

October 10, 1995

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

Re: Docket No. 950737-TP

Dear Ms. Bayo:

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Enclosed are an original and fifteen copies of Metropolitan Fiber System of Florida, Inc.'s corrected version of the Direct Testimony of Timothy Devine originally filed in Docket No. 950737-TP on September 1, 1995. Please substitute this version for the version previously filed in the above-captioned docket.

ICK	For y	our easy reference, the following revisions have been mad	e to the original version:
IFA	1)	The margins have been changed to be in accordance with Public Service Commission;	h the rules of the Florida
NF Stayler Th	2)	Page 4, line 22 - page 5, line 1 should now read: "Y Systems of Florida, Inc. was certificated as an Alternative on February 24, 1993.";	1
RG	3)	Note deletion of bracketed material on page 6, line 7;	
5 orghly	4)	Page 11, line 6-7 notation in parentheses should now read "(Exhibit B hereto at 3).";	
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Ms. Blanca S. Bayo October 10, 1995 Page 2

- 5) Note deletion of bracketed material on page 16, lines 5-7; and
- 6) There is no Exhibit C. Thus, the last sentence on page 19, line 3 should read "See copy attached as Exhibit B hereto."

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies were served on the parties of record pursuant to the attached certificate of service.

Thank you very much for your prompt attention to this matter.

Very truly yours,

Jamer C. Falvey James C. Falvey

ATTORNEY FOR METROPOLITAN FIBER SYSTEMS OF FLORIDA, INC.

Enclosures cc: All parties of record

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF TIMOTHY T. DEVINE

ON BEHALF OF

METROPOLITAN FIBER SYSTEMS OF FLORIDA, INC.

Docket No. 950737-TP

DOCUMENT MUMDER-DATE

DIRECT TESTIMONY OF TIMOTHY T. DEVINE ON BEHALF OF METROPOLITAN FIBER SYSTEMS OF FLORIDA, INC. Docket No. 950737-TP

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1	Q.	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
2	A.	My name is Timothy T. Devine. My business address
3		is Metropolitan Fiber Systems of Florida, Inc.
4		("MFS"), 250 Williams St., Atlanta, Georgia 30303.
5	Q.	WHAT IS YOUR POSITION WITH MFS?
6	A	I am the Senior Director of External and Regulatory
7		Affairs for the Southern Region for MFS
8		Communications Company, Inc., the indirect parent
9		company of Metropolitan Fiber Systems of Florida.
10		I will collectively refer to MFSCC and its
11		subsidiaries as "MFS."
12	Q.	WHAT ARE YOUR RESPONSIBILITIES IN THAT POSITION?
13	A.	I am responsible for the regulatory oversight of
14		commission dockets and other regulatory matters and
15		serve as MFS's representative to various members of
16		the industry. I am also responsible for
17		coordinating co-carrier discussions with Local
18		Exchange Carriers within the Southern Region.
19	Q.	PLEASE DESCRIBE YOUR PREVIOUS PROFESSIONAL
20		EXPERIENCE AND EDUCATIONAL BACKGROUND.
21	Α.	I have a B.S. in Political Science from Arizona
22		State University and an M.A. in Telecommunications
23		Policy from George Washington University. I began
24		work in the telecommunications industry in April

1982 as a sales representative for packet switching 1 2 services for Graphnet, Inc., one of the first valueadded common carriers in the United States. From 3 1983 until 1987, I was employed at Sprint 4 Communications Co., in sales, as a tariff analyst, 5 as a product manager, and as Manager of Product and 6 Market Analysis. During 1988, I worked at Contel 7 8 Corporation, a local exchange carrier, in its telephone operations group, as the Manager of 9 Network Marketing. I have been working for MFS and 10 11 its affiliates since January 1989. During this time period, I have worked in product marketing and 12 13 development, corporate planning, regulatory support, 14 and regulatory affairs. Most recently, from August 1994 until August 1995, I have been representing MFS 15 16 on regulatory matters before the New York, Massachusetts, and Connecticut state commissions and 17 18 was responsible for the MFS Interim Co-Carrier 19 Agreements with NYNEX in New York and Massachusetts, 20 as well as the execution of a co-carrier Joint 21 Stipulation in Connecticut.

