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

Re: Docket No. 950985-TP (Local Interconnection)
(Continental Subdocket)

Dear Ms. Bayó:

Enclosed for filing on behalf of MCI Metro Access
Transmission Services, Inc. are the original and fifteen copies
of the prefiled rebuttal testimony of Dr. Nina Cornell.

By copy of this letter, these documents have been furnished
to the parties on the attached service list.

Very truly yours,

Richard D. Melson

Richard D. Melson

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY OF

DR. NINA W. CORNELL

ON BEHALF OF

MCI METRO ACCESS TRANSMISSION SERVICES, INC.

DOCKET NO. 950985B-TP

(CONTINENTAL SUBDOCKET)

NOVEMBER 27, 1995

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FPSC-RECORDS/REPORTING

1 Q. WHAT IS YOUR NAME AND ADDRESS?
2
3 A. My name is Nina W. Cornell. My address is 1290 Wood River Road, Meeteetse,
4 Wyoming 82433.
5
6 Q. DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS PROCEEDING?
7
8 A. Yes.
9
10 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?
11
12 A. My rebuttal testimony responds to the testimony of Mr. Scheye, filed on behalf of
13 BellSouth. In particular, I disagree with his contention that the agreement signed by
14 Teleport Communications Group (TCG) is a good model for local interconnection;
15 that there should be a payment for universal service support contained in
16 interconnection charges; and that the functions listed in Appendix B to the agreement
17 signed by TCG represent the complete unbundling that is either technically or
18 economically feasible.
19
20 Q. MR. SCHEYE CLAIMS THAT CONTINENTAL CABLEVISION (AND THE
21 OTHER ENTRANTS) SHOULD SIGN THE SAME INTERIM AGREEMENT FOR
22 INTERCONNECTION THAT TCG HAS SIGNED. DO YOU AGREE?
23
24 A. No. The agreement signed by BellSouth and TCG is bad for consumers in Florida
25 because it would prevent the most effective form of competition for at least five

1 major reasons. First, the agreement sets interconnection rates at levels higher than
2 direct economic cost, which means that the lowest possible price that can result from
3 local exchange competition is higher than it needs to be. Second, the agreement uses
4 switched access charges as the basis for interconnection, which penalizes entrants
5 unless they adopt the same technology and architecture as BellSouth. This in turn
6 would reduce one of the major benefits of opening up local exchange services to
7 entry, namely fostering more rapid deployment of new technologies and services.
8 Third, the interim agreement is linked to a specific approach to ensuring universal
9 service that would greatly over-recover the costs of providing universal service and
10 would do so in an anticompetitive manner. Fourth, the interim number portability
11 solution is priced above its cost, an action that increases the existing barrier to entry
12 posed by the lack of true number portability. Fifth, the list of unbundled functions
13 contained in the interim agreement is insufficient, and is not the total number of
14 elements that are technically and economically capable of being unbundled.

15

16 Q. HOW DOES THE INTERIM AGREEMENT BETWEEN TCG AND BELLSOUTH
17 SET THE RATE FOR INTERCONNECTION AT LEVELS HIGHER THAN
18 DIRECT ECONOMIC COST?

19

20 A. The interim agreement between TCG and BellSouth sets the rate for local
21 interconnection at the rates charged for certain components of switched access, all of
22 which are higher than cost. Moreover, because switched access charges are used,
23 additional costs for measurement, billing and collection will be incurred that could
24 be avoided if the Commission orders the use of Mutual Traffic Exchange, as I
25 discussed in my direct testimony on pages 13-14 and page 15. Moreover, the use of

1 switched access charges imposes a price squeeze, as I also discussed in my direct
2 testimony on pages 20-21.

3

4 Q. MR. SCHEYE SAYS THAT A SINGLE INTERCONNECTION CHARGE IS
5 NEEDED BECAUSE SOME TIME IN THE FUTURE BELL SOUTH WILL NOT
6 BE ABLE TO DISTINGUISH BETWEEN DIFFERENT KINDS OF TRAFFIC. DO
7 YOU AGREE?

8

9 A. Not in the way Mr. Scheye has depicted the problem. First of all, BellSouth is not
10 proposing a single interconnection rate. Despite the use of switched access charges
11 as the basis for the charge for interconnection, BellSouth is not proposing that the
12 same rate elements apply to local interconnection as apply to interexchange traffic.

