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July 7, 1993

Mr. Steve Tribble  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Fletcher Building  
Tallahassee, FL 32399-0850

921074-TP

Dear Mr. Tribble:

Enclosed for filing in the above docket are an original and 16 copies of (1) the Rebuttal Testimony of Paul Kouroupas on behalf of Teleport Communications Group and (2) the prehearing statement of Teleport Communications Group.

Please date stamp the extra copy of each and return them in the enclosed self-addressed, stamped envelope.

Please call me at 718-983-2939 if you have any questions.

Thank you.

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Sincerely,

*Jodie L. Donovan*  
Jodie L. Donovan  
Regulatory Counsel

cc: Service List

*6 x Eric's text*

*Prehearing Statement*  
DOCUMENT NUMBER-DATE  
07322 JUL-88  
FPSC-RECORDS/REPORTING

*Testimony*  
DOCUMENT NUMBER-DATE  
07321 JUL-88  
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TELEPORT COMMUNICATIONS GROUP  
REBUTTAL TESTIMONY OF PAUL KOUROUPAS  
DOCKET NO. 921074-TP

- 1 Q. What is your name?
- 2 A. Paul Kouroupas
- 3
- 4 Q. Did you already file direct testimony on behalf of
- 5 Teleport Communications Group Inc. (TCG) in this
- 6 proceeding?
- 7 A. Yes.
- 8
- 9 Q. Have you read the other parties' direct filed
- 10 testimony?
- 11 A. Yes.
- 12
- 13 Q. Are there any additional issues you would like to
- 14 address after reading the direct testimony?
- 15 A. Yes, I would like to address the issue of universal
- 16 service and "contributions" to residential ratepayers
- 17 raised by Mr. Poag on behalf of United Telephone
- 18 Company (page 2, lines 10-25, page 3, lines 1-2) and by
- 19 Mr. Denton on behalf of Southern Bell Telephone (page
- 20 3, lines 4-14).
- 21
- 22 Q. Do you believe a policy authorizing expanded

1 interconnection for intrastate special access services  
2 in any way jeopardizes residential ratepayers or  
3 universal service?

4 A. No. First, the Commission should remember that local  
5 exchange carriers (LECs) have always raised this fear  
6 when confronted with any competitive challenge. Yet,  
7 each time new markets opened up (long distance,  
8 customer premises equipment (CPE), inside wiring,  
9 etc.), universal service remained secure. Indeed,  
10 universal service penetration rates -- in terms of the  
11 percentage of people served by the LECs -- have  
12 steadily increased in the face of competition. I would  
13 expect this trend to continue as competition grows for  
14 local telecommunications service.

15  
16 Second, competition for local telecommunications  
17 services can contribute to the goal of universal  
18 service. Competition in states in which intrastate  
19 special access interconnection is permitted (New York,  
20 Illinois, Massachusetts, Michigan) has spurred LECs to  
21 improve efficiencies and reduce costs. To the extent  
22 that these efficiencies are flowed through to customers  
23 --as they should be -- rates for local  
24 telecommunications services decrease. For example, in  
25 the CPE market, competition has delivered to consumers  
26 CPE that is smaller, more powerful, more feature rich,

1 and mobile, with new products coming to the market more  
2 quickly than ever, all at lower costs. Competition for  
3 local telecommunications services can deliver the same  
4 benefits to consumers.

5  
6 Third, competition for intrastate special access  
7 services will actually keep consumers on the LECs'  
8 networks. As consumer demand for local  
9 telecommunications services continues to diversify, it  
10 is increasingly difficult for one carrier to satisfy  
11 the needs of the entire market, especially the need for  
12 vendor and route diversity. More and more, large and  
13 sophisticated consumers look to private network  
14 solutions for their needs. These consumers may then  
15 completely abandon the LEC network. A policy  
16 permitting interconnection for access services  
17 alleviates this problem by permitting access  
18 competitors to satisfy the diverse needs of the public.  
19 Because expanded interconnection for access competitors  
20 encourages them to interconnect to the LEC networks --  
21 rather than build entirely separate networks -- the LEC  
22 retains the revenue associated with the  
23 interconnector's use of the LEC's network services.  
24 Contrasted with the potential of a total loss of the  
25 revenues which would result from construction of an  
26 entirely separate network, authorization of expanded

1 interconnection gives the LECs an ability to derive  
2 revenues from the interconnector.

3  
4 Finally, until the LECs can identify and quantify  
5 exactly which consumers are in danger of losing service  
6 as a result of competition, it is impossible to fully  
7 evaluate their claims.

8  
9 Q. Mr. Poag and Mr. Denton claim that there are cross-  
10 elasticities between dedicated access and switched  
11 access services and that if the price for dedicated  
12 services drops because of competition, then customers  
13 will migrate from switched services to dedicated  
14 services to take advantage of the cost "savings". This  
15 will then cause the LECs' switched revenues to  
16 decrease, argue Mr. Poag and Mr. Denton, which will  
17 endanger residential rates. (Poag testimony, pages 8-9,  
18 page 10, lines 13-21, pages 12-14; Denton testimony,  
19 page 14, lines 1-12). Do you agree with this theory?

20 A. No. Only a limited number of end users need dedicated  
21 telecommunication services. They need the redundancy  
22 of dedicated circuits and most importantly, they need  
23 the capacity. However, most end users do not need to  
24 use special access facilities. Based on the logic of  
25 the arguments made by Mr. Poag and Mr. Denton, a single  
26 rail commuter would purchase a ticket for every seat on

1 the train if he could get a bulk rate discount.  
2 Obviously, the commuter would never do this and neither  
3 will a telecommunications user purchase dedicated  
4 access facilities if it does not need them.

5  
6 In states, such as New York, in which intrastate  
7 special access expanded interconnection is already in  
8 place, there is no evidence of any shift of customers  
9 from switched access to special access services, much  
10 less any evidence that the LECs' residential ratepayers  
11 have been affected. Any possible increase in the  
12 cross-elasticity between these two classes of service  
13 is far outweighed by the benefits of competition for  
14 consumers in these states.

15  
16 Even if the LECs discovered that customers were  
17 actually migrating from switched access to special  
18 access, it is unlikely that expanded interconnection  
19 for special access services -- which as a procedural  
20 matter is limited in geographic scope and customers  
21 served -- would be the cause for the shift. Even  
22 without expanded interconnection, LECs offer large term  
23 and volume discounts for high capacity services and  
24 have been aggressively seeking the ability to offer  
25 even larger discounts. If LECs were truly fearful  
26 about such migration, they would be seeking to increase

1           these special access rates, rather than implement sharp  
2           discounts.

3    Q.    Does this conclude your rebuttal testimony?

4    A.    Yes