BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of	
Investigation into temporary local telephone number portability solution to implement competition in local exchange telephone markets.	**DOCKET NO. 950737-TP**

VOLUME 3 - LATE AFTERNOON SESSION

Pages 302 through 401

PROCEEDINGS:	**HEARING**
BEFORE:	CHAIRMAN SUSAN F. CLARK COMMISSIONER J. TERRY DEASON COMMISSIONER JULIA L. JOHNSON COMMISSIONER DIANE K. KIESLING COMMISSIONER JOE GARCIA
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PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	JOY KELLY, CSR, RPR Chief, Bureau of Reporting RUTHE POTAMI, CSR, RPR Official Commission Reporter
APPEARANCES:	(As heretofore mentioned.)

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I N D E X

WITNESSES - VOLUME 3

NAME	PAGE NO.
F. B. (BEN) POAG	
Direct Examination By Mr. Whalen	304
Prefiled Direct Testimony Inserted	306
Prefiled Rebuttal Testimony Inserted	316
Cross Examination By Ms. McMillin	323
Cross Examination By Mr. Rindler	328
Cross Examination By Ms. Wilson	329
Cross Examination By Ms. Weiske	333
Cross Examination By Mr. Cox	342
Redirect Examination By Mr. Whalen	346
PAUL R. McDANIEL	
Direct Examination By Ms. Weiske	348
Prefiled Direct Testimony Inserted	350
Prefiled Rebuttal Testimony Inserted	363
Cross Examination By Mr. Whalen	375
Cross Examination By Mr. Cox	376
Direct Examination By Ms. Wilson	380
Prefiled Direct Testimony Inserted	383

EXHIBITS - VOLUME 3

NUMBER		ID.	ADMTD.
16	FBP-1	305	347
17	JPC-1, JPC-2	381	396

MISCELLANEOUS

ITEM	PAGE NO.
CERTIFICATE OF REPORTERS	401

P R O C E E D I N G S

(Transcript continues from Volume 2.)

F. B. (BEN) POAG

was called as a witness on behalf of Sprint and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. WHALEN:

Q Would you please state your name?

A Ben Poag.

Q By whom are you employed?

A I'm employed by Sprint/United/Centel.

Q Mr. Poag, did you prepare and cause to be filed in this docket prepared direct testimony consisting of 10 pages?

A Yes.

Q And did you also prepare and cause to be filed in this docket prepared rebuttal testimony consisting of six pages?

A Yes.

Q Do you have any changes or corrections to either your prepared direct or prepared rebuttal testimony?

A No.

Q If I were to ask you the questions contained in your prepared direct testimony and prepared

rebuttal testimony today, would your answers be the same?

A Yes.

MR. WHALEN: Commissioner Clark, we would request that Mr. Poag's direct and rebuttal testimony be inserted into the record as though read.

CHAIRMAN CLARK: They will be inserted in the record as though read.

Q **(By Mr. Wahlen)** Mr. Poag, did you also include with your prepared direct testimony a one-page exhibit labeled FBP-1 and entitled Interim Number Portability Cost-Rate Development?

A Yes.

Q Is the information therein true and correct, to the best of your knowledge?

A Yes.

MR. WHALEN: Could we have a number to identify that exhibit, please?

CHAIRMAN CLARK: The next number I have is 16.

(Exhibit 16 marked for identification.)

UNITED TELEPHONE COMPANY
OF FLORIDA
CENTRAL TELEPHONE COMPANY
OF FLORIDA
DOCKET NO. 950737-TP
FILED: September 23, 1996

306

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

F. BEN POAG

Q. Please state your name, business address and title.

A. My name is F. Ben Poag. I am employed as Director-Tariffs and Regulatory Management for United Telephone Company of Florida. My business mailing address is Post Office Box 2214, Tallahassee, Florida. 32301.

Q. What is your business experience and education?

A. I have over 30 years experience in the telecommunications industry. I started my career with Southern Bell, where I held positions in Marketing, Engineering, Training, Rates and Tariffs, Public Relations and Regulatory. In May, 1985, I assumed a position with United Telephone Company of Florida as Director-Revenue Planning and Services Pricing. I held the position until February 1988, at which time I was appointed to the position of Director-Tariffs and Regulatory. In January 1990, the pricing and tariffs organizations were combined and I was appointed Director-Revenue Planning and Regulatory. In June 1993, in conjunction with restructuring, I assumed new

responsibilities and my current title. In my current position, I am responsible for costing, tariffs and regulatory matters. I am a graduate of Georgia State University with a Bachelor's Degree in Business.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present Sprint-United/Centel's proposed methodology for interim number portability cost recovery.

Q. Is Order No. PSC-95-1604-FOF-TP inconsistent with the Federal Communications Commission's First Report and Order and Further Notice of Proposed Rulemaking in The Matter of Telephone Number Portability in CC Docket No. 95-116?

A. I am not a lawyer, however, that portion of the Order which places the full cost recovery of interim number portability on the new entrant appears to be inconsistent with the language in paragraph 138 of the First Report and Order which states "Imposing the full incremental cost of number portability solely on new entrants would contravene the statutory mandate that all carriers share the cost of number portability." However, in paragraph 127, the Order also states "We seek to articulate general criteria that conform to the statutory

requirements, but give the states some flexibility during this interim period to continue using a variety of approaches that are consistent with the statutory mandate." Further, in paragraph 130 of the Order the FCC provides discretion to the states in establishing how number portability cost will be apportioned. The language is as follows: "...states may require all telecommunications carriers....to share the cost..." In addition the Order also states "States may apportion the incremental costs of currently available measures among relevant carriers by using competitively neutral allocators, such as gross telecommunications revenues, number of lines, or number of active telephone numbers."

The key words are that "states may require," "states may apportion" and "among relevant carriers."

In addition, in paragraph 136, the FCC provides several examples of recovery mechanisms which it concludes are competitively neutral. Only the third example appears to be applicable to all telecommunications carriers. In the other examples the cost allocations are tied to the number of ported numbers of the carriers or to the cost of the individual carriers. This is consistent with the "among relevant carriers" language in paragraph 130.

Thus, if a plan for number portability cost recovery is applicable to relevant carriers, i.e., those with ported numbers or ported number costs, the plan can meet the FCC competitively neutral criteria, that is, it need not be applicable to all telecommunications carriers to be competitively neutral.

Q. Are there other requirements to be competitively neutral?

A. Yes, there are two other requirements in the FCC's First Report and Order and Further Notice of Proposed Rulemaking that a cost recovery mechanism must meet to be competitively neutral. One is that the cost recovery mechanism not give one service provider an appreciable, incremental cost advantage over another service provider, when competing for a specific subscriber. In paragraph 133, the First Report and Order and Further Notice of Proposed Rulemaking states "The share of this incremental cost borne by the new entrant that wins the customer cannot be so high as to put it at an appreciable cost disadvantage relative to the cost the incumbent LEC would incur if it retained the customer."

While somewhat subjective, the main point is that one carrier would not be at an appreciable cost disadvantage in competing for a customer.

Q. What is the second criterion to be competitively neutral?

A. The second criterion to be competitively neutral is that the cost recovery mechanism not have a disparate effect on the ability of competing providers to earn normal returns on their investment. Both of these criterion are linked to costs and prices and, therefore are closely related to each other.

Q. Does Sprint have a proposed interim number portability plan which apportion's the cost among relevant carriers and is competitively neutral?

A. Yes.

Q. Please describe the plan?

A. Sprint's proposed plan develops a per ported number charge based on a rate which is approximately 50% of the cost. This results in an approximately equal sharing of the cost of interim number portability by the ILEC and the CLEC. Exhibit FBP-1, provides the cost and proposed rates for both business and residential ported numbers.

The plan contains three separate cost recovery elements, each element is related to the costs of establishing and

maintaining the service. The monthly recurring rates for residence service, including six additional call paths, and business service, including ten additional call paths, are $0.45 and $1.16, respectively.

Additional call paths for both business and residence are $.31 each; there is also a $10.00 nonrecurring order charge which allows for ordering multiple ported numbers on the same order without additional charges.

Q. How do the proposed rates compare to the costs?

A. The proposed rates are 45% of the costs. Thus, the costs of interim number portability are shared equitably among the relevant carriers and do not impose costs on other carriers that do not use or require number portability. The plan also has efficiency incentives that will enhance the reuse of telephone numbers, reduce number administration costs and more efficiently allocate resources. The plan also has the added benefit of being easy to implement and administer relative to some of the other alternatives that have been proposed.

Q. Is the proposed plan "competitively neutral?"

A. Yes. Sharing the costs, approximately equally, on a per

number basis is a competitively neutral solution to recover interim number portability costs.

Q. Does the proposed plan meet the First Report and Order and Further Notice of Proposed Rulemaking's two criterion to be competitively neutral?

A. Yes. While the criterion are subjective there is substantial data that supports the conclusion that the proposed plan does not put the new entrant at an appreciable cost disadvantage or have a disparate effect on the ability of competing service providers' ability to earn normal returns.

Q. Please explain how you arrived at this conclusion.

A. In order for a new entrant to be at an appreciable cost disadvantage, the new entrants' cost would have to be so appreciable as to put the new entrant at a cost disadvantage in terms of its ability to compete for customers and still earn a normal return. However, in making such a determination, you must consider total cost and total revenues, not just the cost of a single input to the process, i.e., the cost to the new entrant of interim number portability.

For example, when an ILEC loses a customer, it loses not only the basic local service revenues, but also the vertical services revenues, toll revenues and access revenues. However, because of traditional telecommunications rate setting policies, there are significant mismatches between costs and revenues for most services. In other words the revenues that will be lost with the customer will far exceed the cost. It is also important to recognize that all of the ILEC's costs for that particular customer do not go away.

Assuming the new entrant is an efficient competitor, or it would not be competing in the market place, its cost must be at or below the ILEC's cost. Thus the new entrant's added costs for the newly gained customer's services plus the cost of interim number portability will be more than offset by the revenues gained. Therefore, there will not be appreciable cost differential between the new entrant and the ILEC because of Sprint's proposed rate for interim number portability. Similarly, for these same reasons the proposed rates will not have a disparate effect on new entrants' ability to earn a normal return.

Q. Doesn't the FCC have plans to address these costing and pricing imbalance issues in the access charge and Universal Service dockets?

A. Yes, however the FCC will only be addressing these issues relative to the interstate jurisdiction; additionally, it is very doubtful that any change can be flash cut. Further, the price/cost imbalances problems are not limited to just the interstate jurisdiction and includes services in addition to access charges, e.g., intraLATA toll, vertical, and business services. Thus, given that this is an interim plan and implementation of permanent number portability is scheduled to begin in October of 1997, this Commission should approve the Sprint's proposed plan.

Q. Should there be any retroactive application of the Commission's decision in the proceeding, if so what should be the effective date?