1Q.PLEASE DESCRIBE THE OPERATIONS OF MFS COMMUNICATIONS2COMPANY, INC. AND ITS SUBSIDIARIES

MFS Communications Company, Inc. ("MFSCC") is a 3 Α. diversified telecommunications holding company with 4 operations throughout the country, as well as in 5 Europe. MFS Telecom, Inc., an MFSCC subsidiary, 6 through its operating affiliates, is the largest 7 competitive access provider in the United States. 8 MFS Telecom, Inc.'s subsidiaries, including 9 MFS/McCourt, Inc., provide non-switched, dedicated 10 private line and special access services. 11

MFS Intelenet, Inc. ("MFSI") is another wholly 12 owned subsidiary of MFSCC. It causes operating 13 14 subsidiaries to be incorporated on a state-by-state basis. MFSI's operating subsidiaries collectively 15 are authorized to provide switched interexchange 16 17 telecommunications services in 48 states and have applications to offer such service pending in the 18 19 remaining states. Where so authorized, MFSI's 20 operating subsidiaries offer end users a single 21 source for local and long distance telecommunications services with quality and pricing levels 22 23 comparable to those achieved by larger

communications users. Apart from Florida, MFSI 1 subsidiaries have been authorized to provide 2 competitive local exchange service in seven states. 3 Since July 1993, MFS Intelenet of New York, Inc. has 4 5 offered local exchange services in competition with 6 New York Telephone Company. MFS Intelenet of 7 Maryland, Inc. was authorized to provide local 8 exchange services in competition with Bell Atlantic-Maryland, Inc. in April 1994 and recently has 9 10 commenced operations. On June 22, 1994, MFS 11 Intelenet of Washington, Inc. was authorized to 12 provide local exchange services in competition with 13 US West Communications, Inc. On July 20, 1994, MFS Intelenet of Illinois, Inc. was certificated to 14 15 provide local exchange services in competition with 16 Illinois Bell Telephone Company and Central 17 Telephone Company of Illinois. MFS Intelenet of 18 Ohio was certificated to provide competitive local 19 exchange service in competition with Ohio Bell on 20 August 3, 1995. MFS Intelenet of Michigan, on May 9, 1995, was certificated to provide competitive 21 22 local exchange service in competition with 23 Ameritech-Michigan. MFS Intelenet of Connecticut

was dedicated to provide local exchange service in 1 competition with Southern New England Telephone 2 3 Company on June 28, 1995. Finally, MFS Intelenet of Massachusetts was certificated on March 9, 1994 to 4 operate as a reseller of both interexchange and 5 local exchange services in the Boston Metropolitan 6 7 Area in competition with New England Telephone. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS 8 0. 9 COMMISSION? 10 Α. Yes. On August 14, 1995, I filed direct testimony 11 in the universal service docket (docket no. 950696-TP). 12 ARE ANY OF THE PARTIES UPON WHOSE BEHALF YOU ARE 13 Q. 14 TESTIFYING CURRENTLY CERTIFICATED TO PROVIDE SERVICE 15 IN FLORIDA? 16 Α. Metropolitan Fiber Systems of Florida, Inc. Yes. was certificated as an Alternative Access Vendor 17 ("AAV") on February 24, 1993. By letter dated July 18 19 5, 1995, Metropolitan Fiber Systems of Florida notified the Commission of its intent to provide 20 switched local exchange service in Florida. 21

