Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Petitions for Pricing Flexibility for Special Access and Dedicated Transport Services for	)	
	)	
Ameritech Operating Companies,	)	CCB/CPD No. 01-32
	)	
Pacific Bell Telephone Company,	)	CCB/CPD No. 01-33
	)	CCB/CPD No. 02-03
	)	
Southern New England Telephone Company, and	)	CCB/CPD No. 01-34
	)	
Southwestern Bell Telephone Company	)	CCB/CPD No. 01-35

MEMORANDUM OPINION AND ORDER

Adopted: April 10, 2002 **Released:** April 11, 2002

By the Chief, Wireline Competition Bureau:

I. INTRODUCTION

1. On December 19, 2001, the Ameritech Operating Companies[1] (Ameritech), Pacific Bell Telephone Company (Pacific Bell), Southern New England Telephone Company (SNET), and Southwestern Bell Telephone Company (SWBT) (collectively, SBC) filed petitions seeking pricing flexibility in the provision of certain interstate access services.[2] Specifically, SBC requests pricing flexibility for special access and dedicated transport services in various geographic markets throughout the country. As detailed below, the Commission established the parameters for granting pricing

---

1 The Ameritech Operating Companies are Illinois Bell Telephone Company (Ameritech Illinois), Indiana Bell Telephone Company, Inc. (Ameritech Indiana), Michigan Bell Telephone Company (Ameritech Michigan), The Ohio Bell Telephone Company (Ameritech Ohio), and Wisconsin Bell, Inc. (Ameritech Wisconsin).

2 *See Ameritech Operating Companies, Southern New England Telephone Company, Pacific Bell Telephone Company, and Southwestern Bell Telephone Company File Pricing Flexibility Petitions, Pleading Cycle Established*, CCB/CPD Nos. 01-32 *et al.,* Public Notice, DA 01-3003 (rel. Dec. 21, 2001). Pacific Bell withdrew its request for pricing flexibility regarding Los Angeles/Long Beach, CA, from its initial petition, and subsequently refiled a modified version of that request. *Petition of Pacific Bell for Pricing Flexibility, Pleading Cycle Established*, CCB/CPD No. 02-03, Public Notice, DA 02-214 (rel. Jan. 29, 2002). *See als*o letter from Davida Grant, Senior Counsel, SBC, to Magalie Roman Salas, Secretary, FCC (filed Jan. 18, 2002) (SBC Jan. 18 *Ex Parte*). Throughout this order we refer to the petitioners' individual petitions as follows: Ameritech Petition; Pacific Bell First Petition; Pacific Bell Second Petition; SNET Petition; and SWBT Petition. We also refer to these petitions collectively as SBC Petitions.

flexibility for special access and dedicated transport services in its *Pricing Flexibility Order*.[3] In doing so, the Commission recognized the importance of granting pricing flexibility to incumbent local exchange carriers (LECs) as competition develops in the market for interstate access services "to ensure that our regulations do not unduly interfere with the operation of those markets."[4] For the reasons that follow, we now grant SBC's petitions.

II. BACKGROUND

2. To recover the costs of providing interstate access services, incumbent LECs charge interexchange carriers (IXCs) and end users for access services in accordance with the Commission's Part 69 access charge rules.[5] In the *Access Charge Reform First Report and Order*, the Commission adopted a market-based approach to access charge reform, pursuant to which it would relax restrictions on incumbent LEC pricing as competition emerges.[6] At that time, the Commission deferred resolution of the specific timing and degree of pricing flexibility to a future order.[7] Subsequently, in the *Pricing Flexibility Order*, the Commission provided detailed rules for implementing the market-based approach.[8]

3. The pricing flexibility framework the Commission adopted in the *Pricing Flexibility Order* grants progressively greater flexibility to LECs subject to price cap regulation as competition develops, while ensuring that: (1) price cap LECs do not use pricing flexibility to deter efficient entry or engage in exclusionary pricing behavior; and (2) price cap LECs do not increase rates to unreasonable levels for customers that lack competitive alternatives.[9] In addition, the reforms are designed to facilitate

---

3 *See Access Charge Reform,* CC Docket No. 96-262, Fifth Report and Order, 14 FCC Rcd 14221 (1999) (*Pricing Flexibility Order*), *aff'd*, *WorldCom, Inc. v. FCC*, 238 F.3d 449 (D.C. Cir. 2001). The *Pricing Flexibility Order* also addressed flexibility for switched access services, but those services are not at issue in the SBC petitions.

4 *Pricing Flexibility Order*, 14 FCC Rcd at 14224.

5 47 C.F.R. Part 69. Part 69 establishes two basic categories of access services: special access services and switched access services. *Compare* 47 C.F.R. § 69.106 *with* 47 C.F.R. § 69.114. Special access services employ dedicated facilities that run directly between the end user and an IXC point of presence (POP), the physical plant where an IXC connects its network with the LEC network. Charges for special access services generally are divided into channel termination charges and channel mileage charges. Channel termination charges recover the costs of facilities between the customer's premises and the LEC end office and the costs of facilities between the IXC POP and the LEC serving wire center. *See* 47 C.F.R. §§ 69.703(a)-(b). Channel mileage charges recover the costs of facilities (also known as interoffice facilities) between the LEC serving wire center and the LEC end office serving the end user. *See Pricing Flexibility Order*, 14 FCC Rcd at 14226-27.