A. Sprint does not believe there should be any retroactive application. First, the FCC's Order does not take effect until 45 days after published in the Federal Register. Secondly, there has not been a significant amount of ported number activity. Any such retroactive application process would likely cost as much or more to implement than has been spent on ported numbers in Sprint's service areas.

Q. Does that conclude your testimony?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

F. BEN POAG

Q. Please state your name, business address and title.

A. My name is F. Ben Poag. I am employed as Director-Tariffs and Regulatory Management for United Telephone Company of Florida. My business mailing address is Post Office Box 2214, Tallahassee, Florida. 32301.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to respond to the direct testimonies of Mr. Cresse, Mr. Harris, Ms. Kistner, and Mr. McDaniel.

Q. Do you agree with the testimonies of Mr. Cresse, Mr. Harris and Ms. Kistner, which advocate that each carrier pay for its own cost of interim number portability?

A. No, while the FCC's Order did indicate that such a mechanism was permissible, (paragraph 136), such a mechanism places virtually all of the costs of interim number portability on

incumbent LECs; this would result in the most extreme form of disparate sharing of costs. Further, paragraph 137 of the Order, the paragraph immediately following the statement that recovery by each carrier of its own costs was permissible, discusses the "payments made by new entrants" and states that the incumbent LEC would have a reciprocal compensation arrangement with each new entrant to be competitively neutral. Thus while the Order discusses several alternatives, each of which may be applicable for special or unique situations, the bulk of the text is directed to other cost recovery mechanisms that share the costs.

This is consistent with Sprint's proposal for sharing the cost, i.e., 50%, on a reciprocal basis. Sprint's proposal is more equitable, easy to administer, and provides incentives for efficient use of numbering resources. As stated in paragraph 127, the FCC did give the states the flexibility to continue using a variety of approaches for INP cost recovery.

Q. Do you agree with the alternative cost recovery proposals of Mr. Cresse, Mr. Harris and Mr. McDaniel?

A. No, as indicated by these witnesses and Ms. Kistner, these other alternative cost recovery mechanisms are administratively burdensome and complicated. Not only must a

cost allocation system be developed, but also, all CLECs would need to provide their forecasted quantities of INP services by types of switches and numbers of paths. Each new CLEC would require an updated cost and change the denominator of the allocator on a pro rata basis. Sprint's INP cost recovery proposal is the only plan that equitably shares the cost among relevant carriers, is easy to administer and bill, and promotes efficient utilization of resources.

Q. Do you agree that DID should be included in any INP cost recovery mechanism?

A. Yes, but only if a separate and specific cost recovery mechanism is approved. While it is relatively easy to estimate the incremental cost of INP using the RCF feature ("INP-RCF") that is not the case for INP using DID ("INP-DID"). Also, because of the difference in cost associated with provisioning INP-DID versus INP-RCF, the cost recovery mechanism should be priced at a higher price to reflect the higher cost associated with INP-DID. If there is no price differential, CLECs will have little incentive not to order the more costly INP-DID option at the expense of the other carriers. This would be particularly inappropriate in any cost recovery mechanism for an optional service that puts the preponderance of the cost of INP on the ILEC.

Q. Have you done a cost study for INP using DID service?

A. No, and such a study cannot be performed without a demand forecast which identifies volumes of traffic and originating and terminating locations for the direct trunking that is required. This is why LECs have indicated that rates for DID-INP be developed on an individual case basis.

Q. If you had the necessary demand forecast, would it be feasible to develop total INP costs using both RCF and DID services?

A. It would be extremely difficult and time consuming because of the data collection and analysis requirements and different configurations that would be required to estimate the costs. For one thing, we are talking about interconnection and INP throughout the entire service areas of United and Centel, approximately 35 to 40% of the geographic area of the state. Difference in switches, local calling areas, and the locations of the CLECs and their INP customers are all factors that would influence the study results.

Additionally, such a study would be of questionable value if it is intended for cost recovery. Because there are significant costs differences in INP using the different services, it would be inappropriate to place the high cost

burden on a CLEC which used only RCF-INP versus a CLEC which uses only INP-DID.

Likewise, since INP-DID is optional it is more appropriate for the CLEC requesting the service to pay a larger portion of the cost of the service rather than spreading the cost recovery to other CLECs that do not use INP-DID or possibly any other INP service. However, although it is an optional form of INP, Sprint's proposal is that those costs be shared on the same basis as Sprint proposes for INP-RCF service, i.e., approximately 50% cost recovery from the ILEC and CLEC.

Q. If you have not done a cost study, how do you know INP-DID is more expensive?

A. I know the type of facilities required to provide DID service and that the investment costs are significantly greater than for INP-RCF and that they are dedicated to individual CLECs and thus not shared, another reason why the cost recovery should not be allocated to other CLECs not using the service.

Q. Do you agree with Mr. McDaniel's proposal that non-recurring costs should be apportioned according to the number of working telephones?

A. No, non-recurring costs should be recovered from the carrier receiving the benefit. Mr. McDaniel, as well as Mr. Cresse, and Mr. Harris have all indicated there are administrative and/or complexities associated with pooled cost recovery mechanisms. Adding the non-recurring costs to the process would only make the proposed plan more burdensome and complex.

Q. Does that conclude your rebuttal testimony?

A. Yes.

BY MR. WHALEN:

Q Mr. Poag, would you please summarize your testimony?

A Yes. Sprint's basic proposal in terms of the rates that are being proposed are attached to my testimony as an exhibit. In the proposal that Sprint puts forth, we -- consistent with the FCC order in Paragraph 138, we do not impose the full cost recovery on the new entrants.

Consistent with the order in Paragraph 138, it's a competitively neutral proposal. In addition, it provides incentives for efficiencies, it provides incentives to reserve -- or excuse me -- conserve numbering resources.

Sprint's plan is the only plan which shares costs among the relevant carriers, is easy to administer, promotes efficient utilization of resources, and is competitively neutral.

In Paragraph 127 of the FCC order, it set forth its intent to establish general criteria but gives states the flexibility to establish cost recovery within those guidelines. We believe that Sprint's proposal meets all of those requirements.

Q Does that conclude your summary?

A Yes.

CHAIRMAN CLARK: Ms. White?

MS. WHITE: BellSouth has no questions.

CHAIRMAN CLARK: Ms. Caswell?

MS. CASWELL: GTE has no questions.

CHAIRMAN CLARK: Mr. Wiggins?

MR. WIGGINS: No questions.

CHAIRMAN CLARK: Ms. McMillin.

MS. McMILLIN: I do have some questions.

CROSS EXAMINATION

BY MS. McMILLIN:

Q Good afternoon, Mr. Poag. I'm Martha McMillin with MCI. If you would, please turn to page 6, Line 16 through 17 of your prefiled testimony.

A 16 through 17?

Q Yes, that's correct; Page 6, starting on Line 16.

A Yes.

Q Let me read that sentence. It reads, "The plan also has efficiency incentives that will enhance the reuse of telephone numbers, reduce number administration costs and more efficiently allocate resources."

How is it that your plan will, first of all, enhance the reuse of telephone numbers as you describe at that point in your testimony?

A What I'm referring to there is the fact that relative to the other plans that have been proposed by some of the parties in this dockets, there is a price that is associated with provisioning the service.

Now, if there were no price associated with provisioning the service, then there would be no incentive not to use the service, or to use it when the value of using it was less than the cost. It's in effect saying that if you put it out there, and for all practical purposes you don't have a price associated with, it's not an -- it's basically an economic truism, then it's effectively not an efficient way to allocate resources.

Q Okay. Let me make sure I understand. I was referring to the reuse of telephone numbers. How is your plan different from any other plan insofar as the reuse of telephone numbers, or how does the reuse of telephone numbers come into play here? That's what I'm having trouble understanding, how that's an issue and --

A Okay. It basically goes to some of the discussions that were held earlier today, and that has to do with the fact that a customer does not necessarily have to retain the old telephone number, and to the extent that there is a price associated

with that, then the decision by some customers or by the providing CLEC would be that in this case the value of retaining that telephone number is not worth the price associated with retaining it. Therefore, in those cases that number would be put back into the pool and would be available for reuse by the ILEC.

Q If a customer felt like if they wanted to keep their old telephone number and in order to do so they had to pay a price to do that, wouldn't you agree that that would be a disincentive for the customer to take the -- or to keep their telephone number?

A Yes.

Q And in that circumstance it's entirely possible that the customer might just decide to stay with their incumbent local exchange telephone company and keep their old number rather than going with a new entrant, isn't it?

A That's a possibility, and that's what brings about the competitive issues associated with the marketplace.

Q Let me also -- this again is referring back to the sentence we initially began discussing on your prefiled testimony on Page 6. You describe that your plan would reduce number administration costs. Explain for me, please, how it would accomplish that.

A Well, to the extent that when we have numbers that are used for number portability, we're going to have to maintain records, and we're going to have to know for example -- you're -- when the customers disconnect.

As I understand this, and I have to -- being old you have a lot of different jobs, and one of my jobs years ago was marketing yellow pages, and when I was marketing yellow pages, we had situations where we had things called area transfers and we had situations where customers were changing numbers, or we had situations where customers were attempting to track advertising; and so there were lots of different ways and things that you can do with numbers.

And my only point is, is that there are ways that you can get around retaining that number and still not impact the incoming calls to that particular number; and in most cases if these people sign up with a CLEC they're not going to retain that number indefinitely. It's just -- and that would be the rare exception when that would occur.

Most of the people will take and retain that number up until the new directory comes out or customers learn what the new telephone number is. I say customers; their friends and the people who are

calling them, or in the case of business, customers. But once they learn what those things are, then they're going to go to, let's say, to the new telephone number.

So to the extent that there's a price associated with that, either paid by the CLEC or by the end user customer, then the faster those customers are going to move off the old telephone number to the new telephone number; therefore, that telephone number goes back into the pool and is a scarce resource that can be used sooner.

Q But how does what you just described reduce number administration costs?

A To the extent that it's put back into the pool, or to the extent that that number is not used for call forwarding, we don't have to track it. We don't have to know when it's going to go on intercept. You know, we're going to have to keep track of all of these numbers, okay; and to the extent that we have to keep track of them, that's administrative cost. To the extent there are less of them, there are less administrative costs.

Q Are you saying you'd have to keep track of them under any method that were used for --

A Absolutely; and under any method, yes.

Q And how would it be different under the method you propose? The number of administration costs, how would be they be reduced in your plan vis-a-vis any of the other--

A Because there's a price associated with it, then it suggests that because people are paying for it, they won't keep it any longer than they absolutely have to.

Q And how will your plan more efficiently allocate resources?

A Well, that's part of it. Part of it is the fact that you're -- since there is a price associated with it, you're not going to use resources that -- where the value of the resource is greater than the price.

MS. McMILLIN: I have no further questions. Thank you.

COMMISSIONER DEASON: Mr. Rindler?

CROSS EXAMINATION

BY MR. RINDLER:

Q Mr. Poag, Rich Rindler representing MFS. I have a few questions. Your proposal, as I understand it, is to provide a discount of 55% from your cost; is that correct?

