BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 93-036-C - ORDER NO. 93-863

SEPTEMBER 13, 1993

IN RE: Generic Proceeding to Review Intrastate Open Network Architecture (ONA) Services.	)	ORDER ADDRESSING OPEN NETWORK ARCHITECTURE

This matter is before the Public Service Commission of South Carolina (the Commission) for its consideration of issues addressing Open Network Architecture (ONA). The generic proceeding was held after receipt of a Petition filed by AT&T Communications of the Southern States, Inc. (AT&T), asking the Commission to address the following issues:

1. The applicability of ONA pricing principles for all local exchange network features and funtionalities, including services currently in Southern Bell's General Subscriber Service Tariff (GSST);

2. How ONA pricing principles might be implemented;

3. The impact of implementing ONA pricing principles on the South Carolina consumer;

4. Whether local exchange carriers should have to reflect (or impute) such prices in the pricing of competitive services; and

5. How such imputation might be accomplished.

Pursuant to the letter of the Executive Director, AT&T was directed to publish a Notice of Proceeding, one time, in newspapers

of general circulation in the affected areas. The purpose of the Notice of Proceeding was to advise interested parties of the nature of the hearing and of the manner and time in which they could intervene in the proceeding. AT&T furnished affidavits demonstrating that the notice had been duly published in accordance with the instructions of the Executive Director. Petitions to Intervene were filed by the South Carolina Telephone Association (the SCTA), Sprint Communications Company (Sprint), GTE South, Incorporated (GTE), Southern Bell Telephone & Telegraph Company (Southern Bell), MCI Telecommunications Corporation (MCI), the Consumer Advocate for the State of South Carolina (the Consumer Advocate), and Contel of South Carolina, Incorporated (Contel).

A hearing on this matter was held on July 21, 1993, at the Offices of the Commission. The Honorable Henry G. Yonce, presided. Francis P. Mood, Esquire, and Roger A. Briney, Esquire, appeared on behalf of AT&T; D. Christian Goodall, Esquire, and Martha P. McMillin, Esquire, appeared on behalf of MCI; Harry M. Lightsey, III, Esquire, and William F. Austin, Esquire, appeared on behalf of Southern Bell; M. John Bowen, Jr., Esquire, and Joe Foster, Esquire, appeared on behalf of GTE, Contel, and the SCTA (excluding Southern Bell and GTE); Elliott F. Elam, Jr., Esquire, appeared on behalf of the Consumer Advocate; and Gayle B. Nichols, Staff Counsel, appeared on behalf of the Commission Staff. Sprint did not appear at the hearing.

After review of the testimony of record and the applicable law, the Commission makes the following findings of fact and

conclusions of law.

FINDINGS OF FACT

1. AT&T presented the testimony of Mike Guedel. Mr. Guedel testified that "ONA is the concept of making available elemental network capabilities provided by Local Exchange Carriers (LECs) for use in providing a variety of consumer services. The essential characteristic of ONA is that regulated services be made available to all customers on an unbundled non-discriminatory basis." Guedel, Pre-Filed Testimony, p. 3, line 24- p. 4, line 4. Mr. Guedel testified that the Federal Communications Commission (FCC) approved the Bell Operating Companies' (BOCs') interstate ONA/Access tariffs effective January 1992. Mr. Guedel explained that it is necessary to move to an ONA environment in South Carolina in order to ensure that consumers "enjoy an excellent mix of new competitive telecommunications services." Guedel, Pre-Filed Testimony, p. 14, lines 20-21.

Mr. Guedel proposed that, in implementing ONA, the LECs should first be required to identify by functionality their current services. Mr. Guedel explained that, thereafter, cost methodologies and studies must be performed to determine the underlying cost of each element. Ultimately, Mr. Guedel recommended that the Commission "adopt the ONA concept as the general criteria for evaluating all intrastate services, and create an industry task force to develop recommendations on how to implement ONA in South Carolina." Guedel, Rebuttal Testimony, p. 6, lines 5-9.

2. Dr. Mark T. Bryant testified on behalf of MCI. He explained that the FCC's ONA process "is not working. Far from encouraging the development of a dynamic, competitive market in the provision of enhanced and other telecommunications services, the FCC's ONA policies have resulted in what is essentially a moribund process." Bryant, Pre-Filed Testimony, p. 11, lines 2-5. Dr. Bryant testified that eventually all components of the local access, switching, and transport network should be unbundled. Dr. Bryant testified that once the LECs identified their network "building blocks," "cost studies should be performed to estimate the total service long run incremental cost of each building block, on a 'generic' basis." Bryant, Pre-Filed Testimony, p. 25, lines 6-8.

