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August 31, 1995

VIA FEDERAL EXPRESS

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

950737-TP

Dear Ms. Bayo:

Enclosed is an original and fifteen copies of Direct Testimony of Timothy T. Devine On Behalf Of Metropolitan Fiber Systems of Florida, Inc.

Please do not hesitate to contact me with any questions or concerns.

Sincerely,

James C. Falvey

Enclosures

cc: Timothy Devine
Richard M. Rindler
Andrew D. Lipman
All Persons of Record

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BEFORE THE
FLORIDA
PUBLIC SERVICE COMMISSION

In re: Investigation into temporary local telephone number portability solution to implement competition in local exchange telephone markets.	)	Docket No. 950737-TP
	)	Date: September 1, 1995

DIRECT TESTIMONY OF TIMOTHY T. DEVINE

ON BEHALF OF

METROPOLITAN FIBER SYSTEMS OF FLORIDA, INC.

Docket No. 950737-TP

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METROPOLITAN FIBER SYSTEMS OF FLORIDA, INC.

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ON BEHALF OF
METROPOLITAN FIBER SYSTEMS OF FLORIDA, INC.
Docket No. 950737-TP

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Timothy T. Devine. My business address is Metropolitan Fiber Systems of Florida, Inc. ("MFS"), 250 Williams St., Atlanta, Georgia 30303.

Q. WHAT IS YOUR POSITION WITH MFS?

A. I am the Senior Director of External and Regulatory Affairs for the Southern Region for MFS Communications Company, Inc., the indirect parent company of Metropolitan Fiber Systems of Florida.

I will collectively refer to MFSCC and its subsidiaries as "MFS."

Q. WHAT ARE YOUR RESPONSIBILITIES IN THAT POSITION?

A. I am responsible for the regulatory oversight of commission dockets and other regulatory matters and serve as MFS's representative to various members of the industry. I am also responsible for coordinating co-carrier discussions with Local Exchange Carriers within the Southern Region.

Q. PLEASE DESCRIBE YOUR PREVIOUS PROFESSIONAL EXPERIENCE AND EDUCATIONAL BACKGROUND.

A. I have a B.S. in Political Science from Arizona State University and an M.A. in Telecommunications Policy from George Washington University. I began work in the telecommunications industry in April

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

Q. PLEASE DESCRIBE THE OPERATIONS OF MFS COMMUNICATIONS COMPANY, INC. AND ITS SUBSIDIARIES

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

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

communications users. Apart from Florida, MFSI subsidiaries have been authorized to provide competitive local exchange service in seven states. Since July 1993, MFS Intelenet of New York, Inc. has offered local exchange services in competition with New York Telephone Company. MFS Intelenet of Maryland, Inc. was authorized to provide local exchange services in competition with Bell Atlantic-Maryland, Inc. in April 1994 and recently has commenced operations. On June 22, 1994, MFS Intelenet of Washington, Inc. was authorized to provide local exchange services in competition with US West Communications, Inc. On July 20, 1994, MFS Intelenet of Illinois, Inc. was certificated to provide local exchange services in competition with Illinois Bell Telephone Company and Central Telephone Company of Illinois. MFS Intelenet of Ohio was certificated to provide competitive local exchange service in competition with Ohio Bell on August 3, 1995. MFS Intelenet of Michigan, on May 9, 1995, was certificated to provide competitive local exchange service in competition with Ameritech-Michigan. MFS Intelenet of Connecticut

was dedicated to provide local exchange service in competition with Southern New England Telephone Company on June 28, 1995. Finally, MFS Intelenet of Massachusetts was certificated on March 9, 1994 to operate as a reseller of both interexchange and local exchange services in the Boston Metropolitan Area in competition with New England Telephone.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes. On August 14, 1995, I filed direct testimony in the universal service docket (docket no. 950696-TP).

Q. ARE ANY OF THE PARTIES UPON WHOSE BEHALF YOU ARE TESTIFYING CURRENTLY CERTIFICATED TO PROVIDE SERVICE IN FLORIDA?

A. Yes. Metropolitan Fiber Systems of Florida, Inc. was certificated as an Alternative Access Vendor ("AAV") on _____. By letter dated July 5, 1995, Metropolitan Fiber Systems of Florida notified the Commission of its intent to provide switched local exchange service in Florida.

I. PURPOSE AND SUMMARY

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

A. To set forth MFS's position on issues concerning the implementation of temporary local telephone number portability solutions in Florida. Temporary local telephone number portability arrangements must be available to all ALECs and LECs on an economically viable basis if local exchange competition is to develop in Florida. Any temporary local number portability arrangement that arbitrarily assigns all the costs of the arrangements to ALECs and their customers is guaranteed to stifle the development of local exchange competition in Florida. In order to encourage the development of local exchange competition in Florida, therefore, the Commission should adopt a temporary solution that spreads the costs evenly across the entire subscriber base, thereby distributing the costs of portability across all those who will reap the substantial benefits of competition. This is the approach taken in virtually every state that has adopted a temporary number portability solution.

Q. WHAT STATUTORY REQUIREMENTS HAS THE FLORIDA LEGISLATURE IMPLEMENTED WITH RESPECT TO TEMPORARY NUMBER PORTABILITY?

A. The Florida Legislature recently passed S.B. 1554 which opens the Florida local exchange market to competition. [quote Florida policy favoring competition]. As an integral aspect of this policy, Chapter 364.16(4), Florida Statutes, requires the Commission to have a temporary service provider number portability mechanism in place on January 1, 1996. The statute also requires industry participants to form a number portability standards group to develop the appropriate costs, parameters, and standards for number portability, a group that was formed on July 26, 1995. The group includes representatives of potential local exchange competitors in Florida, including MFS, and is tasked to negotiate a temporary number portability solution.

