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September 28, 1995

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BY FEDERAL EXPRESS

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

Re: Resolution of Petition(s) to Establish Non-discriminatory 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 in the above-styled docket are the original and fifteen (15) copies of the Rebuttal Testimony of Timothy Devine on behalf of Metropolitan Fiber Systems of Florida, Inc.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning it in the enclosed self-addressed envelope.

Thank you for your assistance in this matter.

Sincerely,

James C. Falvey

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CERTIFICATE OF SERVICE
DOCKET NO. 950985-TP

I hereby certify that on this 29th day of September 1995, copies of Direct Testimony of Timothy Devine On Behalf Of Metropolitan Fiber Systems of Florida, Inc. were served by next day express mail on the following:

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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 Date: September 29, 1995

REBUTTAL TESTIMONY OF TIMOTHY T. DEVINE

ON BEHALF OF

METROPOLITAN FIBER SYSTEMS OF FLORIDA, INC.

Docket No. 950985-TP

REBUTTAL TESTIMONY OF TIMOTHY T. DEVINE
ON BEHALF OF
METROPOLITAN FIBER SYSTEMS OF FLORIDA, INC.
Docket No. 950985-TP

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Timothy T. Devine. My business address is MFS Communications Company, Inc. ("MFS"), 250 Williams St., Ste. 2200, Atlanta, Georgia 30303.

Q. ARE YOU THE SAME TIMOTHY DEVINE WHO PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

To respond to the various compensation and other proposals offered by the parties in the direct testimony in this proceeding, and to address other interconnection issues identified in this docket.

I. THE APPROPRIATE INTERCONNECTION RATE FOR THE EXCHANGE OF LOCAL TRAFFIC BETWEEN TELEPORT AND SOUTHERN BELL IS BILL AND KEEP

Q. COULD YOU SUMMARIZE THE MFS BILL AND KEEP PROPOSAL?

A. As I explained in my direct testimony, under "bill and keep," each carrier would be compensated in two ways for terminating local calls originated by customers of other local exchange carriers. First, each carrier would receive the reciprocal right to receive termination of local calls made by its own customers to subscribers on the other local exchange carrier's network without cash payment. This is often referred to as payment "in kind." In addition, the terminating carrier is compensated for call termination by its own customer, who pays the terminating carrier a monthly fee for service, including the right to receive calls without separate charge.

Q. WHY DOES MFS SUPPORT "BILL AND KEEP"?

A. Unlike the proposals advocated by other parties, and particularly as compared with the per-minute charge advocated by BellSouth, bill and keep economizes on costs of measurement and billing, which could increase prices for all customers. It is also the only method proposed by any of the parties that provides an ironclad guarantee that a price squeeze will not foreclose local exchange competition in Florida. The bill and keep method of compensation also provides incentives to carriers to adopt an efficient network architecture, one that will enable the termination of calls in the manner that utilizes the fewest resources. As a result of these advantages, some form of bill and keep has been adopted by several states and is currently in use in many states for the exchange of traffic between LECs.

Q. IN YOUR DIRECT TESTIMONY, YOU MENTIONED THAT SOME FORM OF BILL AND KEEP HAS BEEN ADOPTED IN CALIFORNIA, MICHIGAN, AND IOWA. ARE YOU AWARE OF OTHER STATES THAT HAVE ADOPTED BILL AND KEEP?

A. Yes. In a recent order, Connecticut adopted bill and keep on an interim basis, and Texas has also adopted bill and keep on an interim basis. The adoption of bill and keep in these states has permitted them to keep pace with other states that are forging ahead with local exchange competition without lengthy hearings and proceedings as to an appropriate interconnection rate.

Q. HAVE OTHER PARTIES SUPPORTED THE IMPLEMENTATION OF BILL AND KEEP RECIPROCAL COMPENSATION IN FLORIDA?

A. Yes. AT&T Communications of the Southern States, Inc. ("AT&T"), MCI Metro Access Transmission Services, Inc. ("MCI Metro"), and the Florida Cable Telecommunications Association ("FCTA") all supported identical bill and keep proposals. AT&T Testimony at 13-14; MCI Metro Testimony at 10-20; FCTA Testimony at 8-10. These parties emphasized the same benefits of administrative simplicity, the elimination of the possibility a price squeeze, and the efficiency incentives created by bill and keep.

Q. PLEASE SUMMARIZE BELLSOUTH'S COMPENSATION PROPOSAL AS PRESENTED IN ITS DIRECT TESTIMONY.

A. The essence of BellSouth's compensation proposal is, as suggested by TCG, to charge ALECs the switched access rates developed for the termination of interexchange traffic. These access rates are currently under attack by interexchange carriers as both excessive and arbitrary. Banerjee Testimony at 3. Significantly, BellSouth's usage-sensitive rates, unlike bill and keep, will create a price squeeze, and one that is exacerbated for the more lucrative, higher volume customers.

Q. WHY ARE SWITCHED ACCESS RATES THE WRONG BASIS FOR LOCAL INTERCONNECTION RATES?

BellSouth readily admits that, "as the provider of interconnection services, [it] must have an opportunity to earn normal profits . . . and contributions toward the additional costs of special obligations that are borne uniquely by it."

