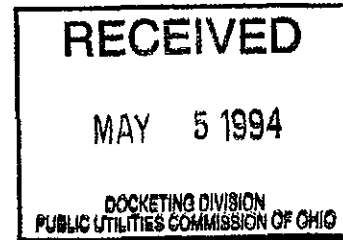


**CLYDE KURLANDER**  
**LAW OFFICES**

**THREE FIRST NATIONAL PLAZA**  
CHICAGO, ILLINOIS 60602  
TELEPHONE: 312-558-1744 • FACSIMILE: 312-558-7772

May 4, 1994



Ms. Daisy Crockron  
Chief, Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, OH 43266-0573

Re: Case No. 93-487-TP-ALT

Dear Ms. Crockron:

Enclosed for filing in the above docket are twenty (20) copies of the prefiled Testimony of Gary Ball on Behalf of TCG America, Inc.

Please file stamp the additional copy also enclosed and return to me in the enclosed, self-addressed stamped envelope as acknowledgement of receipt.

Very truly yours,

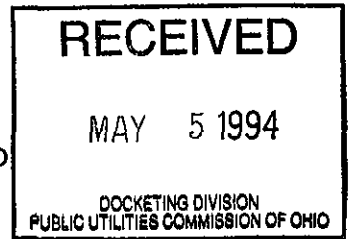
*Clyde Kurlander*  
Clyde Kurlander

CK; cpjc

Encs.

CC: Service List

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO



In the Matter of the Application of  
Ohio Bell Telephone Company for  
Approval of an Alternative Form of  
Regulation.

)  
) Case No. 93-487-TP-ALT  
)  
)  
)

**TESTIMONY OF GARY BALL ON BEHALF OF TCG AMERICA, INC.**

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS

2 A. My name is Gary Ball. My business address is Teleport  
3 Communications Group, Inc. (TCG), One Teleport Drive,  
4 Staten Island, New York 10311.

5  
6 Q. WHAT IS YOUR CURRENT POSITION AT TCG?

7 A. I am Manager of Tariffs and Regulatory Analysis in  
8 TCG's Regulatory and External Affairs Department. I  
9 work closely with our sales and marketing departments  
10 to tariff TCG's interstate services with the Federal  
11 Communications Commission and its intrastate services  
12 with the state commissions, including the engineering  
13 and operational aspects of those services. I monitor  
14 rates filed by other carriers for their impact on TCG's  
15 service offerings.  
16

1 Q. WHAT IS YOUR BACKGROUND PRIOR TO JOINING TCG?

2 A. From 1991 to early 1993, I worked for Rochester  
3 Telephone. I started as a financial analyst in network  
4 planning where I was responsible for analyzing the  
5 impact of upgrades to Rochester's local telephone  
6 network. I then held the position of Senior Analyst in  
7 the Tariffs and Rates Department. I formulated pricing  
8 for intrastate private line end switching services and  
9 developed a private line pricing model. Before working  
10 at Rochester, I received an MBA from the University of  
11 North Carolina at Chapel Hill. I worked at  
12 Westinghouse Electric Corporation for three years,  
13 prior to graduate school, as a Radar Systems Engineer  
14 providing technical support for the company's airborne  
15 radar defense system. I received my Bachelor's degree  
16 in electrical engineering from the University of  
17 Michigan in 1986.

18  
19 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS  
20 PROCEEDING?

21 A. The purpose of my testimony is to address issues  
22 related to "Barriers to Competition" in the Staff  
23 Report of Investigation filed in this case. I will  
24 specifically address the Staff's recommendation that  
25 Ohio Bell Telephone Company/Ameritech of Ohio, Inc.  
26 ("Ameritech") make available all of the components of

1           basic local exchange service on an unbundled basis. I  
2           will also discuss uniform terminating compensation for  
3           local traffic.

4  
5           Q.   HAS THE STAFF LISTED ALL THE BARRIERS WHICH TCG AMERICA  
6           CAN IDENTIFY AS PRECLUDING EFFECTIVE COMPETITION?

7           A.   No. TCG America fully supports the Staff's  
8           identification of a procompetitive telecommunications  
9           policy. I believe, however, that the Staff's list of  
10          barriers to competition is incomplete. I would like to  
11          therefore identify and explain additional barriers  
12          which Alternative Exchange Providers ("AEPs") like TCG  
13          America will face in providing local service in  
14          Ameritech's service territory. I will specifically  
15          address barriers associated with access to components  
16          of Ameritech's bottleneck network and uniform  
17          terminating compensation for local traffic.