Q. HAS THE GROUP SUCCEEDED IN NEGOTIATING A COMPREHENSIVE NUMBER PORTABILITY SOLUTION?

A. No. The parties have agreed to a Stipulation addressing certain fundamental aspects of a

solutions, such as the basic technical alternatives that must be offered. The parties have not, however, been able to reach agreement on how the cost of temporary number portability should be met.

Q. WHAT WAS AGREED UPON IN THE STIPULATION?

A. The parties agreed that Chapter 364.16(4), Florida Statutes, requires a service provider temporary number portability solution that will allow an end user at a given location to change service from a local exchange company ("LEC") to an alternative local exchange company ("ALEC") and vice versa. The parties also agreed that two forms of service provider number portability should be made available on January 1, 1996: Remote Call Forwarding and Flexible or Flex DID. I will discuss these two temporary number portability methods at greater length later in my testimony. The parties also agreed that they will use their best efforts to ensure the successful integration of relevant ALEC information into the existing 911/E911 systems. The Stipulation did not reach the critical issue of how the cost of temporary number portability will be funded.

Q. ON WHAT ISSUES WILL YOU FOCUS YOUR TESTIMONY?

A. Pursuant to the recent Order Modifying Procedural Schedule issued on August 28 in this docket, I will focus on Issues 3 (advantages and disadvantages of solutions), 4 (costs associated with providing each solution), 5 (how costs should be recovered), and 8 (whether the docket should be closed).

Q. IS SOME FORM OF LOCAL NUMBER PORTABILITY ESSENTIAL?

A. Yes. Both MFS' customer surveys and its actual experience in New York conclusively demonstrate that customers are extremely reluctant to change telephone carriers if it means they will also be required to change telephone numbers. MFS has conducted two series of surveys of potential customers in New York that provide overwhelming evidence of the significance of number portability to customers considering switching to a competitive provider. Surveys dated October 10, 1994 and April 6, 1995 attached as Exhibit A. In the 1994 Survey, 92% of customers surveyed said they would not consider MFS Intelenet services without number portability. In the 1995 survey, 98% of customers said number portability was "very important" to

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

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

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

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

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

A. Every state that is implementing local exchange competition is considering some form of interim number portability. The New York Public Service Commission recently issued an Order concluding that "[n]umber portability will be essential to the transition to a competitive local exchange market." *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, Case 94-C-0095. (Exhibit B hereto at 2). The Commission ordered NYNEX and Rochester Telephone Corporation to provide interim number portability, including a broadbased sharing of costs I will describe later in my testimony. The New York Commission only required that this one option be made available, but also encouraged carriers to explore alternative solutions. All certificated local exchange companies, including competitive providers, were required to provide interim number portability.

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

Id. at 110. (The Commission added that "we intend to scrutinize the tariffs to ensure this." *Id.*)

In the MFS Intelenet of Maryland ("MFSI-MD") certification proceeding, the Maryland Public Service Commission required Bell Atlantic-Maryland ("BA-MD") to make available a tariffed Flex DID number portability solution, a solution that MFSI-MD supported at the time but no longer endorses. Under this system, MFSI-MD subscribes to BA-MD DID trunks for the receipt of incoming calls to numbers that its customers desired to retain. The service is identical to BA-MD's existing DID offerings, but any single telephone number that a customer desires to switch to MFSI-MD can be designated as a DID number (the BA-MD DID tariff only permits DID numbers to be assigned in consecutive groups of 20 numbers).

Q. WILL LOCAL EXCHANGE COMPETITION TAKE PLACE WITHOUT INTERIM NUMBER PORTABILITY?

A. Not to any significant extent because, as demonstrated by the MFS surveys, few if any customers will purchase service from competitive local providers if they cannot retain their telephone number. As other states have concluded,

postponing interim number portability is tantamount to postponing the introduction of local competition.

Q. HOW SHOULD LOCAL NUMBER PORTABILITY BE IMPLEMENTED?

A. The Commission should consider both interim and permanent solutions to this issue. While permanent number portability arrangements are necessary to eliminate the inequities imposed on new entrants by temporary arrangements, MFS will focus in this testimony on temporary solutions. MFS applauds the Legislature's determination that temporary number portability should be in place by January 1, 1996. MFS proposes that the Commission should require the MLECs to offer temporary local number portability services using at least the currently available Co-Carrier Call Forwarding method. Although there may be other technical alternatives to Co-Carrier Call Forwarding, Metropolitan Fiber Systems of Florida, Inc. ("MFS") will focus on this solution to the extent that it is the method preferred by MFS.

Q. BASED ON MFS' EXPERIENCE IN NEW YORK, DO YOU BELIEVE THAT WORKABLE INTERIM NUMBER PORTABILITY ARRANGEMENTS CAN BE IMPLEMENTED AT THIS TIME?

A. Yes. MFS has successfully completed trials of its preferred interim solution, Co-Carrier Call Forwarding ("CCF"), a remote call forwarding-based solution, in New York, (with both NYNEX and Rochester Telephone) and I would like to take this opportunity to describe this experience. The New York Public Service Commission and Pacific Bell have also endorsed CCF as the best interim solution. The MFSI/NYNEX interim Agreements in New York and Massachusetts also provide for CCF as an interim solution.