Banerjee Testimony at 20. "Contribution" is defined in the industry as the difference between the incremental cost of a service and the price charged for that service. Forcing ALECs to pay contribution, actually compels them to charge their customers not only their own overhead costs, but also a portion of BellSouth's overhead costs. Under the BellSouth proposal, even when competition is introduced in Florida, BellSouth's overhead costs would be completely insulated from the forces of competition, and current inefficiencies would be locked in to the cost floor for local exchange service. Moreover, including substantial contribution in interconnection charges would incent carriers to try to "game" the system by capturing customers with high terminating usage.

Q. WHY WERE SWITCHED ACCESS RATES DEVELOPED FOR INTEREXCHANGE CARRIERS?

A. LECs' recovery of large amounts of contribution from interexchange carriers ("IXCs") in its switched access rates was initially justified by the fact that LECs, but not IXCs, bore the presumed burden of providing subsidized service to certain customers, including Lifeline customers. This presumably is the "special obligation" alluded to by BellSouth. A separate docket has been established, however, to determine whether a LEC universal service subsidy exists and if it is required. To the extent that this subsidy has yet to be quantified, there is absolutely no justification for arbitrarily imposing switched access charges on ALECs. Moreover, BellSouth's plan envisions a separate "universal service support" charge. Banerjee Testimony at 6. It is therefore unclear what "special obligations" BellSouth is recovering in its access charges, nor why it would be good public policy to permit BellSouth such recovery.

Q. WHY IS BELLSOUTH'S ASSUMPTION THAT IT HAS A RIGHT TO A "NORMAL PROFIT" ERRONEOUS?

A. The Florida Legislature has mandated competition as being in the public interest. To the extent that interconnection with the public switched network is required for competition to develop, BellSouth, as the beneficiary of a monopoly franchise for decades, should not earn a profit off the introduction of competition by imposing costs on ALECs.

Q. DOES BELLSOUTH MAKE OTHER ERRONEOUS ASSUMPTIONS IN ITS TESTIMONY?

A. Yes. BellSouth states that the switched access rate structure "is fair and allows all parties to compete on a [sic] equitable basis. The switched access structure would be very difficult to change, at least in the short term . . . ." Banerjee Testimony at 9. There is widespread disagreement as to whether the current access rate structure is "fair," as IXCs have challenged this structure at the state and federal levels as including excessive contribution. It therefore makes no sense to extend switched access to other markets at this time.

Moreover, while long distance competition may be taking place under the switched access regime, local competition is not and cannot. All long distance carriers pay the same switched access rates and can pass them through to consumers without being put at a competitive disadvantage. ALECs, however, would be at a distinct disadvantage if they had to pay switched access rates that LECs do not impute into their own local rates. Contrary to BellSouth's assertion, local competition <u>would in fact</u>, as I discuss below, be precluded by the extension of switched access to the local exchange market.

Q. DO YOU AGREE THAT THE SWITCHED ACCESS STRUCTURE WOULD BE "VERY DIFFICULT TO CHANGE?"

A. We are not suggesting that switched access for toll calls be changed. In fact, adopting a bill and keep mechanism leaves switched access intact forall calls to which it currently applies. Extending switched access to local calling would, contrary to BellSouth's claim, require the adoption of new and untried billing and measurement systems between ALECs and LECs which will simply add to the cost of local exchange service, with no concomitant benefit to society.

Q. COULD YOU ELABORATE FURTHER ON THE PRICE SQUEEZE THAT WOULD BE CREATED UNDER A SWITCHED ACCESS REGIME?

A. As I discussed in my direct testimony, BellSouth is proposing to charge switched access rates (Banerjee Testimony at 7), or $0.4793/minute (Chart in TCG Testimony at 32), to terminate local calls. TCG's chart not only demonstrates that these rates will not permit ALECs to compete, but also highlights the point that the price squeeze is exacerbated for high volume customers, and particularly in a flat-rate LEC pricing environment. TCG Testimony at 33. Accordingly, ALECs will have an even more difficult time competing for customers with 800 monthly minutes of use than for customers with 600 or 460 minutes of use. TCG Testimony at 33. It is therefore not surprising that BellSouth has rejected two proposals that lack a usage-based component (bill and keep and TCG's flat-rate port proposal), and offered only a usage-based proposal to ensure that it retains a stranglehold on all of its customers.

Q. PLEASE DESCRIBE BELLSOUTH'S INTERIM FUNDING PROPOSAL FOR UNIVERSAL SERVICE.

A. BellSouth urges the Commission to adopt a "universal service preservation charge" and offers three alternatives for calculating this charge. Under the first alternative, the incumbent LECs would tariff a flat rated element for each ALEC and interexchange carrier ("IXC") designed to recover the implicit support currently built into their rate structures. This amount would be reduced to reflect the incumbent LECs' own contribution to support universal service and carrier of last resort obligations. The incumbent LECs would bulk bill the remaining amount directly to ALECs and IXCs based on their individual shares of intrastate revenues less access and universal service revenues. BellSouth estimates that ALECs would pay approximately $7.50 per month per access line with this scenario. LECs would then reduce their switched access rates by the amount of the universal service charges they receive from ALECs and IXCs.

