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PENNINGTON & HABEN
A PROFESSIONAL ASSOCIATION
ATTORNEYS AT LAW

**ORIGINAL
FILE COPY**

BARBARA D. AUGER
WILLIAM W. BLUE
D. ANDREW BYRNE †
BRAM D. E. CANTER
ROBERT CINTRON, JR.
ROBERT S. COHEN
CHARLES L. COOPER, JR.
BRUCE CULPEPPER
SONYA KROUSKOP DAWES
PETER M. DUNBAR
DAVISSON F. DUNLAP, JR.
JOHN FRENCH
RALPH H. HABEN, JR.

SHARON N. JACOBS
MICHAEL A. KLINER
CHARLES W. MURPHY
JOHN C. PELHAM
CARL R. PENNINGTON, JR., P.A.
RONALD R. RICHMOND
C. EDWIN RUDE, JR.
DARREN A. SCHWARTZ
NANCY BLACK STEWART
CYNTHIA S. TUNNICLIFF
WILLIAM E. WHITNEY
BEN H. WILKINSON
CATHI C. WILKINSON
† Also Admitted in Tennessee

OF COUNSEL
R. STUART HUFF, P.A.
Coral Gables, Florida
CHRISTOPHER W. KANAGA
(Admitted in Massachusetts & Colorado Only)
WILLIAM VANDERCREEK
(Admitted in Texas & Iowa Only)
SPECIAL CONSULTANTS
JOHN F. BLACK, III*
SCOTT MADDOX*
RANDY MILLER*
DAVID L. SWAFFORD*
*Not A Member Of The Florida Bar

215 SOUTH MONROE STREET
2ND FLOOR
TALLAHASSEE, FLORIDA 32301
(904) 222-3533
FAX (904) 222-2126

1002 WEST 23RD STREET, SUITE 350
PANAMA CITY, FLORIDA 32405
(904) 769-7864

REPLY TO:
P.O. BOX 10095
TALLAHASSEE, FL 32302-2095

September 15, 1995

Ms. Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

via Hand Delivery

Re: Resolution of Petition(s) to establish 1995 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

Dear Ms. Bayo:

Enclosed for filing please find an original and fifteen copies
of the Direct Testimony of Joan McGrath on behalf of Time Warner
AxS of Florida, L.P. and Digital Media Partners for the above-
referenced docket.

You will also find a copy of this letter and a diskette
containing the same information enclosed. Please date-stamp the
copy of the letter to indicate that the original was filed and
return to me.

If you have any questions regarding this matter, please feel
free to contact me. Thank you for your assistance in processing
this filing.

Respectfully,

PENNINGTON & HABEN, P.A.

Peter M. Dunbar
Peter M. Dunbar

- ACB ✓
- ABL
- APP
- CAF
- Chase
- CR
- DR
- EG
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- EO
- ESH
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Enclosure

cc: All Parties of Record (w/ enclosure)

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09136 SEP 15 95
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CERTIFICATE OF SERVICE
DOCKET NO. 950985-TP

I HEREBY CERTIFY that a true and correct copy of the Direct Testimony of Joan McGrath on behalf of Time Warner AXS of Florida, L.P. and Digital Media Partners has been served by U.S. Mail on this 15th day of September, 1995, to the following parties of record:


Ms. Jill Butler
Florida Regulatory Director
Time Warner Communications
2773 Red Maple Ridge
Tallahassee, FL 32301

Jodie Donovan-May, Esq.
Eastern Region Counsel
Teleport Communications
Group, Inc.
1133 21st Street, N.W.
Suite 400
Washington, D.C. 20036

Kenneth A. Hoffman, Esq.
Rutledge, Ecenia, Underwood,
Purnell & Hoffman
215 South Monroe Street
Suite 420
Tallahassee, FL 32301-1841

J. Phillip Carver, Esq.
c/o Nancy H. Sims
Southern Bell Telephone
& Telegraph Company
150 S. Monroe Street, Suite 400
Tallahassee, FL 32301

Bob Elias, Staff Counsel
Florida Public Service Comm.
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850



PETER M. DUNBAR, ESQ.