Q. BRIEFLY, HOW DOES CO-CARRIER CALL FORWARDING WORK?

A. CCF works within the constraints of the existing numbering system, under which numbers must be associated with a specific LEC central office. Under the CCF approach as it is presently used in New York, MFS Intelenet assigns a new telephone number in its own NXX code corresponding to each 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-carrier traffic exchange. The advantage of CCF is that inefficient trunk groups between the new entrant's switch and the incumbent's end offices can be eliminated. Forwarded calls can be routed through the tandem switch over common trunk groups. Signaling can be either in-band or out-of-band SS7. The Automatic Number Identification ("ANI") that is out-pulsed when the customer places a call is the new number which is transparent to the customer. The MLEC will update its Line Identification Database ("LIDB") listings for redirected telephone numbers and cancel MLEC calling cards associated with such numbers.

Q. WHAT ARE SOME OF THE DISADVANTAGES OF CCF?

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

Q. IS CCF STILL THE BEST INTERIM SOLUTION IN YOUR VIEW DESPITE THESE DEFICIENCIES?

A. Yes.

Q. WHAT ARE THE ADVANTAGES OF CCF THAT MAKE IT THE BEST INTERIM SOLUTION?

A. Although CCF is not technically optimal, as cited above, the several state commissions, LECs, and MFSI have agreed that CCF is the best interim solution available. CCF provides the critical function of permitting end users to change local service providers while retaining their existing telephone number, with virtually no impact to the incumbent LEC's customer base and network. Like any interim system, CCF is not perfect, and while a better interim solution may come about, it is in MFS's view the best currently available interim solution.

Q. ON BALANCE, DO THE BENEFITS OF INTERIM NUMBER PORTABILITY OUTWEIGH THE LIMITED COSTS?

A. Yes. The costs are very limited. [Possible reference to costs and benefits portion of stipulation, if included in final stipulation.] MFS has clearly demonstrated that number portability at a reasonable price is essential to the development

of competition, because customers simply may not be inclined to subscribe to ALEC services if they cannot retain their current phone numbers. Florida can ill afford to put local competition on hold while other states forge ahead with interim number portability solutions. The State will lose infrastructure investment to other states, and significant economic development dollars to New York, Illinois, Washington, Michigan, Ohio, Connecticut, Pennsylvania, Maryland and other states that are rapidly adopting competitive local markets. Florida must also compete with neighboring Southern states, as competition is rapidly sweeping throughout the South: Georgia, North Carolina, Tennessee, Kentucky, and Virginia, among others, are currently addressing local competition issues in proceedings similar to this one. Delay would also be inconsistent with the Commission's and the Legislature's commitment to implementing competition.

Q. DO YOU BELIEVE THAT FLEX DID SHOULD ALSO BE AVAILABLE IF OTHER PARTIES REQUEST IT?

A. Yes. MFS believes that all technically and economically feasible alternatives should be available if there is demand for them. MFS is only focusing its testimony on the CCF solution because it is the Company's preferred method.

Q. ON WHAT TERMS SHOULD CO-CARRIER NUMBER FORWARDING BE MADE AVAILABLE BY MLECS?

A. The Commission should establish the basic terms under which CCF will be made available to all carriers. Any number retention option should be offered on terms that do not interfere with other co-carrier arrangements, such as reciprocal compensation and meet point billing tandem subtending arrangements. Number retention options will also be of limited utility if they impose financial penalties on either competing carriers or consumers.

Q. WHAT IS MFS' POSITION ON THE FUNDING OF INTERIM NUMBER PORTABILITY?

A. Additional costs that result from the provision of interim number portability arrangements, such as the

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

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

Q. WHAT MECHANISM DO YOU PROPOSE TO FUND INTERIM NUMBER PORTABILITY?

A. MFS recommends a mechanism based on that recently adopted in New York State and ordered by the New York Public Service Commission in its Order of March 8, 1995, the Rochester Telephone Open Market Plan. Case 94-C-0095, *Competition 2 Proceeding, Order Requiring Interim Number Portability Directing a Study of the Feasibility of a Trial of True Number Portability and Directing Further Collaboration*, (N.Y.P.S.C., March 8, 1995). *See* copy attached as Exhibit C hereto. No charge would be imposed on the number forwarded, but an annual surcharge on all MLEC-assigned numbers would be assessed based upon the product of total minutes of calls forwarded and incremental costs of switching. (For Rochester, the incremental cost of switching is approximately 0.5¢-0.6¢). For example, if MFS were retaining 500 BellSouth numbers in a geographic area comprising 20,000 numbers, then MFS should be assessed 500/20000 or 2.5 percent of the BellSouth costs associated with interim number portability in that area.

Interim number portability funding, however, should not be confused with compensation mechanisms: interim number portability is a technical solution to a key obstacle to implementing competition, but it is not a mechanism to redistribute compensation between providers. New entrants and their end-users should therefore not pay a disproportionate share of the burden of providing interim number portability. Switched access and local compensation should apply regardless of whether a call is completed using interim number portability. MFS believes that this is the only approach consistent with the Commission's goal of introducing competition in the local exchange market.

Q. WOULD THE MLECS STIPULATE TO THE PRINCIPLE THAT ACCESS CHARGES AND LOCAL COMPENSATION MUST BE PASSED THROUGH TO THE CUSTOMER'S CARRIER WHEN INTERIM NUMBER PORTABILITY ARRANGEMENTS ARE IMPLEMENTED?

