANUAL/FAX - COMPLEX)	$3.69	$3.64	$1.94	$0.00	$61.00	$14.67	$0.00	$0.00
DIGITAL DS1 FIBER - ADDITIONAL (CESAR/LEX - COMPLEX)	$3.69	$3.64	$1.94	$0.00	$61.00	$14.67	$0.00	$0.00
DIGITAL DS1 FIBER - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$61.00	$14.67	$0.00	$0.00
ISDN LINK - INITIAL (MANUAL/FAX - COMPLEX)	$63.06	$49.90	$53.09	$47.50	$18.55	$8.57	$15.50	$0.00
ISDN LINK - INITIAL (CESAR/LEX - COMPLEX)	$35.09	$21.57	$24.00	$19.61	$18.55	$8.57	$15.50	$0.00
ISDN LINK - INITIAL (MECHANIZED)	$0.16	$0.16	$0.16	$0.00	$18.55	$8.57	$15.50	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
ISDN LINK - ADDITIONAL (MANUAL/FAX - COMPLEX)	$3.69	$3.64	$1.94	$0.00	$12.67	$5.68	$0.00	$0.00
ISDN LINK - ADDITIONAL (CESAR/LEX - COMPLEX)	$3.69	$3.64	$1.94	$0.00	$12.67	$5.68	$0.00	$0.00
ISDN LINK - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$12.67	$5.68	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
LOCAL SWITCHING CAPABILITY, SWITCHING PORT								
BASIC 2 WIRE PORT - INITIAL (MANUAL/FAX - SIMPLE)	$51.55	$47.74	$47.74	$41.67	$7.82	$4.09	$0.04	$0.00
BASIC 2 WIRE PORT - INITIAL (CESAR/LEX - SIMPLE)	$23.84	$20.03	$20.43	$13.96	$7.82	$4.09	$0.04	$0.00
BASIC 2 WIRE PORT - INITIAL (MECHANIZED)	$0.16	$0.16	$0.16	$0.16	$7.82	$4.09	$0.04	$0.00
BASIC 2 WIRE PORT - ADDITIONAL (MANUAL/FAX - SIMPLE)	$2.02	$1.62	$2.02	$0.00	$5.80	$1.99	$0.04	$0.00
BASIC 2 WIRE PORT - ADDITIONAL (CESAR/LEX - SIMPLE)	$2.02	$1.62	$2.02	$0.00	$5.80	$1.99	$0.04	$0.00
BASIC 2 WIRE PORT - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$5.80	$1.99	$0.04	$0.00
CENTREX PORT - INITIAL (MANUAL/FAX - COMPLEX)	$69.67	$47.74	$47.74	$41.67	$7.82	$4.09	$0.04	$0.00
CENTREX PORT - INITIAL (CESAR/LEX - COMPLEX)	$41.96	$20.03	$20.03	$11.33	$7.82	$4.09	$0.04	$0.00
CENTREX PORT - INITIAL (MECHANIZED)	$0.49	$0.49	$0.49	$0.49	$7.82	$4.09	$0.04	$0.00
CENTREX PORT - ADDITIONAL (MANUAL/FAX - COMPLEX)	$2.02	$2.02	$2.02	$0.00	$5.80	$1.99	$0.04	$0.00
CENTREX PORT - ADDITIONAL (CESAR/LEX - COMPLEX)	$2.02	$2.02	$2.02	$0.00	$5.80	$1.99	$0.04	$0.00
CENTREX PORT - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$5.80	$1.99	$0.04	$0.00
CENTREX SYSTEM ESTABLISH (NO SERIVE ORDER COSTS)	$0.00	$0.00	$0.00	$0.00	$26.72	$15.61	$26.72	$0.00
COIN PORT - INITIAL (MANUAL/FAX - SIMPLE)	$51.55	$47.74	$47.74	$41.67	$7.82	$4.09	$0.04	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