A Yes, sir.

Q Does that conform with the Florida Law 364.16 that talks about pricing for number portability?

A No, sir, I don't believe it does.

Q But, nonetheless, you are proposing it?

A I'm sorry. Would you repeat that?

Q By, nonetheless, that is your proposal?

A Yes, sir.

MR. RINDLER: I don't have any further questions.

CROSS EXAMINATION

BY MS. WILSON:

Q Good afternoon, Mr. Poag.

A Good afternoon.

Q Sprint provides retail call forwarding services today; isn't that correct?

A Yes.

Q And are those call forwarding services considered vertical services?

A What's your definition of vertical?

Q Well, how would you define vertical services?

A I would define it as discretionary, optional nonbasic services.

Q Is call forwarding a vertical service under

your definition?

A Yes.

Q Has Sprint determined the incremental costs incurred to provide call forwarding to ALECs as the interim number portability solution?

A You're -- we've done it for the remote call forwarding, and that's different from call forwarding, okay. Your question said "call forwarding," but this is different; it's remote call forwarding. They're two very distinct services. So we did not do it for call forwarding. We did do it for remote call forwarding.

Q Does your study show the marginal incremental costs of providing remote call forwarding as the interim number portability solution?

A You said marginal?

Q Or the short run incremental costs.

A No, it's not a short run study.

Q Does Sprint's sharing proposal apply to the nonrecurring charges for interim portability?

A I'm sorry. Would you repeat that question?

Q I believe in your testimony you have a charge of $10.00 for the nonrecurring charge.

A Yes.

Q And could you explain how that works, that

nonrecurring charge?

A Yes. We didn't have a study that would tell us what the nonrecurring costs would be associated with interim number portability. So the $10.00 is what we charge for our -- what we call our secondary service ordering charge associated with providing additional features once an account has already been established. And this looked -- some of the work functions or interim number portability appeared to be very similar to those work functions associated with our secondary service ordering charge, so we just adopted that as a surrogate proposal.

Q So if I understand your proposal correctly, you have a sharing proposal for the recurring charges but not for the nonrecurring charges?

A Correct.

Q Okay. And how would the sharing proposal work if there are four ALECs operating in the same United area?

A How would the sharing proposal operate?

Q Yes.

A Well, basically the sharing is based on the company Sprint/United, or Sprint/Centel absorbing 55% of the cost associated with providing the service. It's not shared between the four ALECs.

Q Could you clarify that response? I didn't understand it.

A The sharing is between us as the incumbent LEC and the competitive local exchange service providers, and it doesn't matter whether there's one or four or 10, that sharing still exists.

In other words, Sprint, as a corporation, has taken a very pro competitive policy, and we recognize that interim number portability is an inferior mode of number portability as compared to permanent number portability; and so we're kind of stepping up to the plate and saying that we're willing to share half of -- approximately half of the cost of providing that service.

Q So you stepped up to the plate to say that you're willing to share half of those costs, notwithstanding in your lay opinion that proposal does not comply with the Florida Statutes; is that correct?

A Yes.

MS. WILSON: I have no further questions.

CHAIRMAN CLARK: Ms. Weiske?

CROSS EXAMINATION

BY MS. WEISKE:

Q Good afternoon, Mr. Poag.

A Good afternoon.

Q If you have three ALECs and Sprint/United in the same geographic region all porting numbers, is it fair to say that under your proposal each of the ALECs would pay 55% of the TSLRIC costs of RCF?

A 45%.

Q 45%. Do you think that that's competitively neutral pursuant to the FCC order?

A Yes.

Q Would you specifically look at paragraph 135 of that order starting at the second sentence? Let me know when you're with me.

A 135, the second sentence?

Q If you would review from the second sentence to the end of that paragraph, please.

A I'm sorry. Repeat that again.

Q If you take a look at that paragraph I have a couple of questions --

A Okay. 135, the second sentence?

Q Starting at the second sentence. You can read the first sentence. I'd like you to review the entire paragraph, please.

A (Pause.) Yes.

Q Okay. Let's say for the sake of these questions that Time Warner, MCI Metro, AT&T and Sprint/United are serving the same group of customers, and let's say we're using your proposal with the discounted rate being the discount off of the TSLRIC costs; and let's further assume that the three ALECs in total have less than 20% of the total market for that region. Do you still think that that approach is competitively neutral for those three ALECs?

A The Sprint's approach?

Q Yes, the discounted approach.

A Yes, absolutely.

Q Why is it not the case that the total costs of currently -- excuse me -- that the new entrant's share of the cost in that instance would be so large relative to the expected profits that it would impact the entrant's -- either the entrant's entrance into the market or continuation in that market if the total market share for the ALECs is less than 20%?

A Okay. Well, I think that what you're trying to do and -- excuse me; I don't mean that you're trying to -- well, yeah -- (laughing) -- what you're trying to do I think, is take, you know, a couple of pieces outside of a big puzzle and say, if you just

look at these pieces of the puzzle, you know, this would disadvantage these folks in the marketplace.

And as I explained in my direct testimony, there are other things that you have to look at in terms of the marketplace to determine whether or not they would, in fact, not be able to enter the market or be able to continue in that market.

I think that it's clear that the ALECs have already agreed to higher prices than what we're proposing, which would on the surface suggest that it would not impair their ability to compete in the marketplace. But, again, in my direct testimony I go into a much longer explanation of the fact that there are other cost/price relationships in the market that would, in fact, allow the competing local exchange companies to enter the market, even though their costs on a per customer basis were slightly higher than the local exchange, the incumbent local exchange company's cost.

Q If the spread for the incumbent LEC of those costs is over 10,000 customers and the spread for the ALECs in that same region is over 1,000 customers, do you think that that shows from an analysis of net profits to costs that there's a disproportionate share of the costs being incurred by the ALECs?

A Well, again, what you're trying to do is to take a very small piece of the total cost of competing in the marketplace and saying that if there is a cost differential in that small piece, then, you know, one party is disadvantaged relative to the other party, and you cannot do that. You have to look at the total pie.

Q Do you think that the language that I asked you to review in Paragraph 135 looks at the total package, or looks at the relationship of costs to expected profits for the new entrants?

A Well, in that particular paragraph, but there are other paragraphs that have some different words in them that suggest that there's a lot of flexibility and that the requirements that are put out by the -- in the FCC's order are quite subjective. I mean, they -- talks in terms of appreciable cost disadvantage.

Q Are you -- I'm sorry. Go ahead.

A Talks in terms of in a disparate cost recovery, and I would suggest that those are depending on the view of the individual.

Q Are you generally familiar with Sprint/United's calling areas for the state of Florida?

A Am I generally familiar with it, yes.

Q What percentage of market share does Time Warner have in that calling area today?

A I don't have any information on Time Warner's market share.

Q Do you know of any ALEC that has market share in your region today?

A Yes.

Q Could you be more specific?

A I can't tell you which ones, but I know there are some.

Q Do you know generally what their market share is?

A No.

Q Do you know if it's less than 20%?

A Yes. I would agree it is less than 20%.

Q Do you know if it's less than 10%?

A I would agree that it's less than 10%.

Q Are you generally familiar with the ALEC proposal that each company incur their own costs related to remote call forwarding?

A And incur their own cost?

Q That they absorb their own costs related to remote call forwarding.

A Yes.

Q Do you believe that that proposal is competitively neutral under the FCC order?

A I believe that it can be interpreted to be competitively neutral. However, I don't agree that it provides all of the other benefits that the Sprint plan has in terms of efficiency incentives and allocation of scarce resources in conserving numbering resources.

Q What kind of administrative cost would be incurred if each company absorbed its own costs related to remote call forwarding?

A I can't speak in terms of specific amounts. It would seem to me that the local exchange company, the incumbent local exchange companies, again would have to manage the ported number process.

We have rules that require us to put disconnected numbers on intercept by a certain time frame so that we would have to have new procedures in place, you know, to monitor these and to be sure that this occurs. So there would be some -- those types of administrative costs again regardless of what type of plan is eventually developed.

Q Let me ask it another way. Do you believe that your proposal for a tariffed rate discounted off of TSLRIC is simpler than the general ALEC

recommendation that each company pay its own costs? And if you think it's simpler, explain to me how it might be simpler.

A It's probably not simpler, because you would have a billing process associated with that which you would not have with the other proposal. However, it would be a far stretch for me to eliminate pricing services because I have to generate a bill.

Q Have you generally reviewed BellSouth's proposal in this docket?

A Not really.

Q Are you generally familiar with their alternative proposal?

A Somewhat.

Q Is it your understanding that the alternative proposal would delay the resolution of cost sharing related to interim number portability until that determination was made related to permanent number portability?

A Yes, I believe that's -- that's my understanding.

Q If your proposal to this Commission were not adopted, do you have an alternate proposal; and, if so could you also evaluate the BellSouth alternative in your response to me?

A Yeah. It would be difficult for me to believe that our proposal wouldn't be accepted, but I guess that's one of the reasons --

Q In the very world of the hypothetical, if it were not adopted.

A I didn't really have an alternative, given that ours is such a great plan. The Bell plan, if I -- if that were to be adopted, the Sprint proposal on that would be, again, that we would share the cost of that. In other words, in our case, again, given its interim number portability is an inferior form of number portability, we would be willing to share costs rather than put all of the costs into that process.

Now, where -- I think there are a couple of things that would need to be resolved. It doesn't tell anybody going down the road what their price is going to be for that service, so you've got, you know, that issue to deal with.

The other issue that you have, in my mind, is that you've got some administrative issues associated with doing that. I guess of the -- (pause) -- that's the extent of my knowledge.

Q Let me ask it another way. If your recommendation were not adopted by this Commission and the alternative choices were the BellSouth alternative

or the ALEC proposal that each company pay its own costs, do you have a preference between those two alternatives?

A I would go with the BellSouth proposal.

Q And, finally, Mr. Poag, has your proposal for discounted pricing based on cost been adopted by any other state commission that you're aware of, related to RCF?

A Yeah. I don't know if it's ever been put before any other Commission, so I can't really say that. I know that it has been agreed to in several contracts that have been approved. Excuse me. That -- and when I say approved, we've got a couple of contracts; i.e., the parties have agreed. I don't know whether the contracts have been approved by a state Commission or not.

Q In the state of the Florida?

A Yeah; anywhere.

Q But the contracts that have been approved related to that pricing, were those contracts that you had in mind for parties in the state of Florida?

A We've had some recent ones that were done for the state of Florida, and I don't know whether for sure or not our current -- we've changed from full recovery to partial recovery -- if the partial

recovery was included in those. I don't know.

MS. WILSON: Thank you very much. That's all I have.

MS. DUNSON: No questions.

MS. JACOBS: No questions.

CROSS EXAMINATION

BY MR. COX:

Q Good afternoon, Mr. Poag. Will Cox on behalf of Commission Staff. Just a couple quick questions. To your knowledge, and as of this date, has Sprint provided temporary number portability to any carrier in Florida?