18  
19          Q.   HOW CAN THE COMMISSION BEST ADDRESS THE REMOVAL OF THE  
20          BARRIERS TO COMPETITION WHICH YOU WILL IDENTIFY?

21          A.   I believe that the Commission should open an expedited  
22          generic local competition docket to address these  
23          issues. Parties can participate in the docket to  
24          detail what the existing barriers are, explore how much  
25          progress has been made towards removing the barriers  
26          and finally, identify firm policies to completely

1           remove these barriers.

2  
3           Q.    WHAT ISSUES SHOULD THE COMMISSION ADDRESS IN THIS  
4           GENERIC DOCKET?

5           A.    The Commission should address the technical, legal and  
6           economic barriers which must be affirmatively removed  
7           in order for AEPs to provide competitive local calling  
8           services.

9  
10          Q.    WHAT IS THE MOST SIGNIFICANT TECHNICAL BARRIER  
11          CONFRONTING TCG AMERICA IN ITS ABILITY TO PROVIDE  
12          COMPETITIVE SERVICES?

13          A.    TCG America is currently unable to purchase on an  
14          unbundled basis the line-side and trunk-side network  
15          components of Ameritech's local bottleneck network.  
16          Ameritech has proposed to disaggregate its exchange  
17          access rate element into only two components: the  
18          network access line and the central office termination  
19          -- in other words, the link and the port. This  
20          proposal clearly does not go far enough. While TCG  
21          America, as an AEP, has a limited need to purchase  
22          links to reach customers which are not physically  
23          located on its network, it needs to be able to purchase  
24          specific components of the bottleneck network.

1 Q. WHAT OTHER COMPONENTS DOES TCG AMERICA NEED AMERITECH  
2 TO UNBUNDLE?

3 A. The Commission should require Ameritech to unbundle the  
4 following logical, physical and administrative  
5 functions of the LEC's bottleneck:

6 1) Physical

7 Links  
8 End user ports  
9 Local switching  
10 Local calling port-end office  
11 Tandem switching  
12 Local Calling port-tandem switch  
13 Interoffice transport  
14 SS7/STP port  
15 911/E911 Hub  
16 LEC operator services  
17

18  
19 2) Logical

20  
21 Directory assistance database  
22 Line Information Database (LIDB)  
23 SS7/SCP  
24 Numbering/routing database  
25 Advanced Intelligent Network  
26

27 3) Administrative

28  
29 Order processing systems  
30 Billing systems  
31 Circuit provisioning systems  
32 Maintenance/repair systems  
33 Customer service systems  
34

35 Overall, there are "Nine Points" which the Commission  
36 should address in a generic docket to facilitate the  
37 technical interconnection and other arrangements which  
38 are necessary prerequisites for effective local  
39 competition. Points 2 through 6 comprise the physical,  
40 logical and administrative network components I

1 described above. These points are:

- 2 (1) Central office interconnection arrangements;  
3 (2) Connections to unbundled network elements;  
4 (3) Seamless integration into LEC interoffice networks;  
5 (4) Seamless integration into LEC signalling networks;  
6 (5) Equal status in and control of network databases;  
7 (6) Equal rights to and control over number resources;  
8 (7) Local telephone number portability;  
9 (8) Reciprocal inter-carrier compensation arrangements;  
10 and  
11 (9) Cooperative practices and procedures.

12 In addition, it is necessary to establish procedures  
13 for acquisition of necessary rights-of-way on the same  
14 terms and conditions as the LEC and mandate no  
15 restrictions on the resale of LEC services.  
16

17 Q. WILL AEPs BE ABLE TO COMPETE IN THE LOCAL MARKET  
18 WITHOUT THESE POINTS BEING IN PLACE?

19 A. No. These "Nine Points" are the necessary technical,  
20 operational and administrative requirements for the  
21 development of local exchange service competition.  
22

23 Q. WHAT IS THE MOST SIGNIFICANT LEGAL BARRIER CONFRONTING  
24 TCG AMERICA IN ITS ABILITY TO PROVIDE COMPETITIVE  
25 SERVICES?