COIN PORT - INITIAL (CESAR/LEX - SIMPLE)	$23.84	$20.03	$20.43	$13.96	$7.82	$4.09	$0.04	$0.00
COIN PORT - INITIAL (MECHANIZED)	$0.16	$0.16	$0.16	$0.16	$7.82	$4.09	$0.04	$0.00
COIN PORT - ADDITIONAL (MANUAL/FAX - SIMPLE)	$2.02	$1.62	$2.02	$0.00	$5.80	$1.99	$0.04	$0.00
COIN PORT - ADDITIONAL (CESAR/LEX - SIMPLE)	$2.02	$1.62	$2.02	$0.00	$5.80	$1.99	$0.04	$0.00
COIN PORT - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$5.80	$1.99	$0.04	$0.00
DID NBR BLOCK (MANUAL/FAX - COMPLEX)	$69.67	$47.74	$47.74	$41.67	$27.71	$18.22	$0.00	$0.00
DID NBR BLOCK (CESAR/LEX - COMPLEX)	$41.96	$20.03	$20.03	$11.33	$27.71	$18.22	$0.00	$0.00
DID NBR BLOCK (MECHANIZED)	$0.49	$0.49	$0.49	$0.49	$27.71	$18.22	$0.00	$0.00
DID PORT - INITIAL (MANUAL/FAX - COMPLEX)	$69.67	$47.74	$47.74	$41.67	$20.03	$11.73	$0.04	$0.00
DID PORT - INITIAL (CESAR/LEX - COMPLEX)	$41.96	$20.03	$20.03	$11.33	$20.03	$11.73	$0.04	$0.00
DID PORT - INITIAL (MECHANIZED)	$0.49	$0.49	$0.49	$0.49	$20.03	$11.73	$0.04	$0.00
DID PORT - ADDITIONAL (MANUAL/FAX - COMPLEX)	$2.02	$2.02	$2.02	$0.00	$9.51	$3.99	$0.04	$0.00
DID PORT - ADDITIONAL (CESAR/LEX - COMPLEX)	$2.02	$2.02	$2.02	$0.00	$9.51	$3.99	$0.04	$0.00
DID PORT - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$9.51	$3.99	$0.04	$0.00
ISDN PORT - INITIAL (MANUAL/FAX - COMPLEX)	$69.67	$47.74	$47.74	$41.67	$19.50	$11.69	$0.04	$0.00
ISDN PORT - INITIAL (CESAR/LEX - COMPLEX)	$41.96	$20.03	$20.03	$11.33	$19.50	$11.69	$0.04	$0.00
ISDN PORT - INITIAL (MECHANIZED)	$0.49	$0.49	$0.49	$0.49	$19.50	$11.69	$0.04	$0.00
ISDN PORT - ADDITIONAL (MANUAL/FAX - COMPLEX)	$2.02	$2.02	$2.02	$0.00	$9.51	$3.99	$0.04	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
ISDN PORT - ADDITIONAL (CESAR/LEX - COMPLEX)	$2.02	$2.02	$2.02	$0.00	$9.51	$3.99	$0.04	$0.00
ISDN PORT - ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$9.51	$3.99	$0.04	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
NETWORK INTERFACE DEVICE (NID)								
NID TO NID CROSSCONNECT - SIMPLE (MANUAL/FAX - SIMPLE/COMPLEX)	$46.53	$0.00	$0.00	$0.00	$38.54	$0.00	$0.00	$0.00
NID TO NID CROSSCONNECT - SIMPLE (CESAR/LEX - (SIMPLE/COMPLEX))	$17.73	$0.00	$0.00	$0.00	$38.54	$0.00	$0.00	$0.00
NID TO NID CROSSCONNECT - SIMPLE (MECHANIZED)	$0.16	$0.00	$0.00	$0.00	$38.54	$0.00	$0.00	$0.00
NID TO NID CROSSCONNECT - COMPLEX INITIAL (MANUAL/FAX - SIMPLE/COMPLEX)	$46.53	$0.00	$0.00	$0.00	$60.32	$0.00	$0.00	$0.00