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
2 **DOCKET NO. 950985-TP**
3 **DIRECT TESTIMONY OF**
4 **JOAN McGRATH**
5 **ON BEHALF OF TIME WARNER AXS OF FLORIDA, L.P.**
6 **AND DIGITAL MEDIA PARTNERS**

7
8 **Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

9 **A: My name is Joan McGrath, and my business address is**
10 **160 Inverness Drive West, Englewood, Colorado,**
11 **80112.**

12
13 **Q: PLEASE STATE YOUR CURRENT TITLE.**

14 **A: I am the Manager for Interconnect Management at**
15 **Time Warner Communications.**

16
17 **Q: PLEASE DESCRIBE YOUR CURRENT RESPONSIBILITIES.**

18 **A: My current responsibilities include interconnection**
19 **negotiations with Regional Bell Operating Companies**
20 **(RBOCs) and independent local exchange companies**
21 **(ILECs) nationwide.**

1 Q: PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.

2 A: I received a Bachelor of Science degree in Business
3 Administration with emphasis in Marketing from the
4 University of Denver, Denver, Colorado.
5 Additionally, I have taken technical training
6 courses through AT&T on Electronic Switching System
7 Architecture and ISDN Overview. When my work
8 schedule permits, I also attend Master level
9 telecommunications classes at the University of
10 Denver.

11

12 My telecommunications experience includes
13 employment at U S West, an RBOC,
14 Telecommunications, Inc. (TCI), a major cable
15 company, and Teleport Communications Group (TCG),
16 an alternative access vendor (AAV).

17

18 At U S West, my responsibilities included
19 performing statistical and results analyses for the
20 small business and home personal service. At TCI,
21 my responsibilities included managing market
22 research projects for new AAV markets. At TCG my
23 responsibilities included managing the
24 interexchange company (IXC) interconnection

1 negotiations and the RBOC collocations. My resume
2 is attached as Exhibit JM-1.

3

4 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 **A:** I have been asked to present testimony on behalf of
6 Time Warner AXS of Florida, L.P. and Digital Media
7 Partners (collectively "TWC") to recommend the
8 approach the Florida Public Service Commission
9 (Commission) should take in addressing the
10 interconnection issues raised by Teleport
11 Communications Group (TCG) in its September 1, 1995
12 Petition and Direct Testimony filed by Paul
13 Kouroupas. However, at this time the issues to be
14 addressed in this docket have not been formally
15 identified. It may be necessary to amend or revise
16 my testimony in response to new issues raised.

17

18 **Q: IN FILING THIS TESTIMONY, ARE YOU REQUESTING THAT THE**
19 **COMMISSION RESOLVE TWC'S INTERCONNECTION DISPUTES WITH**
20 **BELLSOUTH OR ANY OTHER LOCAL EXCHANGE COMPANY (LEC)?**

21 **A:** No. However, I am aware that the decisions the
22 Commission makes in this case may indicate the
23 Commission's expected approach if it is asked to
24 resolve similar issues for new entrants.

1 Q: WHAT IS THE CONTEXT IN WHICH TCG'S DISPUTE WITH BELLSOUTH
2 ARISES? WHAT KIND OF ENVIRONMENT ARE ALTERNATIVE LOCAL
3 EXCHANGE COMPANIES (ALECS) FACING AS THEY ENTER THE LOCAL
4 EXCHANGE TELECOMMUNICATIONS MARKET?

5 A: Alternative local exchange companies (ALECs) are
6 entering an environment characterized by the
7 overwhelming dominance of one monopoly LEC, the
8 incumbent. In each local exchange one company has
9 nearly 100% of the market, a ubiquitous network,
10 brand identity and loyalty, and control over
11 essential facilities that ALECs need in order to
12 begin competing. To begin to provide service,
13 ALECs must make large investments in their own
14 networks, and must also connect those networks with
15 that of the ubiquitous incumbent LEC, which stands
16 to lose market share (although not necessarily
17 revenues) by such interconnection. Thus, the
18 incumbent LECs will have little incentive to enter
19 into interconnection arrangements that are
20 economically viable or technically efficient for
21 the new entrant. As untested newcomers, ALECs must
22 overcome brand loyalty by providing better service
23 at lower prices in order to gain market share. If
24 consumers perceive the service ALECs provide to be
25 in any way inferior to that of the incumbent LEC,

1 the effect on new entry could be deadly. Because
2 of the effects of technical issues such as a
3 technologically inferior number portability
4 mechanism, the ALEC faces the very real risk of
5 being placed at a significant competitive
6 disadvantage from the very start.