6 *Access Charge Reform*, CC Docket No. 96-262, First Report and Order, 12 FCC Rcd 15982 (1997) (*Access Charge Reform First Report and Order*).

7 *Id.* at 15989.

8 *Pricing Flexibility Order*, 14 FCC Rcd at 14225 (citing *Access Charge Reform First Report and Order*, 12 FCC Rcd at 15989, 16094-95).

9 *Pricing Flexibility Order*, 14 FCC Rcd at 14225. The Commission instituted price cap regulation for the Regional Bell Operating Companies (RBOCs) and GTE in 1991, and permitted other LECs to adopt price cap regulation voluntarily, subject to certain conditions. *Policy and Rules Concerning Rates for Dominant Carriers*, CC Docket No. 87-313, Second Report and Order, 5 FCC Rcd 6786, 6818-20 (1990). The *Pricing Flexibility Order* applies only to LECs that are subject to price cap regulation.

the removal of services from price cap regulation as competition develops in the marketplace, without imposing undue administrative burdens on the Commission or the industry.[10]

4. In keeping with these goals, the Commission established a framework for granting price cap LECs greater flexibility in the pricing of interstate access services once they make a competitive showing, or satisfy "triggers," to demonstrate that market conditions in a particular area warrant the relief they seek. Pricing flexibility for special access and dedicated transport services[11] is available in two phases, based on an analysis of competitive conditions in individual metropolitan statistical areas (MSAs).[12]

5. Phase I Pricing Flexibility. A price cap LEC that obtains Phase I relief is allowed to offer, on one day's notice, contract tariffs[13] and volume and term discounts for qualifying services, so long as the services provided pursuant to contract are removed from price caps.[14] To protect those customers that may lack competitive alternatives, a price cap LEC receiving Phase I flexibility must maintain its generally available price cap constrained tariffed rates for these services.[15] To obtain Phase I relief, a price cap LEC must meet triggers designed to demonstrate that competitors have made irreversible, sunk investments in the facilities needed to provide the services at issue. In particular, to receive pricing flexibility for dedicated transport and special access services (other than channel terminations to end users), a price cap LEC must demonstrate that unaffiliated competitors have collocated in at least 15 percent of the LEC's wire centers within an MSA, or have collocated in wire centers accounting for 30 percent of the LEC's revenues from these services within an MSA.[16] In both cases, the price cap LEC also must show, with respect to *each* wire center, that at least one collocator is relying on transport facilities provided by an entity other than the incumbent LEC.[17]

6. Higher thresholds apply for obtaining Phase I pricing flexibility for channel terminations between a LEC's end office and an end user customer. A competitor collocating in a LEC end office continues to rely on the LEC's facilities for the channel termination between the end office and the customer premises, at least initially, and thus is more susceptible to exclusionary pricing behavior by the LEC.[18] As a result, a price cap LEC must demonstrate that unaffiliated competitors have collocated in at

10 *Pricing Flexibility Order*, 14 FCC Rcd at 14225.

11 For purposes of pricing flexibility proceedings, "dedicated transport services" refer to services associated with entrance facilities, direct-trunked transport, and the dedicated component of tandem-switched transport. *Pricing Flexibility Order*, 14 FCC Rcd at 14234. These services are defined in 47 C.F.R. § 69.2(qq) (entrance facilities), § 69.2(oo) (direct-trunked transport) and § 69.2(ss) (tandem-switched transport).

12 *See* 47 C.F.R. § 22.909(a) (definition of MSA).

13 A contract tariff is a tariff based on an individually negotiated service contract. *See Competition in the Interstate Interexchange Marketplace,* CC Docket No. 90-132, Report and Order, 6 FCC Rcd 5880, 5897 (1991) (*Interexchange Competition Order*); 47 C.F.R. § 61.3(o). *See also* 47 C.F.R. § 61.55 (describing required composition of contract-based tariffs).

14 *Pricing Flexibility Order,* 14 FCC Rcd at 14287.

15 *Id.* at 14234-35.

16 *Id.* at 14274, 14277-81; 47 C.F.R.§ 69.709(b).

17 47 C.F.R. § 69.709(b).