Under the second alternative, each incumbent LEC would tariff a per minute interconnection charge, estimated at $.01865 per minute, to recover the implicit support built into its rates. Under the third alternative, the incumbent LECs would also tariff a per minute interconnection charge. This charge, estimated to be approximately $.01822 per minute, would be calculated by adding the average Carrier Common Line charge and the average interconnection charge associated with switched access transport. The charges imposed under Alternatives 2 and 3 would total approximately $8 per month per access line, would be assessed against ALECs only and would be in addition to the direct cost of local interconnection. There would be no reduction in switched access charges with these scenarios. Banerjee at 5-7.

Q. DOES THE UNIVERSAL SERVICE COMPONENT ALONE IN THE BELLSOUTH PROPOSAL ALSO CREATE A PRICE SQUEEZE?

A. Yes. As I demonstrated in my rebuttal testimony in the universal service docket, assuming the second or third alternatives are adopted, MFS would have to pay a universal service charge of approximately $8.00/month per access line to BellSouth. BellSouth's average charge for residential flat-rated service is $10.04 per month (BellSouth Response to FPSC Staff's Interrogatory No. 5 at p. 21 (Docket no. 950696-TP)). If an ALEC had to pay BellSouth $8.00 per month as a surcharge for serving a residential customer, it would have a margin of only $2.04 to cover all of its costs in providing local exchange access service. In addition to the ALEC's own network investments, these costs would include, at the very least, the rates (as yet undetermined) the ALEC must pay the incumbent LECs to interconnect with their networks and terminate traffic (and which, as proposed by BellSouth, would themselves create a price squeeze). They would also include charges imposed by the LECs for unbundled loops, cross connection and other bottleneck network components that the ALEC must obtain from the LEC in order to provide service. Assuming that the ALEC operated as efficiently as BellSouth and that BellSouth's residential service rates are close to its costs in providing service, the only way that the ALEC could match BellSouth's end user rates (which it must do in order to compete with a monopolist incumbent) would be to price its residential service substantially below cost.

Q. WHY IS THIS PRICE SQUEEZE WORSE IN A FLAT-RATE ENVIRONMENT?

A. In order to compete with Bell's flat rates, ALECs must offer flat rates to their customers, as well.

As demonstrated by the chart provided by TCG, ALECs paying usage-based rates to Bell and offering service at a flat rate will inevitably be caught in a price squeeze. As I have noted, it is the largest customers that ALECs will lose the most money on.

Q. WHICH CARRIER SHOULD COLLECT THE CHARGES FOR TERMINATION OF TRAFFIC ON ITS NETWORK WHEN A CALL IS RECEIVED VIA NUMBER RETENTION?

A. Only if the customers' carrier collects these revenues will competition be stimulated by interim number portability. Allowing the incumbent LEC to retain toll access charges for calls terminated to a retained number belonging to a customer of another carrier would have three adverse consequences. First, it would reward the incumbent LEC for the lack of true local number portability, and therefore provide a financial incentive to delay true number portability for as long as possible. Second, it would help reinforce the incumbent LEC bottleneck on termination of interexchange traffic, and thereby stifle potential competition in this market. Third, it would impede local exchange competition by preventing new entrants from competing for one significant component of the revenues associated with that service, namely toll access charges.

MFS does not subscribe to the LEC conventional wisdom that access charges "subsidize" local exchange service, since there is no evidence that the forward-looking economic cost of the basic local exchange service exceeds its price as a general matter (aside from special circumstances such as Lifeline, where a subsidy may exist). Nonetheless, access charges clearly provide a significant source of revenue -- along with subscriber access charges, local flat-rate or usage charges, intraLATA toll charges, vertical feature charges, and perhaps others -- that justify the total cost of constructing and operating a local exchange network, including shared and common costs. It is unrealistic to expect new entrants to make the substantial capital investment required to construct and operate competitive networks if they will not have the opportunity to compete for all of the services provided by the LECs and all of the revenues generated by those services. As long as true local number portability does not exist, the new entrants' opportunity to compete for access revenue would be severely restricted if they had to forfeit access charges in order to use interim number portability arrangements.

Q. SHOULD COMPENSATION ARRANGEMENTS FOR THE EXCHANGE OF LOCAL OR TOLL TRAFFIC BETWEEN LECS VARY DEPENDING ON WHETHER INTERIM NUMBER PORTABILITY WAS IN PLACE ON A GIVEN CALL?

A. No. Temporary number portability is a technical arrangement that will permit competition to take root in Florida. The purpose of temporary number portability is to permit new entrants to market their services to customers by permitting customers to retain their phone numbers when switching to a new provider. Because it is necessary to bring to the public the benefits of competition at this time, temporary number portability benefits all callers, and has absolutely nothing to do with compensation. These issues should not be mixed, and compensation should not vary depending on whether temporary number portability is in place or not.