I. PURPOSE AND SUMMARY 1 WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS 2 Q. PROCEEDING? 3 To set forth MFS's position on issues concerning the 4 Α. implementation of temporary local telephone number 5 portability solutions in Florida. Temporary local 6 telephone number portability arrangements must be 7 available to all ALECs and LECs on an economically 8 viable basis if local exchange competition is to 9 develop in Florida. Any temporary local number 10 portability arrangement that arbitrarily assigns all 11 the costs of the arrangements to ALECs and their 12 customers is guaranteed to stifle the development of 13 local exchange competition in Florida. In order to 14 encourage the development of local exchange 15 competition in Florida, therefore, the Commission 16 should adopt a temporary solution that spreads the 17 18 costs evenly across the entire subscriber base, thereby distributing the costs of portability across 19 all those who will reap the substantial benefits of 20 competition. This is the approach taken in 21 virtually every state that has adopted a temporary 22 number portability solution. 23

1Q.WHAT STATUTORY REQUIREMENTS HAS THE FLORIDA2LEGISLATURE IMPLEMENTED WITH RESPECT TO TEMPORARY3NUMBER PORTABILITY?

The Florida Legislature recently passed S.B. 1554 Α. 4 which opens the Florida local exchange market to 5 competition. As an integral aspect of this policy, 6 Chapter 364.16(4), Florida Statutes, requires the 7 Commission to have a temporary service provider 8 number portability mechanism in place on January 1, 9 The statute also requires industry 1996. 10 participants to form a number portability standards 11 group to develop the appropriate costs, parameters, 12 and standards for number portability, a group that 13 was formed on July 26, 1995. The group includes 14 representatives of potential local exchange 15 16 competitors in Florida, including MFS, and is tasked 17 to negotiate a temporary number portability solution. 18

19Q.HAS THE GROUP SUCCEEDED IN NEGOTIATING A20COMPREHENSIVE NUMBER PORTABILITY SOLUTION?21A.No. The parties have agreed to a Stipulation22addressing certain fundamental aspects of a

23 solutions, such as the basic technical alternatives

that must be offered. The parties have not, 1 2 however, been able to reach agreement on how the cost of temporary number portability should be met. 3 WHAT WAS AGREED UPON IN THE STIPULATION? Q. 4 5 Α. The parties agreed that Chapter 364.16(4), Florida Statutes, requires a service provider temporary 6 7 number portability solution that will allow an end 8 user at a given location to change service from a local exchange company ("LEC") to an alternative 9 10 local exchange company ("ALEC") and vice versa. The 11 parties also agreed that two forms of service 12 provider number portability should be made available 13 on January 1, 1996: Remote Call Forwarding and 14 Flexible or Flex DID. I will discuss these two temporary number portability methods at greater 15 length later in my testimony. The parties also 16 17 agreed that they will use their best efforts to 18 ensure the successful integration of relevant ALEC 19 information into the existing 911/E911 systems. The 20 Stipulation did not reach the critical issue of how the cost of temporary number portability will be 21 funded. 22

23 Q. ON WHAT ISSUES WILL YOU FOCUS YOUR TESTIMONY?

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Pursuant to the recent Order Modifying Procedural 1 Α. Schedule issued on August 28 in this docket, I will 2 3 focus on Issues 3 (advantages and disadvantages of solutions), 4 (costs associated with providing each 4 solution), 5 (how costs should be recovered), and 8 5 (whether the docket should be closed). 6 IS SOME FORM OF LOCAL NUMBER PORTABILITY ESSENTIAL? 7 Q. Α. Both MFS' customer surveys and its actual 8 Yes. 9 experience in New York conclusively demonstrate that 10 customers are extremely reluctant to change telephone carriers if it means they will also be 11 12 required to change telephone numbers. MFS has 13 conducted two series of surveys of potential 14 customers in New York that provide overwhelming 15 evidence of the significance of number portability 16 to customers considering switching to a competitive 17 provider. Surveys dated October 10, 1994 and April 18 6, 1995 attached as Exhibit A. In the 1994 Survey, 19 92% of customers surveyed said they would not 20 consider MFS Intelenet services without number 21 portability. In the 1995 survey, 98% of customers 22 said number portability was "very important" to 23 them. (The other 2% said number portability was at

least "somewhat important.") MFS has not seen in
 Florida or elsewhere any market survey or other
 evidence suggesting that number portability is not
 critically important to customers.