A Yes.

Q How many ported numbers, to your knowledge, as of this date?

A That was in my deposition and I don't -- excuse me -- my late-filed deposition exhibit, and I don't remember what those are, but it is -- I don't know if you put that in the record or not.

MR. WHALEN: That is in the record, and I believe it's Exhibit 8, Page 60 of Exhibit 8.

Q **(By Mr. Cox)** Okay. I just have one question regarding that. In that provision of temporary number portability, has that been pursuant to a negotiated agreement, or to Commission's

established rates?

A That's pursuant to a negotiated agreement.

Q My next question addresses the issue of terminating access charges and the split of that between the ILEC and the ALEC.

What is your recommendation for how the Commission would require terminating access charges to be split between an ILEC and an ALEC?

A I would agree with the FCC's order, Paragraph 140 in this -- that's the FCC 96286, Docket No. 95116.

Q What does that state?

A Paragraph 140. Basically that states that we conclude that the meet point billing arrangements between neighboring incumbent LECs provide the appropriate model for the proper access billing arrangement for interim number portability. We would agree with that.

Q And you're agreeing because that's what the FCC order says; is that --

A No. We had basically agreed to that outside of the order.

Q And why is that?

A Because we felt that that was the appropriate way to split those charges.

Q Why is it appropriate?

A It's appropriate because it represents a fair splitting of the revenues associated with the underlying cost. In other words, in that scenario each company is jointly involved in provisioning the terminating access services; and the -- and what we're proposing is that we split those revenues the same as if number portability were not involved.

It's consistent with the way we handle meet point billing where number portability is not involved. So to the extent that there is an involvement with number portability, we're saying that we will use that same methodology.

Q In this case which carrier would receive the R-I-C, the RIC?

A The RIC would go to the carrier with the end office.

Q Earlier today you mentioned that there were -- Sprint had contracts for remote call forwarding as an interim number portability solution with at least one company and different parties have negotiated various rates for temporary number portability in Florida. Do you believe that the cost recovery mechanism established in this proceeding will affect these negotiated rates? And -- just asking for

your lay opinion on that question.

A I'm not sure. I think in some cases yes, in some cases no. Negotiated agreements are compromises, and there may be different compromises in different agreements. So I'd say in some cases it may impact it, but in other cases, it may not --

Q So it would depend upon the agreement?

A Yes, sir.

MR. COX: Thank you, Mr. Poag. That concludes Staff's questions.

CHAIRMAN CLARK: Commissioners?

COMMISSIONER DEASON: I have a question. Mr. Poag, you've testified that your proposal is inconsistent with Florida law.

WITNESS POAG: Yes, sir.

COMMISSIONER DEASON: How is it that you're recommending that the Commission adopt something that is inconsistent with our law? How do you reconcile that?

WITNESS POAG: I don't know whether the FCC order would preempt on the state side or not, and that was not an issue that I really tried to address.

In this proceeding the issue was whether what was done in the prior order was consistent with the FCC's order, and that was all I was addressing;

and in the FCC's order it requires that all of the costs not be put on the new entrant.

COMMISSIONER DEASON: Is there a proposal in your mind that is consistent both with the federal act and the state law?

WITNESS POAG: No, sir. I don't believe that the two can be reconciled with a single proposal.

COMMISSIONER DEASON: That's all I have.

CHAIRMAN CLARK: Redirect?

REDIRECT EXAMINATION

BY MR. WHALEN:

Q Mr. Poag, Ms. Wilson asked you about whether your cost study was a short run incremental cost study. To your knowledge, has the Florida Public Service Commission ever used short run incremental cost as a basis for setting prices in the telecommunications industry?

A I really don't have to think about that. I don't think it was ever an issue, not -- in the telecommunications industry. No, I don't believe they ever have. And in the AT&T/MCI case, obviously they came to a different conclusion about what costs ought to look like; and I think it was that case that they established the long run was an appropriate methodology.

Q Based on your reading of the federal -- the FCC interim number portability order, as a non-lawyer, does that order require short run incremental cost pricing?

A No.

Q Do you think short run incremental cost pricing makes sense from an economic perspective?

A No.

MR. COX: Thank you that's all I have. I'd like to move Exhibit 16.

CHAIRMAN CLARK: Exhibit 16 will be admitted in the record without objection.

(Exhibit 16 received in evidence.)

CHAIRMAN CLARK: Thank you, Mr. Poag.

MR. WHALEN: Could he be excused?

CHAIRMAN CLARK: He may be excused.

(Witness Poag excused.)

CHAIRMAN CLARK: Mr. McDaniel.

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PAUL R. McDANIEL

was called as a witness on behalf of Time Warner AxS of Florida, L.P. and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MS. WEISKE:

Q Mr. McDaniel, would you state your name and business address, please?

A My name is Paul R. McDaniel. My business address is 160 Inverness Drive West, Englewood Colorado, 80112.

Q And for whom are you testifying here today and in what capacity?

A I am testifying on behalf of Time Warner AxS of Florida L.P., doing business as Time Warner Communications, and Digital Media Partners.

Q And did you cause to have filed prefiled direct testimony in this case consisting of 13 pages?

A Yes, I did.

Q Do you have any changes or modifications to that testimony?

A No, I do not.

Q And if the questions contained within that testimony were asked of you today, would your answers be the same?

A Yes, they would.

Q Did you also cause to have prefiled 10 pages of rebuttal testimony in this case?

A Yes, I did.

Q Do you have any changes to that testimony?

A No, I do not.

Q And if the questions contained within that testimony were asked of you today, would your responses be the same?

A Yes, they would.

MS. WEISKE: Your Honor, I would ask that Mr. McDaniel's direct and rebuttal be entered into the record as if read.

CHAIRMAN CLARK: It will be entered in the record as though read.

MS. WEISKE: Thank you.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 950737-TP

DIRECT TESTIMONY OF

PAUL R. MCDANIEL

ON BEHALF OF TIME WARNER AXS OF FLORIDA, L.P. D/B/A TIME WARNER COMMUNICATIONS AND DIGITAL MEDIA PARTNERS

Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A: My name is Paul R. McDaniel. My business address is 160 Inverness Drive West, Englewood, Colorado, 80112.

Q: BY WHOM ARE YOU EMPLOYED?

A: I am employed by Time Warner Communications ("Time Warner") as Director of Regulatory Accounting.

Q: WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF REGULATORY ACCOUNTING?

A: I am responsible for:

1. Providing direction and guidance to Time Warner divisions concerning financial reporting requirements, separations, allocation of costs, and transactions with affiliates; and

2. Providing support to the Regulatory Department in reviewing, evaluating and analyzing cost studies submitted by incumbent local exchange companies (LECs) to state commissions in support of rate and tariff filings that have an impact on Time Warner's telecommunications operations and its customers.

Q: WHAT IS YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE IN THE PUBLIC UTILITY INDUSTRY?

A: I graduated with a Bachelor of Science Degree in Accounting and Finance from the University of Colorado in May of 1975. In 1980, I received a Master's degree in Economics from the University of Colorado. In addition, I have completed all course work for a Ph.D. in economics.

In October, 1974, I began employment with the Public Service Company of Colorado, an electric and natural gas utility company. My responsibilities included budget analysis and capital expenditures forecasting. After leaving the Public Service Company in 1980, I attended graduate school in economics. In 1985, I joined the Colorado Office of Consumer Counsel as a Rate/Financial Analyst.

My responsibilities included analyzing and testifying on ratemaking matters arising in rate proceedings involving telecommunications, gas and electric utilities before the Colorado Public Utilities Commission, the Federal Communications Commission, and the Federal Energy Regulatory Commission. Over the years, my analyses have included revenue requirements, cost of service, cost allocation, separations, access charges, and income tax issues. I remained with the Colorado Office of Consumer Counsel until January 1996, when I joined Time Warner Communications.

Q: ON WHOSE BEHALF ARE YOU FILING THIS TESTIMONY?

A: I am filing on behalf of Time Warner AxS of Florida, L.P. d/b/a Time Warner Communications, and Digital Media Partners (collectively known as Time Warner Communications).

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A: The purpose of my testimony is to recommend to the Florida Public Service Commission ("Commission") the appropriate cost recovery mechanism for interim number portability which is consistent with the Federal Communications Commission's (FCC's) First

Report and Order in CC Docket No. 95-116, dated July 2, 1996.

Q: WHY IS THIS PROCEEDING NECESSARY? HASN'T THE FLORIDA PUBLIC SERVICE COMMISSION ALREADY SET PRICES FOR TEMPORARY NUMBER PORTABILITY?

A: I understand that the Florida Commission set prices for temporary number portability in this docket last fall, in Order No. PSC-95-1604-FOF-TP, and based these prices on the cost studies and testimony that were available at that time. Since that time, the Federal Telecommunications Act of 1996 has been passed, the FCC has issued its First Report and Order in CC Docket No. 95-116 which provides guidance on how costs are to be determined and recovered, and incumbent LECs have, for various reasons, revised their cost studies for Remote Call Forwarding (RCF) and Direct Inward Dialing (DID) used to provide temporary number portability.

Q: WHAT DO YOU BELIEVE IS REQUIRED BY THE FCC'S ORDER?

A: The FCC Order states, "We enunciate principles that ensure that the costs of currently available measures are borne by all telecommunications carriers on a competitively neutral basis, and we

conclude that states may utilize various cost recovery mechanisms, so long as they are consistent with these statutory requirements." (Order at p. 5) Further, the FCC, in its Order, states that it must interpret three specific elements of section 251(e)(2) which are required of any cost recovery mechanisms. First, the meaning of number portability "costs;" second, the meaning of the phrase, "all telecommunications carriers;" and third the meaning of the phrase "competitively neutral." (Order at p. 66)

The FCC, in its Order, interprets costs as those incremental costs incurred by an incumbent LEC to transfer numbers initially and subsequently forward calls to new service providers using the available methods. (Order at p. 67)

I believe that "all telecommunications providers" can be interpreted quite broadly. For example, the FCC Order states that state commissions could order that the costs of temporary number portability be based on net revenues (total revenues less payments to other telecommunications providers). This could include interexchange companies (IXCs) and cellular

mobile radio service (CMRS) providers, as well as incumbent LECs, alternative local exchange companies (ALECs), and the like. (Order at p. 68)

Consistent with the FCC's Order, I believe that "competitively neutral basis" means that the cost recovery mechanism for temporary number portability does not make it economically infeasible for some carriers to utilize number portability when competing for customers served by other carriers. According to the FCC's Order, a competitively neutral cost recovery mechanism must meet two criteria: First, (it) should not give one provider an appreciable cost advantage over another in competing for a specific customer. Second, it should not have a disparate effect on the ability of competing service providers to earn normal returns on their investment. (Order at p. 69, 70).

Q: DO YOU BELIEVE THAT CMRS PROVIDERS AND IXCS SHOULD ALSO PAY FOR TEMPORARY NUMBER PORTABILTIY?