Q. WHAT COMPENSATION ARRANGEMENT SHOULD APPLY TO REDIRECTED CALLS UNDER TEMPORARY NUMBER PORTABILITY?

A. The four major LECs (Southern Bell, General Telephone, Sprint Centel, and Sprint United) ("MLECs") should compensate the new entrant as if the traffic had been terminated directly to the new entrant's network, except that certain transport elements should not be paid to the new entrant to the extent that the MLECs will be transporting the call on their own networks. Thus, for LATA-wide calls originating on the MLEC networks and terminating on the new entrant's network, the effective inter-carrier compensation structure at the time the call is placed should apply. Traffic from IXCs forwarded to the new entrant via the temporary number portability service should be compensated by the MLECs at the appropriate intraLATA, interLATA-intrastate, or interstate terminating access rate less those transport elements corresponding to the use of the MLECs network to complete the call. In other words, MLECs should receive entrance fees, tandem switching, and part of the tandem transport charges. The new entrant should receive local switching, residual interconnection charge, Carrier Common Line charges, and part of the transport charge. (The pro-rata billing share to be remitted to the new entrant should be identical to the rates and rate levels as non-temporary number portability calls.) The MLECs will bill and collect from the interexchange carrier and remit the appropriate portion to the new entrant.

Q. WHY ARE BELLSOUTH'S DIRE PREDICTIONS OF UNBALANCED TRAFFIC UNLIKELY TO BE BORNE OUT IN THE MARKETPLACE?

A. Bell suggests that separate financial arrangements may be necessary if ALECs position themselves so that they have a heavy volume of inward calling. Scheye Testimony at 8-9. In fact, ALECs face an uphill battle to gain market share in a market dominated by incumbent LECs, and are not likely to turn away any prospective customers, regardless of their calling patterns. Furthermore, in New York, MFS's experience is that traffic is basically in balance with MFS terminating somewhat more calls for NYNEX. Bell's predictions of unbalanced traffic are therefore unsupported and unwarranted.

Q. IF TRAFFIC IS LIKELY TO BE IN BALANCE, IS BILL AND KEEP PREFERABLE TO OTHER TERMINATING ACCESS PROPOSALS?

A. Yes. As I discussed in my direct testimony, the TCG proposal will not completely preclude a price squeeze. In fact, the bill and keep proposal is the only proposal that ensures widespread competitive entry by foreclosing the possibility of a price squeeze. Bill and keep is the only proposal to attract proponents from several telecommunications sectors: CAP/co-carriers (MFS), IXCs (AT&T and MCI), and cable providers (FCTA). Bill and keep is by far the most efficient, economical and fair terminating access solution, and should be adoted by the Commission.

II. UNBUNDLING OF THE LOCAL LOOP IS NOT GERMANE TO THIS PROCEEDING

Q. WILL YOU ADDRESS UNBUNDLING OF THE LOCAL LOOP IN THIS PROCEEDING?

A. No. While MFS supports unbundling of the local loop into reasonably priced links and ports, this issue is not properly before the Commission in this docket. The testimony of BellSouth and others on this issue, as well as issues such as number portability, is clearly beyond the scope of the issues identified in this proceeding and should therefore not be considered by the Commission or Commission Staff at this time.

III. OTHER CO-CARRIER ARRANGEMENTS

Q. DID YOU ADDRESS OTHER CO-CARRIER ARRANGEMENTS IN YOUR DIRECT TESTIMONY?

A. No. To the extent that TCG held out the possibility of a settlement on these issues, I did not. However, I will address each of the <u>appropriate</u> issues in turn at this time.

Q. SHOULD SOUTHERN BELL TARIFF THE INTERCONNECTION RATE?

A. Bill and keep arrangements should be stated in Bell tariffs. If other solutions are approved by the Commission, these should also be tariffed and offered on a nondiscriminatory basis to all certificated ALECs. Other co-carrier arrangements should also be offered on a tariffed, nondiscriminatory basis.

Q. WHAT ARE THE APPROPRIATE TECHNICAL AND FINANCIAL BILLING ARRANGEMENTS WHICH SHOULD GOVERN INTERCONNECTION BETWEEN TCG AND BELLSOUTH FOR THE DELIVERY OF CALLS ORIGINATED AND/OR TERMINATED FROM CARRIERS NOT DIRECTLY CONNECTED TO TCG'S NETWORK?

A. MFS advocates a system based on a neutral point of interconnection for the exchange of traffic in each LATA and meet-point tandem subtending billing.

Q. HOW SHOULD TRAFFIC EXCHANGE ARRANGEMENTS BETWEEN LOCAL EXCHANGE NETWORKS BE ACCOMPLISHED?

A. To effectuate the exchange of traffic, MFS proposes that at least one single neutral point of interconnection be established within each LATA for the exchange of traffic. Within each LATA, all competing carriers and BellSouth should jointly establish at least one mutually acceptable geographic location as a traffic exchange point of interconnection ("POI"), at which carriers can exchange traffic. A POI could be established at a BellSouth tandem office, which is the most obvious and most efficient POI location, or at some other location. This POI would be the geographic location at which trunks would be connected. The physical location of the POI does not necessarily determine how calls are routed; for example, there could be ten or twenty different trunk groups at a single POI carrying calls to ten or twenty different locations throughout the LATA.

