

1 **\*\*REDACTED\*\***

2 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

3 **DIRECT TESTIMONY OF MARK ARGENBRIGHT**

4 **ON BEHALF OF WORLDCOM**

5 **DOCKET NO. 020129-TP**

6 **JULY 1, 2002**

7

8 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

9 A. My name is Mark E. Argenbright. My business address is Six Concourse  
10 Parkway, Suite 3200, Atlanta, Georgia 30328.

11 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

12 A. I am employed by WorldCom, Inc. in the Law and Public Policy group and hold  
13 the position of Senior Staff Specialist, State Regulatory Policy. In my current  
14 position, I assist in the development and coordination of WorldCom's regulatory  
15 and public policy initiatives for the company's domestic operations. These  
16 responsibilities require that I work closely with our state regulatory groups  
17 across the various states, including Florida.

18 **Q. PLEASE SUMMARIZE YOUR TELECOMMUNICATIONS  
19 BACKGROUND AND EDUCATION.**

20 A. My previous position within WorldCom was Senior Manager, Regulatory  
21 Analysis, in which I was responsible for performing regulatory analysis in  
22 support of a wide range of company activities. Prior to that, I was employed by  
23 the Anchorage Telephone Utility (now known as Alaska Communications

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1 Systems) as a Senior Regulatory Analyst and American Network, Inc. as a Tariff  
2 Specialist. I have worked in the telecommunications industry for sixteen years,  
3 with the majority of my positions in the area of regulatory affairs. I received a  
4 Bachelor of Science Degree in Business Administration from the University of  
5 Montana in 1980.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is address issues raised by BellSouth's January 18,  
8 2002 tariff filing implementing changes to the BellSouth Florida intrastate  
9 Access Services Tariff which result in an increase to the rates charged for  
10 functions performed by its Common Channel Signaling System 7 ("CCS7")  
11 network. Specifically I will discuss Issue 3 relating to why, contrary to  
12 BellSouth's assertion, this tariff filing is not revenue neutral, Issue 4 concerning  
13 the CCS7 Access Arrangement Tariff's violation of Section 364.163, Florida  
14 Statutes, as well as the discriminatory and anticompetitive implications of this  
15 filing.

16 **Q. PLEASE DESCRIBE THE BELL SOUTH CCS7 ACCESS**  
17 **ARRANGEMENT TARIFF FILING.**

18 A. In its CCS7 Access Arrangement tariff filing, BellSouth's has two basic  
19 "moving parts" -- one being the reduction of local switching rates and the other  
20 being the increase in rates associated with the Integrated Services Digital  
21 Network User Part ("ISUP") and Transaction Capability Application Part  
22 ("TCAP") messages which traverse the CCS7 network. (ISUP messages are  
23 involved in the call set-up functions performed by the CCS7 network and TCAP

1 messages are involved in accessing databases such as LIDB and LNP.) The  
2 filing also deletes the CCS7 access arrangement that was previously located in  
3 BellSouth's Florida General Subscriber Service Tariff at Section A35, directing  
4 CMRS providers to the Access Services Tariff for continued CCS7 access  
5 arrangements. Finally, the filing makes various "administrative" changes that  
6 unsuccessfully attempt to portray the CCS7 Access Arrangement as a "new"  
7 service.

8 **Q. BELLSOUTH PORTRAYS THIS TARIFF FILING AS "REVENUE**  
9 **NEUTRAL." DO YOU AGREE WITH THIS CHARACTERIZATION?**

10 A. No. While it is true that the rates for local switching are reduced and the rates  
11 for CCS7 service are increased, there is no support in the filing demonstrating  
12 that the demand for each of these individual services, when applied to these  
13 rates, actually result in the same amount of revenue for BellSouth. Further,  
14 there is no indication as to the trend of demand for these services, which would  
15 be necessary in order to understand the revenue impact on a going forward basis.

16 **Q. HAS THE IMPACT OF THESE RATE CHANGES HAD A NEUTRAL**  
17 **EFFECT WITH RESPECT TO WORLDCOM'S COSTS BASED ON THE**  
18 **USAGE OF THESE TWO SERVICES?**

19 A. No. In comparing the additional costs incurred by WorldCom for ISUP and  
20 TCAP messages and the savings represented by the \$0.0001 reduction in the  
21 local switching rate for the time period from February 2002 to June 2002,  
22 WorldCom has seen an increase in its costs in excess of \*\*\***PROPRIETARY**  
23 **REDACTED PROPRIETARY\*\*\***. Of course, where WorldCom sees this as

1 a cost increase, BellSouth enjoys a revenue increase.

