RUTLE[redacted], ECENIA, UNDERWOOD, PURNELL & HOFFMAN

PROFESSIONAL ASSOCIATION
ATTORNEYS AND COUNSELORS AT LAW

STEPHEN A. ECENIA
KENNETH A. HOFFMAN
THOMAS W. KONRAD
R. DAVID PRESCOTT
HAROLD F. X. PURNELL
GARY R. RUTLEDGE
R. MICHAEL UNDERWOOD

POST OFFICE BOX 551, 32302-0551
215 SOUTH MONROE STREET, SUITE 420
TALLAHASSEE, FLORIDA 32301-1841

TELEPHONE (904) 681-6788
TELECOPIER (904) 681-6515

GOVERNMENTAL CONSULTANT
AMY J. YOUNG

ORIGINAL
FILE COPY

May 23, 1994

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
101 East Gaines Street
Tallahassee, Florida 32399-0850

HAND DELIVERY

Re: Docket No. [redacted]

Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of Teleport Communications Group, Inc. are the original and fifteen copies of the prefiled direct testimony of Steven C. Andreassi.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,

Kenneth A. Hoffman

ACK ~
AFA 2
APP
CAF
CMU
CTR
EAG
LEG Concern
LIN 6 Parties
OPC
RCH
SEC 1
WAS
OTH

RECEIVED & FILED
FPSC-BUREAU OF RECORDS

cc: All Parties of Record

DOCUMENT NUMBER-DATE
05035 MAY 23 94
FPSC-RECORDS/REPORTING

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing prefiled direct testimony of Steven C. Andreassis submitted on behalf of Teleport Communications Group, Inc. was furnished by U. S. Mail to the following, this 23rd day of May, 1994:

Patrick K. Wiggins, Esq.
P. O. Drawer 1657
Tallahassee, FL 32302

Lee Willis, Esq.
MacFarlane, Ausley, Ferguson & McMullen
P. O. Box 391
Tallahassee, Florida 32301

Michael Tye, Esq.
106 East College Avenue
Suite 1420
Tallahassee, Florida 32301-7733

Everett Boyd, Esq.
P. O. Box 1170
Tallahassee, FL 32302

Beverly Menard
c/o Richard Fletcher
106 East College Avenue
Suite 1440
Tallahassee, Florida 32301-7704

David Erwin, Esq.
P. O. Box 1833
Tallahassee, FL 32302-1833

Vicki Kaufman, Esq.
315 S. Calhoun Street
Suite 716
Tallahassee, FL 32301

Interexchange Access Coalition
c/o Wiley Law Firm
Rachel Rothstein
1776 K. Street, N.W.
Washington, DC 20006

Ms. Janis Stahlhut
Vice President of Regulatory Affairs
Time Warner Communications
Corporate Headquarters
300 First Stamford Place
Stamford, CT 06902-6732

Richard Melson, Esq.
P. O. Box 6526
Tallahassee, FL 32314

Office of Public Counsel
111 West Madison Street
Suite 1400
Tallahassee, Florida 32399-1400

Douglas S. Metcalf
Communications Consultants, Inc.
631 S. Orlando Avenue
Suite 250
P. O. Box 1148
Winter Park, Florida 32790-1148

Marshall Criser, III
Southern Bell Telephone Co.
150 S. Monroe Street
Suite 400
Tallahassee, FL 32301-1556

Benjamin H. Dickens, Jr.
Florida Ad Hoc Telecommunications Users
Blooston, Mordkofsky, Jackson & Dickens
2120 L. Street, N.W.
Suite 300
Washington, DC 20037-1527

Jodie Donovan, Esq.
Teleport Communications Group
One Teleport Drive
Staten Island, NY 10311

Donna Canzano, Esq.
Division of Legal Services
101 East Gaines Street
Room 212
Tallahassee, FL 32399-0850

By: Kenneth A. Hoffman
KENNETH A. HOFFMAN, ESQ.

DIRECT TESTIMONY OF STEVEN C. ANDREASSI

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ON BEHALF OF

TELEPORT COMMUNICATIONS GROUP, INC.

DOCKET NOS. 921074-TP, 930955-TL, 940014-TL, 940020-TL, 931196-TL AND 940190-TL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Expanded Interconnection)		
Phase II and Local Transport	)	Docket No. 921074-TP
Restructure	)	Docket No 930955-TL
		Docket No. 940014-TL
		Docket No. 940020-TL
		Docket No. 931196-TL
		Docket No. 940190-TL

TESTIMONY OF STEVEN C. ANDREASSI

ON BEHALF OF TELEPORT COMMUNICATIONS GROUP, INC.