Telephone subscribers act as if they own their 5 telephone numbers and are extremely reluctant to 6 change numbers unless absolutely necessary. This is 7 particularly true for businesses whose economic 8 well-being is tied to having a recognizable, 9 consistent phone number where they can be reached by 10 their customers on an ongoing basis. 11 Many businesses invest heavily in a given phone number in 12 the form of advertising, stationery and business 13 cards showing the telephone number. Changing phone 14 15 numbers therefore imposes not only substantial inconvenience, but also the expense of reprinting 16 these written materials, as well as sending mailings 17 to customers and vendors notifying them of the new 18 number and the possibility of lost calls. 19 This 20 entails direct expenses for printing and mailing, and also diverts employee time from more productive 21 22 activities.

In addition, long term investment in 1 advertising a phone number that must later be 2 changed can never be recovered. Even a business 3 that might consider changing phone numbers once 4 would be even more reluctant to change numbers 5 again. Competition cannot thrive in an environment 6 characterized by this level of customer inertia, and 7 even the MLECs will benefit in the long run from a 8 9 system that would permit a customer to not only 10 switch providers freely, but to switch back as well.

This issue is particularly sensitive for the 11 12 generally underserved market of small business customers, typically those having 5 to 35 lines. 13 These customers make up the economic backbone of 14 Florida, yet have generally received the worst 15 service and paid the highest prices of any class of 16 17 telephone users. They are also the customers to . 18 whom, as a general matter, the ability to retain 19 existing telephone numbers is of the most critical 20 importance. These customers do not have sufficient traffic volume to justify splitting their business 21 between two carriers, and they have often invested 22 substantial amounts of money in advertising and 23

publicizing their telephone numbers. In some lines 1 2 of business, incoming telephone calls are virtually the only source of sales. The lack of a cost-3 effective method to allow customers to retain their 4 telephone numbers would harm small businesses more 5 than any other class of customer. Because number 6 7 portability has been identified by customers as a critical customer need, the Commission must 8 accommodate this need on both an interim and long-9 term basis if it expects to establish a competitive 10 market. 11

Q. HAVE OTHER STATES RECOGNIZED THE SIGNIFICANCE OF NUMBER PORTABILITY?

Every state that is implementing local exchange 14 Α. 15 competition is considering some form of interim 16 number portability. The New York Public Service 17 Commission recently issued an Order concluding that 18 "[n]umber portability will be essential to the 19 transition to a competitive local exchange market." 20 Proceeding on Motion of the Commission to Examine 21 Issues Related to the Continued Provision of 22 Universal Service and to Develop a Framework for the 23 Transition to Competition in the Local Exchange

(Exhibit B hereto at 3). Market, Case 94-C-0095. 1 2 The Commission ordered NYNEX and Rochester Telephone Corporation to provide interim number portability, 3 including a broadbased sharing of costs I will 4 5 describe later in my testimony. The New York Commission only required that this one option be 6 made available, but also encouraged carriers to 7 explore alternative solutions. All certificated 8 local exchange companies, including competitive 9 10 providers, were required to provide interim number portability. 11

12 The Illinois Commerce Commission ("ICC") has 13 required that a variety of interim number 14 portability services be tariffed. Illinois Bell Telephone Company, Proposed introduction of a trial 15 of Ameritech's Customers First Plan in Illinois, 16 17 Docket Nos. 94-0096 et al., Order (Ill. Comm. 18 Comm'n, April 7, 1995). Specifically, the ICC 19 required that Remote Call Forwarding, Enhanced Remote Call Forwarding, DID Trunks, and FX Service 20 21 be made available to competitors "at cost-based 22 rates with only a reasonable level of contribution."