18 *Pricing Flexibility Order*, 14 FCC Rcd at 14279.

least 50 percent of the LEC's wire centers within an MSA, or have collocated in wire centers accounting for 65 percent of the LEC's revenues from these services within an MSA.[19] Again, the LEC also must demonstrate, with respect to each wire center, that at least one collocator is relying on transport facilities provided by an entity other than the incumbent LEC.[20]

7. Phase II Pricing Flexibility. A price cap LEC that receives Phase II relief is allowed to offer dedicated transport and special access services free from the Commission's Part 69 rate structure and Part 61 price cap rules. The LEC, however, is required to file, on one day's notice, generally available tariffs for those services for which it receives Phase II relief.[21] To obtain Phase II relief, a price cap LEC must meet triggers designed to demonstrate that competition for the services at issue within the MSA is sufficient to preclude the incumbent from exploiting any individual market power over a sustained period. To obtain Phase II relief for dedicated transport and special access services (other than channel terminations to end users), a price cap LEC must demonstrate that unaffiliated competitors have collocated in at least 50 percent of the LEC's wire centers within an MSA, or have collocated in wire centers accounting for 65 percent of the LEC's revenues from these services within an MSA.[22] Higher thresholds apply for obtaining Phase II pricing flexibility relief for channel terminations between a LEC end office and an end user customer. To obtain such relief, a price cap LEC must demonstrate that unaffiliated competitors have collocated in at least 65 percent of the LEC's wire centers within an MSA, or have collocated in wire centers accounting for 85 percent of the LEC's revenues from these services within an MSA.[23] Once again, the LEC also must demonstrate, with respect to each wire center, that at least one collocator is relying on transport facilities provided by an entity other than the incumbent LEC.[24]

III. DISCUSSION

A. Petitions and Comments

8. Ameritech, Pacific Bell, SNET and SWBT seek pricing flexibility for certain dedicated transport and special access services listed in their respective petitions and set forth in Appendix A of this order.[25] Appendix B sets forth the various forms of pricing flexibility (Phase I or Phase II) requested by SBC and lists the MSAs for which the relief is requested.

9. Opponents of the SBC pricing flexibility petitions make four basic arguments: (1) RBOCs are raising prices for special access in areas where pricing flexibility has been granted,[26] (2) the Commission's collocation triggers are not meaningful assessments of a competitive market warranting

19 *Pricing Flexibility Order*, 14 FCC Rcd at 14280-81; 47 C.F.R.§ 69.711(b).

20 47 C.F.R. § 69.711(b).

21 *Id.* at 14299-14301; 47 C.F.R. § 69.727(b)(3).

22 *Pricing Flexibility Order*, 14 FCC Rcd at 14299; 47 C.F.R. § 69.709(c).

23 *Pricing Flexibility Order*, 14 FCC Rcd at 14235; 47 C.F.R. § 69.711(c).

24 47 C.F.R. §69.711(c).

25 *See* SBC Petitions, Appendices A.

26 Focal/Pac-West Comments at 9-10; Pac-West Comments at 9.

pricing flexibility,[27] (3) the Petitioners fail to demonstrate that the collocation arrangements relied upon are operational,[28] and (4) Pacific Bell's methodology for verifying its collocation data yields unreliable results.[29]

10. In response, SBC contends that the arguments regarding the collocation triggers are merely collateral attacks on the *Pricing Flexibility Order* and that the only issue appropriate for this proceeding is whether the petitioners have satisfied the requirements for pricing flexibility.[30] SBC also argues that all of the collocation arrangements that it relied upon are, in fact, operational.[31] SBC further claims that it reexamined each of the challenged collocation arrangements to confirm whether alternative transport is being used and, if it discovered that an alternative transport is not being used, then it removed the wire center from the relevant petition.[32] Finally, SBC asserts that no evidence exists that RBOC price increases have been unreasonable.[33]

B. Adequacy of the Pricing Flexibility Rules

11. We reject arguments by Focal and Pac-West that increases in prices in areas where pricing flexibility has been granted proves that the pricing flexibility rules are not working.[34] This argument is no more than a collateral attack on the adequacy of the pricing flexibility rules adopted by the Commission in the *Pricing Flexibility Order*, which were upheld on appeal.[35] As previously stated in our *Pricing Flexibility Order*, some price increases may be warranted because our rules may have required incumbent LECs to price access services below cost in certain areas.[36] Moreover, in response to these price increases, no commenter has filed a complaint or otherwise alleged that the price increases are unreasonable. Accordingly, we find no merit in this claim.

12. Focal and Pac-West also argue that the collocation triggers are inadequate indicators of competition in the market.[37] Again, this is a collateral attack on the rules adopted by the Commission in

---

27 Joint Comments of Focal Communications Corporation and Pac-West Telecom, Inc., at 5 (filed Jan. 3, 2002) (Focal/Pac-West Comments). Comments of Pac-West Telecom, Inc., at 2 (filed Feb. 11, 2002) (Pac-West Comments).

28 Focal/Pac-West Comments at 7; Pac-West Comments at 6.

29 Pac-West Comments at 7-8; AT&T Opposition to Ameritech and Pacific Bell Petitions for Pricing Flexibility for Special Access and Dedicated Transport Services at 3 (filed Jan. 3, 2002) (AT&T Comments).

30 Joint Reply of the Ameritech Operating Companies, Pacific Bell Telephone Company, Southern New England Telephone Company, and Southwestern Bell Telephone Company at 3-4 (filed Jan. 14, 2002) (Joint Reply).