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Steven Andreassi. My business address is Teleport Communications Group, Inc. (TCG), Two Teleport Drive, Suite 300, Staten Island, New York 10311.

Q. WHAT IS YOUR CURRENT POSITION AT TCG?

A. I am a Regulatory Analyst in TCG's Regulatory and External Affairs Department. I work closely with our sales and marketing departments to tariff TCG's interstate services with the Federal Communications Commission and its intrastate services with the state commissions. I monitor rates filed by other carriers for their impact on TCG's service offerings. I also advise TCG's regulatory

attorneys on general state and federal policy proceedings in which TCG is participating.

Q. WHAT IS YOUR BACKGROUND PRIOR TO JOINING TCG?

A. From 1991 to 1993, I worked for Rochester Telephone Corporation as a Network Planner and Marketing Analyst. I was responsible for projects related to pricing and products provided by Rochester's long distance affiliate, RCI. From 1989 to 1991, I worked as a Budget Forecaster and Financial Planner for Highland Telephone Company, another Rochester Telephone subsidiary. I received a Master of Arts in Economics from Pennsylvania State University in 1989. I received my Bachelor's degree in Economics from Indiana University of Pennsylvania in 1987.

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

A. I will address the issues related to expanded interconnection for switched access set out in the order establishing issues in these dockets. I will testify that expanded interconnection for switched access is in the public interest and that the potential revenue impact on the local exchange companies ("LECs") should not be serious. I will also outline certain items of concern to TCG in the LECs' special access expanded interconnection tariffs filed in Phase I of Docket 921074-TP.

Q. PLEASE DESCRIBE TCG'S INTEREST IN THIS PROCEEDING.

A. TCG's affiliate, TCG America, is certified to operate as an Alternative Access Vendor ("AAV") in Florida. It therefore has a significant interest in having the opportunity to interconnect with the LECs to carry interexchange carrier ("IXC") intrastate traffic from the LEC's switch to the IXC point of presence ("POP") in addition to carrying interstate traffic from the LEC switch to the IXC POP as mandated by the Federal Communications Commission ("FCC").

Q. IS THE FLORIDA COMMISSION PROPOSING FULL SWITCHED ACCESS COMPETITION IN THIS PROCEEDING?

A. No. Like the FCC's order implementing switched access expanded interconnection, an order in this docket will open up only a fraction of the intrastate switched access market to competition. Because of this, the LECs will not lose significant revenues and should not receive excessive pricing flexibility.

Q. PLEASE EXPLAIN WHAT YOU MEAN.

A. The LECs charge IXCs for switched access service based on three rate elements. The Carrier Common Line ("CCL") element recovers the non-traffic sensitive costs associated with the LEC's local exchange loop between the customer and the LEC

central office. The Local Switching element recovers the traffic sensitive costs associated with the LECs' switch. The Local Transport element recovers the LEC's costs for carrying the IXC's traffic from the central office to the IXC's POP. Local Transport consists of two different types of facilities: "Direct Trunked" services, which use dedicated facilities that run from the IXC POP directly to the final end office, and "Tandem Trunked" services, which use dedicated facilities that run from the IXC POP to the tandem switch, and then shared transport facilities that run from the tandem switch to the final end offices. The local transport rate element also includes costs associated with the tandem switch. It is important to note that the only piece of switched transport AAVs can provide are the dedicated trunk portions of local transport. Additionally, at the FCC, the local transport component of switched access also includes a "Residual Interconnection Charge" which recovers, through a usage sensitive charge that is applied much like the local switching element, a substantial portion of local transport revenues.

Q. CAN YOU MORE SPECIFICALLY DESCRIBE DIRECT TRUNKED LOCAL TRANSPORT?

A. Yes. Direct trunked local transport switched

access facilities are simply dedicated point to point high volume facilities. Although telephone companies offer these services within "switched access" service categories, the economic and technical nature of direct trunk local transport circuits are really indistinguishable from special access/private line services. Like special access/private line services, direct trunked local transport is provided between two discrete points, the IXC POP and the telephone company central office. There is actually no "switching" or call routing involved in direct trunked local transport. Moreover, IXCs need the quality, reliability and diversity of competitive alternatives for these critical facilities. Therefore, opening the local transport market to competition by permitting AAVs to interconnect to the LEC facilities at its central office is in the public interest.