NID TO NID CROSSCONNECT - COMPLEX INITIAL (CESAR/LEX - (SIMPLE/COMPLEX))	$17.73	$0.00	$0.00	$0.00	$60.32	$0.00	$0.00	$0.00
NID TO NID CROSSCONNECT - COMPLEX INITIAL (MECHANIZED)	$0.16	$0.00	$0.00	$0.00	$60.32	$0.00	$0.00	$0.00
NID TO NID CROSSCONNECT - COMPLEX ADDITIONAL (MANUAL/FAX - SIMPLE/COMPLEX)	$0.00	$0.00	$0.00	$0.00	$15.01	$0.00	$0.00	$0.00
NID TO NID CROSSCONNECT - COMPLEX ADDITIONAL (CESAR/LEX - (SIMPLE/COMPLEX))	$0.00	$0.00	$0.00	$0.00	$15.01	$0.00	$0.00	$0.00
NID TO NID CROSSCONNECT - COMPLEX ADDITIONAL (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$15.01	$0.00	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
SIGNALING AND DATABASE CAPABILITIES								
SS7 LINK- INITIAL (CESAR/LEX - COMPLEX)	$35.09	$21.57	$24.00	$19.61	$164.68	$54.21	$0.00	$0.00
STP PORT - INITIAL (CESAR/LEX - COMPLEX)	$41.96	$20.03	$20.03	$11.33	$123.34	$43.73	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record
TRUNK PORT TERMINATION								
END OFFICE DEDICATED (DS1) - INITIAL SYSTEM (MANUAL/FAX - COMPLEX)	$80.03	$53.81	$0.00	$44.91	$103.90	$31.26	$0.00	$0.00
END OFFICE DEDICATED (DS1) - INITIAL SYSTEM (CESAR/LEX - COMPLEX)	$54.74	$28.52	$0.00	$19.62	$103.90	$31.26	$0.00	$0.00
END OFFICE DEDICATED (DS1) - INITIAL SYSTEM (MECHANIZED)	$0.49	$0.49	$0.00	$0.49	$103.90	$31.26	$0.00	$0.00
END OFFICE DEDICATED (DS1) - ADDITIONAL SYSTEM (MANUAL/FAX - COMPLEX)	$3.24	$0.81	$0.00	$0.00	$80.16	$23.14	$0.00	$0.00
END OFFICE DEDICATED (DS1) - ADDITIONAL SYSTEM (CESAR/LEX - COMPLEX)	$3.24	$0.81	$0.00	$0.00	$80.16	$23.14	$0.00	$0.00
END OFFICE DEDICATED (DS1) - ADDITIONAL SYSTEM (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$80.16	$23.14	$0.00	$0.00
TANDEM TERMINATION (PER DS1) - INITIAL SYSTEM (MANUAL/FAX - COMPLEX)	$80.03	$53.81	$0.00	$44.91	$103.69	$30.23	$0.00	$0.00
TANDEM TERMINATION (PER DS1) - INITIAL SYSTEM (CESAR/LEX - COMPLEX)	$54.74	$28.52	$0.00	$19.62	$103.69	$30.23	$0.00	$0.00
TANDEM TERMINATION (PER DS1) - INITIAL SYSTEM (MECHANIZED)	$0.49	$0.49	$0.00	$0.49	$103.69	$30.23	$0.00	$0.00
TANDEM TERMINATION (PER DS1) - ADDITIONAL SYSTEM (MANUAL/FAX - COMPLEX)	$3.24	$0.81	$0.00	$0.00	$78.84	$23.14	$0.00	$0.00
TANDEM TERMINATION (PER DS1) - ADDITIONAL SYSTEM (CESAR/LEX - COMPLEX)	$3.24	$0.81	$0.00	$0.00	$78.84	$23.14	$0.00	$0.00
TANDEM TERMINATION (PER DS1) - ADDITIONAL SYSTEM (MECHANIZED)	$0.00	$0.00	$0.00	$0.00	$78.84	$23.14	$0.00	$0.00