31 Joint Reply at 5-6.

32 *Id*. at 7.

33 *Id*. at 4-5.

34 Focal/Pac-West Comments at 9-10; Pac-West Comments at 9-10.

35 *See WorldCom*, 238 F.3d 449 (D.C. Cir. 2001).

36 *Pricing Flexibility Order,* 14 FCC Rcd at 14301.

37 In particular, they argue that the collocation "triggers" set forth in the Commission's *Pricing Flexibility Order* are no longer meaningful to demonstrate irreversible entry by competitors in a market. They contend that (continued….)

the *Pricing Flexibility Order.* We have repeatedly stated that we will not consider collateral attacks challenging the *Pricing Flexibility Order* when reviewing a pricing flexibility petition.[38] The only issue here is whether the petitions satisfy the requirements for pricing flexibility for special access and dedicated transport services set forth in the Commission's rules. Moreover, as Focal and Pac-West acknowledge, the Commission requires that petitioners use *operational* collocation arrangements to satisfy the pricing flexibility triggers.[39] Thus, the Commission's pricing flexibility framework does, in fact, account for changes in market conditions.[40] Accordingly, we reject Focal's and Pac-West's argument.

C. Adequacy of SBC's Methodology

13. We also reject Focal and Pac-West's argument that the petitions must fail because SBC did not state whether the collocation arrangements are presently or were ever operational.[41] In particular, Focal and Pac-West argue that the fact that the Petitioners are billing a collocator does not necessarily mean that the collocation arrangement is operational.[42] In the *BellSouth Pricing Flexibility Order,* the commenters argued that BellSouth never demonstrated that the collocation arrangements listed in its petition were operational, i.e., serving at least one customer. BellSouth contended that after collocation space was turned over to a competitor it did not know for certain whether customers were actually served through the arrangement and there was no reason to believe that competitive LECs would have been forthcoming in providing such information to their competitor. Thus, to determine whether its collocation arrangements were operational, BellSouth used its internal records, conducted site examinations, and provided copies of data to each competitive LEC that it used to satisfy the collocation triggers. We found that the efforts undertaken by BellSouth were sufficient to demonstrate that its collocation arrangements were operational.[43] In this case, we similarly find that SBC has made sufficient efforts to determine whether its collocation arrangements are operational. SBC used its collocation database and conducted site examinations to determine, for each collocation arrangement, that all construction is complete, alternative transport is present, and that the collocator is in possession of the arrangement.[44] As required

(Continued from previous page)
collocation facilities often sit idle in offices because of failed digital subscriber lines plans, costly decommissioning charges, and abandoned new market investments by ILEC competitors. Focal/Pac-West Comments at 4-6. They assert that the Commission should look to criteria adopted by the California PUC to determine whether competition exists in a market. *Id*. at 5-6.

38 *See Petition of Ameritech Illinois, Ameritech Indiana, Ameritech Michigan, Ameritech Ohio, and Ameritech Wisconsin for Pricing Flexibility, Petition of Pacific Bell Telephone Company for Pricing Flexibility, Petition of Southwestern Bell Telephone Company for Pricing Flexibility*, CCB/CPD Nos. 00-23, 00-25 and 00-26, Memorandum Opinion and Order, 16 FCC Rcd 5889 (2001); *Verizon Petitions for Pricing Flexibility for Special Access and Dedicated Transport Services*, CCB/CPD Nos. 00-24, 00-28, Memorandum Opinion and Order, 16 FCC Rcd 5876, 5881 (2001). *See also BellSouth Petition for Pricing Flexibility for Special Access and Dedicated Transport Services*, CCB/CPD No. 00-20, Memorandum Opinion and Order, 15 FCC Rcd 24588 (2000) (*BellSouth Pricing Flexibility Order*); *BellSouth Petition for Phase I Pricing Flexibility for Switched Access Services*, CCB/CPD No. 00-21, Memorandum Opinion and Order, 16 FCC Rcd 5040, 5052 (2001).

39 Focal/Pac-West Comments at 7.

40 *Pricing Flexibility Order*, 14 FCC Rcd at 14266, para. 82, para. 93 n.257.

41 Focal/Pac-West Comments at 8. *See also* AT&T Comments at 3.

42 *Id*.

43 *BellSouth Pricing Flexibility Order,* 15 FCC Rcd at 24596.

44 Joint Reply at 6.

by our rules, SBC also provided notice to each collocator upon which it relies to satisfy the applicable triggers of SBC's contentions regarding that carrier's use of collocation and competitive transport.[45] No commenter has demonstrated that SBC's approach is unreasonable. Consistent with the decision in the *BellSouth Pricing Flexibility Order*, we find that the effort undertaken by SBC with respect to its collocation facilities is sufficient to determine not only the existence of collocation arrangements, but also whether the collocation arrangements are, in fact, operational. Moreover, if SBC has reason to believe that collocation arrangements upon which it relies are not operational, despite employing the measures described above, SBC is obligated to disclose that information.[46]

14. Finally, we disagree with Pac-West's argument that Pacific Bell's withdrawal of parts of its original petition relating to the Los Angeles/Long Beach MSA proves that Pacific Bell's verification method is unreliable.[47] Pacific Bell explains that it withdrew the Los Angeles/Long Beach MSA from its petition not because of flawed verification methods, but due to a training error with a particular site examiner that verified collocation facilities for the Los Angeles/Long Beach MSA.[48] As discussed above, we are satisfied with the verification method used by SBC and, based on Pacific Bell's response, we have no reason to believe that the error regarding the Los Angeles/Long Beach MSA is the result of a systemic flaw in that method.