2 **Q. DOES WORLDCOM HAVE A CONCERN THAT THIS EFFECT WILL**  
3 **CONTINUE IN THE FUTURE?**

4 A. Yes. BellSouth has essentially abandoned revenue from an access element,  
5 local switching, for which demand is generally flat. At the same time, under the  
6 guise of revenue neutrality, it has dramatically increased rates for another access  
7 element, CCS7 messages, for which demand is growing significantly. Attached,  
8 as Exhibit MA-1 is a chart entitled "Comparison of CCS7 and Local Switching  
9 Usage." This exhibit illustrates the significant growth in CCS7 messages for  
10 which BellSouth is charging WorldCom, as compared to the relatively level  
11 usage of local switching minutes for which WorldCom is being billed. In  
12 addition to supporting the fact that this filing is not revenue neutral, this chart  
13 makes clear that the trend of increasing usage of CCS7 messages will continue  
14 to provide BellSouth with additional revenue at the expense of its competitors.

15 **Q. WHAT ARE THE COMPETITIVE IMPLICATIONS OF THIS**  
16 **REVENUE INCREASE FOR BELL SOUTH?**

17 A. As I stated above, BellSouth's increase in revenue comes from its direct  
18 competitors such as ALECs and IXC's. Further, the bulk of this revenue is  
19 generated through charges associated with a function, the creation and  
20 transmission of ISUP messages, that is required for virtually every call that is  
21 carried on the public switched telephone network. Both BellSouth and its  
22 competitors, such as WorldCom, with its own SS7 network, rely on the creation  
23 and transmission of ISUP messages by all carriers involved in a call. In other

1 words, use of the CCS7 network is a necessary cost input for all carriers.  
2 In addition to BellSouth's realization of an increase in revenue, one of the most  
3 significant anticompetitive aspects of this filing is that BellSouth also benefits  
4 by saddling its competitors with rates for CCS7 usage that are well in excess of  
5 BellSouth's costs. In Docket No. 990649-TP this Commission established  
6 TELRIC rates for these very rate elements. (Orders No. PSC-01-1181-FOF-TP,  
7 issued May 25, 2001, and PSC-01-2051-FOF-TP, issued October 18, 2001).  
8 Although these are rates for unbundled network elements, there is only one  
9 CCS7 network, and, therefore, the TELRIC rates are a reasonable approximation  
10 of the costs that BellSouth incurs when it utilizes its CCS7 network for local and  
11 intraLATA calls. BellSouth has asked this Commission to approve its 271  
12 application and, if successful in the full 271 process, these TELRIC rates would  
13 then be the approximate costs BellSouth experiences in competing to provide  
14 interLATA calls as well. Exhibit MA-2 (Proprietary) illustrates the drastic  
15 disparity between BellSouth's TELRIC rates, those it will experience as a cost  
16 input, and the CCS7 Access Arrangement rates, which are the cost inputs that  
17 BellSouth's competitors will experience. The cost advantage being enjoyed by  
18 BellSouth is discriminatory and anticompetitive.

19 As discussed, this filing is not revenue neutral and gives BellSouth an  
20 unwarranted competitive advantage. BellSouth attempts to justify this filing by  
21 indicating that it is to introduce a new service and to implement parity with its  
22 interstate rates. As discussed below, this is not a "new" service but, rather, new  
23 rate elements. The notion of reaching parity with interstate access rates is really

1 a selective attempt to import unjustified subsidies into the Florida intrastate  
2 market and to target those subsidies at a service with growing demand. The  
3 Commission should not allow these two unsupported explanations for this filing  
4 to be considered acceptable.

5 **Q. WITH REGARD TO ISSUE 4 AND THE QUESTION AS TO WHETHER**  
6 **OR NOT BELLSOUTH'S CCS7 ACCESS ARRANGEMENT TARIFF**  
7 **FILING COMPORTS WITH SECTION 364.163, FLORIDA STATUTES,**  
8 **CAN YOU DESCRIBE THE SITUATIONS IN WHICH RATE**  
9 **INCREASES, SUCH AS THOSE IMPLEMENTED BY BELLSOUTH,**  
10 **ARE ALLOWED BY THE STATUTE?**