A: For permanent number portability, where the entire industry is upgrading networks and switches, and providing and administering a database, definitely all providers should fund the process. For

temporary number portability, in a pure reading of the FCC's Order, all carriers (including IXCs and CMRS providers) would also be included. The FCC did indicate that states could include CMRS providers and IXCs in the temporary number portability cost recovery mechanism. However, recovering the costs from all telecommunications providers would require setting up a payment/distribution mechanism that would be administratively difficult. Because this is a temporary mechanism, and for administrative ease, I do not propose that the costs be recovered from CMRS providers and IXCs.

Q: IN LIGHT OF THE FCC'S ORDER, HOW SHOULD THE FLORIDA PUBLIC SERVICE COMMISSION REVISE THE PRICE FOR TEMPORARY NUMBER PORTABILITY?

A: First, the FPSC should look beyond temporary number portability, and devise a cost recovery method that is consistent with how costs will be recovered for long term number portability. Time Warner took the position in its comments to the FCC that company-specific costs directly attributable to number portability should be absorbed by the company incurring those costs. In the case of temporary

number portability, the FCC Order focused on the incumbent LECs' costs, since in most cases, it will be the incumbent LEC porting the number to an ALEC. Under this proposal, each local exchange company (both the incumbent LEC and the ALEC when it ports a number) would absorb all of the costs of providing temporary number portability. This approach also gives the incumbent LECs an incentive to move toward permanent number portability, where more of the costs will be shared, and therefore recovery will also be shared.

Time Warner is cognizant that the Florida Commission took the position that for permanent number portability, company-specific costs should be pooled and shared. If the Commission believes this should be the case for temporary number portability as well, then I recommend that the incumbent LECs be required to produce cost support for providing RCF and DID for temporary number portability, and that those costs be shared on a competitively neutral basis.

Q: **WHAT COST RECOVERY MECHANISM ARE YOU PROPOSING?**

A: One alternative is that each local exchange company (the incumbent LEC and the ALEC) absorb its cost of providing temporary number portability. This approach treats number portability as simply a network routing cost. Other mechanisms carry with them administrative costs which may overwhelm the benefits of network cost recovery. In addition, this will motivate the incumbent LECs to implement long term number portability.

If the Commission determines that the costs should be shared between the incumbent LEC and the ALEC, then I propose that the Commission develop a "default" cost recovery mechanism, which is what would be used generally, unless two individual companies, in their interconnection negotiations, agree on a different price or price structure.

This default cost recovery mechanism should be developed based on the incumbent LEC's incremental cost of providing remote call forwarding and direct inward dialing for temporary number portability purposes. This assumes that the capability already exists and that the incumbent LECs are already

offering remote call forwarding and DID to retail customers. These costs should be shared between the incumbent LECs and ALECs by dividing the total cost according to the percentage of working telephone numbers held by the incumbent LEC and by all ALECs. (Note: this is not the same as "access lines." For example, a customer using Distinctive Ringing has two telephone numbers.) This charge would be reciprocal when an ALEC ports a number to an incumbent LEC.

As an example of how this would work, today ALECs have essentially zero percent of the market. However, for the purpose of developing this mechanism, it would be reasonable to assume that during the period of time in which this mechanism will be used, that facilities-based ALECs (those who would be using temporary number portability) will garner 5% of the working telephone numbers in the market. If the incremental cost of providing RCF for temporary number portability is $1.00 per ported number with up to 10 paths, the price to the ALEC would be $.05 per ported number with up to 10 paths. If there is a nonrecurring cost, that cost should reflect the fact that the incumbent LEC will

be dealing with a carrier, not end users. Cost recovery for nonrecurring costs should also be apportioned according to the number of working telephone numbers.

Q: HOW ARE THESE PROPOSALS CONSISTENT WITH THE FCC ORDER?

A: In the case of the incumbent LEC absorbing its own costs (and the ALEC absorbing all of its costs when it has to port a number to the incumbent LEC), each company is operating on an equivalent basis, and they are sharing costs by each covering its own costs of routing calls through the network. While it is likely that the incumbent LEC will be porting more numbers than the ALEC, the proportionate cost to the incumbent LEC and the ALEC will not be noticeably different.

If costs are divided according to working telephone numbers, it insures that a new entrant does not incur a cost that either the incumbent LEC or a reseller does not have in competing for local phone service. By recovering its costs according to the number of working phone numbers, the incumbent LEC enjoys no advantage over the ALEC.

Also, when the FCC ordered, consistent with Section 251(e)(2), that costs be shared, it recognized that this approach was a departure from its usual stance that the cost causer pays.

Finally, both of these temporary mechanisms begin to set up the permanent mechanism by which industry-wide permanent number portability costs can be recovered, on a shared basis, and both mechanisms provide an incentive for incumbent LECs to move toward a permanent solution for number portability.

Q: ISN'T THIS A LOT OF TROUBLE FOR AN INTERIM PLAN? DOESN'T THE FCC HAVE A SCHEDULE TO IMPLEMENT PERMANENT NUMBER PORTABILITY BEGINNING FOURTH QUARTER 1997?

A: No. Both methods I have discussed are administratively simple. And although the FCC has ordered a schedule for permanent number portability implementation for the top 100 Metropolitan Statistical Areas (MSAs), the last of those areas don't come on line until fourth quarter 1998, and others after that on six months' notice.

Q: PLEASE SUMMARIZE YOUR RECOMMENDATION.

A: I recommend that the Commission revise the cost recovery mechanism for temporary number portability to be consistent with the FCC's First Report and Order in CC Docket No. 95-116. One alternative is that each local exchange company (both incumbent LEC and ALEC) treat number portability as another aspect of routing and completing network calls. Alternatively, the recovery mechanism should be based on each telecommunications providers' share of working telephone numbers.

The cost of temporary number portability should be based on the direct economic cost of the incumbent local exchange provider in providing RCF and DID. Incumbent local exchange companies may be required to file additional cost support to determine the costs associated with temporary number portability.

Q: DOES THIS CONCLUDE YOUR TESTIMONY?

A: Yes, it does.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 950737-TP

REBUTTAL TESTIMONY OF

PAUL R. McDANIEL

ON BEHALF OF TIME WARNER AxS OF FLORIDA, L.P. d/b/a TIME WARNER COMMUNICATIONS AND DIGITAL MEDIA PARTNERS

Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A: My name is Paul R. McDaniel. My business address is 160 Inverness Drive West, Englewood, Colorado, 80112

Q: BY WHOM ARE YOU EMPLOYED?

A: I am employed by Time Warner Communications as Director of Regulatory Accounting.

Q: ARE YOU THE SAME PAUL R. McDANIEL WHO FILED DIRECT TESTIMONY IN THIS HEARING?

A: Yes. I filed direct testimony on behalf of Time Warner AxS of Florida, L.P. d/b/a Time Warner Communications and Digital Media Partners (collectively known as "Time Warner").

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A: The purpose of my testimony is to comment on the testimony filed by GTE Florida Incorporated ("GTE") witness Beverly Y. Menard, and BellSouth Telecommunications, Inc. ("BellSouth") witness Alphonso J. Varner, as well as to comment on the testimony of Florida Cable Telecommunications Association ("FCTA") witness Joseph P. Cresse, MCI Telecommunications Corporation/MCImetro Access Transmission Services, Inc. ("MCI") witness Elizabeth G. Kistner, AT&T Wireless Services of Florida ("AT&T Wireless") witness John Gianella, and AT&T Communications of the Southern States, Inc. ("AT&T") witness Mike Guedel.

Both Ms. Menard and Mr. Varner take issue with the FCC's interpretation of the Federal Telecommunications Act of 1996 ("Act") and the cost recovery guidance it provides in its July 2, 1996 First Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 95-116 ("Order"). Witnesses for MCI, AT&T Wireless, AT&T, and FCTA address an appropriate cost recovery mechanism for interim number portability ("INP") which Time Warner can support.

Q: DO YOU HAVE ANY COMMENTS ABOUT GTE WITNESS MENARD'S TESTIMONY?

A: Yes. At page 3 of her testimony, Ms. Menard cites two sentences from paragraph 127 of the FCC's Order. Based on these two sentences Ms. Menard proposes that the Florida Commission's previous action in this docket setting a price for interim number portability ("INP"), is sufficient and that no further action is required.

What witness Menard ignores, however, is the rest of that same paragraph, which explains what the FCC is saying. The Order states, "We seek to articulate general criteria that conform to statutory requirements, but give the states some flexibility during this interim period to continue using a variety of approaches that are consistent with the statutory mandate." (emphasis added). The Order then discusses what the statutory mandate means. Ms. Menard takes issue with the FCC's interpretation of the Act. She states, "the Act itself does not distinguish long term number portability from INP, " and uses this rationale as the basis for disagreeing with the FCC's interpretation of the Act.

I disagree with Ms. Menard, and I believe the Act's lack of distinction between interim and permanent number portability indicates that Congress did not intend to make such a distinction. Congress apparently understood, as does the FCC, how necessary number portability is for the development of local competition. The fact that temporarily number portability must be provided in a technologically deficient manner does not change the appropriate cost recovery method.

Q: DO YOU AGREE THAT APPORTIONING THE COSTS OF INP AMONG ALL CARRIERS REPRESENTS A CONSTITUTIONAL TAKING?

A: This is a legal point and will be addressed in Time Warner's brief.

Q: DO YOU AGREE THAT AN INCUMBENT LOCAL EXCHANGE COMPANY (ILEC) WILL BE AT A COMPETITIVE DISADVANTAGE IF IT SHARES IN THE COST OF INP, AS GTE WITNESS MENARD ARGUES?

A: No. Ms. Menard seems to ignore the fundamental fact that society, through its elected officials, has determined to change the paradigm for delivery of local telecommunications services from a

monopoly to competitive model. A fundamental aspect of this paradigm change is that ILECs no longer retain ownership of the local telephone number. The customer now has the choice to keep his/her telephone number regardless of the local exchange provider. Number portability, whether permanent or temporary, is necessary to achieve the goal of local competition. The ability to port numbers imposes an industry cost and should be borne by all providers and their customers in a competitively neutral fashion. Without cost sharing, new entrants will be placed at a competitive disadvantage relative to the incumbent LECs since these costs will be almost exclusively borne by the new entrants.

Ms. Menard also ignores that GTE (and others) are no longer operating under rate of return regulation. As a price cap ILEC, GTE should no longer expect guarantees that every cost (or revenue loss) it incurs will be recovered through any entity other than its shareholders. As I stated in my direct testimony, the ILECs should treat the provision of interim number portability as a network routing cost.

Q: DO YOU SUPPORT GTE WITNESS MENARD'S PROPOSAL TO ASSESS A MANDATORY END USER CHARGE TO ALL LOCAL SERVICE CUSTOMERS, WITH A POOL FOR DISTRIBUTION?