D. Competitive Showing Required for Pricing Flexibility

15. As noted above, pricing flexibility may be granted upon the satisfaction of certain competitive showings. An incumbent LEC bears the burden of proving that it has satisfied the applicable triggers for the pricing flexibility it seeks for each MSA.[49] For special access and dedicated transport services, the Commission established two means of satisfying this requirement. In the first, the incumbent must show: (1) the total number of wire centers in the MSA; (2) the number and location of the wire centers in which competitors have collocated; (3) the name, in each wire center on which the incumbent bases its petition, of at least one collocator that uses transport facilities owned by a provider other than the incumbent to transport traffic from that wire center; and (4) that the percentage of wire centers in which competitors have collocated and use competitive transport satisfies the trigger the Commission adopted with respect to the pricing flexibility sought by the incumbent LEC.[50] Alternatively, the incumbent must show: (1) the total base period[51] revenues generated by the services for which the incumbent seeks relief in the MSA for which the incumbent seeks relief; (2) the name, in each wire center on which the incumbent bases its petition, of at least one collocator that uses transport facilities owned by a provider other than the incumbent to transport traffic from that wire center; and (3) that the wire centers in which competitors have collocated and use competitive transport account for a sufficient percentage of the

45 *See* 47 C.F.R. § 1.774.

46 *See* 47 C.F.R. §§ 1.17, 1.65(a).

47 Pac-West Comments at 8.

48 Pacific Bell Reply at 6.

49 *Pricing Flexibility Order*, 14 FCC Rcd at 14309.

50 47 C.F.R. § 1.774(a)(3)(i)-(iv)(A).

51 For price cap LECs, the "base period" is the 12-month period (*i.e.*, the calendar year) ending 6 months before the effective date of the LECs' annual access tariffs. 47 C.F.R. § 61.3(g).

incumbent's base period revenues generated by the services at issue within the relevant MSA to satisfy the trigger the Commission adopted for the pricing flexibility sought by the incumbent LEC.[52]

16. Ameritech, Pacific Bell, SNET, and SWBT have all chosen to proceed under the revenue-based triggers and have all used similar methods to identify wire centers with collocation and revenues associated with special access and dedicated transport services. Each began with a database containing current wire center and switch information, within which each wire center is identified by an eight-digit Common Language Location Identifier (CLLI) code.[53] Collocation information was then extracted to identify specific collocators by wire center, to determine whether they were using alternative transport, and that the collocation arrangements were operational.[54] To ascertain revenue, the carriers gathered data for the twelve-month period ending December 31, 2000, from databases which are based largely on the Carrier Access Billing System (CABS).[55]

17. For purposes of allocating revenues to particular wire centers, all carriers state that they complied with the Commission's rules requiring that revenues from entrance facilities and channel terminations to IXC POPs be allocated to the serving wire center and that revenues associated with channel terminations to end users be allocated to the wire center serving the end user.[56] With respect to services routed through multiple wire centers, Commission rules require LECs to allocate 50 percent of the revenue to the wire center at each end of the transmission path, unless a petitioner can make a convincing case that

---

[52] 47 C.F.R. §§ 1.774(a)(3)(i)-(iii), (iv)(B).

[53] Ameritech Petition, Appendix D at 1-2 (extracted from Ameritech Network Services Information and Reporting System); Pacific Bell First Petition, Appendix D at 1-2 (extracted from Pacific Bell Expanded Geographic Information System); Pacific Bell Second Petition, Appendix D at 1-2 (extracted from Pacific Bell Expanded Geographic Information System); SNET Petition, Appendix D at 1-2 (extracted from SNET Expanded Geographic Information System); and SWBT Petition, Appendix D at 1-2 (extracted from Expanded Geographic Information System).

[54] Ameritech Petition, Appendix D at 2 (extracted from Collocation Implementation Network Sales and Support and Tracking Database); Pacific Bell First Petition, Appendix D at 2 (extracted from Collocation Implementation Network Sales and Support and Tracking Database); Pacific Bell Second Petition, Appendix D at 2 (extracted from Collocation Implementation Network Sales and Support and Tracking Database); SNET Petition, Appendix D at 2 (extracted from Collocation Implementation Network Sales and Support and Tracking Database); and SWBT Petition, Appendix D at 2 (extracted from Collocation Implementation, Collocation Point of Contact and Tracking Database).