26 A. I am not a lawyer. However, I do know that obtaining

1 certification from the Commission is a significant  
2 barrier. TCG America filed for private line  
3 certification under streamlined rules. After a  
4 significant delay, the certificate was granted, but  
5 Ameritech appealed the grant of authority. We can only  
6 assume from our experience that obtaining a certificate  
7 to provide local switched services will be more  
8 difficult. Therefore, the current certification  
9 process should be listed as a barrier to competition  
10 for AEPs that the Commission should address in a  
11 generic docket.  
12

13 Q. WHAT ARE THE MOST SIGNIFICANT ECONOMIC BARRIERS  
14 CONFRONTING TCG AMERICA IN ITS ABILITY TO PROVIDE  
15 COMPETITIVE LOCAL SERVICES?

16 A. An AEP must be fairly confident that it can receive a  
17 reasonable profit from offering competitive local  
18 service. There are essentially three points which are  
19 necessary to make local competition economically  
20 viable. Without these points in place, the economic  
21 inviability becomes a fundamental barrier to an AEP's  
22 ability to enter the market. First, the Commission  
23 must ensure that prices charged by the LEC for the  
24 technical arrangements and interconnections I described  
25 above are cost based and thus not excessive. If these  
26 elements are priced above cost, competitors will not be



1           able to enter the marketplace. Second, the Commission  
2           must address uniform compensation for terminating local  
3           traffic. Third, the Commission should consider the use  
4           of broad imputation requirements to prevent  
5           discrimination between the incumbent LEC and  
6           competitors, thus ensuring that all prices for  
7           unbundled network components reflect underlying costs  
8           and do not encourage anticompetitive pricing by the  
9           LEC.

10  
11       Q.     CAN YOU IDENTIFY THE PRIMARY GOAL OF A WORKABLE  
12           COMPENSATION ARRANGEMENT BETWEEN CARRIERS FOR  
13           TERMINATING LOCAL TRAFFIC?

14       A.     A viable compensation scheme will simply ensure that  
15           the rate for the LEC's end-to-end local calling service  
16           does not exceed the total rates for all unbundled  
17           components the LEC uses to provide that local service.  
18           Then, a reasonable margin should exist between the  
19           market rate for an end-to-end local call and the cost  
20           to terminate the call on the LEC's network or the AEP's  
21           network. The competitor must use this margin to cover  
22           its own network costs, which include switching,  
23           transport, the provision of 911, 411 directory  
24           assistance, sales, administrative, engineering and  
25           other expenses.

1 Q. WHAT KIND OF COMPENSATION SCHEME IS VIABLE?

2 A. A generic docket would be the best forum for exploring  
3 different types of compensation arrangements which are  
4 agreeable to competitors and the LEC. I can say  
5 initially that a reasonable compensation scheme can be  
6 conceptually based on the margins interexchange  
7 carriers retain after paying the LEC to originate and  
8 terminate long distance calls. TCG believes that a  
9 reasonable "benchmark" for this gross margin can be  
10 based on the margins interexchange carriers ("IXCs")  
11 retain after paying the LEC to originate and terminate  
12 long distance calls. IXCs currently pay LECs  
13 approximately 50 percent of the effective long distance  
14 market rate to originate and terminate calls, or 25  
15 percent at each end of the call. Since local  
16 competitors will provide the originating function  
17 themselves, they will only pay the LEC to terminate the  
18 call and therefore, the local call completion rate  
19 should be no more than 25 percent of the effective  
20 market rate of an end-to-end local call. There are a  
21 number of different compensation arrangements which the  
22 Commission can investigate in the generic docket.

23  
24 Q. CAN YOU DESCRIBE SOME DIFFERENT COMPENSATION SCHEMES  
25 WHICH YOU THINK THE COMMISSION SHOULD REVIEW IN A  
26 GENERIC DOCKET?

1           A.   While TCG America can not endorse one particular  
2               arrangement at this time, I can suggest that the  
3               Commission should explore different types of  
4               compensation plans in a generic docket.  Some of these  
5               are:

6               (1) Charge the LEC's local switching tariff rate for  
7               termination of local traffic at an end office on its  
8               network and charge transport for termination of  
9               transport at a tandem;

10              (2) Permit the carrier that originates the local call  
11              to keep the revenue associated with the call and not  
12              pay the terminating carrier;

13              (3) Charge a flat rated DS1 tandem or end office port  
14              rate to terminate an unlimited amount of traffic on the  
15              LEC's network, priced in a cost based manner.