7
8 **Q: IN DECIDING INTERCONNECTION ISSUES, SPECIFICALLY THE RATES,**
9 **WHAT FACTORS SHOULD THE COMMISSION TAKE INTO ACCOUNT TO**
10 **RENDER A POLICY DECISION THAT PROMOTES COMPETITION FOR**
11 **CONSUMERS?**

12 **A:** There are several factors:

13 • First, the Commission should consider that
14 interconnection is a monopoly service. Only the
15 LECs today have a ubiquitous network, which is of
16 great value to them. Although the LECs argue
17 that having to serve everyone everywhere is a
18 burden, the ability to do so is certainly one
19 which confers positive effects from a marketing
20 perspective. AT&T exploited a similar
21 circumstance in its advertising during the early
22 years of toll competition. Because of LEC
23 ubiquity, every entrant that wants to do business
24 must interconnect with the LEC.

- 1 • Second, the Commission should consider the impact
2 of various rate structures and levels on the
3 development of competition and promotion of
4 customer choice and innovative technology.
5 Without competition, the LECs are provided an
6 enormous windfall. It is my understanding that
7 the Commission is to encourage competition to
8 ensure the availability of the widest range of
9 consumer choice in the provision of all
10 telecommunications services. Consistent with
11 this mandate, as the Commission works its way
12 through the transition to a competitive market,
13 it must keep in mind that the absolute best way
14 to provide consumers with superior, innovative
15 local exchange service is to provide consumers
16 with choices.
- 17 • Third, the interconnection arrangements should
18 create incentives for competitive infrastructure
19 development. The only way for sustainable
20 competition to develop is if competitors do not
21 have to rely exclusively on the LEC for the
22 provision of service. Interconnection
23 arrangements should encourage companies to invest
24 in plant.

- 1 • Fourth, interconnection arrangements should
2 promote technological innovation. The Commission
3 has been directed to exercise its jurisdiction to
4 encourage not only consumer choice of new
5 providers, but also to encourage the introduction
6 of new services. Thus, as discussed by Paul
7 Kouroupas in his direct testimony on behalf of
8 TCG, the price structure for interconnection
9 should not be tied to existing price structures
10 which force new market entrants to replicate
11 existing LEC pricing structures, or to require
12 ALECs to duplicate the pricing structures that
13 the LECs want them to have.
- 14 • Fifth, interconnection rates should not include
15 a contribution to universal service. These
16 concepts are very different, and should not be
17 treated together.
- 18 • In addition, remote call forwarding, the only
19 currently available option for temporary number
20 portability, is an inferior technology. This is
21 a significant barrier to entry in terms of
22 availability of service offerings and service
23 quality for the ALECs. Having true number
24 portability is essential to ALECs being able to
25 do business. The Commission should consider the

1 limitations of remote call forwarding when it
2 establishes interconnection rates and rate
3 structures.

4
5 **Q: WHAT IS THE MOST APPROPRIATE ARRANGEMENT FOR AN**
6 **INTERCONNECTION RATE AND RATE STRUCTURE BETWEEN A LEC AND AN**
7 **ALEC?**

8 **A:** The most appropriate arrangement is a bill and keep
9 arrangement.

10

11 **Q: WHAT IS BILL AND KEEP?**

12 **A:** I understand that bill and keep is the method most
13 often used as a local interconnecting arrangement
14 by LECs with each other today in Florida. With
15 bill and keep the two networks connect at some
16 agreed-upon point, and each company bears the cost
17 of its network, keeping the revenues it generates,
18 and not charging the other company to use its
19 network.

20

21 **Q: WHY DO YOU RECOMMEND A BILL AND KEEP ARRANGEMENT?**

22 **A:** There are a number of reasons why I recommend a
23 bill and keep arrangement.

24 • First, a bill and keep arrangement is
25 reciprocal, thus acknowledging that all

1 participants are co-carriers. Competing local
2 exchange carriers should be treated as co-
3 carriers in light of the fact that the
4 necessity for interconnection is mutual once
5 an entrant signs up its first customer. Once
6 an entrant gains that first customer, both the
7 LEC and the ALEC have a mutual need for
8 services from the other if each is to offer
9 its customers the ability to reach all other
10 telephone subscribers in the local exchange.