[55] Ameritech Petition, Appendix D at 3 (extracted from Ameritech Long Distance Industry Services (ALDIS) Data Warehouse, which is based on CABS); Pacific Bell First Petition, Appendix D at 3 (extracted from Corporate Data Warehouse database, which is based on CABS for both carrier and end user billed revenue); Pacific Bell Second Petition, Appendix D at 3 (extracted from Corporate Data Warehouse database, which is based on CABS for both carrier and end user billed revenue); SNET Petition, Appendix D at 3 (extracted from Corporate Data Warehouse database, which is based on CABS for both carrier and end user billed revenue); and SWBT Petition, Appendix D at 3 (extracted from Corporate Data Warehouse database, which is based on CABS for both carrier and end user billed revenue). The Petitioners note that the CABS data are also used to provide demand data for annual price cap filings with the Commission and other filings requiring access services revenue and demand data. *See* Ameritech Petition, Appendix D at 3; Pacific Bell First Petition, Appendix D at 3; Pacific Bell Second Petition, Appendix D at 3; SNET Petition, Appendix D at 3; and SWBT Petition, Appendix D at 3.

[56] *See* Ameritech Petition, Appendix D at 4-11; Pacific Bell First Petition, Appendix D at 4-11; Pacific Bell Second Petition, Appendix D at 4-11; SNET Petition, Appendix D at 4-11; SWBT Petition, Appendix D at 4-11. All carriers explain use of Circuit Location (CKL) number to identify type of channel termination: CKL 1 designates a channel termination to a carrier POP; all other CKLs designate channel terminations to end users. S*ee also* 47 C.F.R. § 69.725(a)-(b).

some other allocation is representative of the extent of competitive entry.[57] Ameritech attributed 50 percent of all interoffice channel mileage and direct-trunked transport mileage revenue to the wire centers at either end of a circuit.[58] Pacific Bell, SNET, and SWBT, however, were unable to allocate revenues in this manner in the case of multi-point bridging circuits[59] and direct-trunked transport. For these services, the carriers could identify only the terminating, or billing, wire center.[60] In these instances, Pacific Bell, SNET, and SWBT attributed half of the revenue to the billing wire center, and allocated the other half equally among all wire centers within the MSA, on a non-weighted basis.[61] They contend that this is a conservative allocation method that most likely understates the revenues associated with collocated wire centers.[62] None of the commenters take issue with SBC's methods of allocating revenues among wire centers.

18. SBC's petitions also describe methods of allocating revenues associated with SONET services and non-recurring charges.[63] For SONET nodes that reside at a central office, all carriers attributed the node and port revenue directly to that wire center.[64] Similarly, for SONET nodes that reside at a customer premise, the carriers attributed node and port revenue to the wire center serving that premise.[65] Ameritech allocated SONET ring mileage revenue evenly among all nodes in the ring; Pacific Bell, SNET, and SWBT allocated ring mileage revenue equally among all wire centers within the MSA in which SONET revenue appeared.[66] When a specific wire center could not be identified, Ameritech allocated non-recurring revenue among wire centers on the basis of channel termination revenue, because, it states, most non-recurring charges are associated with channel terminations.[67] The other three Petitioners allocate this non-recurring revenue among wire centers based on channel termination and entrance facility revenue.[68] None of the commenters takes issue with SBC's methods of allocating revenues associated with SONET services and non-recurring charges.

---

57 47 C.F.R. § 69.725(c).

58 Ameritech Petition, Appendix D at 4.

59 For a depiction of a "multi-point bridging circuit," *see, e.g.,* Ameritech Petition, Appendix D, Figure 3 at 7.

60 Ameritech Petition, Appendix D at 4-5; Pacific Bell First Petition, Appendix D at 4-5; Pacific Bell Second Petition, Appendix D at 4-5; SNET Petition, Appendix D at 4-5; and SWBT Petition, Appendix D at 4-5.

61 Ameritech Petition, Appendix D at 7-8; Pacific Bell First Petition, Appendix D at 5-6; Pacific Bell Second Petition, Appendix D at 5-6; SNET Petition, Appendix D at 5-6; SWBT Petition, Appendix D at 5-6.

62 *Id*.

63 Ameritech Petition, Appendix D at 7-8; Pacific Bell First Petition, Appendix D at 9-10; Pacific Bell Second Petition, Appendix D at 9-10; SNET Petition, Appendix D at 9-10; and SWBT Petition, Appendix D at 9-10.

64 Ameritech Petition, Appendix D at 7; Pacific Bell First Petition, Appendix D at 10; Pacific Bell Second Petition, Appendix D at 10; SNET, Appendix D at 10; and SWBT Petition, Appendix D at 10.

65 *Id*.

66 Ameritech Petition, Appendix D at 7-8; Pacific Bell First Petition, Appendix D at 10; Pacific Bell Second Petition, Appendix D at 10; SNET Petition, Appendix D at 10; and SWBT Petition, Appendix D at 10.