A: No, I do not support such a proposal. I think such an approach will be prejudicial to new entrants. Although Ms. Menard lays this proposal out as competitively neutral, the Commission should be sensitive to the response of customers who receive a line-item on their bill that is attributable to the new entrants. Such a proposal will have a chilling effect on the willingness of customers to use new entrants and will be contrary to the goal of local competition.

Q: BELLSOUTH WITNESS VARNER SEEMS TO HAVE AN OPINION SIMILAR TO THAT OF WITNESS MENARD AS TO THE APPROPRIATENESS OF THE FCC'S ACTION REGARDING INP. WHAT DO YOU THINK ABOUT THIS INTERPRETATION?

A: Mr. Varner, in agreement with Ms. Menard, believes that the FCC erred in adopting the same cost recovery principles for interim number portability as for permanent number portability. I disagree. The fact that the word "interim" for number portability is not mentioned until Section 271(c)(B)(xi) is merely a concession that a long

term solution is not in place yet. This does not alter the general cost recovery approach which should be used.

Mr. Varner also ignored that the rate of return mode of operation has been eliminated, and BellSouth is no longer entitled to recover every dollar it costs to provide INP from either new entrants, other providers, or ratepayers. BellSouth obtained price cap authorization in Florida's 1995 statutory revision which also authorized local competition. This was the new regulatory bargain BellSouth struck--an ability to be free to earn more money in exchange for competition in a traditionally monopoly market. BellSouth cannot now have both a guaranteed bottom line and also the ability to earn as much as it wants.

Mr. Varner also takes issue with the FCC's ignoring the fundamental principle of "cost causer pays" in establishing the guidelines for INP cost recovery. According to Mr. Varner, the current pricing structure in Florida is preferred as it is "based on the premise that the cost of interim number

portability should be recovered from the companies who make use of these arrangements." New entrants certainly would not port telephone numbers were it not for the fact that lack of number portability is a barrier to entry. As discussed previously, number portability costs are the direct result of a changing telecommunications paradigm and the necessity to promote local competition. Such costs incurred in changing the market structure for the delivery of telecommunications services should be borne by all telecommunications providers. All telecommunications providers must recognize and accommodate the changes required for the transition of the local exchange market from a monopoly to a competitive environment.

The general tenor of Mr. Varner's testimony is to emphasize how the FCC, by its Order is trampling the rights and responsibilities of the states, contrary to the Act. The FCC Order offers a number of options which comply with the Act, and provides the states guidance in interpreting and implementing the Act.

Q: WHAT IS YOUR OPINION OF THE PROPOSALS OF FCTA WITNESS CRESSE, MCI WITNESS KISTNER, AT&T WIRELESS WITNESS GIANELLA, AND AT&T WITNESS GUEDEL?

A: I believe that the proposals offered by those witnesses are consistent with the guidelines laid out by the FCC Order and the intent of the Act. They take into account the costs of providing INP on a competitively neutral basis. The proposals recommend that each local exchange carrier pay its own routing costs, or, in the alternative, the proposals recommend that INP costs are recovered based on the number of working telephone numbers.

Q: VARIOUS PARTIES HAVE PROPOSED DIFFERENT EFFECTIVE DATES FOR ANY ACTION TAKEN IN THIS PROCEEDING. DO YOU HAVE AN OPINION ON WHAT IS THE APPROPRIATE EFFECTIVE DATE?

A: Yes. This Commission is taking action in this case as a result of the FCC's Order, which was issued on July 2, 1996. To be consistent with that Order, the effective date of this action should also go back to that time. However, if the Commission is concerned about retroactive ratemaking, the date of the final order issued after this hearing is a reasonable effective date.

Q: PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.

A: The proposals by GTE and BellSouth should be rejected. The FCC has specified guidelines which embody the principle of competitive neutrality and cost sharing. This principle recognizes that number portability, whether temporary or permanent, is essential to fostering local competition. Time Warner, FCTA, AT&T, AT&T Wireless, and MCI have put forth proposals which embody this principle and should be used by this Commission in establishing a cost recovery mechanism for temporary number portability.

BY MS. WEISKE:

Q Mr. McDaniel, do you have a summary of your direct and rebuttal testimony?

A Yes, I do.

Q Would you please give that?

A The lack of number portability is a barrier to entry. New entrants will have to be able to offer to perspective customers the ability to retain their existing telephone numbers if they are to successfully enter the market.

Today, and historically, the administration and ownership of the telephone numbers has resided with the incumbent LECs. Given that with the available number portability procedures, it is required that we route calls associated with ported numbers through the incumbent's local exchange carrier's network.

In light of that, I recommend that we treat these costs as industry costs associated with completing calls across the network, and that we recover these on a competitively neutral basis consistent with the FCC's directive.

A competitive neutral cost recovery system is one which does not place one carrier at an economic cost disadvantage vis-a-vis another carrier in trying

to compete for a particular customer's business. So that's the notion of competitive neutrality, or a cost recovery mechanism which exhibits that characteristic. Stated another way, two equally efficient carriers should face -- should not face dissimilar cost structures in trying to compete for customers.

The FCC has defined competitive neutrality in a similar manner and has recommended that -- has recommended different cost recovery mechanisms which would be competitively neutral. One is, as my primary recommendation is, to simply have each carrier incur their own costs of porting numbers. They also recommend other -- they also identify other approaches, such as cost recovery on the basis of access lines, number of working telephone numbers, net revenues. I believe that simply treating these costs as network routing costs is the most administratively simple.

If the Commission wishes to explicitly recover costs, then we have a default position which we would recommend that they do it on the basis of working telephone numbers, as this would appear to be the next most administratively simple for this interim period.

The proposals by BellSouth, Sprint/United

and GTE place the majority, if not all, of the cost of number portability on the new entrants, and therefore do not satisfy a competitive neutrality test. That concludes my summary.

MS. WEISKE: Thank you. Mr. McDaniel is available for cross examination.

MS. WHITE: BellSouth has no questions.

MS. CASWELL: No questions.

CHAIRMAN CLARK: Mr. Whalen?

CROSS EXAMINATION

BY MR. WHALEN:

Q Mr. McDaniel, Jeff Whalen for Sprint. Did I hear you say that Sprint's proposal puts the majority, if not all, of the costs on the new entrant?

A I said that the proposals by the other parties in this proceeding place the majority or all of the costs on the new entrants.

Q But you weren't referring to Sprint, were you?

A I was referring to Sprint when I said the majority of the costs.

Q And 45% constitutes a majority, in your opinion?

A I use majority in the sense of again going back to competitive neutrality, which requires that

two carriers face similar costs in trying to compete for a customer. If you place 45% of the total costs on Sprint, which has a much larger customer base to spread those costs over, then on a per customer basis they would enjoy an economic cost advantage in competing for customers.

MR. WHALEN: Thank you. That's all I have.

CHAIRMAN CLARK: Mr. Wiggins?

MR. WIGGINS: No questions.

CHAIRMAN CLARK: Ms. McMillin?

MS. McMILLIN: No questions.

CHAIRMAN CLARK: Mr. Rindler?

MR. RINDLER: No questions.

MS. DUNSON: No questions.

CHAIRMAN CLARK: Ms. Wilson?

MS. WILSON: No questions.

MS. JACOBS: No questions.

CHAIRMAN CLARK: Staff?

MR. COX: Staff has a couple of questions.

CROSS EXAMINATION

BY MR. COX:

Q Good afternoon, Mr. McDaniel, on behalf the Public Service Commission Staff.

A Good afternoon, Mr. Cox.

Q Mr. McDaniel, are you aware of other

temporary number portability solutions in addition to remote call forwarding?

A Basically DID.

Q If the LECs were required to provide this solution, DID, should the cost recovery mechanism developed in this proceeding apply to that solution as well?

A Yes, it should. The cost recovery mechanism is independent of the technology employed to provide the service.

Q With regards to another question I've asked other parties earlier in this proceeding regarding terminating access charges and the split between an ILEC and ALEC, could you explain how the Commissions require terminating access charges to be split between an ILEC and an ALEC?

A Generally we would support the meet billing arrangements. Basically that simply says each carrier is compensated for the facilities it provides in terminating an interexchange call.

Now, with ported numbers sometimes it kind of varies across states. There is an inability to identify, once that call has been ported, it's been terminated at the porting office, it's no longer possible to identify that as an interexchange call,

and so you have to develop some type of surrogate method. But in general, we support the meet point concept.

Q Different parties have negotiated various rates for temporary number portability in Florida to this date. Do you believe that the cost recovery mechanism sustained in this proceeding would affect those negotiated rates? And I realize you're not an attorney; just asking for your lay opinion on that.

A Well, as I stated in my testimony, I said that those parties have -- who have entered interconnection agreements for particular prices or price structures should be allowed to continue those if they desire to do so.

Q What is the basis of that statement?

A Simply the fact that the -- speaking again as a non-attorney, the fact that if two parties negotiate a contract that they both want to continue participation in, given that we're moving to a competitive environment, they should be allowed to do so.

MR. COX: Thank you, Mr. McDaniel. That concludes Staff's questions.

CHAIRMAN CLARK: Commissioners?

COMMISSIONER DEASON: I have a question.

Mr. McDaniel, in your summary you indicated that the mechanism should be competitively neutral, and by that I think that you mean that one carrier as efficient as another should not have higher costs than the other carrier; is that basically correct?

WITNESS McDANIEL: That's correct; they should not face higher costs on a per customer basis.

COMMISSIONER DEASON: If we assume that the ALEC and the ILEC are equally efficient, would your proposal impose more costs on the ILEC?

WITNESS McDANIEL: No, because the costs that would remain with the ILEC when spread over their relatively large customer base would be almost imperceptible, and the assumption there is that at least initially the new entrants are going to have a very small piece of the market relative to the existing incumbent market.

COMMISSIONER DEASON: So then you would modify your definition of competitively neutral and put it in terms of cost per customer?

WITNESS McDANIEL: I thought I had defined it on the basis of an economic -- not being put at an economic disadvantage in trying to compete for a particular customer. So I've always thought about it on a per customer basis.

CHAIRMAN CLARK: Redirect?

MS. WEISKE: No redirect; and I'd ask that Mr. McDaniel be excused.

CHAIRMAN CLARK: Yes. He may be excused. Thank you very much, Mr. McDaniel.

(Witness McDaniel excused.)

CHAIRMAN CLARK: Mr. Cresse.

- - - - -

JOSEPH P. CRESSE

was called as a witness on behalf of Florida Cable Telecommunications Association, Inc. and, having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MS. WILSON:

Q And you've been sworn, haven't you?

A Yes, ma'am.

Q Please state your name and business address.

A Joe Cresse, Post Office Box 1876, Tallahassee, Florida.

Q And on whose behalf are you testifying?

A FCTA, Florida Cable Telecommunications Association.

Q Did you cause to be prepared and prefiled six pages of direct testimony?

A Yes, I did.

Q And you did not file any rebuttal testimony in this proceeding?

A No, I did not.

