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VIA FEDERAL EXPRESS

August 31, 1995

Mrs. Blanca S. Bayo
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

ORIGINAL
FILE COPY

Re: Docket No. 950985-TP

Dear Mrs. Bayo:

Enclosed for filing, in accordance with the Order Establishing Procedure in the above docket, please find an original and fifteen (15) copies of the Petition of Teleport Communications Group Inc. ("TCG"), and the pre-filed Direct Testimony of Paul Kouroupas and Exhibits.

Also included is an extra copy of this cover letter. Please date stamp the copy and return it in the enclosed self-addressed, stamped envelope.

ACK ✓ Thank you for your assistance with this filing.

AFA _____

APP _____ Very truly yours,

CAF _____ *Jodie Donovan-May*

CMU _____ Jodie Donovan-May

CTR _____ cc: Attached Service List via next-day express mail
EAG _____ Kenneth A. Hoffman, Esq.

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testimony
DOCUMENT NUMBER-DATE
08576 SEP-1 1995
FPSC-RECORDS/REPORTING

Petition
DOCUMENT NUMBER-DATE
08575 SEP-1 1995
FPSC-RECORDS/REPORTING

CERTIFICATE OF SERVICE
DOCKET NO. 950985-TP

I, Carolyn Corona, certify that I have served this foregoing Petition, Direct Testimony of Paul Kouroupas and Exhibits on behalf of Teleport Communications Group Inc. in accordance with the Commission's rules by mailing a copy via next-day express to all parties listed in the attached Service List with respect to the above-referenced docket.

Carolyn Corona
Carolyn Corona

Date: August 31, 1995

Florida

Docket No. 950985-TP

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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Resolution of Petition(s) to establish)
nondiscriminatory rates, terms, and)
conditions for interconnection)
involving local exchange companies)
and alternative local exchange)
companies pursuant to Section 364.162,)
Florida Statutes)

Docket No.
950985-TP

PETITION OF TCG

TELEPORT COMMUNICATIONS GROUP INC., on behalf of its affiliates, TCG AMERICA, INC. and TCG SOUTH FLORIDA (collectively "TCG"),¹ pursuant to Rule 25-22.036(7), Florida Administrative Code, Section 364.162, Florida Statutes (1995), and the Order Establishing Procedure in this docket, hereby petitions the Florida Public Service Commission ("Commission") to establish economically viable, nondiscriminatory mutual compensation rates for the exchange of telephone traffic between TCG and BellSouth Telecommunications, Inc. ("BellSouth"), and to hold a formal administrative proceeding to determine this issue.

To be clear, TCG and BellSouth have not been able to reach agreement regarding a mutual compensation rate, and the establishment of such a rate is the issue of this Petition.

¹ Teleport Communications Group Inc., on behalf of TCG South Florida, filed a notice of intent to provide alternative local exchange service with the Commission on June 30, 1995. At that time, the Commission had issued preliminary approval to TCG America, Inc. to assign its alternative access vendor ("AAV") certificate to TCG South Florida. The transfer of the AAV certificate from TCG America, Inc. to TCG South Florida was final on July 20, 1995. For purposes of consistency, TCG submits this petition in the name of all of its operating entities.

DOCUMENT NUMBER-DATE

08575 SEP-1 1995

FPSC-RECORDS/REPORTING

As of the date of this petition, however, TCG is hopeful that on or near September 13, 1995, it can reach a mutually acceptable agreement with BellSouth regarding the technical and administrative issues listed below in paragraph five. Should this prove to be impossible, TCG will raise these issues with the Commission prior to the issuance of the prehearing order, and in accordance with the Order Establishing Procedure. TCG, therefore, does not waive its right to raise these issues and has attached a complete list of issues to this Petition. In support of its Petition, TCG states as follows:

1. The complete name and address of the Petitioner is:

Teleport Communications Group, Inc.
TCG South Florida
TCG America, Inc.
1001 West Cypress Creek Road
Fort Lauderdale, Florida 33309
305-351-4241

2. All notices, pleadings, orders and other documents should be provided to:

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A. STATEMENT OF INTEREST AND BACKGROUND

3. TCG filed a notice of intent to provide alternative local exchange telecommunications services with the Commission on June 30, 1995. The Commission is expected to review TCG's notice at its September 26, 1995 agenda meeting. Pursuant to this imminent approval to provide local exchange service, TCG immediately requires technically feasible and economically viable interconnection arrangements with BellSouth.