Id. at 110. (The Commission added that "we intend 1 2 to scrutinize the tariffs to ensure this." Id.) In the MFS Intelenet of Maryland ("MFSI-MD") 3 certification proceeding, the Maryland Public 4 5 Service Commission required Bell Atlantic-Maryland ("BA-MD") to make available a tariffed Flex DID 6 number portability solution, a solution that MFSI-MD 7 8 supported at the time but no longer endorses. Under 9 this system, MFSI-MD subscribes to BA-MD DID trunks 10 for the receipt of incoming calls to numbers that its customers desired to retain. 11 The service is 12 identical to BA-MD's existing DID offerings, but any single telephone number that a customer desires to 13 14 switch to MFSI-MD can be designated as a DID number 15 (the BA-MD DID tariff only permits DID numbers to be assigned in consecutive groups of 20 numbers). 16 WILL LOCAL EXCHANGE COMPETITION TAKE PLACE WITHOUT 17 Q. 18 INTERIM NUMBER PORTABILITY? 19 Not to any significant extent because, as Α. 20 demonstrated by the MFS surveys, few if any 21 customers will purchase service from competitive 22 local providers if they cannot retain their 23 telephone number. As other states have concluded,

1 postponing interim number portability is tantamount 2 to postponing the introduction of local competition. 3 Q. HOW SHOULD LOCAL NUMBER PORTABILITY BE IMPLEMENTED? The Commission should consider both interim and 4 Α. 5 permanent solutions to this issue. While permanent number portability arrangements are necessary to 6 eliminate the inequities imposed on new entrants by 7 temporary arrangements, MFS will focus in this 8 9 testimony on temporary solutions. MFS applauds the 10 Legislature's determination that temporary number 11 portability should be in place by January 1, 1996. 12 MFS proposes that the Commission should require the 13 MLECs to offer temporary local number portability services using at least the currently available Co-14 15 Carrier Call Forwarding method. Although there may be other technical alternatives to Co-Carrier Call 16 17 Forwarding, Metropolitan Fiber Systems of Florida, Inc. ("MFS") will focus on this solution to the 18 19 extent that it is the method preferred by MFS.

BASED ON MFS' EXPERIENCE IN NEW YORK, DO YOU BELIEVE 1 Q. THAT WORKABLE INTERIM NUMBER PORTABILITY 2 3 ARRANGEMENTS CAN BE IMPLEMENTED AT THIS TIME? Yes. MFS has successfully completed trials of its 4 Α. preferred interim solution, Co-Carrier Call 5 6 Forwarding ("CCF"), a remote call forwarding-based 7 solution, in New York, (with both NYNEX and 8 Rochester Telephone) and I would like to take this 9 opportunity to describe this experience. The New York Public Service Commission and Pacific Bell have 10 also endorsed CCF as the best interim solution. 11 The 12 MFSI/NYNEX interim Agreements in New York and Massachusetts also provide for CCF as an interim 13 solution. 14 15 Q. BRIEFLY, HOW DOES CO-CARRIER CALL FORWARDING WORK? 16 A. CCF works within the constraints of the existing 17 numbering system, under which numbers must be associated with a specific LEC central office. 18 19 Under the CCF approach as it is presently used in 20 New York, MFS Intelenet assigns a new telephone number in its own NXX code corresponding to each 21 22 NYNEX telephone number that it will retain. NYNEX

then forwards calls from the old telephone number to

the new number over the same trunks used for co-1 carrier traffic exchange. The advantage of CCF is 2 that inefficient trunk groups between the new 3 entrant's switch and the incumbent's end offices can 4 be eliminated. Forwarded calls can be routed 5 6 through the tandem switch over common trunk groups. 7 Signaling can be either in-band or out-of-band SS7. The Automatic Number Identification ("ANI") that is 8 out-pulsed when the customer places a call is the 9 10 new number which is transparent to the customer. The MLEC will update its Line Identification 11 12 Database ("LIDB") listings for redirected telephone 13 numbers and cancel MLEC calling cards associated with such numbers. 14

15 Q. WHAT ARE SOME OF THE DISADVANTAGES OF CCF?

16 Α. Unfortunately, CCF and other interim number 17 portability solutions require that all calls be 18 routed to the MLEC switch before they can be 19 forwarded to MFS, a process that results in 20 additional transmission and switching expense and 21 call set-up time. It also appears that BLV/I and some CLASS features are not available when utilizing 2.2 23 CCF.