Q Do you have any changes to your direct testimony?

A No, I do not.

Q If I were to ask you the questions today that are in your direct testimony, would your answers be the same?

A Yes, they would.

Q And did you prepare and attach any exhibits to your direct testimony?

A Yes, I did. There are two exhibits.

Q And JPC-1 and JPC-2?

A Yes, ma'am.

Q And are those exhibits true and correct to the best of your knowledge?

A Yes, ma'am.

MS. WILSON: I would ask that those exhibits be marked for identification.

CHAIRMAN CLARK: They will be marked as Composite Exhibit 17.

(Exhibit 17 marked for identification.)

MS. WILSON: And I would ask that the witness' direct testimony be inserted into the record

as though read.

CHAIRMAN CLARK: It will be inserted in the record as though read.

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Joseph P. Cresse. My business address is Post Office Box 1876, Tallahassee, Florida 32302. I am presently employed as a non-lawyer special consultant at Messer, Caparello, Madsen, Goldman & Metz, P.A. law firm.

Q. PLEASE STATE YOUR BACKGROUND AND QUALIFICATIONS.

A. Please see Exhibit JPC-1 attached to my testimony.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose is to address the three issues identified in Order No. PSC-96-1121-PCO-TP issued September 4, 1996.

Q. IS ORDER NO. PSC-95-1604-FOF-TP INCONSISTENT WITH THE FCC'S FIRST REPORT AND ORDER IN THE MATTER OF TELEPHONE NUMBER PORTABILITY IN CC DOCKET NO. 95-116?

A. Yes. It is inconsistent as I explain further in my testimony.

Q. WHAT IS THE APPROPRIATE COST RECOVERY MECHANISM FOR TEMPORARY NUMBER PORTABILITY?

A. The appropriate recovery mechanism for temporary

number portability is "Bill and Keep" as explained later in my testimony.

Q. SHOULD THERE BE A RETROACTIVE APPLICATION OF THE COMMISSION'S DECISION IN THIS DOCKET?

A. No. The changes adopted in this proceeding should be applied prospectively, not retroactively, as that would in my opinion, be unfair to parties who have transacted business under Commission approved prices. I do not believe that current prices were approved subject to refund, therefore no retroactive application is appropriate.

Q. WHAT FACTORS SHOULD THE COMMISSION CONSIDER IN ESTABLISHING RATES FOR TEMPORARY NUMBER PORTABILITY?

A. The Commission should consider that Order No. PSC-95-1604-FOF-TP found that BellSouth's (BST) stated costs appear to be questionable, and required BST to do a cost study directing them to "include only those cost components that are directly related to providing RCF as a temporary number portability solution." The PSC Order directs BST to only include incremental cost to provide a temporary

solution, therefore it may be that incremental costs for a temporary solution are so low, as to not warrant the additional cost of billing and collection.

The Commission should also consider that the charges for temporary number portability should be competitively neutral, and Bill and Keep is an appropriate method to comply with the 1996 Act. Finally the Commission should adopt changes that they believe would promote competition most favorably, since effective competition is the best protection to Florida's consumers and should be made available as soon as possible.

Q. WOULD ANY OTHER METHOD OF RECOVERING TEMPORARY NUMBER PORTABILITY COSTS BE APPROPRIATE?

A. Yes. There are several methods suggested by the FCC, that would meet the competitively neutral requirement of the 1996 Act. The Commission could use any of those methods, however, the best alternative to Bill and Keep, would be to assess the incremental cost to all LECs based on their pro rata share of active telephone numbers. The Bill

and Keep method has the advantage of minimizing the administrative and billing costs. The Commission should keep in mind that we are talking about a temporary method not a permanent method.

Q. YOU MENTIONED EARLIER THAT THE EXISTING METHOD OF COST RECOVERY IS INCONSISTENT WITH THE FCC ORDER, PLEASE EXPLAIN.

A. As I understand the existing method the entire cost of Remote Call Forwarding (RCF) is accessed to the LEC, to whom the call is forwarded, and that does not meet the "competitively neutral" standard of the 1996 Act, but even more significantly it is not the best method to promote competition.

Q. ARE THERE ANY OTHER FACTORS THE COMMISSION SHOULD CONSIDER IN MAKING THIS CHANGE?

A. Yes. The Commission should recognize that terminating access charges will be shared by both LECs providing facilities to terminate a call through RCF arrangements, therefore, the LEC will not lose all revenue if a customer leaves one LEC and transfers their number to the new LEC.

Q. EARLIER YOU STATED THAT IN YOUR OPINION ORDER NO.

PSC-95-1604-FOF-TP IS INCONSISTENT WITH THE FCC FIRST REPORT AND ORDER IN CC DOCKET NO. 95-116, PLEASE EXPLAIN.

A. For ease of reference I have attached as Exhibit JPC-2 the discussion portion of the FCC order in its entirety as it relates to the cost recovery principles for temporary number portability. I have also underlined portions of that section for emphasis.

Q. ARE YOUR RECOMMENDATIONS FOR A "BILL AND KEEP" METHOD CONSISTENT WITH THE FCC ORDER AND CONSISTENT WITH THE FLORIDA PUBLIC SERVICE COMMISSION'S POLICY OF PROMOTING COMPETITION.

A. Yes. Page 71 of the FCC Order states "finally we believe that a mechanism that requires each carrier to pay for its own costs of currently available number portability would also be permissible." In addition, it is the best method to promote competition, it also imposes the least incremental cost on both existing LECs and new LECs, and it provides incentives to implement a permanent method.

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

A. Yes.

Q (By Ms. Wilson) Do you have a brief summary of your testimony?

A Yes. Commissioners, I know it's late, so I'll be extraordinarily brief. My testimony recommends that the Commission adopt a bill and keep policy for interim number portability, and suggest that you keep in mind that this is a short-term solution until a long-term solution is eventually implemented.

Bill and keep in my language is the same thing you've been hearing this afternoon about each carrier bearing its own costs. I also point out that the present interim method is inconsistent with the FCC findings, but even more important than that, I think it's inconsistent with the promotion of competition by this Commission.

I mention in the event that you don't agree with my recommendation, if you do not agree with bill and keep, you should require a cost study to include only the incremental costs of interim number portability. Incremental costs, if you ever get a study that only includes that, may well be less than the incremental costs of billing and collection, and the costs should be allocated to all LECs pro rata on the basis of active telephone numbers.

Attached to my testimony are portions of the FCC order which point out that the cost of number portability must be borne in a competitively neutral manner, and that the costs of currently available number portability are the incremental costs incurred by a LEC.

I'd also point out on Page 8 that bill and keep, as I'm recommending, is a proposition that they say is permissible. I believe that bill and keep would impose the least incremental costs on all providers of telecommunications. In other words, it would be the most efficient of all methods discussed, and should be adopted by this Commission.

I also mention and point out that the LEC who forwards the number will receive a portion of terminating access charges, so it will be a bit usual, but it's a fact that they may lose a customer that ports a number, but they will also continue to receive some revenue as though they were serving that customer.

I mention in my opinion there should be no retroactive application of this change, and that the best system -- repeating myself -- to promote competition is to adopt bill and keep. That completes my summary.

MS. WILSON: The witness is available for cross.

MS. WHITE: BellSouth has no questions.

MS. CASWELL: No questions.

MR. WHALEN: No questions.

MS. McMILLIN: No questions.

MR. WIGGINS: No questions.

CHAIRMAN CLARK: Mr. Rindler.

MR. RINDLER: No questions.

CHAIRMAN CLARK: Ms. Weiske?

MS. WEISKE: No questions.

CHAIRMAN CLARK: Ms. Dunson?

MS. DUNSON: No questions.

MS. JACOBS: No questions.

CHAIRMAN CLARK: Well, then why didn't we stipulate his testimony into the record?

MS. CASWELL: Because -- I'm sorry.

CHAIRMAN CLARK: Staff, do you have questions.

MR. COX: No questions from Staff.

MS. WILSON: Staff indicated that they didn't have any questions, but the other parties did not indicate that to me, that they had no questions of Mr. Cresse. They indicated they had no questions for Mr. McDaniel, but not Mr. Cresse.

WITNESS CRESSE: Madame Chairman, if they'd have stipulated, I wouldn't have gotten to come out here.

CHAIRMAN CLARK: Thank you, Mr. Cresse, but I don't think there was a question pending.
Ms. Caswell?

MS. CASWELL: Well, I think a lot of times during these hearings there's a lot of repetitive testimony in the witnesses toward the end of the hearing. I had questions for everybody, but I thought we heard enough of the same things, and that's why I decided not to ask them. So, I mean, that's the reason I didn't stipulate it in, you know, but I didn't have a problem with stipulating everybody in, and I don't think --

COMMISSIONER GARCIA: With a summary after that one, I mean, what can you say; right?

MS. CASWELL: Yeah, and that was my second reason.

CHAIRMAN CLARK: Well, I just want to remind the parties that if you have minimal questions or you think it's going to be covered, let's not have a witness on the stand when we don't have questions; but you are redeemed somewhat, because I do have questions.

Mr. Cresse, I wanted to ask you about what do you think the long-term solution is in terms of the cost of number portability?

WITNESS CRESSE: If I understood your question, what I think is the long-term solution --

CHAIRMAN CLARK: To recovering the costs, yes.

WITNESS CRESSE: In all of the suggestions that I have read so far or heard so far, I think the long-term solution would be for every local exchange company to incur their only costs, their internal costs, themselves of handling number portability.

There is an internal cost for both the LEC and the new LECs, and it relates to the capability of the switch. Once you get the switch in, I think the costs -- there are not any variable costs once you get the capability of handling it.

There is also, as I understand it, a central cost that is going to be incurred when they set up the regional computer systems and run the lines to that. I think that cost should be absorbed by the local exchange companies on the basis of the number of active telephone numbers, or if you want to preserve numbers and have an incentive to preserve the assignment of numbers, I would allocate that cost

between local exchange companies on the basis of assigned telephone numbers. Then people won't be trying to horde telephone numbers if they have to pay a little something for it.

CHAIRMAN CLARK: Let me ask you that. Is that a pooling arrangement that all local exchange companies, not just incumbents, would be --

WITNESS CRESSE: No, ma'am. The only pooling -- there is no pooling. Pooling, I think, was at the heart of a major problem with telecommunications back when pooling of toll revenues was going on. It caused an excessive amount of waste in the toll market.

I'm not suggesting pooling at all. I'm saying that the cost of that central system should be prorated in proportion to the number of assigned telephone numbers to local exchange companies.

CHAIRMAN CLARK: Including ALECs?

WITNESS CRESSE: Yes, ma'am.

CHAIRMAN CLARK: Okay. Do you know if anyone is today competing and providing local exchange service in Florida?

WITNESS CRESSE: Commissioner, I don't hear as well as I used to. I went hunting over the weekend, and I don't hear as well as I did last

Wednesday.

CHAIRMAN CLARK: Is there any local competition today in Florida? Is anyone providing local service in Florida besides the incumbent local exchange company?

