BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NOS. 92-182-C, 92-183-C & 92-200-C - ORDER NO. 92-919

NOVEMBER 2, 1992

IN RE: DOCKET NO. 92-182-C Application of MCI Telecommunications Corporation for Authority to Provide IntraLATA Telecommunications Services in the State of South Carolina. DOCKET NO. 92-183-C Application of Sprint Communications Company LP for Authority to Provide IntraLATA Facilities Based Telecommunications Services in the State of South Carolina. DOCKET NO. 92-200-C Application of AT&T Communications for Authority to Provide IntraLATA Telecommunications Services in South Carolina.	)	ORDER SETTING UP TASK FORCE FOR 10XXX INTRALATA COMPETITION ISSUES

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of separate Applications filed on behalf of MCI Telecommunications Corporation (MCI), Sprint Communications Company L.P. (Sprint), and AT&T Communications of the Southern States, Inc. (AT&T) requesting amendment of their Certificates of Public Convenience and Necessity to allow for the provision of intraLATA services and seeking other related relief from the Commission. The Applications were filed on March 25, 1992, March 26, 1992, and April 3, 1992, respectively. On June 22,

1992, the Commission issued Order No. 92-480 in the instant Docket wherein the Commission determined that these Applications should be combined for hearing purposes.

The Applications were duly noticed to the public and Petitions to Intervene in the established Dockets were filed on behalf of GTE South, Inc. and Contel of South Carolina, Inc. (GTE and Contel), Steven W. Hamm, Consumer Advocate for the State of South Carolina (the Consumer Advocate), Southern Bell Telephone and Telegraph Company (Southern Bell), LDDS of Carolina, Inc. (LDDS), and South Carolina Budget and Control Board, Division of Information Resource Management (DIRM). AT&T, Sprint, and MCI each intervened in the other Dockets of the other interexchange carriers. United Telephone Company of the Carolinas (United) and South Carolina Telephone Coalition (the Coalition or SCTC) were granted their separate Petitions to Intervene Out of Time.

Thereafter, a public hearing was held in the Commission's Hearing Room as scheduled on September 23, 1992, commencing at 10:30 a.m., the Honorable Henry G. Yonce, presiding. D. Christian Goodall, Esquire, and Martha P. McMillin, Esquire, represented MCI; Darra W. Cothran, Esquire, and Chanthina R. Bryant, Esquire, represented Sprint; Francis P. Mood, Esquire, and Roger A. Briney, Esquire, represented AT&T; Elliott F. Elam, Jr., Esquire, represented the Consumer Advocate; Craig K. Davis, Esquire, represented DIRM; M. John Bowen, Jr., Esquire, represented GTE, Contel, and the SCTC; William F. Austin, Esquire, and Harry M. Lightsey, III, Esquire, represented Southern Bell; and Marsha A.

Ward, General Counsel, and Gayle B. Nichols, Staff Attorney, represented the Commission Staff.

Lynn Browning made a statement in support of the Applications on behalf of the South Carolina Telecommunications Managers' Association. MCI presented the direct and rebuttal testimony of Don J. Wood and Elizabeth Dickerson. Mark Sievers gave direct and supplemental testimony on behalf of Sprint. AT&T presented the testimony of Mike Guedel (both direct and rebuttal), Jerri McDonald, JoAnn Zimmerman, and Leo Woodbury. Allen G. Buckalew presented testimony on behalf of the Consumer Advocate. Ted L. Lightle presented testimony on behalf of DIRM. Bruce Schoonover testified on behalf of the Coalition. Duncan M. Fitchet, Jr., testified on behalf of GTE and Contel. Jerry D. Hendrix testified on behalf of Southern Bell.

Based upon the testimony and evidence received during the hearing before the Commission, the Commission makes the following findings of fact:

FINDINGS OF FACT

1. It is the request of the interexchange carriers (IXC's), MCI, Sprint, & AT&T, that the Commission grant the IXC's the ability to provide intraLATA services to their customers and to put in place a regulatory framework that will allow competition to develop within the intraLATA market. MCI's Petition sought this intraLATA service in the form of "1+" authority while Sprint and AT&T sought the granting of intraLATA authority through the unblocking of the 10XXX dialing arrangement.

2. It was the position of all IXC's that the Commission could allow the unblocking of 10XXX without significantly impacting the local exchange companies' (LEC's) local basic service rates. In fact, the IXC's made a commitment that the unblocking of 10XXX for intraLATA competition would not result in an increase in LEC's local basic service rates. MCI proposed a "safety net" plan while the other IXC's stated that they were committed that any lost revenues as a result of intraLATA competition would not come from local basic service rates.

3. It was the position of the LEC's that before the Commission implemented the unblocking of 10XXX, a transition period was necessary so that relevant issues, including the depooling of the intraLATA toll pool, could be addressed by an industry task force. While none of the LEC's opposed 10XXX intraLATA competition, the LEC's recommended that a task force be set up first to address the issues facing the industry with the advent of 10XXX intraLATA competition.

4. The other parties agreed that a task force of some type would be appropriate to address the depooling issue, whether or not access charges should be established on an intraLATA basis to enable the LEC's to not be negatively affected by 10XXX intraLATA competition, and other issues that may affect both the IXC's and the LEC's with the advent of intraLATA competition.