IS CCF STILL THE BEST INTERIM SOLUTION IN YOUR VIEW ο. 1 2 DESPITE THESE DEFICIENCIES? 3 Α. Yes. WHAT ARE THE ADVANTAGES OF CCF THAT MAKE IT THE BEST ο. 4 INTERIM SOLUTION? 5 Although CCF is not technically optimal, as cited 6 Α. 7 above, the several state commissions, LECs, and MFSI have agreed that CCF is the best interim solution 8 available. CCF provides the critical function of 9 permitting end users to change local service 10 11 providers while retaining their existing telephone 12 number, with virtually no impact to the incumbent 13 LEC's customer base and network. Like any interim 14 system, CCF is not perfect, and while a better 15 interim solution may come about, it is in MFS's view the best currently available interim solution. 16 17 **Q**. ON BALANCE, DO THE BENEFITS OF INTERIM NUMBER 18 PORTABILITY OUTWEIGH THE LIMITED COSTS? 19 Α. Yes. The costs are very limited. MFS has clearly 20 demonstrated that number portability at a reasonable 21 price is essential to the development of 22 competition, because customers simply may not be inclined to subscribe to ALEC services if they 23

cannot retain their current phone numbers. 1 Florida can ill afford to put local competition on hold 2 while other states forge ahead with interim number 3 portability solutions. The State will lose 4 infrastructure investment to other states, and 5 6 significant economic development dollars to New York, Illinois, Washington, Michigan, Ohio, 7 Connecticut, Pennsylvania, Maryland and other states 8 9 that are rapidly adopting competitive local markets. 10 Florida must also compete with neighboring Southern 11 states, as competition is rapidly sweeping throughout the South: Georgia, North Carolina, 12 13 Tennessee, Kentucky, and Virginia, among others, are currently addressing local competition issues in 14 15 proceedings similar to this one. Delay would also be inconsistent with the Commission's and the 16 17 Legislature's commitment to implementing competition. 18

DO YOU BELIEVE THAT FLEX DID SHOULD ALSO BE 1 ο. AVAILABLE IF OTHER PARTIES REQUEST IT? 2 Yes. MFS believes that all technically and Α. 3 economically feasible alternatives should be 4 available if there is demand for them. MFS is only 5 focusing its testimony on the CCF solution because 6 it is the Company's preferred method. 7 ON WHAT TERMS SHOULD CO-CARRIER NUMBER FORWARDING BE 8 0. MADE AVAILABLE BY MLECS? 9 The Commission should establish the basic terms 10 Α. under which CCF will be made available to all 11 12 carriers. Any number retention option should be offered on terms that do not interfere with other 13 co-carrier arrangements, such as reciprocal 14 15 compensation and meet point billing tandem 16 subtending arrangements. Number retention options 17 will also be of limited utility if they impose financial penalties on either competing carriers or 18 19 consumers. 20 Q. WHAT IS MFS' POSITION ON THE FUNDING OF INTERIM 21 NUMBER PORTABILITY? 22 Α. Additional costs that result from the provision of

23 interim number portability arrangements, such as the

potential cost of double switching calls initially 1 routed to MLEC end offices, should be recovered from . 2 the general body of <u>all</u> ratepayers on a non-3 discriminatory basis. This burden should be spread 4 evenly throughout the rate base because all 5 telecommunications users benefit from the existence 6 of a seamless public switched network with the 7 8 capability of providing number portability.