A. No. The MLECs would not agree to this principle in the Stipulation.

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. SHOULD THIS DOCKET BE CLOSED IMMEDIATELY AFTER THE PROPOSED SCHEDULE CONCLUDES?

A. No. Even if there is agreement or a Commission solution to the question of temporary number portability, the experience of MFS in New York in other states suggests that there will additional problems in implementation. These could include, for example, differences of interpretation of the 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.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

GROUP EFO LIMITED
New Brands / Business Building

EXHIBIT A

Edward F. Ogiba
President

October 10, 1994

Ms. Suzanne Yerdon
Director, Industry Affairs
MFS Intelenet, Inc.
6 Century Drive
Suite 300
Parsippany, NJ 07054

Dear Ms. Yerdon:

This is in response to your question regarding the "new product" research we completed for MFS Intelenet and what it specifically indicated about the issue of phone number retention.

BACKGROUND

In July, 1993 we conducted six in-depth focus groups among 25 senior mangers and presidents of 25 different Manhattan based businesses. The purpose of this research was to assess the appeal of a new phone service from MFS Intelenet among prime prospects.

To qualify for this research, each panelist had to be the person responsible at his or her corporation for managing phone services, as well as for making all recommendations for any changes or improvements. In addition, each panelist had to represent a company which:

- billed at least $5000 per month in telephone charges, with a minimum of $4000 in long distance charges.
- currently use ATT or MCI as their long distance carrier.
- had at least 25 employees.
- was located in of the 141 buildings in Manhattan which was already wired to MFS

15 Heritage Lane Weston, CT 06883 203-226-6700 FAX 203-227-7775

FINDINGS

1. 96% of the sample expressed an interest in one or more ofthe seven MFS Intelenet prototype service packages – or concepts -- presented to them.

NOTE: The initial concepts made no mention that switching to MFS Intelenet might also require switching phone numbers.

2. 96% of the sample said, based on the description of the services that MFS Intelenet could provide, they would welcome a MFS salesperson who called on them to learn more about Intelenet's benefits.

80% said they would initiate discussions by calling MFS to learn more.

3. However, 92% said they would reject any serious consideration of MFS Intelenet if it required replacing their current phone number.

We raised this issue after the respondents had reacted to the MFS Intelenet concepts.

A typical reaction was: *"We have clients around the country. They all have our phone number. That number is on all company's materials. It just wouldn't be worth changing that number."*

We trust this provides the information you require. Please let me know if you have any further questions or need additional data or results.

Sincerely,

Edward F. Ogi

EFO/mls

GROUP EFO LIMITED

INDUSTRY NUMBERING COMMITTEE CONTRIBUTION

****

ISSUE: Number Portability Workshop

****

TITLE: The Importance to Customers of Retaining Current Telephone Number When Switching Telecommunications Companies

****

SOURCE: MFS Intelenet, Inc.

CONTACT: Suzanne Yerdon
MFS Intelenet, Inc.
6 Century Drive, Suite 300
Parsippany, NJ 07054

****

DATE: April 6, 1995

****

ABSTRACT: This contribution offers the results from a market research study conducted in November, 1994 by MFS Intelenet, Inc. Two questions pertaining to number portability were asked and the results are provided for industry discussion. The first question asks customers about the importance of retaining current business telephone number when switching telecommunications companies, and the second question asks about the likelihood of changing business telephone number for comparable/better service and cost by a competitor.

****

MFS INTELENET RESEARCH

LOCAL NUMBER PORTABILITY

MFS Intelenet Research Methodology

A total of 1,332 MFS Intelenet customers were interviewed via telephone by AHF Marketing Research, Inc. located at 100 Avenue of the Americas, New York, New York. The customers were selected from a list provided by MFS Intelenet. Interviewing took place from October 11 to November 18, 1994.

The decision maker identified on the customer list was interviewed unless he or she no longer worked at that company, in which case, an alternative respondent (who confirmed responsibility for telecommunications service decisions) was accepted.

Quotas were set by market in order to provide the greatest sampling efficiency. The goal was 75 interviews per market. The markets are geographically dispersed.

MFS INTELENET RESEARCH

LOCAL NUMBER PORTABILITY

The Questionnaire

Actual Questions Asked:

When you switch telecommunication companies, how important is it for you to retain your current business telephone number? Would you say it is? (Read List)

Very Important
Somewhat Important
Not Very Important
Not At All Important
(Do not read)
Don't Know

If you were offered comparable or better service and cost by a competitor and you had to change your business telephone number, how likely would you be to change you number? Would you be? (Read List)

Very Likely
Somewhat Likely
Not Very Likely
Not At All Likely
(Do not read)
Don't Know

IMPORTANCE OF RETAINING CURRENT BUSINESS TELEPHONE NUMBER WHEN SWITCHING TELECOMMUNICATION COMPANIES

	TOTAL
Unweighted Base	(1332)
Weighted Total	(1332)
Not Reported	(20)
Base: Weighted Answering	(1312)
	%
VERY/SOMEWHAT IMPORTANT	100
VERY IMPORTANT	98
SOMEWHAT IMPORTANT	2
NOT VERY/NOT AT ALL IMPORTANT	*
NOT VERY IMPORTANT	*
NOT AT ALL IMPORTANT	*