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

NETWORK ELEMENTS	Service Order (Preordering, Ordering & Billing)				Channel Connect (Provisioning & Maintenance)			
	Connect	Disconnect	Change	Record	Connect	Disconnect	Change	Record

* Nonrecurring charges for connects are to be recovered separately from disconnects and at the time of occurrence.

Appendix C

Scenario 1

CLEC leases an EISCC, a Loop and a Network Interface Device (NID) on and individual basis. The EISCC is passed on to the CLEC at the CLEC's collocation cage. Under this approach the CLEC requests that each of the elements ordered should be unbundled. In the TELRIC costs adopted in D.98-02-106, the NID was not separated from the loop. Therefore the service order price for the NID is already captured in the nonrecurring charge for the loop.

CONNECT	EISCC	LOOP	NID	TOTAL
Nonrecurring Charge	NRC	NRC	NRC	
Manual-FAX	$2.08	$76.09	$0.00	$78.17
Semi-Mechanized	$2.08	$48.48	$0.00	$50.56
Mechanized	$0.17	$18.72	$0.00	$18.89

DISCONNECT	EISCC	LOOP	NID	TOTAL
Nonrecurring Charge	NRC	NRC	NRC	
Manual-FAX	$3.30	$57.51	$0.00	$60.81
Semi-Mechanized	$3.30	$29.60	$0.00	$32.90
Mechanized	$0.16	$8.73	$0.00	$8.89

Scenario 2

CLEC leases an EISCC, a Loop and Dedicated Transport. The EISCC is passed on to the CLEC at the CLEC's collocation cage. An additional DS-1 EISCC is passed from the collocation cage to the Dedicated Trunk (Transport). As in Scenario 1, the NID is not unbundled from the Loop and the DS-1 EISCC and Trunk serve 24 voice grade channels.

CONNECT	NID	LOOP	EISCC	DS-1 EISCC	TRUNK	TOTAL
Nonrecurring Charge	SO	NRC	NRC	NRC	NRC	
Manual-FAX	$0.00	$76.09	$2.08	$2.08	$140.37	$220.62
Semi-Mechanized	$0.00	$48.48	$2.08	$2.08	$114.28	$166.92
Fully Mechanized	$0.00	$18.72	$0.17	$0.17	$68.35	$87.41

DISCONNECT	NID	LOOP	EISCC	DS-1 EISCC	TRUNK	TOTAL
Nonrecurring Charge	SO	NRC	NRC	NRC	NRC	
Manual-FAX	$0.00	$57.51	$3.30	$3.30	$80.72	$144.83
Semi-Mechanized	$0.00	$29.60	$3.30	$3.30	$54.62	$90.82
Fully Mechanized	$0.00	$8.73	$0.16	$0.16	$36.53	$45.58

Appendix C

Scenario 3

A CLEC leases an EISCC, Switching and SS7 Signaling. The EISCC is passed onto the CLEC at the CLEC's collocation cage. The nonrecurring charges for SS7 ports and links are determined on a one-time basis per connection per central office. Pacific only identified semi-mechanized costs for the SS7 port and link.

CONNECT	EISCC	SWITCHING PORT	SS7 PORT	SS7 LINK	TOTAL
Nonrecurring Charge	NRC	NRC	SO	SO	
Manual-FAX	$2.08	$59.37	$41.96	$35.09	$138.50
Semi-Mechanized	$2.08	$31.65	$41.96	$35.09	$110.78
Fully Mechanized	$0.17	$7.98	$41.96	$35.09	$85.20

DISCONNECT	EISCC	SWITCHING PORT	SS7 PORT	SS7 LINK	TOTAL
Nonrecurring Charge	NRC	NRC	SO	SO	
Manual-FAX	$3.30	$51.84	$20.03	$21.57	$96.74
Semi-Mechanized	$3.30	$24.12	$20.03	$21.57	$69.02
Fully Mechanized	$0.16	$4.26	$20.03	$21.57	$46.02

Scenario 4

CLEC leases an *as is* migration for Loop, NID, Switch Port and Existing Features. Because this is an as is migration, there is not an existing collocation cage or EISCC. Therefore the elements are leased as an existing platform of network elements

CONNECT	LOOP	NID	SWITCH PORT	EXISTING FEATURES	TOTAL
Nonrecurring Charge	SO	SO	SO	SO	
Manual-FAX	$57.52	$0.00	$51.55	$3.24	$112.31
Semi-Mechanized	$29.93	$0.00	$23.84	$3.24	$57.01
Mechanized	$0.17	$0.00	$0.17	$0.17	$0.51

DISCONNECT	LOOP	NID	SWITCH PORT	EXISTING FEATURES	TOTAL
Nonrecurring Charge	SO	SO	SO	SO	
Manual-FAX	$48.94	$0.00	$47.74	$0.00	$96.68
Semi-Mechanized	$21.03	$0.00	$20.03	$0.00	$41.06
Mechanized	$0.17	$0.00	$0.17	$0.00	$0.34

Appendix C

Scenario 5

CLEC leases an *as is* migration for Plain Old Telephone Service (POTS) which includes the Loop, NID and, Switch Port. Thereafter the customer changes service from POTS to ISDN service.