Although one POI is the minimum necessary for connectivity, more than one POI could be established if mutually acceptable, but should not be mandated. Moreover, if an additional mutually acceptable POI is established, as I discuss further below, the cost of terminating a call to that POI should be identical to the cost of terminating a call to the POI. Any two carriers could establish specialized POIs to guarantee redundancy. To ensure network integrity and reliability to all public switched network customers, it is desirable to have at least two POIs. In this way, if one set of trunks is put out of service for any reason, such as a failure of electronic components or an accidental line cut, traffic could continue to pass over the other set of trunks and the impact upon users would be minimized. Each carrier should be responsible for establishing the necessary trunk groups from its switch or switches to the designated POI(s).

At a minimum, each carrier should be required to establish facilities between its switch(es) and the POI in each LATA in sufficient quantity and capacity to deliver traffic to and receive traffic from other carriers.

Q. SHOULD ALL CARRIERS EXCHANGE TRAFFIC AT THE POI?

A. Yes. At the POI, all ALECs and LECs should cross-connect their facilities to one another for the exchange of traffic. The traffic would not have to be switched by BellSouth at its access tandem switch because all parties will be connected in the building.

Q. HOW DOES MFS' TRAFFIC EXCHANGE PROPOSAL MAXIMIZE THE EFFICIENCY OF THE NETWORK?

A. MFS' proposal permits the interconnecting parties—who understand their networks best and have the greatest incentive to achieve efficiencies—to determine where interconnection should take place. At the same time, minimum interconnection requirements are established to ensure that interconnection will take place between all carriers. MFS opposes any interconnection plan that mandates too specifically where interconnection should take place. If carriers are not given flexibility as to where they can interconnect, inefficiencies will result. MFS would therefore oppose any proposal that does not permit carriers to maximize the efficiency of their networks.

Q. WHAT DO YOU MEAN BY "MEET-POINNT TANDEM SUBTENDING ARRANGEMENTS"?

A. MFS proposes that an incumbent LEC operating an access tandem serving a LATA in which a competing LEC operates should be required, upon request, to provide tandem switching service to any other carrier's tandem or end office switch serving customers within that LATA, thereby allowing the other carrier's switch to "subtend" the tandem. Tandem subtending arrangements are required to permit interexchange carriers to originate and terminate interLATA calls on a new entrant's network without undue expense or inefficiency. Similar arrangements already exist today among LECs serving adjoining territories -- there are many instances in which an end office switch operated by one LEC subtends an access tandem operated by a different LEC in the same LATA. TCG claims to be near agreement with BellSouth on this issue.

Q. HOW SHOULD INTERCARRIER BILLING BE HANDLED WHEN TANDEM SUBTENDING ARRANGEMENTS ARE USED?

A. Where tandem subtending arrangements exist, LECs divide the local transport revenues under a standard "meet-point billing" formula established by the national Ordering and Billing Forum ("OBF") and set forth in FCC and state tariffs. The same meet-point billing procedures should apply where the tandem or end office subtending the tandem is operated by a competing LEC as in the case of an adjoining LEC.

ALECs and BellSouth should establish meet-point billing arrangements to enable the new entrants to provide switched access services (*e.g.*, Feature Group B, Feature Group D, 800 access, and 900 access) to third parties via a BellSouth access tandem switch, in accordance with the Meet-Point

Billing and Provisioning guidelines adopted by the OBF. For each NXX code assigned to the new entrant, the new entrant should designate within the geographic numbering plan area ("NPA") with which the NXX code is associated, a service area within which the new entrant will offer Local Exchange Services bearing that NPA-NXX designation. (As employed herein, the term Local Exchange Services refers to all basic access line, PBX trunk, Centrex and Centrex-like services, or any other services offered to end users which provide end users with a telephonic connection to, and a unique telephone number address on, the public switched telecommunications network, and which enable such end users to place or receive calls to all other stations on the public switched telecommunications network.) ALECs and BellSouth should arrange for the new entrant to sub-tend the BellSouth access tandem to which BellSouth's own end offices which serve the same service area sub-tend for the provision of switched access services. ALECs should designate on their network a point of interconnection ("POI") which should serve as the rating point for the NXX code. At the ALEC's discretion, the meet-point connection for the tandem sub-tending arrangement should be established at that POI, at a co-location facility maintained by the ALEC at the BellSouth access tandem, or at any point mutually agreed to by the ALEC and BellSouth. Common Channel Signalling ("CCS") should be utilized in conjunction with meet-point billing arrangements to the extent available. ALECs and BellSouth should, individually and collectively, maintain provisions in their respective federal and state access tariffs sufficient to reflect this meet-point billing arrangement. To bill third parties for such traffic, the carriers will need to exchange call detail records relating to such calls.

Q. WHAT OTHER BILLING ARRANGEMENTS SHOULD CARRIERS HAVE WITH ONE ANOTHER?

A. If the Commission adopts a reciprocal compensation proposal other than bill and keep, carriers will need to bill one another for terminating traffic on each others' networks. For example, in New York, MFS and NYNEX have agreed to bill each other during each calendar quarter based upon the percentage of use (percentage of calls terminated on the other's network, reported separately for interstate, intrastate non-local and intraLATA local, by LATA) from the preceding quarter, with no "true-up" between anticipated and actual traffic usage.