13 Second, the concern Mr. Scheye expresses about not being able to tell
14 different kinds of traffic apart is based on what he believes will occur when there is
15 location number portability, not true service provider number portability. It is the
16 latter that is currently being developed. Location number portability is a capability
17 that is not yet possible, and may not be provided for a long time to come.

18 Moreover, he may well be wrong that the development of location number
19 portability will prevent BellSouth from knowing what kind of traffic is involved, as
20 the information that is used today to determine what kind of traffic is involved is the
21 same information that is required for routing traffic. Today, traffic types are
22 determined by the Vertical and Horizontal (V & H) coordinates assigned to an
23 exchange, to which in turn one or more NXX codes are assigned. Thus, NXX codes
24 are geographically specific, and those V & H coordinates can be used both to
25 determine how to route the call, as well as how to bill it. Once location number

1 portability is provided, carriers will still need ultimately to know how to route a call,
2 in order that it arrives at the required geographic spot where the called party is
3 located. To do this, location number portability will have to develop an alternative
4 means for determining where to send the call other than reliance on the dialed NPA
5 and NXX codes. Until this problem is solved, location number portability cannot be
6 provided. Once this problem is solved, however, it will also allow BellSouth and all
7 other carriers to know what kind of traffic is involved.

8

9 Q. SHOULD ALL INTERCONNECTION CHARGES BE THE SAME?

10

11 A. The answer is yes if and only if they all are set at direct economic cost and no
12 higher. This system would have all carriers recover their indirect costs in retail
13 rates, all of which could be subject to competition. This pricing rule would allow
14 telecommunications markets to become more efficient than would any other pricing
15 rule for all interconnection prices.

16

17 Q. HOW DOES THE USE OF SWITCHED ACCESS CHARGES PENALIZE
18 ENTRANTS UNLESS THEY MIRROR THE TECHNOLOGY AND
19 ARCHITECTURE OF BELLSOUTH?

20

21 A. Because the rate elements of switched access charges reflect the architecture and
22 technology of BellSouth, the entrant could only collect for these rate elements by
23 mirroring that technology and architecture. This is also discussed in more detail in
24 my direct testimony on pages 23-24.

25

1 Q. MR. SCHEYE OPPOSES THE USE OF MUTUAL TRAFFIC EXCHANGE
2 BECAUSE HE CLAIMS IT WOULD DISCOURAGE ENTRANTS FROM
3 BUILDING THEIR OWN TANDEM SWITCHES, INSTEAD USING THE
4 TANDEM SWITCHES OF BELL SOUTH. DO YOU AGREE?

5

6 A. No. There are two major problems with Mr. Scheye's example. The first is that it
7 demonstrates the validity of my concern that BellSouth is trying to force entrants to
8 mirror the technology and architecture of BellSouth even if it is not efficient to do
9 so. The second is that even if an entrant installed a tandem, it could not substitute
10 for use of BellSouth's tandem.

11 Mr. Scheye's apparent desire that entrants be forced to build their own
12 tandem switches is a demand that entrants mirror the technology and architecture of
13 the incumbent local exchange carriers. It is possible that today there are too many
14 switches in the networks of the incumbents. Entrants may connect to the tandem
15 switches of the incumbents to terminate local traffic because the excess of switches
16 would otherwise require an inefficient amount of interoffice trunks to connect each
17 entrant's switch with each of BellSouth's end office switches. Entrants should not
18 be penalized for the possible inefficiency of BellSouth's network architecture by
19 interconnection arrangements that try to induce them to duplicate the inefficiencies.

20 What is even worse about the particular example is that even were an entrant
21 to install its own tandem switch, it could not substitute for the tandem switch of
22 BellSouth unless BellSouth also built interconnections between each of its end offices
23 and the tandem of the entrant. Just because a switch is called a tandem means
24 nothing until the switches that home on that tandem are also identified. Thus, Mr.
25 Scheye's example is totally inappropriate for the claim he is trying to make.

1

2 Q. DOES THE FACT THAT CARRIERS WILL NEED BILLING SYSTEMS FOR
3 OTHER KINDS OF TRAFFIC MEAN THAT THERE WILL BE NO
4 ADMINISTRATIVE COST SAVINGS FROM USING MUTUAL TRAFFIC
5 EXCHANGE RATHER THAN A PAYMENT IN CASH FOR LOCAL
6 INTERCONNECTION?