CONNECT	LOOP	SWITCH	ISDN	ISDN	TOTAL
LINK		PORT	PORT	LINK	
Nonrecurring Charge	SO	SO	NRC	NRC	
Manual-FAX	$57.52	$51.55			$109.07
Semi-Mechanized	$29.93	$23.84			$53.77
Mechanized	$0.17	$0.17			$0.34

DISCONNECT	LOOP	SWITCH	ISDN	ISDN	TOTAL
LINK		PORT	PORT	LINK	
Nonrecurring Charge	SO	SO	NRC	NRC	
Manual-FAX	$48.94	$47.74			$96.68
Semi-Mechanized	$21.03	$20.03			$41.06
Mechanized	$0.17	$0.17			$0.34

CONNECT		ISDN	ISDN	ISDN	TOTAL
ISDN		PORT	LINK	Features	
Nonrecurring Charge		NRC	NRC	SO	
Manual-FAX		$89.17	$81.61	$3.24	$170.78
Semi-Mechanized		$61.45	$53.65	$3.24	$115.10
Mechanized		$19.98	$18.72	$0.17	$38.70

DISCONNECT		ISDN	ISDN	ISDN	TOTAL
ISDN		PORT	LINK	Features	
Nonrecurring Charge		NRC	NRC	SO	
Manual-FAX		$59.43	$58.48	$0.00	$117.91
Semi-Mechanized		$31.71	$30.14	$0.00	$61.85
Mechanized		$12.17	$8.73	$0.00	$20.90

Appendix C

Scenario 6

CLEC leases an extended link which is comprised of a Loop, Digital Cross Connect System (DCS), and Dedicated DS-1 Transport. This is a custom combination, thus the sum of the stand-alone NRC approach is used to calculate final nonrecurring charges.

CONNECT		DIGITAL CROSS	DEDICATED	TOTAL
	LOOP	CONNECT	TRANSPORT	
Nonrecurring Charge	NRC	NRC	NRC	
Manual-FAX	$76.09	$81.15	$140.37	$297.61
Semi-Mechanized	$48.48	$81.15	$114.28	$243.91
Mechanized	$18.72	$80.28	$68.35	$167.35

DISCONNECT		DIGITAL CROSS	DEDICATED	TOTAL
	LOOP	CONNECT	TRANSPORT	
Nonrecurring Charge	NRC	NRC	NRC	
Manual-FAX	$57.51	$40.19	$80.72	$178.42
Semi-Mechanized	$29.30	$40.19	$54.62	$124.11
Mechanized	$8.73	$36.30	$36.53	$81.56

Appendix C

Scenario 6A

CLEC leases an extended link which is comprised of a Loop, Digital Cross Connect System (DCS), and Dedicated DS-1 Transport. In this case, the extended link is an "as is" migration, thus the sum of the service order approach is used to calculate final nonrecurring charges.

CONNECT		DIGITAL CROSS	DEDICATED	TOTAL
	LOOP	CONNECT	TRANSPORT	
Nonrecurring Charge	SO	SO	SO	
Manual-FAX	$57.52	$4.05	$72.74	$134.31
Semi-Mechanized	$29.93	$4.05	$46.65	$80.63
Mechanized	$0.17	$0.17	$0.73	$1.07

DISCONNECT		DIGITAL CROSS	DEDICATED	TOTAL
	LOOPS	CONNECTS	TRANSPORT	
Nonrecurring Charge	SO	SO	SO	
Manual-FAX	$48.94	$4.05	$44.91	$97.90
Semi-Mechanized	$21.03	$4.05	$18.81	$43.89
Mechanized	$0.17	$0.17	$0.73	$1.07

Appendix C

Scenario 7

CLEC leases an extended link which is comprised of a DS-1 Loop and Dedicated DS-1 Transport. This is also a custom combination, thus the sum of the stand-alone NRC approach is used to calculate final nonrecurring charges.