11 A. Yes. Although I am not an attorney, a straightforward reading of the statute  
12 indicates that two things must happen before BellSouth can increase rates for  
13 any specific network access service. The statute defines network access service  
14 as "any service provided by a local exchange telecommunications company to a  
15 telecommunications company certificated under this chapter or licensed by the  
16 Federal Communications Commission to access the local exchange  
17 telecommunications network..." Section 364.163, Florida Statutes. First, the  
18 mandated cap on BellSouth's rates for network access services must have  
19 expired *and*, second, BellSouth's intrastate switched access rates must have  
20 reached parity with its interstate switched access rates. Once both of these  
21 conditions are met, rate increases are limited to an amount less than or equal to  
22 the cumulative change in inflation since the last adjustment. This is further  
23 limited to a maximum increase of three percent annually of the then-current

1 prices. The relevant portion of Section 364.163 (2), Florida Statutes, provides:  
2 After the termination of the caps imposed on rates by subsection (1) and  
3 after a local exchange telecommunications company's intrastate  
4 switched access rates reach parity with its interstate switched access  
5 rates, a company subject to this section may, on 30 days' notice,  
6 annually adjust any specific network access service rate in an amount not  
7 to exceed the cumulative change in inflation experienced after the date of  
8 the last adjustment, provided, however, that no such adjustment shall  
9 ever exceed 3 percent annually of the then-current prices. Inflation shall  
10 be measured by the changes in Gross Domestic Product Fixed 1987  
11 Weights Price Index, or successor fixed weight price index, published in  
12 the Survey of Current Business, or successor publication, by the United  
13 States Department of Commerce.

14  
15 Moreover, Section 364.163 (5) allows increases in rates for existing network  
16 access services that are allowed by Section 364.163 (2) to become effective on  
17 no sooner than 30 days notice. Importantly, this section also provides that the  
18 Commission shall have regulatory oversight of such increases.

19 **Q. DO YOU BELIEVE THAT BELL SOUTH'S CCS7 ACCESS**  
20 **ARRANGEMENT TARIFF MEETS THE REQUIREMENTS OF THE**  
21 **STATUTE?**

22 **A No.<sup>1</sup>**

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<sup>1</sup> The tariff would be in compliance with the statute in the limited instance of the reduction of rates for the local switching element, as Section 164.163 (4) provides

1           While the first condition, the termination of the rate caps on January 1,  
2           2001, has been met, the second condition, parity of intrastate switched access  
3           rates with interstate switched access rates, has not been. For example,  
4           BellSouth's interstate access tariff, Tariff F.C.C. NO.1, Section 6.8.2(A)(1)  
5           Usage Sensitive Rates, 25<sup>th</sup> Revised Page 6-161, Effective May 15, 2001, has a  
6           rate for LS2 access service of \$0.002158. The rate for BellSouth's intrastate  
7           LS2 access service, even with the reduction contained in this filing, is  
8           \$0.008661. Clearly, parity does not exist. Until the parity condition is satisfied,  
9           the statute does not provide for any circumstance in which switched access rates  
10          can be increased in the manner proposed by BellSouth. (Section 364.163 (3)  
11          provides for increases in rates for network access services prior to parity with  
12          interstate switched access rates but is limited to the circumstance of  
13          governmentally mandated programs or an increase in income tax. Neither of  
14          which applies to this situation.)

15                 Accordingly, BellSouth's CCS7 Access Arrangement tariff fails to  
16          comply with the requirements of the statute.

17   **Q.    BELLSOUTH CHARACTERIZES ITS CCS7 ACCESS ARRANGEMENT**  
18   **AS A "NEW" SERVICE. DO YOU AGREE WITH THAT POSITION?**

19   **A.    No. Although BellSouth puts forth good effort to present the CCS7 access**  
20   **arrangement as a new service, it simply is not so. The service has been in**  
21   **existence and charges have been applicable to its use. It would appear that the**  
22   **only thing "new" about this service would be BellSouth's ability to bill for the**

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that "...a company subject to this section may choose to decrease network service rates at any time, and decreased rates shall become effective upon 7 days' notice."



1 service differently.

2 The CCS7 or, alternatively, SS7, network has been in place in some form  
3 or fashion since at least the early-1990s. Certainly, as of January 1, 1999, when  
4 BellSouth's network access rates were capped, ISUP and TCAP messages were  
5 being transmitted by BellSouth to support calls on the public switched telephone  
6 network. BellSouth's revisions to its tariff filings demonstrate that BellSouth's  
7 CCS7 network was already in existence and operational prior to BellSouth's  
8 January, 2002, filing. For example, prior to the January filing BellSouth's  
9 Access Services Tariff read as follows:

10 BellSouth SWA CCSAC

11 This option allows the customer to receive signals for call set-up out of  
12 band. This option is only available with BellSouth SWA FGD or  
13 BellSouth SWA TSBSA 3.