7

8 A. No. This claim of Mr. Scheye's is false, and in fact the interim agreement with TCG
9 contains a provision that would have the parties revert to Mutual Traffic Exchange
10 if these costs were determined to be greater than the amount of monies to be
11 exchanged. The fact that other kinds of traffic would have bills rendered does not
12 change the fact that the much larger amount of traffic that is local would add
13 administrative costs. A number of the functions involved in recording data and
14 rendering bills impose costs based on the number of items to be billed, whether that
15 would be minutes or calls. These are the kinds of administrative costs that would be
16 saved if the Commission orders Mutual Traffic Exchange, rather than payment in
17 cash.

18

19 Q. MR. SCHEYE ALSO TRIES TO DISMISS THE RELEVANCE OF BELLSOUTH'S
20 OWN USE OF MUTUAL TRAFFIC EXCHANGE WHEN THERE IS EXTENDED
21 AREA SERVICE BETWEEN A BELLSOUTH EXCHANGE AND AN
22 INDEPENDENT LOCAL EXCHANGE CARRIER'S EXCHANGE. ARE HIS
23 ARGUMENTS CORRECT?

24

25 A. No. He seems to claim that because BellSouth and the independents have not used

1 Mutual Traffic Exchange for other than extended area calling, that it is irrelevant.
2 It is not. Extended area service calling is the only form of intercompany provision
3 of local exchange service prior to the development of competition. Mr. Scheye also
4 claims that because the companies were not competitors, the use of Mutual Traffic
5 Exchange for extended area service is irrelevant. He is wrong. The fact that
6 noncompeting companies voluntarily agreed to Mutual Traffic Exchange is highly
7 relevant. Noncompeting companies have no ability to engage in anticompetitive
8 behavior when negotiating intercompany arrangements. Moreover, unlike the
9 situation that exists today, both companies needed the other at the time the
10 arrangements were negotiated. Today, entrants need interconnections in order to get
11 into business at all, but BellSouth, or any other incumbent local exchange carrier,
12 does not need anything from the entrants. That is why all of the agreements that
13 have been "negotiated" today have not resulted in Mutual Traffic Exchange, because
14 the power of the parties at the "negotiating table" is so unequal. The Commission
15 should look closely at the increased efficiency that results when Mutual Traffic
16 Exchange is the method for compensating for terminating local calls originated on
17 another network, an efficiency that is demonstrated by the use of that method for
18 extended area service arrangements between noncompeting local exchange carriers.

19
20 Q. WHAT IS THE PROBLEM WITH THE APPROACH TO UNIVERSAL SERVICE
21 SUPPORT CONTAINED IN THE INTERIM AGREEMENT?

22
23 A. BellSouth has linked Commission approval of a universal service support mechanism
24 that would guarantee the full recovery of all of BellSouth's embedded costs to even
25 the overpriced interconnection charges that are contained in the interim agreement.

1 This would impose significant inefficiencies on consumers in Florida, even if
2 effective local exchange competition were to develop. BellSouth otherwise has said
3 that it would insist on a universal service charge as part of interconnection charges,
4 a move that would impose a significant barrier to entry into local exchange markets.
5 This would occur because the rates charged would not be reciprocal. I discussed in
6 my direct testimony on pages 9-10 the problems caused when rates are not reciprocal.

7

8 Q. WHY DOES PRICING INTERIM NUMBER PORTABILITY ABOVE COST
9 WORSEN THE EXISTING BARRIER TO ENTRY CAUSED BY THE LACK OF
10 TRUE NUMBER PORTABILITY?

11

12 A. Number portability is necessary for some customers to consider alternative providers
13 at all. Interim number portability approaches are all inferior to true service provider
14 number portability. Making entrants pay more than the cost of providing interim
15 number portability raises their costs relative to the costs of the incumbent, which
16 means it imposes a barrier to entry. In this case, the barrier to entry is already in
17 existence due to the lack of any number portability. Making entrants pay more than
18 the cost of providing the interim solutions only increases the barrier to entry.

19

20 Q. WHAT ADDITIONAL UNBUNDLED ELEMENTS ARE TECHNICALLY AND
21 ECONOMICALLY FEASIBLE AND SO SHOULD BE PROVIDED IN ADDITION
22 TO THOSE ON THE LIST CONTAINED IN APPENDIX B TO THE INTERIM
23 AGREEMENT?

24

25 A. BellSouth should also provide an unbundled loop, loop concentration, and loop

1 transport as part of the initial set of unbundled elements. Other local exchange
2 providers such as NYNEX are providing unbundled loops today, so it clearly is both
3 technically and economically feasible to do so.

4

5 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

6

7 A. Yes.

8

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