Q. WILL THE LECS FACE SERIOUS FINANCIAL HARM IF THE COMMISSION PERMITS AAVS TO PROVIDE THIS PIECE OF SWITCHED ACCESS?

A. I do not believe so. The LECs should not be seriously harmed financially if AAVs interconnect to provide the local transport piece of switched access because, as I explained above, it is just one piece of the switched access market. After

charging CCL, local switching, transport and the Residual Interconnection Charge ("RIC"), the LECs earn annual revenues exceeding $11 billion in the interstate switched access market. The dedicated trunk portion of the local transport segment of interstate switched access accounts for approximately $418 million of this $11 billion market or 3.8%. The impact of intrastate Local Transport Restructuring ("LTR") may be even smaller than that of interstate LTR. BellSouth's intrastate local switched access rate is $.0544 per minute of use on an originating call. This is comprised of a carrier common line charge of $.0260 per minute, a local switching charge of $.0130 per minute and a local transport charge of $.0154 per minute. Thus carrier common line accounts for 47.79% of switching revenues, local switching accounts for 23.90% of switching revenues and local transport accounts for 28.31% of total switching revenues. So as a starting point, less than a third of all switched access revenues even fall under the heading local transport. Of course, not all local transport revenue will be open to competition under LTR. As an example, a typical DS0 can carry 9000 minutes of use per month. A DS1 can carry 24 DS0 channels or 216,000 minutes of use

a month and a DS3 can carry 672 DS0 channels, or 6,048,000 minutes of use per month. Total monthly switching revenues generated by a DS1 and a DS3 would be $11,750.40 and $329,011.20 respectively. Of that, the local transport charge accounts for $3,326.40 of the DS1's revenues and $93,139.20 of the DS3's revenues. The only portion of local transport that would be open to competition, however, is the dedicated facility between the LEC end office and the IXC POP. Currently, BellSouth charges $140.90 for an intrastate special access DS1 and $2800.00 for an intrastate private line DS3. These changes represent the only revenue at risk to the LECs. Put in its proper perspective, the DS1 charge equates to a mere 1.2% of total switching revenue and only 4.24% of local transport revenue attributable to that facility. Similarly, the DS3 rate accounts for .85% of total switching revenue and 3.01% of the local transport revenue generated by such a facility. These results assume that the remaining Local Transport revenues are recovered through a RIC charge or tandem switching charge as is the case with the FCC's local transport restructuring.

Q. SHOULD THE COMMISSION IMPOSE THE SAME OR DIFFERENT FORMS AND CONDITIONS OF EXPANDED INTERCONNECTION

THAN THE FCC?

A. The Commission should simply order the LECs to use for switched access expanded interconnection the rates and rate structures they established for their interstate switched tariffs, which were in turn structured on their interstate special access interconnection tariffs, and to mirror any changes in those interstate rates. The rate elements for switched access interconnection are the same as the rate elements for special access interconnection. These same rate elements apply whether the AAV is interconnecting with the LEC to provide interstate or intrastate services. This makes sense since the same LEC facilities are used for both interstate and intrastate services. These elements for the collocation space are the cross-connect, floor space, power, cable and conduit, and various non-recurring charges. The elements for the local access service, itself, consist of interoffice mileage and a charge for the entrance facility to the IXC POP (The LECs referred to this element as a channel termination in their interstate special access interconnection tariffs). It is unnecessary and inefficient to re-litigate a rate structure which has already been implemented.

Q. IS THE OFFERING OF DEDICATED AND SWITCHED SERVICES

BETWEEN NON-AFFILIATED ENTITIES BY NON-LECs IN THE PUBLIC INTEREST?

A. Yes. In order to bring the benefits of competition to Florida telecommunications users, the Commission should permit AAVs to offer these services. TCG is not prohibited from providing dedicated service between affiliated entities in any state in which it currently operates. TCG is authorized to provide intraLATA toll and Centrex via resold local exchange facilities in multiple jurisdictions. In Illinois, TCG cannot switch local calls between unaffiliated users since this would constitute local exchange service. TCG, instead, hands the local call off to the LEC for completion. While TCG supports the removal of restrictions on an AAV's ability to provide all services, including local exchange service, it believes that immediately permitting AAVs to provide dedicated private line service between unaffiliated users, intraLATA toll (which the Commission already permits) and Centrex via resold local exchange company facilities will greatly enhance the competitive environment in the state. The Commission should also consider opening a generic docket to investigate local exchange competition. Authorization of AAVs to provide these services