4. To the extent that TCG can achieve with BellSouth the technical interconnection arrangements it needs and the ability to complete calls to BellSouth's customers at a reasonable price through a reciprocal compensation arrangement, TCG will be able to operate as an alternative local exchange carrier. The technical and administrative interconnection arrangements TCG requires are described in paragraph four below and it is TCG's hope, at this point in time, that it will achieve mutually agreeable prices, terms and conditions for these arrangements with BellSouth. The financial interconnection arrangements, primarily the local interconnection charge (also referred to as a mutual compensation rate), TCG requires are described in Section C

below and represent the disputed issues of fact on which TCG requires Commission intervention and relief.

B. TECHNICAL AND ADMINISTRATIVE ISSUES ON WHICH TCG AND BELL SOUTH ARE APPROACHING SETTLEMENT

5. In order to allow TCG'S customers to seamlessly place calls to and receive calls from customers of BellSouth, TCG and BellSouth must have in place the technical and administrative interconnection arrangements necessary to terminate each other's traffic. These issues are critical to a viable interconnection agreement with BellSouth. TCG is hopeful that it can negotiate mutually acceptable terms with BellSouth for these issues, but TCG does not waive its right to bring these issues before the Commission, in accordance with procedural rules, should agreement not be reached. The arrangements TCG seeks from BellSouth are:

1. the physical trunking arrangements, including signalling requirements, through which TCG and BellSouth will interconnect their networks,
2. meet point trunking and billing arrangements so that interexchange carriers not directly connected to TCG's switch can exchange traffic with TCG through BellSouth,
3. arrangements for the exchange and termination of intraLATA 800 traffic,
4. interconnection to BellSouth's 911 hub locations and processes for the exchange of TCG customer data so that TCG can participate in the State's 911 emergency network,
5. an agreement under which BellSouth will list TCG's customers in its published telephone directories, thereby ensuring all users of the public switched network can access a single directory for information on how to reach all other users, and under which BellSouth will publish and distribute

the directories to TCG's customers,

6. an agreement under which BellSouth will list TCG's customers in its electronic directory assistance database and by which TCG will provide updated customer information to BellSouth for this purpose,
7. the ability to interconnect with BellSouth's operator services for purposes of busy line verification and emergency interrupt services,
8. an arrangement to process and clear intraLATA collect, third party, audiotext (976 and 900-type NXXs) and credit card calls placed between the networks,
9. ordering by TCG and processing by BellSouth of numbering resources for TCG,² and
10. establishment of interconnection arrangements necessary to ensure the interoperability of CLASS/LASS services between networks.

C. DISPUTED ISSUES OF FACT

6. TCG believes the rate structure and rate level of an economically viable reciprocal compensation arrangement are the primary issues of material fact which are in dispute. A reciprocal compensation arrangement is a financial agreement between two local exchange carriers outlining how they will

The Federal Communications Commission ("FCC") issued an order on July 13, 1995 establishing a new system for the nationwide administration of telephone numbers through a neutral North American Numbering Council, thereby removing from the dominant local exchange carriers the responsibility to assign telephone numbers. The FCC is currently seeking nominations for the Council which are due to the FCC on September 14, 1995. Administration of the North American Numbering Plan, CC Docket No. 92-237, Report and Order, rel. July 13, 1995. Until the Council is in place, TCG will rely on BellSouth to secure telephone numbers for its customers. TCG believes, however, that action by this Commission regarding numbering resources will not be needed on a long term basis.

compensate one another for the exchange of plain old telephone service ("POTS") traffic that originates on the network of one LEC and terminates on the network of the other LEC. The Commission must set the rate level and rate structure so as to allow TCG to economically provide local exchange service to both business and residential customers in competition with BellSouth.

7. Pursuant to New Section 364.162, Florida Statutes (1995), TCG and BellSouth began negotiations on July 17, 1995 to implement the prices, terms and conditions of the technical and financial arrangements described above. Thereafter, representatives from the two companies met on July 18, August 21 and August 22. The companies also participated in various conference calls and TCG sent written correspondence to BellSouth describing the arrangements it seeks.

8. From TCG's perspective, TCG and BellSouth have reached agreement on most of the technical and administrative arrangements listed in paragraph five above. BellSouth has put forth a significant cooperative effort to date, but has not provided TCG with any written confirmation of these arrangements. TCG has a meeting scheduled with BellSouth on September 13, 1995 during which it is hoping to confirm these arrangements. Due to the considerable implementation process associated with these items, however, TCG will require written confirmation from BellSouth of the agreements reached between the companies on or near September 13, 1995. If this is not

possible, TCG will seek Commission intervention on these issues, and therefore reserves the right to raise these issues prior to issuance of the prehearing order, and pursuant to the Order Establishing Procedure.