16           Q.   DO YOU HAVE A GENERAL OPINION ON THE VIABILITY OF THESE  
17                OPTIONS?

18           A.   Local switching is economically viable because it  
19                represents a functionality actually being provided to  
20                the carrier that works to terminating the call, and  
21                represents a movement toward cost based rates.

22  
23               Permitting the carrier which originates the call to  
24               keep the revenue associated with the call is  
25               economically viable because the originating carrier  
26               does not pay anything to the terminating LEC.  In an

1 area that traditionally has had flat rate calling, this  
2 scheme is especially appealing because costs are not  
3 incurred by carriers in excess of revenues taken in  
4 from end users. The flat rated port option is viable  
5 if the competitor sends enough minutes of use per month  
6 per DS1 port to recover the port charges.

7  
8 Flat rate ports represent an administratively  
9 simple means to implement competition.  
10 Carriers will be inclined to efficiently  
11 design their network and efficiently utilize  
12 the LEC's network as well. I would  
13 recommend that the LEC charge a lower port  
14 charge for end offices and a higher charge  
15 for tandems based on the LEC's transport  
16 costs associated with termination at a  
17 tandem. This would provide the proper  
18 economic incentives for carriers to develop  
19 robust networks.

20  
21 Q. CAN YOU BRIEFLY DESCRIBE THE REASON FOR REQUIRING  
22 IMPUTATION?

23 A. Imputation simply ensures that the incumbent carrier  
24 can not charge discriminatory or anti-competitive rates  
25 for components of its bottleneck network. In order for  
26 an imputation requirement to be effective, the

1 incumbent must be required to impute every element it  
2 uses to provide a service. If only a few cost elements  
3 are required to be imputed, the incumbent will then  
4 have too much freedom to discriminatorily price other  
5 services elements.  
6

7 Q. PLEASE SUMMARIZE YOUR TESTIMONY?

8 A. I have identified certain significant legal, technical  
9 and economic barriers to competition which the  
10 Commission should address in an expedited generic  
11 proceeding. I have also discussed the elements  
12 necessary for effective local competition including the  
13 components of the incumbent LEC's bottleneck network  
14 which an AEP must be able to purchase on an unbundled  
15 basis. Finally, I described what is necessary for an  
16 economically viable compensation arrangement between  
17 carriers for the termination of local traffic.

18 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

19 A. Yes.  
20

CERTIFICATE OF SERVICE

I hereby certify that a copy of the prefiled Testimony of Gary Ball on Behalf of TCG America, Inc. was served upon each person appearing on the attached Service List by regular U.S. mail, postage prepaid, at Chicago, Illinois this 5th day of May, 1994.

  
Clyde Kurlander

**OHIO BELL ALT REG  
CASE NOS. 93-487-TF-ALT AND 93-576-TF-CES  
SERVICE LIST**

**OHIO BELL**

Michael T. Mulcahy  
James C. Smith  
William H. Hunt  
Ohio Bell Telephone Co.  
45 Erieview Plaza  
Cleveland, OH 44114  
(216) 822-3973  
(216) 822-3437

**PUCO STAFF**

James B. Gainer  
Anne Hensner  
Tom McNamee  
Assistant Attorney General  
Public Utilities Commission  
180 East Broad Street  
Columbus, OH 43266-0573

**OHIO PUBLIC COMMUNICATION ASSOCIATION**

Randy J. Hart  
Hahn, Loesser & Parks  
3300 BP American Bldg.  
200 Public Square  
Cleveland, OH 44114-2391  
(216) 621-0150

Maureen Grady  
Hahn, Loesser & Parks  
431 E. Broad Street  
Columbus, OH 43215  
(614) 221-0240

**AT&T**

Robin P. Charleston  
AT&T Communications of Ohio, Inc.  
227 W. Monroe Street  
5th Floor  
Chicago, IL 60606  
(312) 230-2665

**GREATER CLEVELAND WELFARE RIGHTS  
ORGANIZATION**

Joseph Weissner  
Legal Aid Society of Cleveland  
1223 West Sixth Street  
Cleveland, OH 44113  
(216) 687-1900

**TOLEDO**

Kerry Bruce  
Utility Rate Coordinator  
Public Utilities Department  
Suite 1520  
City of Toledo  
1 Government Center  
Toledo, OH 43604  
(419) 245-1829