14  
15 This option requires the establishment of a signaling connection and path  
16 between the IC's signaling point of interface and the Company's  
17 designated Local Signal Transfer Point (STP). This path may also be  
18 used for the transmission of Mobile Service Providers' ISUP call control  
19 and TCAP messages. (*BellSouth Access Services Tariff, Section E6.1.3*  
20 *(A)(9)(e), BellSouth SWA CCSAC, 5<sup>th</sup> Revised Page 20, Effective*  
21 *October 5, 2001.*)

22  
23 Again, prior to the January filing, the tariff read in pertinent part:

1            Depending on the signaling facilities available, this option will be  
2            provisioned via MF or CCS7 signaling. The CCS7 alternative requires  
3            the establishment of; 1) BellSouth SWA CCSAC as described in e.  
4            preceding and 2) CCS7 Signaling Connections and CCS7 Signaling  
5            Terminations between the IC's signaling point of interface and each of  
6            the Telephone Company's STPs as further described in E. following.  
7            *(BellSouth Access Services Tariff, Section E6.1.3(A)(9)(k), Tandem*  
8            *Signaling, 5<sup>th</sup> Revised Page 24, Effective October 5, 2001.)*

9  
10            The pre-January 2002 tariff sections addressing the application of  
11            rates also demonstrate the existence of access rates associated with the signaling  
12            service. Again in pertinent part the tariff formerly read:

13            In addition, when a signaling connection is installed for use with the  
14            BellSouth SWA FGD and BellSouth SWA TSBSA 3 BellSouth SWA  
15            CCSAC option and TCAP message transmission option, the charge is  
16            applied per signaling connection. *(BellSouth Access Services Tariff,*  
17            *Section E6.7.1(A)(3)(a), Nonrecurring Charges, Sixth Revised Page 88,*  
18            *Effective October 5, 2001.)*

19  
20            BellSouth Access Services Tariff, Section E6.8.1(F)(2)(a), Trunk Side  
21            Service, 4<sup>th</sup> Revised Page 110, Effective October 5, 2001 specified a  
22            nonrecurring charge of \$915.00 First and \$263.00 Additional "Per Trunk or  
23            Signaling Connection." The January 2002 tariff filing even moves the

1 previously existing "Point Code Establishment Change" nonrecurring charges to  
2 the "new" section with the minor text change to indicate "CCS7 Point Code  
3 Establishment or Change." The rates are moved unchanged.

4 This review of some of the changes made, or not made, to the existing  
5 tariff by BellSouth in its filing to, in its words, "introduce a new offering,  
6 BellSouth CCS7 Access Arrangement" accomplishes two things. First, it  
7 demonstrates that, because the use of the out-of-band signaling network is and  
8 has been closely interwoven with the use of the public switched telephone  
9 network to facilitate the processing of telephone calls, BellSouth's previous  
10 version of its access tariff can not escape addressing the existence and use of the  
11 CCS7 network. Second, not only is the service not new, the rates introduced by  
12 BellSouth's filing are increases to existing specific network access services and  
13 such increases violate Section 364.163, Florida Statutes.

14 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

15 **A.** Contrary to assertions contained in BellSouth's filing, the increases in rates for  
16 CCS7 service and coincident reduction in the local switching rates are not  
17 revenue neutral. As demonstrated, at least in WorldCom's case, the net effect of  
18 these changes over the last 4-5 months has been a substantial increase in access  
19 costs. Further, the drastic growth in the use of ISUP and TCAP messages as  
20 compared to the flat demand for local switching suggests that this cost increase,  
21 which is a revenue increase for BellSouth, will only continue to grow. Also,  
22 allowing BellSouth this advantage over its direct competitors is anti-  
23 competitive. If allowed to continue, BellSouth will enjoy a much lower cost for

1           this service than the cost that it will impose on its competitors.

2                       Finally, the CCS7 Access Arrangement that BellSouth characterizes as a  
3           new service has been in existence and used by BellSouth and offered by  
4           BellSouth to other carriers at a price long before the filing of this “new” service.  
5           This is supported by BellSouth’s own tariff. At best, BellSouth’s offering is a  
6           restructuring of an existing service, which results in an increase in rates. Such  
7           an increase is not consistent with the basic requirements found in Section  
8           364.163. Florida Statutes.