will bring real benefits to Florida telecommunications users. First, TCG and other AAVs will build the local fiber optic infrastructure without the need for any special incentives which may be sought by the incumbent LECs and which transfer risks to ratepayers. Second, even where competition has already encouraged the telephone companies to match AAV reliability, diversity and other service factors, AAVs still offer what the telephone company cannot -- operational and strategic security. Operational security for telecommunication users, including large and small businesses, means having the ability to acquire diverse, redundant routing and switching service from two independent local networks as insurance against network failure or disaster. Businesses also use the services of AAVs to gain the strategic security which comes from using a telecommunications provider which does not compete in their core business. AAVs provide these same benefits to customers purchasing both private line and competitive switched services. Authorizing AAVs will bring these competitive benefits to Florida, which by definition cannot be provided by the incumbent LEC.

Q. THE COMMISSION HAS ESTABLISHED PRELIMINARY ISSUES REGARDING WHICH LECs SHOULD PROVIDE SWITCHED ACCESS INTERCONNECTION, FROM WHAT FACILITIES AND TO WHOM. DOES TCG HAVE A POSITION ON THESE ISSUES?

A. TCG believes the Commission should order the LECs which filed intrastate special access interconnection tariffs to simply mirror these tariffs by filing tariffs offering switched access interconnection at the same facilities, available to the same entities. The Commission must also require these LECs to provide switched access interconnection at their tandem facilities.

Q. PLEASE DESCRIBE TANDEM INTERCONNECTION.

A. TCG believes the purpose of interconnection is to bring the benefits of competition and choice to a wide number of telecommunications users. Because interconnectors will not be able to establish collocation arrangements in every end office, they need to collocate at LEC tandem facilities in order to handle traffic to end offices where they are not collocated. The LEC should be required to unbundle tandem signalling and permit competition for tandem routed traffic. LECs should provide two types of tandem interconnection with the appropriate signalling. In one type of tandem interconnection, the interconnector would use its own switching

facilities to replace the LEC tandem switch. The interconnector needs tandem-type signalling at the end office, so that it can carry calls of multiple carriers over a single trunk group -- the equivalent of the LECs' common transport element. This will permit direct tandem competition only for the limited number of end offices where the interconnector has a presence.

The second form of tandem competition involves the interconnector locating facilities in the LEC tandem office, thereby replacing the dedicated facility from the IXC POP to the LEC tandem. This provides for direct competition for this dedicated link. From a signalling perspective this should be no different than an ordinary "direct trunk" connection to an end office since TCG would use separate trunks for each IXC connection at the tandem.

To the extent that there is a rate difference between tandem switched transport, DS1 trunked transport and DS3 trunked transport, the difference should be limited, starting at the existing price floor, to the rate differences already existing in the LECs' interstate tariffs for these services.

Q. DOES CHAPTER 364, FLORIDA STATUTES, ALLOW THE COMMISSION TO REQUIRE EXPANDED INTERCONNECTION FOR

SWITCHED ACCESS?

A. Yes. Chapter 364 allows the Commission to require expanded interconnection for switched access for the same reasons it allowed the Commission to order special access interconnection. It directs the Commission to encourage cost-effective innovation and competition in the telecommunications industry if so doing will benefit the public by making modern and adequate telecommunications services available at reasonable prices. Collocation and interconnection are essential elements of full and effective competition in local telecommunications markets and they will bring the benefits of competition to the public which I discussed above.

Q. SHOULD THE COMMISSION REQUIRE PHYSICAL AND/OR VIRTUAL COLLOCATION FOR SWITCHED ACCESS EXPANDED INTERCONNECTION?

A. The Commission should require physical collocation, or if it permits virtual collocation, require that it be provided in a manner that is the technical, economic and operational equivalent of physical collocation. Moreover, the availability of physical collocation is essential to promoting a competitive market, and unless LECs are obligated (or volunteer) to provide reasonable physical collocation, the Commission should provide no

pricing flexibility for them.

Q. SHOULD COLLOCATORS BE REQUIRED TO ALLOW LECs AND OTHER PARTIES TO INTERCONNECT WITH THEIR NETWORKS?

A. No. TCG takes the same position on this issue that it took in Phase I of this docket. As monopoly providers of essential bottleneck facilities, LECs need to be required to provide physical collocation to interconnectors. However, non-dominant, competitive carriers need no such requirement. As competition for switched services develops, a competitor would be foolish to reject a collocation request and the associated revenues. The potential interconnector will simply move on to the next provider. For this reason, a requirement that collocators should provide interconnection to the LECs and other parties is unnecessary, a determination which the FCC also found to be true.