67 Ameritech Petition, Appendix D at 8.

68 Pacific Bell First Petition, Appendix D at 10; Pacific Bell Second Petition, Appendix D at 10; SNET Petition, Appendix D at 10; and SWBT Petition, Appendix D at 10.

19. After reviewing SBC's verification method, as described in the petitions, together with the data provided in the public and confidential versions of its petitions and *ex parte* letter, we find that SBC has met the applicable triggers in section 1.774 of the Commission's rules.[69] Although some parties have challenged whether SBC met the triggers in each of its regions, we believe that SBC has adequately addressed those challenges. Specifically, AT&T challenged two wire centers in the Pacific Bell region.[70] With respect to the first wire center, Pacific Bell agrees that AT&T is not a collocator with alternative transport.[71] There are no other collocators with alternative transport at this wire center. Therefore, Pacific Bell removed revenue attributable to that wire center from its revenue calculations.[72] As a result, the percentage of revenue for channel terminations between LEC end offices and customer premises in wire centers with collocation was reduced from 81 percent to 80 percent, still above the 65 percent trigger for Phase I relief for channel terminations between LEC end offices and customer premises.[73] With respect to the second wire center in its region, Pacific Bell again agrees that AT&T is not using alternative transport. Accordingly, Pacific Bell has removed AT&T as a collocator with alternative transport in this wire center. Two other collocators in this wire center use alternative transport; therefore, this center satisfies the alternative transport requirement. [74] AT&T also challenged two wire centers in the Ameritech region.[75] Ameritech has confirmed that AT&T has alternative transport in the first wire center, but does not use alternative transport in the second wire center.[76] Revenue attributable to the wire center without alternative transport has been removed. The percentage of dedicated transport and special access services revenue in wire centers with collocation remained at 72 percent, which is above the 65 percent revenue trigger for Phase II relief for special access and dedicated transport services. The percentage of revenue for channel terminations between LEC end offices and customer premises in wire centers with collocation was reduced from 72 percent to 71 percent, which is still above the 65 percent revenue trigger for Phase I relief for channel terminations between LEC end offices and customer premises.[77]

20. In addition to AT&T's objections, a number of companies informally challenged the Ameritech and Pacific Bell petitions by sending letters directly to SBC, claiming that they had no alternative transport in the wire centers where they were collocated.[78] In response to those challenges, Ameritech and Pacific Bell either resolved the challenge with the individual company or removed the

---

69 47 C.F.R. § 1.774.

70 AT&T Comments, Declarations of Charles E. Stock at para. 3.

71 SBC Jan. 18 *Ex Parte*, Attachment 1.

72 *Id*.

73 *Id*.

74 *Id*.

75 AT&T Comments, Declarations of Charles E. Stock at para. 3.

76 SBC Jan. 18 *Ex Parte*, Attachment 1. AT&T originally objected to Ameritech's use of both of the wire centers. AT&T Comments, Declarations of Charles E. Stock at para. 3. AT&T has now withdrawn its objection to the first wire center. *See* letter from Patrick Merrick, Esq., Director-Regulatory Affairs, AT&T, to William Canton, Acting Secretary, FCC (filed Mar. 21, 2002); Letter from Davida Grant, Senior Counsel, SBC, to William Caton, Acting Secretary, FCC, (filed Mar. 22, 2002).

77 *Id*.

78 *See* SBC Jan. 18 *Ex Parte*, Attachment 4.

contested wire center from its calculations while still satisfying the applicable triggers.[79] None of these companies formally opposed SBC's petitions on the record in this proceeding.

21. Based upon a review of the information submitted, we conclude that Ameritech, Pacific Bell, SNET, and SWBT have satisfied their burdens of demonstrating that they have met the applicable triggers for each of the various services and MSAs for which they request relief.

IV. ORDERING CLAUSES

22. Accordingly, IT IS ORDERED, pursuant to section 1.774 of the Commission's Rules, 47 C.F.R. § 1.774, and the authority delegated by sections 0.91 and 0.291 of the Commission's Rules, 47 C.F.R. §§ 0.91 and 0.291, and the *Pricing Flexibility Order,* that the petition filed by the Ameritech Operating Companies IS GRANTED to the extent detailed herein.

23. IT IS FURTHER ORDERED, pursuant to section 1.774 of the Commission's Rules, 47 C.F.R. § 1.774, and the authority delegated by sections 0.91 and 0.291 of the Commission's Rules, 47 C.F.R. §§ 0.91 and 0.291, and the *Pricing Flexibility Order,* that the petition filed by the Southwestern Bell Telephone Company IS GRANTED to the extent detailed herein.

24. IT IS FURTHER ORDERED, pursuant to section 1.774 of the Commission's Rules, 47 C.F.R. § 1.774, and the authority delegated by sections 0.91 and 0.291 of the Commission's Rules, 47 C.F.R. §§ 0.91 and 0.291, and the *Pricing Flexibility Order,* that the petition filed by the Southern New England Telephone Company IS GRANTED to the extent detailed herein.