The Commission, as a matter of public policy, 9 has found that competition would be beneficial for 10 all telephone customers in Florida -- not just for 11 competitive providers or their customers. 12 The burden of funding the interim number portability 13 solutions necessary for that competition to develop 14 must therefore be shared by all who benefit from 15 16 that competition -- all Florida telephone users. Again, other states that have addressed this issue, 17 such as New York and Michigan, have established 18 19 mechanisms that would spread the funding of number 20 portability evenly.

WHAT MECHANISM DO YOU PROPOSE TO FUND INTERIM NUMBER 1 Q. PORTABILITY? 2 MFS recommends a mechanism based on that recently A. 3 adopted in New York State and ordered by the New 4 York Public Service Commission in its Order of March 5 8, 1995, the Rochester Telephone Open Market Plan. 6 Case 94-C-0095, Competition 2 Proceeding, Order 7 Requiring Interim Number Portability Directing a 8 Study of the Feasibility of a Trial of True Number 9 Portability and Directing Further Collaboration, 10 (N.Y.P.S.C., March 8, 1995). See copy attached as 11 12 Exhibit B hereto. No charge would be imposed on the number forwarded, but an annual surcharge on all 13 MLEC-assigned numbers would be assessed based upon 14 the product of total minutes of calls forwarded and 15 16 incremental costs of switching. (For Rochester, the incremental cost of switching is approximately 0.5¢-17 0.6¢). For example, if MFS were retaining 500 18 19 BellSouth numbers in a geographic area comprising 20,000 numbers, then MFS should be assessed 20 21 500/20000 or 2.5 percent of the BellSouth costs 22 associated with interim number portability in that 23 area.

Interim number portability funding, however, 1 2 should not be confused with compensation mechanisms: interim number portability is a technical solution 3 to a key obstacle to implementing competition, but 4 5 it is <u>not</u> a mechanism to redistribute compensation 6 between providers. New entrants and their end-users should therefore not pay a disproportionate share of 7 8 the burden of providing interim number portability. Switched access and local compensation should apply 9 10 regardless of whether a call is completed using interim number portability. MFS believes that this 11 12 is the only approach consistent with the 13 Commission's goal of introducing competition in the 14 local exchange market. 15 Q. WOULD THE MLECS STIPULATE TO THE PRINCIPLE THAT ACCESS CHARGES AND LOCAL COMPENSATION MUST BE PASSED 16 17 THROUGH TO THE CUSTOMER'S CARRIER WHEN INTERIM i8 NUMBER PORTABILITY ARRANGEMENTS ARE IMPLEMENTED? 19 Α. No. The MLECs would not agree to this principle in 20 the Stipulation.

WHICH CARRIER SHOULD COLLECT THE CHARGES FOR **Q**. 1 TERMINATION OF TRAFFIC ON ITS NETWORK WHEN A CALL IS 2 RECEIVED VIA NUMBER RETENTION? 3 Only if the customers' carrier collects these A. 4 revenues will competition be stimulated by interim 5 number portability. Allowing the incumbent LEC to 6 retain toll access charges for calls terminated to a 7 retained number belonging to a customer of another 8 carrier would have three adverse consequences. 9 First, it would reward the incumbent LEC for the 10 11 lack of true local number portability, and therefore provide a financial incentive to delay true number 12 portability for as long as possible. Second, it 13 would help reinforce the incumbent LEC bottleneck on 14 termination of interexchange traffic, and thereby 15 stifle potential competition in this market. Third, 16 it would impede local exchange competition by 17 18 preventing new entrants from competing for one significant component of the revenues associated 19 with that service, namely toll access charges. 20