Q. SHOULD THE PROPOSED INTRASTATE PRIVATE LINE AND SPECIAL ACCESS EXPANDED INTERCONNECTION TARIFFS BE APPROVED?

A. To the extent that these tariffs mirror the LECs' interstate tariffs, they should be approved, subject to future modification as the FCC completes its investigation. However, BellSouth's tariff does not comply with the Commission's order in Phase I of 921074-TP because the company does not

tariff a DS0 interconnection service. This service must be included before the Commission approves BellSouth's tariff.

The Commission must also ensure that the LECs' tariffs do not contain unreasonable warehousing provisions. BellSouth's tariff is also not in compliance on this issue since the company must give an interconnector at least 60 days before requiring it to forfeit space. TCG believes the 60 day provision to be unreasonable and believes it will permits the LECs to force collocators to order connections, thus triggering pricing flexibility. TCG has asked for reconsideration of this provision. In any case, BellSouth indicates the collocator must place equipment in its space within 30 days of being notified to do so by the company. See Section E & B 20.1.5(C)(3)(g). GTE reserves the right to require collocators to relinquish space which it has not used "within a reasonable time." Section 17.7.2(E). BellSouth must change its 30 day provision to 60 days and GTE should specify, "within a reasonable time, to be no less than 60 days from the notification date" in order to bring both tariffs into compliance with the existing order.

Q. SHOULD THE LECS' PROPOSED INTRASTATE SWITCHED

ACCESS INTERCONNECTION TARIFFS AND LOCAL TRANSPORT RESTRUCTURE TARIFFS BE APPROVED?

A. These tariffs should be approved to the extent that they mirror the LECs' interstate tariffs.

Q. SHOULD THE LECs BE GRANTED ADDITIONAL PRICING FLEXIBILITY?

A. No. The pricing flexibility granted to the LECs by the FCC is adequate. The LECs should not be permitted excessive pricing flexibility. At the interstate level, the RIC is expected to be about 80% of the LECs' local transport revenue, which has totaled over $4 billion annually. Given the substantial RIC revenues guaranteed to the LECs, the risk of anti-competitive pricing on the remainder of the local transport circuit is high. A LEC could choose to price its transport services at a small fraction of their true cost, hold on to 100% of the market, and suffer a very small decline in revenues. This same scenario is true at the state level again, assuming the existence of an intrastate RIC. Giving the LECs additional pricing flexibility will substantially increase the risk of these pricing abuses.

Q. SHOULD THE COMMISSION MODIFY ITS PRICING AND RATE STRUCTURE REGARDING SWITCHED TRANSPORT SERVICE?

A. As I explained above, the Commission should mirro-

the FCC's rate structure for switched access expanded interconnection at the interstate level. Different rate levels for interstate and intrastate transport are appropriate only to the extent that different interstate and intrastate tariff rates apply for equivalent DS1 and DS3 special access services.

Q. SHOULD THE COMMISSION'S IMPUTATION GUIDELINES BE MODIFIED TO REFLECT A REVISED TRANSPORT STRUCTURE?

A. The Commission should apply its imputation guidelines to the LECs' local transport rates since the local transport portion of switched access service will be competitive once switched access interconnection is implemented. The goal of imputation is logical, the cost to the AAV to collocate with the LEC cannot be more than what the LEC would charge the IXC customer for the end-to-end service, including the LEC's own costs for central office space and power, intraoffice cross connections, electronics, and space.

The difference between what an AAV has to pay the LEC and what the LEC would charge the customer for end-to-end service represents the margin available to an interconnector to pay for its electronics, network, administrative and overhead costs. This difference is the key measure of whether the LECs'

switched access interconnection tariffs present a realistic market opportunity, and whether they will permit a competitive market to develop. An effective imputation policy would require LECs to impute to their end-to-end service the costs they impose on interconnectors to collocate in their bottleneck facilities.

Q. SHOULD THESE DOCKETS BE CLOSED?

A. Once expanded interconnection for special and switched access services is fully implemented through reasonable, economically viable tariffs, the Commission can permit these dockets to become inactive. It should not close them, however, but leave them open for parties to raise interconnection problems.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.