CONNECT	DS-1	DEDICATED	TOTAL
	LOOP	TRANSPORT	
Nonrecurring Charge	NRC	NRC	
Manual-FAX	$167.65	$140.37	$308.02
Semi-Mechanized	$139.68	$114.28	$253.96
Mechanized	$104.74	$68.35	$173.09

DISCONNECT	DS-1	DEDICATED	TOTAL
	LOOP	TRANSPORT	
Nonrecurring Charge	NRC	NRC	
Manual-FAX	$63.34	$80.72	$144.06
Semi-Mechanized	$35.02	$54.62	$89.64
Mechanized	$13.60	$36.53	$50.13

Appendix C

Scenario 7A

CLEC leases an extended link which is comprised of a DS-1 Loop and Dedicated DS-1 Transport. In this case the Extended Link is an "as is" migration, thus the sum of the stand-alone service order approach is used to calculate final nonrecurring charges.

CONNECT	DS-1	DEDICATED	TOTAL
	LOOP	TRANSPORT	
Nonrecurring Charge	SO	SO	
Manual-FAX	$63.06	$72.74	$135.80
Semi-Mechanized	$35.09	$46.65	$81.74
Mechanized	$0.17	$0.73	$0.90

DISCONNECT	DS-1	DEDICATED	TOTAL
	LOOP	TRANSPORT	
Nonrecurring Charge	SO	SO	
Manual-FAX	$49.91	$44.91	$94.82
Semi-Mechanized	$21.03	$18.81	$39.84
Mechanized	$0.17	$0.73	$0.90

Key

NRC = Full Stand Alone Nonrecurring Charge Which Includes Service Order and Channel Connect (I.e. Provisioning and Maintenance) Charges

SO = Service Order Charges Only And Is Used To Estimate Nonrecurring Charges Under The Sum Of The Service Order Approach.

Appendix D
Compliance Reference Document

Summary of Pacific Bell Price Floors

Service	Pacific Bell Price Floor
1MB single line	****
1MR	****
1FR	****
COPT	****
ISDN Feature - Residence	****
ISDN Feature - Business	****
Usage (per msg)	
Residence Local	****
Business Local	****
Residence ZUM	****
Business ZUM	****

(1). Adjustment reflects correction to Pacific's proposal which employed the TSLRIC flat rate local residence usage instead of the TSLRIC measured rate local residence usage.

APPENDIX E

List of Appearances

Respondents: Timothy S. Dawson and Gregory L. Castle, Attorneys at Law, for Pacific Bell; Elaine M. Lustig, and Charles C. Read, Attorneys at Law, for GTE California Incorporated; and William C. Harrelson, Attorney at Law, for MCI Telecommunications Corporation.

Intervenors: Evelyn Elsesser and Alexis K. Wodtke, Attorneys at Law, and Richard Purkey, for Sprint Communications Company, L.P.; Michael P. Hurst and Terry J. Houlihan, Attorneys at Law, for AT&T Communications of California, Inc.

Interested Parties: Peter A. Casciato, Attorney at Law and Glenn Semow and Cynthia Walker, for California Cable Television Association; John L. Clark, Attorney at Law, for Telecommunications Resellers Association; Thomas Long, Attorney at Law, and Regina Costa, for Toward Utility Rate Normalization; Martin A. Mattes, Attorney at Law, for California Payphone Association; Virginia J. Taylor, Attorney at Law, for Department of Consumer Affairs; Barbara Snider, Attorney at Law, for Citizens Telecommunications Company of California, Inc.; Dhruv Khanna and Prince Jenkins, Attorneys at Law, for Covad Communications Company; Lee Burdick, Attorney at Law, for Cox California Telcom II, L.L.C.; Peter A. Casciato, Attorney at Law, for Northpoint Communications, Inc.; and Earl Nicholas Selby, Attorney at Law, for ICG Telecom Group, Inc., NEXTLINK California, Inc. and MGC Communications, Inc.

Office of Ratepayer Advocates: Ira Kalinsky, Attorney at Law.

(END OF APPENDIX E)