Q. WHAT ARRANGEMENTS ARE NECESSARY TO ENSURE THAT TCG CAN BILL AND CLEAR CREDIT CARD, COLLECT, THIRD PARTY CALLS AND AUDIOTEXT CALLS?

A. Consolidated billing should be required where appropriate by, for example, providing for a single master bill for each wire center for calls provided by BellSouth's interim number portability service, that will enable TCG to re-bill its end users for collect, calling card, third-party billed and audiotext calls. Carriers should also be required to enter into mutual billing and collection agreements so that each provider can accept the other's calling card, and can bill collect or third party calls to a number serviced by the other provider. Similar cooperation is required for directory assistance and call completion services. Both carriers should also be required to provide the other with access to line information databases so that the other carriers can verify that collect and third party calls are permitted to a particular number, and can validate the calling card. This function is a necessary element to the smooth utilization of integrated networks by consumers.

Carriers should exchange billing records and tapes to ensure billing accuracy. If any charges are made for such records, they should be at LRIC. While there should be standard billing procedures (like the existing carrier access billing system format) for all new network elements that result from competitive local exchange service, MFS hopes that the industry can work out appropriate procedures without Commission intervention.

Q. 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?

A. New entrants have no ability to route 800 numbers to the appropriate local or long distance carrier. BellSouth should therefore be required to do a database dip and route TCG 800 number calls to the appropriate carrier.

Q. 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?

A. MFS currently has an agreement with NYNEX which MFS believes would work effectively between BellSouth and TCG. The following description is based on this arrangement: BellSouth should provide to TCG a list consisting of each municipality in the state of Florida that subscribes to Basic 911 service. The list should provide the E911 conversion date and, if available, a ten digit directory number representing the appropriate emergency answering position for each municipality subscribing to Basic 911 service. TCG would arrange to accept 911 calls from its customers in municipalities that subscribe to Basic 911 service and translate the 911 call to the appropriate 10 digit directory number as stated on the list provided by BellSouth and route that call to BellSouth at the appropriate tandem or end office over the same trunk group(s) that other local traffic is sent. When a municipality converts to

E911 service, TCG will discontinue the Basic 911 procedures and begin the E911 procedures.

For E911 service, TCG would connect Feature Group D trunks, to be jointly determined between BellSouth and TCG, from TCG's switch to each E911 tandem serving the areas in which TCG provides local exchange service, including the designated secondary E911 tandem. If a municipality has converted to E911 service, TCG would forward "911" calls to the appropriate E911 primary tandem, along with ANI, based upon the current E911 end office to tandem homing arrangement. If the primary tandem trunks are unavailable, TCG would alternate-route the call to the designated secondary E911 tandem. If the secondary tandem trunks are unavailable, TCG would alternate-route the call to the appropriate BellSouth TOPS (operator service) tandem. In order to ensure the proper working of the system, along with accurate customer data, TCG would provide daily updates to the E911 database. BellSouth and TCG would work cooperatively to define record layouts, media requirements, and procedures for this process.

Q. HOW WOULD COMPENSATION FOR EMERGENCY CALLS BE HANDLED?

A. 911 service should be funded by the imposition of a monthly per-line 911 charge on each customer's bill, as is done in many other states.

Q. SHOULD BELLSOUTH PROVIDE ON-LINE ACCESS FOR IMMEDIATE ELECTRONIC UPDATES OF THE E911 DATABASE?

A. Yes. Given the public health and safety issues involved, it is essential that customers of new carriers should receive the same immediate protection provided by E911 as new customers of the incumbent.

Q. WHAT PROCEDURES SHOULD BE IN PLACE FOR THE TIMELY EXCHANGE AND UPDATING OF TCG CUSTOMER INFORMATION FOR INCLUSION IN APPROPRIATE E911 DATABASES?

A. In general, all LECs should be required to update their 911 and directory assistance databases with data provided by those competitors on at least as timely a basis as they update these databases with information regarding their own customers.

Q. UNDER WHAT TERMS AND CONDITIONS SHOULD BELLSOUTH BE REQUIRED TO LIST TCG'S CUSTOMERS IN ITS DIRECTORY

ASSISTANCE DATABASE, AND ITS UNIVERSAL WHITE AND YELLOW PAGES DIRECTORIES?

A. Clearly, it is in the public interest that all persons be able to obtain telephone listing information for a given locality by consulting only one printed directory or one directory assistance operator. No useful purpose would be served by publishing a separate directory for each competing carrier's customers. If each carrier publishes a separate directory, persons seeking telephone listing information would be greatly inconvenienced by having to consult numerous different directories, or call numerous different directory assistance operators, in order to find the telephone number of a single residence or business in Florida.

In a fully competitive market, there would be no need for regulatory intervention to achieve this result. The widespread availability of directory information would be in every carrier's self-interest, since customers would use the information to place calls that would generate revenues for the carriers. This is analogous to the airline industry, where competing carriers willingly provide detailed flight schedules to publishers (such as the Official Airline Guide) who combine it with the schedules of competing airlines to provide the public with a single, convenient source of schedule information.