25. IT IS FURTHER ORDERED, pursuant to section 1.774 of the Commission's Rules, 47 C.F.R. § 1.774, and the authority delegated by sections 0.91 and 0.291 of the Commission's Rules, 47 C.F.R. §§ 0.91 and 0.291, and the *Pricing Flexibility Order,* that the petitions filed by the Pacific Bell Telephone Company ARE GRANTED to the extent detailed herein.

FEDERAL COMMUNICATIONS COMMISSION

Dorothy T. Attwood
Chief, Wireline Competition Bureau

---

79 *Id*. at Attachment 1.

APPENDIX A

SERVICES QUALIFYING FOR PRICING FLEXIBILITY

AMERITECH OPERATING COMPANIES

Trunking Basket
SS7
Voice Grade
LT-1
LT-3
Switched Sonet
Signaling
Telecom Relay Service

Special Access Basket
Metallic
Telegraph Grade
Direct Analog
Program Audio
Video (TV Analog, Digital, ASVS, AMVS, WAVS, SCVS)
AIT Base Rate Service
AIT Direct Digital Service
AIT DS1
AIT DS3
AIT OC-3
AIT OC-12
AIT OC-48
AIT OC-192
AIT OC-3 Dedicated Ring
AIT OC-12 Dedicated Ring
AIT OC-48 Dedicated Ring
AIT OC-192 Dedicated Ring
Sonet Xpress Service

PACIFIC BELL TELEPHONE COMPANY

Trunking Basket
Voice Grade
DS1
DS3 Fiber Advantage
SS7

Special Access Basket
Metallic
Telegraph Grade
Voice Grade
Program Audio
Video
Generic Digital Transport (GDT)

High Capacity (DS1, DS1 Fiber Advantage, DS3 Fiber Advantage)
Megalink Custom (DS3)
Sonet Ring & Access Services (SRAS)
Broadband Circuit Services (BCS)
Dedicated Sonet Ring Service (DSRS)
OC-192 DSRS

SOUTHERN NEW ENGLAND TELEPHONE COMPANY

Trunking Basket
Voice Grade
DS1
DS3
SS7
SNET Sonet Network Service (SSNS)

Special Access Basket
Voice Grade
Program Audio
Video
Digital Data (DDS)
High Capacity (DS1 & DS3)
SNET Sonet Network Service (SSNS)
Dedicated Sonet Ring Service (DSRS)

SOUTHWESTERN BELL TELEPHONE COMPANY

Trunking Basket
Voice Grade
DS1
DS3
Switched Relianet

Special Access Basket
Metallic
Telegraph Grade
Voice Grade
Program Audio
Video
Megalink Data (DDS)
High Capacity (DS1)
DovLink
Megalink Custom (DS3)
Network Reconfiguration Service (NRS)
Transport Resource Management (TRM)
Broadband Circuit Services (BCS)
Self Healing Transport Network (STN)
Relianet
Dedicated Sonet ring Service (DSRS)
OC-192 DSRS

APPENDIX B

PRICING FLEXIBILITY RELIEF FOR AMERITECH DEDICATED TRANSPORT AND SPECIAL ACCESS SERVICES

MSA	Type of Relief Requested
Chicago, IL	Phase II
Decatur, IL	Phase II
Detroit-Ann Arbor, MI	Phase II
Flint, MI	Phase II
Grand Rapids, MI	Phase II
Madison, WI	Phase II

PRICING FLEXIBILITY RELIEF FOR AMERITECH CHANNEL TERMINATIONS TO END USERS

MSA	Type of Relief Requested
Chicago, IL	Phase I
Cleveland, OH	Phase I
Detroit-Ann Arbor, MI	Phase I
Indianapolis, IN	Phase I
Decatur, IL	Phase II
Flint, MI	Phase II
Grand Rapids, MI	Phase II
Madison, WI	Phase II
Milwaukee, WI	Phase II
Rockford, IL	Phase II

PRICING FLEXIBILITY RELIEF FOR PACIFIC BELL DEDICATED TRANSPORT AND SPECIAL ACCESS SERVICES

MSA	Type of Relief Requested
Los Angeles/Long Beach, CA	Phase II

PRICING FLEXIBILITY RELIEF FOR PACIFIC BELL CHANNEL TERMINATIONS TO END USERS

MSA	Type of Relief Requested
Los Angeles/Long Beach, CA	Phase I
San Francisco/Oakland, CA	Phase I
San Jose, CA	Phase II

PRICING FLEXIBILITY RELIEF FOR SNET DEDICATED TRANSPORT AND SPECIAL ACCESS SERVICES

MSA	Type of Relief Requested
Bridgeport, CT	Phase II
Hartford, CT	Phase II

PRICING FLEXIBILITY RELIEF FOR SWBT DEDICATED TRANSPORT AND SPECIAL ACCESS SERVICES

MSA	Type of Relief Requested
St. Louis, MO	Phase II

PRICING FLEXIBILITY RELIEF FOR SWBT CHANNEL TERMINATIONS TO END USERS

MSA	Type of Relief Requested
St. Louis, MO	Phase I
Amarillo, TX	Phase II