- 11 • Second, bill and keep is certainly the least
12 cost method of compensation for terminating
13 traffic, and thus, is the approach most likely
14 to help drive local exchange rates as low as
15 possible for customers.
- 16 • Third, bill and keep offers the least
17 possibility that the incumbent LECs can use
18 the compensation mechanism to try to impose
19 unnecessary and anti-competitive costs upon
20 the ALECs. Thus, it is the method least
21 likely to result in new, unnecessary barriers
22 to entry.
- 23 • Fourth, bill and keep is neutral in terms of
24 both the technology and architecture that
25 ALECs might choose to adopt. One of the major

1 benefits from opening the local exchange to
2 entry and the development of effective local
3 exchange competition, is that the residents of
4 Florida can benefit from competition between
5 different technologies and involving different
6 architectures of service. If the compensation
7 arrangements for terminating traffic skew the
8 technology or architecture choices of the
9 entrant, then this benefit of entry will be
10 reduced or eliminated. This would not be in
11 the public interest.

12

13 **Q: HOW DOES BILL AND KEEP ELIMINATE COSTS THAT ACT AS A BARRIER**
14 **TO ENTRY?**

15 **A:** Once the conditions for effective competition have
16 been met, it is certain that the amount of
17 compensation owed to one network would be offset by
18 the amount owed to the other. Unless there are
19 significant distortions between networks, the
20 traffic between networks tends to be in balance
21 over time. This means that it is inefficient for
22 companies to develop measurement and billing
23 arrangements that can significantly increase the
24 cost of doing business when the amounts to be paid

1 are going to cancel out over relatively short
2 periods of time.

3

4 Developing and implementing such a measurement and
5 billing system could greatly increase the
6 incremental cost of the switching function for
7 terminating traffic. This is a significant and
8 unnecessary burden to add to local exchange
9 service, when it can only be justified at best for
10 a brief period of time.

11

12 It also imposes other costs on local exchange
13 service, costs that fall more heavily on entrants
14 than on the incumbent LECs. There are at least two
15 additional sets of costs that would be imposed if
16 compensation for terminating local traffic were
17 charged for on a per minute or per message basis.
18 The first is the cost of measuring equipment and
19 the establishment of a billing system for use by
20 the entrants. The second is the cost to audit and
21 verify bills.

1 Q: WHY DID YOU REFER TO THE DEVELOPMENT OF MEASUREMENT AND
2 BILLING SYSTEMS FOR THE INCUMBENT LECs? INCUMBENT LECs NOW
3 MEASURE AND BILL FOR LOCAL CALLS. WHY WOULD THEY HAVE TO
4 DEVELOP ANY NEW MEASUREMENT AND BILLING SYSTEMS?

5 A: While it is true the incumbent LECs can and do
6 measure and bill for at least some of their local
7 exchange traffic, the measurement systems they use
8 for that purpose cannot be used to measure
9 terminating local exchange traffic. The current
10 measurement systems cannot distinguish today
11 between local and toll calls.

12

13 Q: HAVE ANY OTHER STATES ADOPTED BILL AND KEEP?

14 A: Yes, bill and keep is gaining approval in key
15 states concerning this issue. The California PUC
16 recently adopted interim local competition rules
17 that included bill and keep. *See, Initial Rules*
18 *for Local Exchange Service Competition in*
19 *California*, California Public Utilities Commission,
20 Docket No. R 95-04-043/I 95-04-044, Section 7:
21 Interconnection of LEC and CLEC Networks for
22 Termination of Local Traffic, page 10 (July 24,
23 1995). A Michigan Public Service Commission
24 decision also adopts bill and keep if the traffic
25 is in balance within five percent. *See, Opinion*

1 *and Order, In the matter of the application of City*
2 *Signal, Inc., Case No. U-10647, pages 19-30*
3 *(February 27, 1995).*

4
5 **Q: WHAT METHOD OF INTERCONNECTION HAVE MOST LECs OFFERED THUS**
6 **FAR?**

7 **A: Most LECs have offered a per minute of use, access**
8 **charge-based scenario. Further, they have**
9 **differentiated the price of interconnection**
10 **depending on where the ALEC interconnects. If the**
11 **ALEC interconnects at the tandem, the price is**
12 **higher than if the LEC interconnects at the end**
13 **office.**

14
15 **Q: WHAT IS WRONG WITH THIS APPROACH?**

16 **A: There are several problems with it:**

- 17 • First, switched access charge levels in Florida
18 today are loaded with contribution. This is
19 inconsistent with local interconnection rates
20 being separated from universal service.
- 21 • Second, a usage sensitive interconnection rate
22 measurement is administratively burdensome and
23 expensive, and makes no sense in light of
24 information from other states that the traffic
25 flow back and forth between LEC and ALEC networks

1 tends to even out over a relatively short time.
2 Based on EAS traffic studies, the same tends to
3 be true in LEC local interconnection arrangements
4 today.