Because the market is not yet fully or effectively competitive, however, an incumbent conceivably could restrict access to its directories in order to disadvantage new entrants, and restrict use of its listings by third-party publishers in order to deny new entrants any alternative method of disseminating their listings. As the Staff of the New York Public Service Commission recently observed: "[S]haring of the databases and daily updated information is crucial for developing competition...." "Level Playing Field Issues, A Staff Report in Module 2," Case 94-C-0095, N.Y.P.S.C., February 15, 1995. In order to prevent these potential harms from occurring, the Commission should require incumbent LECs to list competing carriers' customers in their White and Yellow Pages directories and in their directory assistance databases and should require all LECs (both incumbent and new entrants) to make their directory listings available to one another.

Q. SHOULD THE DIRECTORY PUBLISHED BY BELLSOUTH INCLUDE INFORMATION ABOUT ALECS?

A. Yes. It is not practical to assume that new entrants or third parties will publish separate directories immediately upon the inception of competition. New entrants' customers should be able to receive directories that contain the most basic information explaining their phone service, such as calling areas, rates, and contact phone numbers. That information can come only from the incumbents' directories.

Q. WHO SHOULD DELIVER DIRECTORIES TO ALEC CUSTOMERS AND ON WHAT TERMS?

A. BellSouth should deliver the directories on the same terms as it delivers the directories to its own customers. Those terms should include terms for the delivery of out-of-area directories or multiple directories.

Q. SHOULD CUSTOMERS OF NEW ENTRANTS HAVE THE SAME OPTIONS WITH RESPECT TO THEIR DIRECTORY LISTINGS AS THE INCUMBENT'S CUSTOMERS?

A. Yes. Those options include bolding, indentation, and multiple numbers. The incumbent should charge for those options at the same rates as it charges its own customers.

Q. WHAT ROLE, IF ANY, SHOULD A NEW ENTRANT HAVE IN THE PROVISION OF YELLOW PAGES ADVERTISING TO THE NEW ENTRANT'S CUSTOMERS?

A. The new entrant should have the right to (1) serve as a billing and collection agent; (2) coordinate the inclusion of the customer's listing (for which it would receive a reasonable fee); and (3) establish a commissioned sales agency relationship with the Yellow Pages publisher. It would be truly anomalous for the new entrant's salesperson to have to respond to a customer's inquiry about Yellow Pages advertising by stating that the new entrant cannot assist the customer in acquiring such advertising. Furthermore, a new entrant should receive reasonable royalty payments from BellSouth for Yellow Pages revenues generated from the new entrant's customers.

Q. SHOULD LECS BE REQUIRED TO COMPENSATE ONE ANOTHER FOR EXCHANGING LISTINGS?

A. No. The New York Commission recently concluded that new entrants should not be required to compensate incumbent LECs for including customer listings in their directories:

"The inclusion of new entrant listings in incumbent directories enhances the value of the incumbent directories. This enhanced value, with its consequently increased yellow pages revenues, which would be retained by the incumbents, should fairly compensate the incumbents for any costs of including the new entrants listings in their directories and providing copies to the new entrants for their customers' use. New entrants receive the value of a comprehensive directory, without charge."

Proceeding on Motion of the Commission to Examine Issues Related to the Continued Provision of Universal Service and to Develop a Framework for the Transition to Competition in the Local Exchange Market, Order Requiring Interim Number Portability Directing a Study of the Feasibility of a Trial of True Number Portability and Directing Further Collaboration at 6 (March 8, 1995), Exhibit D hereto.

In fact, the New York Commission also found that "any additional revenues related to the sale of directory listings to third parties should be shared between the new entrant and incumbent. . . ." *Id.*

Q. ARE THE CONSIDERATIONS WITH RESPECT TO DIRECTORY ASSISTANCE SIMILAR TO THE CONSIDERATIONS WITH RESPECT TO DIRECTORY PUBLISHING?

A. Yes. As in the case of published directories, any LEC that provides directory assistance ("DA") service should be able and required to compile a complete list of all telephone customers within a relevant service territory. Therefore, all LECs, both incumbents and new entrants, should be required to provide DA listing information to one another at no charge (or at charges based solely on the direct costs incurred). DA listing data is different from the published directory listings in three respects: first, the DA database includes non-published listings; second, the DA database includes the customer's full name and address, which may be abbreviated or partially omitted in the published directory; and third, the DA database is updated at least daily while the published directory only needs to be updated once a year. In addition, all LECs should be required to update their DA and 911 databases with data provided by those competitors on at least as timely a basis as they update these databases with information regarding their own customers.

MFS believes that, in the long term, the development of DA competition should eliminate any need to regulate the provision of DA services by incumbent LECs. Rather, the only long term obligation should be for all carriers to make their DA-quality listing data available, on a daily basis and in machine-readable form, to all other carriers or the other carriers' agents. Each carrier would then be free either to provide its own DA service, contract with another carrier for use of the latter's DA services, or contract with a third-party DA provider.