Ultimately, Dr. Bryant recommended as follows:

> The Commission should establish by rule or by order, a mechanism for the identification, costing, and pricing of unbundled network building blocks of the LECs' networks. A specific time table should be established for the submission of cost studies based on the building blocks concept, and for the filing of tariffs to provide access to unbundled network functionality. For those network functions which the LECs claim cannot feasibly be offered under tariff at this time, the LECs should be required to submit a plan for the implementation of technology to provide access to unbundled network capabilities. Finally, the Commission should adopt a procedure to ensure that as new technologies and new functions are introduced into the network, those technologies are provided on an unbundled basis to customers and competitive service providers. Bryant, Pre-Filed Testimony, p. 28, line 14- p. 29, line 9.

Dr. Bryant suggested that "[d]ue to the complex nature of the network and the methods used to study costs, the Commission may

wish to proceed by requiring that the LEC, its staff, and all interested parties participate in a workshop setting to attempt to form consensus on costing principles, and the identification and costing of building blocks." Bryant, Pre-Filed Testimony, p. 29, lines 15-19.

3. F. Robert Flood, Jr., testified on behalf of Southern Bell. Mr. Flood explained that ONA is a regulatory safeguard adopted by the FCC at the time it allowed the BOCs to offer non-regulated, enhanced services through traditional, regulated basic services. Mr. Flood testified that "[t]he extent to which the ONA concept could or should apply beyond its present enhanced service applications is a matter that the FCC is continuing to investigate." Flood, Pre-Filed Testimony, p. 7, lines 13-16. Mr. Flood further testified that the FCC is considering the ONA issue through "a service of loosely interrelated proceedings," and that the Commission should allow the FCC to continue its investigation before addressing AT&T's proposals. Mr. Flood testified that the unbundling of basic services would have a disruptive effect on tens of thousands of customers in South Carolina and that action on AT&T's proposal should be deferred until the FCC provides guidelines on conformity among BOCs.

Finally, Mr. Flood testified that AT&T's proposed cost studies would be expensive and time consuming and, therefore, would only add to the cost of services. He explained that if basic services remain regulated, they should not be governed by ONA policies which are designed to govern non-regulated services.

4. Dr. Mark S. Calnon testified on behalf of GTE and Contel. Dr. Calnon testified that "[u]nbundling is necessary and unavoidable as rapid technological change continues to dramatically transform the telecommunications industry." Calnon, Pre-Filed Testimony, p. 3, lines 21-22. He explained that GTE and Contel support the basic principles of unbundling. Dr. Calnon testified that LECs should be able to unbundle their features on a flexible basis to suit customer needs and that pricing should be in a subsidy free manner. Dr. Calnon testified that ONA implementation should occur over a transition period "during which time some existing tariff restrictions should be retained while some existing services are restructured." Calnon, Pre-Filed Testimony, p. 12, lines 11-13. Dr. Calnon testified that GTE and Contel disagreed with MCI's recommendation that the Commission order a "massive costing exercise where all LEC services are expressed in a manner which identified their underlying functional components." Calnon, Pre-Filed Testimony, pp. 17, line 22- p. 18, line 1. Dr. Calnon explained that MCI's proposal would "result in a significant expenditure of resources and would produce little benefit." Calnon, Pre-Filed Testimony, p. 18, lines 9-10.

5. Mr. N. Everett Kneece testified on behalf of the SCTA. Mr. Kneece testified that the SCTA is opposed to unbundling and is concerned that ONA may detrimentally affect the provision of universal service. He testified that unbundling would be a costly and unnecessary undertaking for independent LECs and that only the regional Bell Operating Companies (RBOCs) should be involved in the

formulation and implementation of intrastate ONA. Mr. Kneece requested that the Commission not issue a decision regarding the tariffing of unbundled services until the FCC issues a definitive decision on the issue.

CONCLUSIONS OF LAW

1. The Commission recognizes that ONA is an inevitable result of the technological advances in the telecommunications industry. Consequently, the Commission finds and concludes that it should be kept apprised of the continuing development and implementation of ONA on both a national and state-wide level.

2. For this reason, the Commission directs the Commission Staff to establish a committee to review intrastate ONA services and offerings. This committee shall be comprised of the Commission Staff and any other parties who wish to participate. The committee shall obtain approval from the Commission before any cost studies are conducted.

IT IS SO ORDERED.

BY ORDER OF THE COMMISSION:

Chairman

ATTEST:

Executive Director

(SEAL)