**CABLEVISION LIGHTPATH NEW PAR  
COMPANIES**

Sally W. Bloomfield  
Mary Christensen  
Bricker & Eckler  
100 South Third Street  
Columbus, OH 43215  
(614) 227-2368  
(614) 227-2386

**CLEVELAND**

William Ondrey Gruber  
City of Cleveland  
Assistant Director of Law  
601 Lakeside Avenue, N.W.  
Cleveland, OH 44114

**NCI**

Douglas Trabaria  
NCI Telecommunications Corp.  
205 North Michigan Avenue  
Suite 3200  
Chicago, IL 60601  
(312) 938-3798

OHIO CONSUMERS' COUNSEL

Barry Cohen  
David C. Bergmann  
Ohio Consumers' Counsel  
77 South High Street  
15th Floor  
Columbus, OH 43266-0550  
(614) 466-8574

ENHANCED TELEMAGEMENT

Gena Doycher  
Enhanced Telemagement  
730 Second Avenue, South  
Suite 1200  
Minneapolis, MN 55402  
(612) 342-2000

OHIO CABLE TV ASSOCIATION

William S. Newcomb, Jr.  
Stephen M. Howard  
Vorys, Sater, Seymour & Pease  
52 East Gay Street  
P.O. Box 1008  
Columbus, OH 43266-1008  
(614) 464-5401

TIME WARNER ARE

Samuel C. Randazzo  
Erans, Regler, Brown, Hill & Ritter  
65 East State Street  
Suite 1800  
Columbus, OH 43215  
(614) 462-5400

FEDERAL EXECUTIVE AGENCIES

Cecil O. Simpson, Jr.  
General Attorney  
Office of the Judge Advocate General  
Department of the Navy  
901 North Stuart Street  
Arlington, VA 22203-1837  
(703) 696-2960

MCI

Joseph M. Patchen  
Carlisle Patchen & Murphy  
366 East Broad Street  
Columbus, OH 43215  
(614) 228-6135

ALLNET/LITEL/LDDE

Judith B. Sanders  
Barth Royer  
Bell, Boyer & Sanders  
33 S. Grant Avenue  
Columbus, OH 43215-3927

SPRINT

Mary Hull  
Sprint Communications  
8140 Ward Parkway, SE  
Kansas City, MO 64114  
(913) 624-6551

NETAS

Dennis K. Muncy  
Meyer, Capel, Hirschfeld, Muncy,  
Jahn & Aldeen  
Athenaeum Building  
306 West Church Street  
P.O. Box 6750  
Champaign, IL 61826-6750  
(217) 352-0030

AMERICAN ASSOCIATION OF RETIRED  
PERSONS

Bruce Weston  
169 West Hubbard Avenue  
Columbus, OH 43215-1439  
(614) 291-7383



BELL COMMUNICATIONS RESEARCH, INC.

Bill Adams  
Arter & Hadden  
One Columbus  
10 W. Broad Street  
Columbus, OH 43215-3422  
(614) 221-3155

THE EDMONT COALITION

Ellis Jacobs  
The Legal Aid Society of Dayton  
333 West First Street  
Suite 500  
Dayton, OH 45402  
(513) 228-8088

OHIO NEWSPAPER ASSOCIATION

Sheldon A. Taft  
Vorys, Sater, Seymour & Pease  
52 East Gay Street  
P.O. Box 1008  
Columbus, OH 43216-1008  
(614) 464-6308

OHIO DEPARTMENT OF EDUCATION

Karin W. Riley  
Assistant Attorney General  
Office of the Attorney General -  
Education Section  
30 E. Broad Street - 15th Floor  
Columbus, OH 43266-0410  
(614) 644-7250

OHIO DEPARTMENT OF ADMINISTRATIVE  
SERVICES

Daniel A. Malkoff  
Assistant Attorney General  
30 E. Broad Street - 25th Floor  
Columbus, OH 43215-3428  
(614) 466-2980

CITY OF COLUMBUS

Greg J. Dunn, Esq.  
Crabbe, Brown, Jones, Potts &  
Schmidt  
500 S. Front Street, Suite 1200  
Columbus, OH 43215  
(614) 228-5511

John W. Bentine, Esq.  
Chester, Willcox & Saxbe  
17 South High Street, Suite 900  
Columbus, OH 43215  
(614) 221-4000