*** LESS THAN 0.5%**

LIKELIHOOD OF CHANGING BUSINESS TELEPHONE NUMBER FOR COMPARABLE/BETTER SERVICE AND COST BY COMPETITOR

	TOTAL
Unweighted Base	(1332)
Weighted Total	(1332)
Not Reported	(52)
Base: Weighted Answering	(1280)
	%
VERY/SOMEWHAT LIKELY	19
VERY LIKELY	4
SOMEWHAT LIKELY	15
NOT VERY/NOT AT ALL LIKELY	81
NOT VERY LIKELY	33
NOT AT ALL LIKELY	48

EXHIBIT B

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of Albany on February 22, 1995

COMMISSIONERS PRESENT:

Harold A. Jerry, Jr., Chairman
Lisa Rosenblum
William D. Cotter
Raymond J. O'Connor
John F. O'Mara

CASE 94-C-0095 - 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

(Issued and Effective March 8, 1995)

BY THE COMMISSION:

This proceeding was instituted by Commission order issued February 10, 1994,[1] to examine the issues raised by developing competition in the local exchange market. The order provided that the proceeding was to be divided into four issue areas (which have come to be referred to as modules): Universal Service (Module 1), Level Playing Field (Module 2), Regulatory Requirements (Module 3), and Service Quality/Network Infrastructure (Module 4). The order also provided that Commission staff would not be a party to the proceeding, but,

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[1] Case 94-C-0095 - Order Instituting Proceeding, issued February 10, 1994.

instead, serve as facilitators of the process and advisors to the Commission.

Staff has kept the Commission apprised of the substantial progress being made in this complex and multi-faceted proceeding. As the module staffs have gone about their work, collaborating with interested parties, and analyzing comments, it has become apparent that the issues are considerably interrelated. Staff advises that it is developing an approach for presenting these interrelated issues to the Commission shortly.

Three issues, however, because of their direct relationship to Track II of the New York Telephone Incentive Proceeding,[1/] have been presented to the Commission, for earlier action, in advance of the resolution of the other issues in the Competition II Proceeding. They are: number portability, directory listings and publication, and intercarrier compensation.

As discussed more fully below, this proceeding is now ripe for the Commission to adopt an interim number portability plan, as well as to direct the parties to study the feasibility of a trial of true number portability, and report back to the Commission with a plan for such a trial and information about its costs.

As also described in more detail below, after extensive collaboration with the parties, staff has made a number of proposals concerning competing intercarrier interconnection/compensation and directory listings and publication. Some of these proposals have not previously been considered by the parties, and others require input concerning how they may be implemented. We will therefore ask staff to reconvene the parties in order to allow them to discuss and

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[1/] Case 92-C-0665 - Proceeding on Motion of the Commission to Investigate Performance-Based Regulatory Plans for New York Telephone Company.

comment on these proposals, including how they may be implemented.

It should be emphasized that, especially with respect to intercarrier compensation, the outcome of this phase of the proceeding can only be a framework. Possible implementation of recommended noncontributory access rates must, of necessity, await resolution of the issues surrounding the continued provision of universal service. These issues are clearly interdependent.

SPECIFIC ISSUES

Number Portability

Number portability will be essential to the transition to a competitive local exchange market. The appropriate technical solution to full number portability will provide an economically efficient and fully functional mechanism to route calls to the appropriate local exchange carrier.

Interim Number Portability: In the period before a final solution to the issue can be implemented, an interim method to provide number portability is necessary. Currently, under the network architecture used by incumbent local exchange carriers, calls are routed to the local switch that originally served the customer. At that point it can be determined whether or not the calls need to be rerouted to another carrier (if the customer switched carriers and retained the original telephone number). Several technical and financial arrangements for the rerouting of calls have been explored during the initial collaborative and comment phase of the Competition II proceeding.

Rochester Telephone, in its recently approved Open Market Plan, has implemented a method that uses the already available "remote call forwarding" capability of its network to reroute calls to the appropriate carrier. The plan also provides

for a sharing of the added costs associated with the rerouting.[1/]

The Rochester approach strikes a reasonable balance between the utilization of existing technologies and a competitively equitable sharing of costs among the local exchange carriers and it is reasonable and appropriate to apply this interim method on a reciprocal basis. That is, the new entrants should also forward calls to others on the same basis if their customers switch service providers.

Therefore, the Rochester approach (i.e., using remote call forwarding with pro rata sharing of incremental costs), modified to include reciprocal portability among all carriers, is adopted as an interim solution. However, parties are not constrained from exploring other remote call forwarding-like options for interim portability, where, for example, remote call forwarding does not exist or other solutions are technically more desirable.[2/]

Technical Trial of Service Provider Portability: As discussed above, the parties involved in Module 2 are in general agreement that it is necessary to have a trial of true number portability. The purpose of the trial would be to examine the viability of a long term data base solution to service provider portability in a multi-carrier environment. Although the parties and staff recognize the need for an integrated, industry-wide

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[1/] The added costs relate to the "double routing" of forwarded calls. That is, the call is first routed to the wrong location (the original service switch) and then rerouted to the carrier actually serving the customer. This double routing imposes additional incremental costs on the carrier forwarding the call associated with the additional network usage. Under the Open Market Plan, Rochester would absorb a portion of the costs and all carriers would pay the remainder based on the relative quantity of telephone numbers forwarded to each carrier.

[2/] It should be noted that New York Telephone has been negotiating, including number portability arrangements, with new entrants in its service areas. These arrangements may also be acceptable alternatives.

resolution of number portability issues, it is anticipated that a national solution will be slow in coming, while local competition has already begun or is about to be introduced in most of the major metropolitan areas in New York.