5 • Third, tying ALECs to the LECs' offered pricing
6 scenario may limit innovative product offerings
7 by the ALECs.

8

9 **Q: SHOULD INTERCONNECTION RATES BE TARIFFED?**

10 A: Yes, tariffing implies a generally available
11 offering which can be purchased by like customers
12 under the same circumstances. Tariffs are
13 appropriate for monopoly services such as
14 interconnection.

15

16 **Q: PLEASE SUMMARIZE YOUR TESTIMONY.**

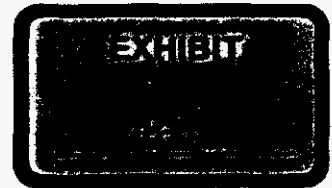
17 A: I have recommended factors that the Commission
18 should consider in establishing interconnection
19 arrangements. Consistent with these factors, I
20 have recommended that the Commission adopt a bill
21 and keep approach for local interconnection. Bill
22 and keep is the most appropriate compensation
23 method to promote the development of competition,
24 consumer choice, and technological innovation.
25 Bill and keep has begun to be adopted by key

1 states, and eliminates unnecessary measuring costs
2 which can only be justified for a brief period, at
3 best.

4

5 Q: DOES THIS COMPLETE YOUR TESTIMONY?

6 A: Yes, it does.



SUMMARY

A Professional with 8 years experience and increasing responsibility in creating, managing and facilitating market assessments and business development for telecommunications projects. This hands-on approach to implementing effective research and feasibility studies includes mastery of:

- Analysis and Planning
- Meeting demanding time and performance requirements
- Developing innovative, cost saving procedures
- Communicating effectively at all levels
- Building effective teams

SUCCESSSES

Managerial

- Created and directed team of routing engineers and analysts who developed business plans and networks for 23 cities.
- Redesigned the interconnection process, reducing the collocation interval from 12 months to 90 days or less.
- Developed corporate market assessment process.

Financial

- Decreased costs of carrier interconnection through negotiations by \$100,000.
- Developed qualitative analysis for operational and capital budgets.

Innovative

- Developed non-linear approaches to market analysis which reduced time to implementation.
- Created analysis of revenue, expense and sales raising understanding of resource relationships which increased annual revenues.
- Increased productivity of InterExchange Carrier Interconnection through effective process development.

**BUSINESS
EXPERIENCE**

1993 to
Present

TCG, Denver, Colorado
Network Planning & Interconnection
Manager

Create and manage the TCG InterExchange Carrier Interconnection process nationally. Liaison among long distance carriers and TCG cities. Evaluate and forecast capacity requirements. Negotiate nationwide carrier contracts.

Network Development

Manager

Developed market assessments and network designs for new cities. Created business plans with capital of \$9-22 Million which met board approval. Liaison among corporate clientele, including cable companies and long distance carriers. Managed technical and non-technical individuals.

**BUSINESS
EXPERIENCE**

1990 to 1993 **TCI, Denver, Colorado**
Business Development
Senior Analyst
 Managed planning and execution of TCG market research projects for new access cities and acquisitions. Assessed feasibility of recommendations for existing cities. Critical assessment of VCTV project, research for healthcare and education over broadband networks.

Business Development
Corporate System Administrator
 Developed fair market pricing strategies and created operational budgets in excess of \$1 Million. Audited and clarified global carrier accounts. Provided implementation support and training for new city field offices.

Marketing
Corporate Customer Service Specialist
 Developed customer service program and pricing data base. Analysed product and pricing of switched and common carrier telecommunications services. Facilitated customer surveys, promotional campaigns, materials and events for business to business services.

1987 to 1990 **US WEST Communications, Denver, Colorado**
Small Business and Home Personal Services
Market Analyst
 Performed statistical and results analysis for telemarketing center of revenue, expense, sales, product projections and forecasting.

Small Business and Home Personal Services
Telecommunications Specialist
 Sold business lines and trunks, foreign exchange lines, WATS, 800, Centron, remote call forwarding, custom calling services, voice mail and information services. Evaluated case study of Hispanic market, test marketing for voice mail and custom ringing services.

EDUCATION

University of Denver, Denver, Colorado
Bachelor of Science in Business Administration, 1977

1994 to Present **Masters of Science in Telecommunications**

TECHNICAL TRAINING #5 Electronic Switching System Architecture
 #5 Electronic Switching System ISDN Overview