9. Despite the critical significance of a viable compensation arrangement for the exchange of POTS traffic, TCG and BellSouth are clearly not in agreement on either the rate structure or rate level that should apply for the termination of traffic originated on one network and terminated on the other's network. As more specifically described below, TCG has informed BellSouth that it requires a reciprocal, capacity-based arrangement provided at or near incremental cost. A capacity-based or flat rated compensation structure is particularly critical to TCG's ability to be able to offer flat rate business and residential calling services in competition with BellSouth. A flat rated calling environment necessitates a flat rated compensation arrangement. If TCG is required to terminate flat rate originated traffic on BellSouth's network at a per minute rate, there is a significant potential for an anti-competitive price squeeze. Moreover, TCG must also seek a compensation rate which will not only prevent a price squeeze under existing rates but which will prevent a price squeeze in the future as BellSouth lowers its rates for all customers, particularly business customers, in response to perceived competition.

10. Nevertheless, BellSouth has informed TCG that it

proposes to terminate TCG's POTS traffic at its existing intrastate switched access rates. This rate is currently \$.04793 per minute for a one-mile Feature Group D circuit. BellSouth claims that it need not develop a compensation mechanism separate and distinct for alternative local exchange carriers ("ALECs") and that its existing access charge system should be applicable to traffic terminated by both interexchange carriers and ALECs.

11. Related to its switched access charge proposal, BellSouth has proposed an interim universal service funding mechanism under which BellSouth would calculate and tariff a flat rated universal service preservation charge. While this would allegedly lead to some modification in the access charge rates, even with this change BellSouth's proposal for reciprocal compensation will not allow for an economically viable local marketplace. Moreover, BellSouth's universal service plan suffers from defects of its own, chief among them being the fact that only existing LECs would be allowed to draw from it, even if new entrants are providing alternatives to the "subsidized" services of their incumbent competitors. See Direct Testimony of BellSouth Witness Martin, Docket No. 950696-TP, filed Aug. 14, 1995 at 5-6, 11-12.

12. BellSouth's switched access compensation proposal, whether the rate level is set at existing intrastate rates or reduced by some uncertain amount based on a tentative universal service preservation charge, is unacceptable to TCG.

TCG requires a compensation structure set at a level that will allow competition to happen, a result which BellSouth's proposal seems designed specifically to prevent.

13. TCG requests that the Commission order BellSouth to implement the following capacity-based reciprocal compensation arrangement:

- (1) BellSouth and TCG will make available a DS1 capacity switch port for the termination of traffic at both the tandem-level and the end-office level of the network. The ports will be priced to reflect the differing functions between the end-office and tandem. The tandem ports perform the access-equivalent function of tandem switching, local transport and local switching; while the end-office ports perform the access-equivalent function of local switching only.
- (2) BellSouth and TCG will price these ports on a flat monthly basis.
- (3) For the exchange of all POTS traffic ("local" and "intraLATA toll"), the inter-carrier network will consist of two-way trunk groups with Feature Group D technical characteristics and full SS7 signalling capabilities. Each carrier will purchase one fully equipped DS1 capacity port for each two-way trunk group.
- (4) During each month, carriers will measure the peak

busy hour of the month to determine the relative traffic flow over the inter-carrier network.

- (5) Port charges will be allocated in accordance with the peak busy hour measurements. That is, if the peak busy hour measurement determines that 75% of the traffic over the inter-carrier network originates from carrier 1 and 25% of the traffic originates from carrier 2, then carrier 1 will pay 75% of the port charge and carrier 2 will pay 25% of the port charge.
- (6) By monitoring these peak busy hour measurements, carriers can determine when traffic is reasonably balanced and transition to a "bill and keep" compensation arrangement.
- (7) For the inter-carrier DS1 network facility, either carrier can deploy the facility through their respective collocation arrangement. The charges for the facility will be allocated in accordance with the peak busy hour measurement and the deploying carrier's tariffed rate for the facility.

D. BASIS FOR RELIEF

14. The ultimate facts and law entitling TCG to relief include, but are not limited to:

a. Section 364.162, Florida Statutes (1995), permits a party involved in negotiations for mutually acceptable prices, terms and conditions of interconnection to file a petition if

a negotiated price is not established by August 31, 1995. Based on the facts described above, TCG and BellSouth have not agreed to a mutually acceptable price for POTS traffic originated by TCG and terminated to BellSouth and vice versa. Accordingly, TCG has filed this petition within the time frame established by the statute.

b. As its authority to provide alternative local exchange service is pending, TCG is substantially and critically affected by BellSouth's failure to agree to a compensation rate structure and level which will permit TCG to provide economically viable local exchange service in competition with BellSouth. As the dominant local exchange carrier with which TCG will be interconnected, TCG and its customers will be substantially and adversely affected if TCG is unable to terminate calls made by its customers to BellSouth's customers.

c. TCG is seeking a flat rated compensation structure to permit it to economically originate both flat rate and usage rated calls for termination on BellSouth's network. TCG is seeking a rate level based at cost, consistent with the statutory requirement in Section 364.162(4) that the charge should be sufficient to cover the cost of interconnection. Should the Commission determine that each interconnected carrier should fund its own costs of interconnecting their networks, pursuant to a "bill and keep" interconnection arrangement, TCG would not oppose such a mechanism and

believes it would promote sustainable and economic local exchange competition. By contrast, the contribution-laden access charges which BellSouth has proposed are inappropriate, as they will make it impossible for the local competitive market envisioned by the new legislation to ever develop, a result clearly in conflict with the statutory intent.