Thirteen companies, representing all segments of the telecommunications industry, have been working with staff to establish the framework for, and the technical parameters of, such a trial; some parties, however, are reluctant to proceed further without some indication from the Commission that it supports a number portability trial. Information concerning the costs of the trial will not be available without undertaking additional activities which have been identified by the trial committee (e.g. seeking proposals from vendors and estimating network rearrangement costs). New York Telephone and Rochester Telephone Corporation are therefore directed, and other interested parties authorized, to study the feasibility of a number portability trial, and report back to the Commission with the relevant information, including the parameters and costs of a trial.

Directory Listings

Pursuant to regulation, local exchange companies are required to publish "white page" directory listings of the telephone numbers of the telephone subscribers in their service territories. Directory publishing has been recognized by the Commission as an essential telephone-related service, integral to the efficient use of telecommunications services. It is also a profit-making operation for the incumbent local exchange companies (LECs), derived primarily from the sale of "yellow pages" advertising, which is generally distributed along with the white page listings, and which is an advertising source highly regarded by businesses. A question posed in this proceeding was how and by whom telephone directories should be provided.

Staff concluded that little purpose would be served by requiring new entrants to publish their own directories,

particularly in view of the limited number of customers most new entrants would initially have. Requiring the incumbents to publish new entrant listings raised a number of issues which were addressed by the parties involved in this module. Among them were whether fees could be charged by the incumbents for this activity, and whether new entrants were entitled to a share of the profits from the sale of new entrant listings to third parties.

In general, the incumbent LEC parties believed that they were entitled to compensation for including new entrant listings in their directories and distributing them. On the other hand, the new entrants did not want to compensate the incumbents for adding their listings to the incumbent directories, but they did want to share in the yellow page revenues derived by the incumbents.

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 entrant 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. Any additional revenues related to the sale of directory listings to third parties should be shared between the new entrant and incumbent (staff has recommended this be based on a pro rata share of revenues).

This resolution is equitable during the transitional period, and will be tentatively adopted, although, if parties can arrive at mutually satisfactory alternative arrangement, they will be allowed to negotiate other terms. Because this solution has not been specifically addressed by the parties, the parties will be afforded a further opportunity for discussion directed at the Commission's tentative determination when staff reconvenes discussions.

Intercarrier Interconnection/Compensation

There are several issues that need to be resolved in order to define and implement the technical and financial arrangements between competing local exchange companies necessary to ensure effective competition. As noted above, each of these issues areas has been subject to an initial collaborative and comment process. The remainder of this discussion identifies those facets of each issue that need further resolution and sets forth tentative recommendations to be subject to a further abbreviated collaborative process for the purpose of final resolution.

It must be noted that the interconnection/compensation issues identified here are those primarily related to the interchange of traffic among the competing providers of local exchange service. These issues exclude those related to the use of incumbent carrier facilities, such as attachment by others to the existing utility poles. Pole attachment issues, especially as they relate to the Cable TV companies, are an important facet of the emerging competitive industry structure. However, these issues are broader in scope than the traffic interchange issues addressed herein, and involve all Cable TV companies, whether or not they intend to provide competitive telecommunications services, as well as the electric utilities who own a significant portion of the utility poles. Accordingly, pole attachment issues will be addressed separately.

Fundamental Principles: Staff has reported that the following basic principles have been developed during the initial collaborative phase of this proceeding, and have either been endorsed or have not been opposed by the parties:

- Customers must be able to call all valid telephone numbers
- Traffic and information between local exchange carriers must be exchanged

- Local exchange carriers are entitled to compensation for the costs of the traffic and services provided to each other

- Compensation charges and rates should be cost-based, uniform, and non-discriminatory, and encourage long-term efficiency

These fundamental principles have governed the development of the staff framework which we tentatively endorse, outlined below, for the intercarrier compensation arrangements between competing local exchange carriers.

Definition of Local Traffic: The arrangements, both interconnection and compensation, for the exchange of local traffic require a definition of the scope of traffic eligible to be exchanged under these arrangements. This definition is especially significant to the compensation arrangements applicable to the exchange of local traffic.

Currently, as has been the case historically, the rates for usage services (e.g., toll and local calling) provide contribution toward covering the cost of basic network access service provided to customers by local exchange telephone companies. The longer distance toll services provide a greater contribution (on a per minute basis) than shorter distance toll, and local calling provides the least. This difference in contribution levels is reflected in the differences in the price levels of the carrier access charges assessed by local exchange carriers to interexchange carriers for their use of the local network in the provision of toll services. There are three sets of carrier access charges applicable to the use of the local exchange network by other carriers - - interstate access (for calls between the states), intrastate interLATA access (for calls between the LATAs in New York State), and intrastate intraLATA access (for calls originating and terminating within the same LATA). Thus, the charges assessed by local exchange carriers for the use of their networks to originate or terminate calls is, in

part, dependent on where the call was originated (or where the call is destined to be terminated).

At issue in the Competition II proceeding is whether this approach should be continued for the exchange of local traffic among local exchange carriers, which would limit the compensation arrangements to traffic that is originated and terminated within predefined "local" calling areas, or whether a different arrangement should be implemented for local carriers wherein compensation would not be dependent upon where calls are originated and terminated.

In order to maintain competitive equity among not only the local exchange carriers, but also competitive equity between the local exchange carriers and the interexchange carriers, staff has proposed a framework that would establish a separate (and new) set of charges for the exchange of local traffic (which would be applicable to all carriers, both local exchange and interexchange carriers, for the origination and termination of local traffic) and continue the current applicability of existing carrier access charges for the origination and termination of non-local traffic.