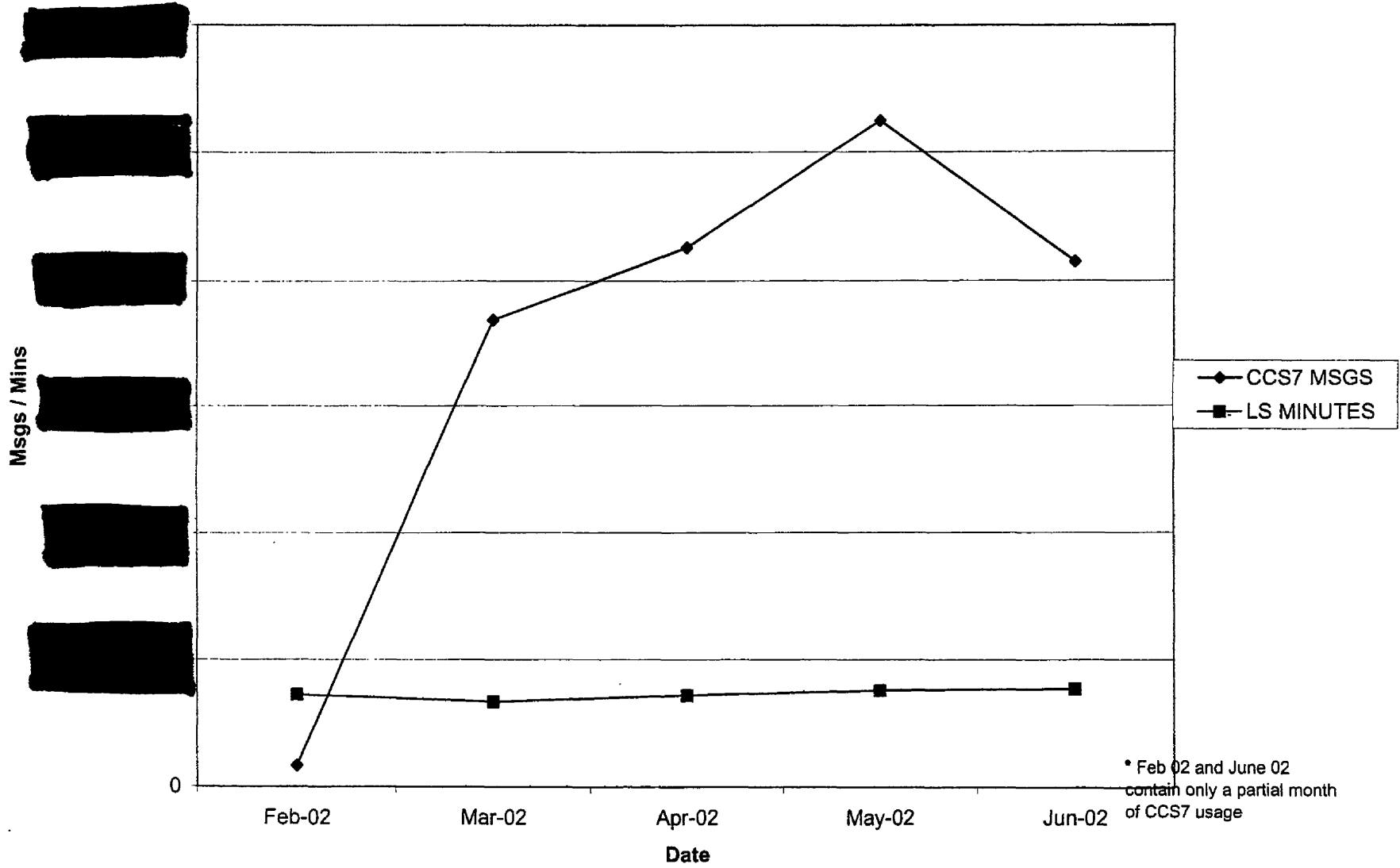
9   **Q.   WHAT ACTION SHOULD THE COMMISSION TAKE?**

10  **A.**   For the reasons discussed above, the Commission should order BellSouth to  
11           cancel its tariff for CCS7 Access Arrangement and return those revenues  
12           collected from the billing of these rates.

13  **Q.   DOES THIS CONCLUDE YOUR TESTIMONY?**

14  **A.**   Yes.

### Comparison of CCS7 and Local Switching Usage



### Comparison of TELRIC UNE Rates to Access Rates