21 MFS does not subscribe to the LEC conventional 22 wisdom that access charges "subsidize" local 23 exchange service, since there is no evidence that

the forward-looking economic cost of the basic local 1 2 exchange service exceeds its price as a general 3 matter (aside from special circumstances such as 4 Lifeline, where a subsidy may exist). Nonetheless, access charges clearly provide a significant source 5 of revenue -- along with subscriber access charges, 6 7 local flat-rate or usage charges, intraLATA toll 8 charges, vertical feature charges, and perhaps others -- that justify the total cost of 9 10 constructing and operating a local exchange network, including shared and common costs. It is 11 12 unrealistic to expect new entrants to make the substantial capital investment required to construct 13 14 and operate competitive networks if they will not 15 have the opportunity to compete for all of the 16 services provided by the LECs and all of the 17 revenues generated by those services. As long as 18 true local number portability does not exist, the 19 new entrants' opportunity to compete for access revenue would be severely restricted if they had to 20 21 forfeit access charges in order to use interim 22 number portability arrangements.

1Q.SHOULD COMPENSATION ARRANGEMENTS FOR THE EXCHANGE OF2LOCAL OR TOLL TRAFFIC BETWEEN LECS VARY DEPENDING ON3WHETHER INTERIM NUMBER PORTABILITY WAS IN PLACE ON A4GIVEN CALL?

Temporary number portability is a technical 5 Α. No. arrangement that will permit competition to take 6 7 root in Florida. The purpose of temporary number 8 portability is to permit new entrants to market 9 their services to customers by permitting customers 10 to retain their phone numbers when switching to a new provider. Because it is necessary to bring to 11 12 the public the benefits of competition at this time, 13 temporary number portability benefits all callers, and has absolutely nothing to do with compensation. 14 15 These issues should not be mixed, and compensation 16 should not vary depending on whether temporary 17 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 1 elements should not be paid to the new entrant to 2 the extent that the MLECs will be transporting the 3 Thus, for LATA-wide call on their own networks. 4 5 calls originating on the MLEC networks and terminating on the new entrant's network, the 6 effective inter-carrier compensation structure at 7 the time the call is placed should apply. Traffic 8 from IXCs forwarded to the new entrant via the 9 temporary number portability service should be 10 compensated by the MLECs at the appropriate 11 12 intraLATA, interLATA-intrastate, or interstate 13 terminating access rate less those transport 14 elements corresponding to the use of the MLECs network to complete the call. In other words, MLECs 15 should receive entrance fees, tandem switching, and 16 17 part of the tandem transport charges. The new entrant should receive local switching, residual 18 interconnection charge, Carrier Common Line charges, 19 20 and part of the transport charge. (The pro-rata 21 billing share to be remitted to the new entrant should be identical to the rates and rate levels as 22 23 non-temporary number portability calls.) The MLECs

1 will bill and collect from the interexchange carrier and remit the appropriate portion to the new 2 3 entrant. Q. SHOULD THIS DOCKET BE CLOSED IMMEDIATELY AFTER THE 4 PROPOSED SCHEDULE CONCLUDES? 5 6 Α. No. Even if there is agreement or a Commission 7 solution to the question of temporary number 8 portability, the experience of MFS in New York in 9 other states suggests that there will additional 10 problems in implementation. These could include, 11 for example, differences of interpretation of the 12 requirements, or unanticipated technical issues.

Moreover, additional temporary solutions could arise that were not contemplated at this time. Given the market dominance of the MLECs, the Commission should keep this docket open as a vehicle to address these issues.

18 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

19 **A.** Yes.

145002.1

CERTIFICATE OF SERVICE DOCKET NO. 950737-TP

I hereby certify that on this 10th day of October 1995, copies of the corrected version of Direct Testimony of Timothy Devine On Behalf Of Metropolitan Fiber Systems of Florida, Inc. were served by first-class mail on the following:

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CERTIFICATE OF SERVICE DOCKET NO. 950737-TP

I hereby certify that on this 10th day of October 1995, copies of the corrected version of Direct Testimony of Timothy Devine On Behalf Of Metropolitan Fiber Systems of Florida, Inc. were served by first-class mail on the following:

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