For the purpose of implementing the local traffic interconnection and compensation arrangements, local calling areas would be defined as the flat rate or Band A calling areas (intraregion calling in the downstate LATA) as are delineated in the existing incumbent local exchange company tariffs.[1/] This definition would be compatible with the existing division between the local and toll (interregional calling in the downstate LATA) markets, and would maintain a level playing field among the exchange and interexchange carriers for competition in each of these markets.

[1/] This definition is intended for the purpose of implementing the compensation arrangements between the local service carriers and is not intended to limit or otherwise define the local calling areas that new entrants may offer to their customers.

This framework is proposed for consideration by the parties concerning the viability of this approach for the interchange of traffic among competing local exchange carriers. If necessary, the parties may explore appropriate alternatives that would meet identified special needs of local exchange carriers while preserving the competitive equity between local exchange carriers and interexchange carriers.

Compensation Arrangements: The approach that was developed by staff during the initial collaborative and comment phase of this proceeding is to implement cost based tariffed charges that each local exchange carrier would assess other local exchange carriers for the termination of local calls on its network. Specifically, it is proposed that:

- Tariffs be filed for the exchange of local traffic at established "Meet Points"[1/]
- The tariff rates be established at incremental costs
- Rates be symmetrically applicable among local exchange carriers for interchanged traffic at meet points
- Carriers using alternative interconnection arrangements provided by another carrier offer equivalent forms of interconnection to the other carrier[2/]
- New entrants and small incumbent carriers be allowed to avoid filing cost studies as long as the rates they charge are no more than those of the largest local exchange carrier serving the LATA
- Flat rate (i.e., unmeasured) options be offered as an alternative to measured rate (e.g., per minute) tariffs

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[1/] The concept of a common "Meet Point" at tandem facilities is addressed in the following section on Interconnection Requirements.

[2/] For example, a local exchange carrier using a collocation arrangement to interconnect directly to a local switching location of another carrier would be required to offer an equivalent interconnection arrangement to the other carrier.

The primary intent of the above local compensation framework is to implement a competitively equitable and economically efficient means to exchange traffic among local service providers serving a common local area. The incremental cost standard is a fundamental component of the economic efficiency objective.

Incremental cost based local compensation charges would, however, not provide for any contribution flows among the local service providers that might be found necessary in order to promote and protect universal service. The need for such contribution and the procedures for its collection and distribution will be addressed as a separate matter in other phases of the Competition II proceeding. The ultimate resolution of the universal service issues may result in the establishment of additional contributory rate elements for the interchange of local traffic that would result in carrier compensation charges above incremental costs.

In the additional collaborative phase of this proceeding, the parties should address the above framework for compensation arrangements and develop the specifics necessary for its implementation. It must be emphasized, as stated above, that universal service issues will be addressed as a separate matter and that the resolution of those issues may well affect the compensation arrangements ultimately adopted.

Interconnection Requirements: In recognition of the continuing changes in technology and the continuing evolution of service offerings and associated technical interconnection and intercompany administrative requirements, staff has concluded, that:

- The Commission's existing Open Network Architecture (ONA) rules are adequate to provide the necessary interconnections among competitors and incumbent local service providers.
- Cooperative practices among the providers of local service should be encouraged and closely monitored.

- Shared use of bottleneck facilities is essential, and the terms of such arrangements should balance the impact on competitive entry, fairness to incumbents, and impact on customers.

In addition to these tenets and the general approach of addressing specific interconnection issues on a case by case basis as competition and technology evolves, staff has recommended that, as an initial measure to ensure the effective interconnection of local service providers, the incumbent local exchange companies should make available a common interconnection "meet point" in their local service areas, at their tandem switching locations (or the equivalent thereof), for the interconnection of new entrants with the incumbents,[1/] as well as interconnection among the new entrants themselves. This interconnection approach is tentatively adopted, pending consideration of the results of the forthcoming collaborative discussions.

Customer Access to IXCs and Carrier Access Charges: The major focus of the local carrier interconnection/compensation issue is directed to exchange of local traffic among the local service providers, but new entrants will also need to provide their customers with access to interexchange carriers as well as provide interexchange carriers with access to their customers. While new entrants may provide this access between their customers and interexchange carriers as a result of competitive market forces, it is appropriate to establish requirements for such access in order to ensure its availability. Specifically, it is tentatively concluded that new entrants:

- Provide access to interexchange carriers on a non-discriminatory and equal basis
- Comply with Commission rules and regulations governing customer access and presubscription to interexchange carrier services

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1/ Including the incumbent operating the tandem and any incumbents connected to that tandem.

- File tariffs specifying the rates, terms, and conditions for carrier access to their networks and customers
- Be allowed to avoid filing cost studies as long as the rates for carrier access are no more than those of the largest local exchange carrier serving the LATA

Parties are invited to address the need for and adequacy of the above requirements in the course of their additional discussions.

Carrier Eligibility: The interconnection/compensation criteria described above would be applicable only to carriers providing local exchange service and meeting the Commission's requirements for the provision of local exchange service. For the purpose of determining which carriers would be eligible to receive compensation, staff has developed the following minimum eligibility requirements:[1/]

- Certification as a telephone corporation authorized to provide local exchange service in the state
- Allocation of an NXX code for that purpose
- The provision of local dial tone to customers

The intent of the eligibility definition, which the Commission tentatively adopts, is to distinguish bona fide providers of local dial tone service to the public from customers and other service providers. Interested parties should consider

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[1/] Additional regulatory requirements for local exchange carriers are under consideration in other Modules of the Competition II proceeding. These requirements, addressing service quality, customer service, reporting and accounting, and universal service obligations will be forwarded to the Commission in the near future. While the scope of these requirements will impact the new entrants and their ultimate eligibility to participate in the interconnection/compensation arrangements addressed herein, they need not be resolved in advance of establishing the interconnection/compensation arrangements.

the forthcoming discussions as their opportunity to address these proposed eligibility requirements.