5. In fact, MCI's witness Wood indicated that depooling should be accomplished before 10XXX is unblocked. Mr. Wood indicated that in other jurisdictions, the LEC's, the IXC's and

other appropriate parties were able to reach a stipulation which addressed the issues of concern among the industry. These stipulations were filed with the commissions in those jurisdictions for approval and in many instances have been implemented. Mr. Wood indicated that in some jurisdictions it has taken between three to six months, and in some instances longer to accomplish the depooling matter. Mr. Wood indicated that MCI was ready to go forward with the unblocking of 10XXX when the LEC's have resolved the depooling issue. It was GTE's position that the Commission hold in abeyance the request for intraLATA competition for 24 months in order for the Commission to make findings concerning the pending Extended Area Calling (EAC) Plan filed in Docket No. 92-163-C,[1] as well as address the depooling and transitioning of non-traffic sensitive (NTS) costs.

6. The Consumer Advocate proposed a phased deregulation of the intraLATA toll market. Mr. Buckalew recommended price structure regulation in both of the two phases proposed in his testimony in order to assure that entry into the intraLATA is not artificially restricted to the dominant incumbent. Mr. Buckalew proposed that it would not be appropriate to require the LEC's to offer 1+ equal access to all carriers at this time. Mr. Buckalew testified that it was important to give consumer choices, and consumers would have a choice by allowing competition in the intraLATA market. At the same time, Mr. Buckalew cautioned that

1. On September 28, 1992, the Commission issued Order No. 92-802, which denied the EAC Plan filed by certain LEC's.

competition must be controlled.

7. Mr. Lightle testifying for DIRM supported the intraLATA competition Petitions of the IXC's. It was his opinion that competition in the intraLATA market could bring benefits to consumers, and specifically to the State of South Carolina.

CONCLUSIONS OF LAW

1. Based upon Sprint's and AT&T's request for unblocking of 10XXX on an intraLATA basis, the IXC's assertion that local basic service rates should not be impacted as a result of any unblocking of 10XXX, the agreement of the IXC's and the LEC's that a task force should be implemented, the agreement of the LEC's that they were not opposed to 10XXX intraLATA competition, and the fact that stipulations have been reached in other jurisdictions concerning these issues by industry task force, the Commission has determined that an industry task force should be set up to address the issues herein. The task force shall be headed up by the Commission Staff, and the task force shall have no more than six (6) months from the date of this Order to make a recommendation to the Commission concerning the resolution of the issues of the implementation of 10XXX intraLATA competition. The task force shall include all LEC's and all facility based IXC's, as well as the parties to this Docket, including the Consumer Advocate and DIRM.

2. Among the issues to be resolved by the industry task force are depooling of the intraLATA toll pool, whether or not intraLATA access charges are appropriate, whether or not the LEC's should be required to impute access charges to their intraLATA toll

services, whether or not there are any implementation costs to 10XXX and if so, who should bear those costs, and any other technical matters that are relevant to 10XXX intraLATA competition. The above listed issues are not intended to be all inclusive, and other issues may be taken up by the task force as appropriate.

3. It is the Commission's intention that the parties to the task force work together in good faith to resolve these issues. The mission of the task force is to bring a consensus to the Commission on how best to provide 10XXX on an intraLATA basis so that the contribution level to local basic service rates can be maintained at a level to prevent an increase in local basic service rates as a result of 10XXX intraLATA competition. The parties are directed to deal with each other in good faith and to be forthcoming in the provision of information needed to resolve the issues set up by the task force. The task force should not be used as an opportunity to reargue whether or not 10XXX intraLATA competition should be provided, rather, the task force is to address the issues arising from the implementation of 10XXX competition should the Commission order such. The task force has six (6) months to accomplish this goal. In the event that the task force is unable to resolve the issues, the Commission Staff will report the progress of the task force to the Commission and the Commission will then make further determinations as appropriate. If the task force resolves the issues and reaches a consensus, then that consensus will be presented to the Commission for its evaluation.

4. An issue was raised as to whether or not extended area service plans could still be provided under 10XXX competition. It is not the Commission's intention to do away with any local expanded area calling service proposals that may be necessary to the areas making the request. Therefore, the LEC's or customers of LEC's are not prevented from proposing any new EAS requests for exchange areas.

5. The Commission agrees with Consumer Advocate witness Buckalew that it is not appropriate to grant "1+" intraLATA competition at this time. Therefore, MCI's Application is denied to the extent it requests "1+" intraLATA authority. However, to the extent that the Application seeks 10XXX authority, MCI's Application will be considered in the same manner as Sprint's and AT&T's.

6. The Commission, in requiring the task force to seek a resolution to the various issues raised by 10XXX intraLATA competition, finds it unnecessary to adopt the two-phase deregulation approach espoused by Mr. Buckalew. Additionally, in

light of the Commission's decision in Order No. 92-802, supra, and the testimony that the task force could accomplish its mission in a shorter time frame, Mr. Fichet's proposal to hold this decision in abeyance for 24 months is denied.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

Henry D. Cone

Chairman

ATTEST:

Charles W. Ballentine

Executive Director
(SEAL)