In the short term, however, MFS would propose that, for at least two years, BellSouth should be required to provide branded and unbranded DA service (and, where available, call completion) to competitive LECs at LRIC. After two years, the

Commission should revisit this issue to determine whether DA competition has developed sufficiently to undermine BellSouth's monopoly power. After that, if BellSouth faces competition in the DA service market, the prices it charges to other LECs will be constrained by the market and regulation should be unnecessary.

Q. SHOULD BELLSOUTH BE REQUIRED TO PROVIDE TCG SPACE IN THE FRONT OF THE YELLOW AND WHITE PAGE INFORMATIONAL SECTIONS TO EXPLAIN TCG SERVICES, CALLING AREAS, AND SO ON?

A. The confusion non-discrim access to directories just as Southern Bell access to BellSouth's separate sub that does white and yellow pages. Ordered in Connecticut

Q. WHAT DOES MFS PROPOSE WITH RESPECT TO TRUNKING, SIGNALLING, AND OTHER IMPORTANT INTERCONNECTION ARRANGEMENTS?

A. BellSouth should exchange traffic between its network and the networks of competing carriers using reasonably efficient routing, trunking, and signalling arrangements. ALECs and BellSouth should reciprocally terminate LATA-wide traffic originating on each other's network, via two-way trunking arrangements. These arrangements should be jointly provisioned and engineered. (The term "LATA-wide traffic" refers to calls between a user of local exchange service where the new entrant provides the dial tone to that user, and a user of a BellSouth-provided local exchange service where BellSouth provides the dial tone to that user and where both local exchange services bear NPA-NXX designations associated with the same LATA.)

Moreover, each local carrier should be required to engineer its portion of the transmission facilities terminating at a POI to provide the same grade and quality of service between its switch and the other carrier's network as it provides in its own network. At a minimum, transmission facilities should be arranged in a sufficient quantity to each POI to provide a P.01 grade of service. Carriers should provide each other the same form and quality of interoffice signalling (*e.g.*, in-band, CCS, etc.) that they use within their own networks, and SS7 signalling should be provided where the carrier's own network is so equipped.

ALECs and BellSouth should provide LEC-to-LEC CCS to one another, where available, in conjunction with LATA-wide traffic, in order to enable full inter-operability of CLASS features and functions. All CCS signalling parameters should be provided, including automatic number identification, originating line information, calling party category, charge number, etc. BellSouth and new entrants should cooperate on the exchange of Transactional Capabilities Application Part messages to facilitate full inter-operability of CCS-based features between their respective networks. CCS should be provided by Signal Transfer Point-to-Signal Transfer Point connections. Given that CCS will be used cooperatively for the mutual handling of traffic, link facility and link termination charges should be prorated 50% between the parties. For traffic for which CCS is not available, in-band multi-frequency, wink start, and E&M channel-associated signalling will be forwarded. The Feature Group D-like ("FGD-like") trunking arrangements used by either party to terminate LATA-wide traffic may also be employed to terminate any other FGD traffic to that party, subject to payment of the applicable tariffed charges for such other traffic, e.g., interLATA traffic.

In addition to transmitting the calling party's number via SS7 signalling, the originating carrier should also be required to transmit the privacy indicator where it applies. The privacy indicator is a signal that is sent when the calling party has blocked release of its number, either by per-line or per-call blocking. The terminating carrier should be required to observe the privacy indicator on calls received through traffic exchange arrangements in the same manner that it does for calls originated on its own network.

Each carrier should be required to provide the same standard of maintenance and repair service for its trunks terminating at the traffic exchange POI as it does for interoffice trunks within its own network. Each carrier should be required to complete calls originating from another carrier's switch in the same manner and with comparable routing to calls originating from its own switches. In particular, callers should not be subject to diminished service quality, noticeable call set-up delays, or requirements to dial access codes or additional digits in order to complete a call to a customer of a different carrier.

Q. **SHOULD CARRIERS BE REQUIRED TO USE TWO-WAY TRUNKING ARRANGEMENTS?**

A. Carriers should be required to interconnect using two-way trunk groups wherever technically feasible. Use of two-way trunking arrangements to connect the networks of incumbent LECs is standard in the industry. Two-way trunk groups represent the most efficient means of interconnection because they minimize the number of ports each carrier will have to utilize to interconnect with all other carriers.

Q. **SHOULD LECS AND ALECS BE REQUIRED TO PROVIDE BLV/I TRUNKS TO ONE ANOTHER?**

A. Yes. Because ALECS and BellSouth should be able to interrupt calls in emergency situations, BellSouth should provide LEC-to-LEC Busy Line Verification and Interrupt ("BLV/I") trunks to one another to enable each carrier to support this functionality. ALECs and BellSouth should compensate one another for the use of BLV/I according to the effective rates listed in BellSouth's federal and state access tariffs, as applicable.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CERTIFICATE OF SERVICE
DOCKET NO. 950985-TP

I hereby certify that on this 29th day of September 1995, copies of Direct Testimony of Timothy Devine On Behalf Of Metropolitan Fiber Systems of Florida, Inc. were served by next day express mail on the following:

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