E. PRAYER FOR RELIEF

15. Based on the foregoing, TCG requests that the Commission, within the 120 day time frame set out in Section 364.162, Florida Statutes (1995), establish an economically viable, nondiscriminatory reciprocal compensation rate structure and level as described by TCG in this petition, such that TCG can provide business and residential local exchange service in competition with BellSouth, and grant any other relief the Commission may deem necessary.

Respectfully submitted,

TELEPORT COMMUNICATIONS GROUP INC.



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Dated: September 1, 1995

PROVISIONS ON WHICH TCG AND BELLSOUTH ARE NEARING AGREEMENT AS OF THE DATE OF THIS PETITION

The following issues are identified in Exhibit PK1 to TCG Witness Kouroupas' pre-filed direct testimony. As explained in the Exhibit, TCG believes TCG and BellSouth are in agreement on these issues, but TCG has not received written confirmation from BellSouth indicating such agreement.

1. Meet point trunking and billing arrangements for the exchange of traffic between interexchange carriers and TCG. An appropriate division of revenues for this meet point billing arrangement is also an issue.
2. Arrangements for delivery of local 800 traffic originated by TCG and terminated to BellSouth.
3. Interconnection of TCG's facilities to BellSouth's 911 hub sites and arrangements for the delivery by TCG to BellSouth of TCG customer data and updates for the State's E911 databases, plus provision of the Master Street Address Guide.
4. Arrangements for basic white pages and basic yellow pages directory listings, publishing and distribution of BellSouth's directories to TCG customers.
5. Arrangement for listing of TCG's customers in BellSouth's electronic directory assistance database.
6. Arrangements for the processing and clearing of all intraLATA collect, third party, audiotext and credit card calls placed between networks.

UNRESOLVED ISSUES BETWEEN TCG AND BELLSOUTH

1. Financial terms (i.e., mutual compensation rate structure and level) governing the exchange of POTS traffic between TCG and BellSouth.

PROPOSED LIST OF ISSUES FOR THIS PROCEEDING

1. What rate structure is appropriate for the exchange of traffic between TCG and BellSouth?
2. What rate level is appropriate for the exchange of traffic between TCG and BellSouth?
3. Will the rate structure and level adopted by the Commission permit TCG to economically provide business local exchange services in competition with BellSouth?

4. Will the rate structure and level adopted by the Commission permit TCG to economically provide residential local exchange services in competition with BellSouth?
5. Should a different rate level apply to the exchange of local and toll traffic between TCG and BellSouth.
6. Should a different rate structure apply to the exchange of local and toll traffic between TCG and BellSouth.
7. Should BellSouth tariff the appropriate rate structure and rate level to be determined in this proceeding or offer such an arrangement pursuant to contract?

**ADDITIONAL ISSUES FOR THIS PROCEEDING SHOULD BELLSOUTH AND TCG
NOT BE ABLE TO AGREE TO THESE ISSUES
ON OR NEAR SEPTEMBER 13, 1995**

1. What are the appropriate technical and financial meet point billing arrangements which should govern interconnection between TCG and BellSouth for the delivery of calls originated and/or terminated from interexchange carriers not directly connected to TCG's network?
2. What are the appropriate technical and financial requirements for the exchange of intraLATA 800 traffic which originates from a TCG customer and terminates to an 800 number served by BellSouth?
3. What are the appropriate technical arrangements for the interconnection of TCG's network to BellSouth's 911 provisioning network such that TCG's customers are ensured the same level of 911 service as they would receive as a customer of BellSouth and what procedures should be in place for the timely exchange and updating of TCG customer information of inclusion in appropriate E911 databases?
4. What are the appropriate technical requirements for operator traffic flowing between TCG's operator services provider and BellSouth's operator services provider including busy line verification and emergency interrupt services.
5. Under what terms and conditions should BellSouth be required to list TCG's customers in its directory assistance database?
6. Under what terms and conditions should BellSouth be required to list TCG's customers in its universal white and yellow pages directories and to publish and distribute these directories to TCG's customers?

7. What arrangements are necessary to ensure that TCG can bill and clear credit card, collect, third party calls and audiotext calls?

8. What arrangements are necessary to ensure the provision of CLASS/LASS services between interconnected networks?