Imputation: The charges assessed by the incumbent local exchange carrier to new entrants for the termination of local calls represents a significant portion of the new entrants' cost of providing local calling services to their customers and a significant factor in their ability to compete with the local calling services offered by the incumbent local exchange carrier. In order to preserve competitive equity, incumbent carriers will be required to meet an "imputation" test for the local usage rates that they offer to their customers. Staff has proposed the imputation test included in the proposed Track 2 Settlement, which is built upon the imputation standard determined by the Commission in Case 28425 - Intrastate Toll and Carrier Access. Generally, it would require that an incumbent's local usage rates equal or exceed the rates charged to competitors for the bottleneck interconnection elements provided to competitors. For local usage this would include the rates for local call origination and termination plus the incumbent's incremental cost of the remaining portion of its local calling service. The staff approach would recognize that not all the elements that a competitor needs for access to the incumbent's network may be needed for the incumbent's provision of local calling to its own customers and would allow the incumbent to reflect any internal efficiencies in the imputation test.[1/]

The acceptability of this approach to an imputation test will be resolved when the Commission considers the Track 2

[1/] For example, while virtually all calls between an incumbent and a competitor would require transport from the incumbent network to the competitor network, calls between the incumbent's own customers may not. Some calls are originated and terminated in the serving switch and require no transport at all, some are directly routed to a terminating switch, and some require more extensive transport similar to the exchange of traffic between the competitor and the incumbent. The proposed imputation test would allow the incumbent to reflect those efficiencies inherent in its network configuration.

Settlement. In this proceeding, however, parties should resolve the mechanics of its possible implementation in the further collaborative phase.

Impact on Existing EAS Arrangements Between Local Companies: Currently, local exchange telephone companies providing service within a common local calling area exchange local traffic in accordance with Extended Area Service (EAS) agreements. None of these agreements provide for charges to terminate local traffic; in essence, each carrier terminates the other's local traffic at no charge. Also, many of these agreements provide for settlement payments to the smaller local exchange companies. The Commission, in past successive actions, has not allowed EAS settlements for new local routes, has frozen the existing settlement payments, and slated the settlements for gradual phaseout. Most parties to the Competition II proceeding agree that the EAS arrangements need to be revised in order to create a viable and competitively equitable structure for the future, and favor the phase out of existing EAS settlements and their replacement with compensation arrangements equivalent to those applicable between incumbents and new entrants.

The treatment of EAS settlements is intertwined with the overall universal service protection and funding approach under separate consideration in this proceeding. While we believe that the EAS issue needs to be resolved, we see no need to address the EAS arrangements at this juncture; they will be addressed in conjunction with consideration of the universal service issues.

CONCLUSION

The three issues considered here were linked to Track 2 of Case 92-C-0665 by the parties to that proceeding, and their resolution is necessary to coordinate issue resolution with that proceeding. Most of the remaining issues in this proceeding have shown themselves to be, as discussed earlier, more interrelated than was previously believed to be the case.

To this point, staff and the parties have developed these issues in discrete issue areas or modules. The four-module construct has proven quite useful, and the module groups have coordinated successfully thus far, but now, closer to the decisional stage, it may become useful to view the issues from a broader perspective.

The Commission has frequently expressed its fundamental goals: the encouragement of competition and the preservation of universal service. It is clear that certain cost shifts which may be necessary to foster competition may also influence universal service goals. The interests of incumbent providers, competitive entrants, and customers (which may sometimes include service providers) will necessarily affect each other. In considering the remainder of Competition II, the Commission will be seeking guidance from the parties as to how best to reflect this interrelationship in the regulatory framework that is adopted.

The Commission orders:

1. New York Telephone Company and Rochester Telephone Corporation are directed, and other parties interested in the number portability issues in this proceeding are authorized, to work with Commission staff to study the feasibility of the conduct of a trial of true number portability using data base technology to begin on or around February 1, 1996, as described in the text of this order. The feasibility study should include, but is not limited to, a description of the parameters of such a technical trial of service provider portability, the participants in such a trial, and any costs to participate in such a trial to be borne by regulated utilities. Not later than 150 days from the date of this order, staff is directed to report back to the Commission with the results of the feasibility study and a recommendation as to whether or not the trial should go forward.

2. In the interim period, during which true number portability is not available, incumbent local exchange companies

and any other telecommunications providers who offer local exchange service to residential or business customers are directed to provide interim number portability using remote call forwarding or other similar technology, as described in the body of this order.

3. Staff is directed to reconvene the parties to this proceeding to consider the matters discussed in this order with respect to directory listings and publication and intercarrier connection and compensation. The results of these collaborative discussions should be reported back to the Commission at its April 19 session.

4. This proceeding is continued.

By the Commission,

(SIGNED)

John J. Kelliher
Secretary

CERTIFICATE OF SERVICE

I hereby certify that on this 31st day of August 1995, copies of Direct Testimony of Timothy T. Devine On Behalf Of Metropolitan Fiber Systems of Florida, Inc. were served by first class mail, postage prepaid, on the following:

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