WITNESS CRESSE: That would require anything other than resale?

CHAIRMAN CLARK: No; just --

WITNESS CRESSE: Facilities based?

CHAIRMAN CLARK: Yes.

WITNESS CRESSE: I don't think -- I heard Mr. Ben Poag mention a few minutes ago that somebody was doing it in his area. I have no personal knowledge of anybody providing facilities based on local competition.

CHAIRMAN CLARK: Are they providing resale local competition?

WITNESS CRESSE: I have heard there are some folks in the process of fixing to start pretty soon, waiting on your order to get out and ready.

CHAIRMAN CLARK: When does the permanent number portability have to be in effect?

WITNESS CRESSE: I think the first installation has to be in effect in October of 1997, if my memory serves me correct.

CHAIRMAN CLARK: Thank you, Mr. Cresse.

COMMISSIONER CLARK: Questions, Commissioners? (No response) Redirect?

MS. WILSON: None.

CHAIRMAN CLARK: Thank you, Mr. Cresse. You're excused.

WITNESS CRESSE: Thank you, ma'am.

MS. WILSON: I'd like to move Exhibit 17.

CHAIRMAN CLARK: It will be admitted in the record without objection.

(Exhibit 17 received in evidence.)

MR. WIGGINS: Madam Chairman, although I'm not sworn in, I do feel compelled to offer that Intermedia is, in fact, providing local exchange service, facilities based and resale based, in the state of Florida.

CHAIRMAN CLARK: Well, we'll take it for what it's worth, since you're not sworn in. Thank you.

MR. WIGGINS: And doing a really good job of it, too, if I might add.

CHAIRMAN CLARK: Excuse me?

MR. WIGGINS: And they're doing a really good job of it.

CHAIRMAN CLARK: Well, we'll take that for

what it's worth, too. Is there anything else that we need to take up at this time? Mr. Whalen?

MR. WHALEN: Yes. There has been a smattering of discussion today about meet point billing. And I was reviewing the prehearing order for purposes of trying to figure out what issue, if any, in this case that relates to; and based on the issues that are identified in the prehearing order, I can't see that that has been raised as an issue in this case; and I guess would like a little direction from the Commission to the effect that that is not an item that needs to be briefed in our posthearing briefs in this case since it was not raised as an issue.

CHAIRMAN CLARK: So would I. As far as I know, it's not an issue. It won't be addressed as an issue by the Staff.

MS. BARONE: Madam Chairman, it might be that it would fall under Issue 2, and to the extent that it does fall under the appropriate cost recovery mechanism, we can address it; and if it's not, then we'll give it the weight that it deserves. That would be Staff's recommendation.

MR. WHALEN: Well, I understand that it might be, but when I review the positions under Issue 2, I don't see that anybody has taken a position

in the prehearing statement on meet point billing.

CHAIRMAN CLARK: What is it you are requesting that we do?

MR. WHALEN: I guess I'm requesting that it not be briefed and considered in this case, since it wasn't identified as an issue or identified in anybody's position on the issues.

MR. RINDLER: Madam Chairman, I was going to make the same request, because it raises some difficult issues that the parties didn't address.

CHAIRMAN CLARK: Well, is there a stipulation on the part of the parties that it not be an issue in this case?

MS. CASWELL: Madam Chairman, I think all of the parties assumed that it was not an issue, because the issues on their face don't seem to include that particular issue, and that's why -- I don't think most of the parties address it in their direct testimony, so we're somewhat prejudiced by that, and I guess --

CHAIRMAN CLARK: Well, somebody did have it in their testimony.

MS. CASWELL: I think it was MCI's witness.

MS. McMILLIN: If I could address that. It was addressed in MCI's direct testimony, and the parties did have the opportunity to respond to that in

rebuttal. I believe BellSouth -- well, I know BellSouth did respond to it in rebuttal, and we would view it as encompassed under Issue 2 and would recommend that the Commission give it the weight that it feels it deserves. But we did address it and went into it in some detail in our prefiled testimony.

MS. CASWELL: Martha, was it in your prehearing statement? I didn't pick it up there either.

MS. McMILLIN: I cannot remember off the top of my head whether it was or not, but I know it was in the -- it's been in our prefiled testimony since September 23rd.

MS. WHITE: So MCI will not stipulate that it's not an issue.

MS. McMILLIN: I think it's encompassed within Issue 2.

CHAIRMAN CLARK: Well, to the extent that it is encompassed within Issue 2, the parties can advocate it if they feel that evidence can support it, and the parties can respond to it in their briefs.

MR. WHALEN: Okay. Thank you.

CHAIRMAN CLARK: Anything else? (No response) Thank you very much. This hearing is adjourned.

(Thereupon, the hearing concluded at 4:50 p.m.)

- - - - -

STATE OF FLORIDA)
: CERTIFICATE OF REPORTERS
COUNTY OF LEON)

We, JOY KELLY, CSR, RPR, Chief, and H. RUTHE POTAMI, CSR, RPR Official Commission Reporters,

DO HEREBY CERTIFY that the Hearingin Docket No. 950737 was heard by the Florida Public Service Commission at the time and place herein stated; it is further

CERTIFIED that we stenographically reported the said proceedings; that the same has been transcribed under our direct supervision; and that this transcript, consisting of 401 pages, Volume 1 through 3, constitutes a true transcription of our notes of said proceedings and the insertion of the prescribed prefiled testimony of the witnesses.

DATED this 4th of December, 1996.

JOY KELLY, CSR, RPR
Chief, Bureau of Reporting
(904) 413-6732

H. RUTHE POTAMI, CSR, RPR
Official Commission Reporter
(904) 413-6734

SCANNED

EXHIBIT NO. _____

DOCKET NO: 950737-TP

WITNESS: MIKE GUEDEL

PARTY: AT&T

DESCRIPTION:

NOVEMBER 13, 1996 DEPOSITION TRANSCRIPT

PROFFERING PARTY: STAFF

I.D. # MG-1

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950737 EXHIBIT NO. 1
COMPANY/ WITNESS: BELL SOUTH / GUEDEL
DATE: 11/25/96

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of Investigation into temporary local telephone number portability solution to implement competition in local exchange telephone markets.	DOCKET NO. 950737-TP



DEPOSITION OF: **MIKE GUEDEL**

TAKEN AT THE INSTANCE OF: The Staff of the Florida Public Service Commission

PLACE: Gunter Building
2540 Shumard Oak Boulevard
Room 362
Tallahassee, Florida

TIME: Commenced at 2:40 p.m.
Concluded at 3:40 p.m.

DATE: Wednesday, November 13, 1996

REPORTED BY: JOY KELLY, CSR, RPR
Chief, Bureau of Reporting
(904) 413-6732

APPEARANCES:

MONICA BARONE and WILLIAM COX, 2540 Shumard Oak Boulevard, Tallahassee, Florida, representing the Staff of the Florid Public Service Commission.

JOHN P. FONS, Macfarlane, Ausley, Ferguson and McMullen, P.O. Box 391, Tallahassee, Florida 33302, Telephone No. (904) 224-9115, appearing on behalf of **Sprint,** participating telephonically from Tallahassee.

RICHARD D. MELSON, Hopping Green Sams and Smith, Post Office Box 6526, Tallahassee, Florida 32314, Telephone No. (904) 222-7500, appearing on behalf of **MCI Telecommunications,** appearing telephonically from Tallahassee.

GWEN JACOBS, Messer, Vickers, Caparello, Madsen, Goldman & Metz, P. O. Box 1876, Tallahassee, Florida 32302-1876, Telephone No. (904) 222-0720, appearing on behalf of **AT&T Wireless,** appearing telephonically from Tallahassee.

ROBIN DUNSON, AT&T Communications of the Southern States, Inc., 106 East College Avenue, Suite 1410, Tallahassee,Florida 32301, Telephone No. (904 425-6360, appearing on behalf of **AT&T Communications of the Southern States.**

APPEARANCES CONTINUED:

RICHARD M. RINDLER, Swidler & Berlin, Chartered, 3000 K Street, N. W., Suite 300, Washington, D. C. 20007, Telephone No. (202) 424-7604, appearing on behalf of **MFS Communications Company** appearing telephonically from Washington, D.C.

SUE WEISKE and PAUL McDANIEL, 160 Inverness Drive West, Englewood, Colorado 80112, on behalf of **Time Warner Communications,** appearing telephonically from Colorado.

WITNESS

NAME	PAGE NO.
MIKE GUEDEL	
Examination By Mr. Cox	7
Examination By Mr. Alexander	27
Examination By Mr. Fons	39

I N D E X

MISCELLANEOUS

ITEM	PAGE NO.
ERRATA SHEET	45
AFFIDAVIT OF DEPONENT	46
CERTIFICATE OF OATH	47
CERTIFICATE OF REPORTER	48

S T I P U L A T I O N

IT IS STIPULATED that this deposition was taken pursuant to notice in accordance with the applicable Florida Rules of Civil Procedure; that objections, except as to the form of the question, are reserved until hearing in this cause; and that reading and signing was not waived.

IT IS ALSO STIPULATED that any off-the-record conversations are with the consent. of the deponent.

MR. COX: We'll take appearances. Will Cox and Monica Barone for the Staff.

MS. DUNSON: Robin Dunson on behalf of AT&T.

MS. WEISKE: Sue Weiske and Paul McDaniel for Time Warner.

MR. FONS: John Fons of Ausley and McMullen on behalf of United Telephone Company of Florida and Central Telephone Company of Florida.

MR. ALEXANDER: Tom Alexander on behalf of BellSouth Telecommunications, Inc. and I'm in Atlanta.

MR. RINDLER: Rich Rindler, Swidler & Berlin, representing MFS Communications Company in Washington, D.C.

MS. JACOBS: Gwen Jacobs and Doc Horton of the Messer law firm in Tallahassee, representing AT&T Wireless Services, Inc.

MR. ALEXANDER: Before we get started, can I ask a question?

MR. COX: Sure. Is this Tom Alexander?

MR. ALEXANDER: Yes, it is. Is the witness in Tallahassee or by phone?

MR. COX: The witness is here in Tallahassee.

MR. ALEXANDER: Okay. Because I thought this morning they were by phone.

MR. COX: This morning it was by phone; that witness was in Colorado. He's actually on the line right now.

MR. ALEXANDER: I thought Robin Dunson and Mike Guedel were by phone this morning.

MS. DUNSON: Yes, we were. We called in by phone but we were here in Tallahassee, though.

MR. COX: Does everyone on the line agree to the usual stipulations? (No audible response.)

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MIKE GUEDEL

appeared as a witness and, after being duly sworn by the court reporter, testified as follows:

EXAMINATION

BY MR. COX:

Q Mr. Guedel, could you state your name for the record?

A My name is Mike Guedel.

Q And where are you presently employed?

A I'm employed by AT&T. My business address is 1200 Peachtree Street Northeast, Atlanta, Georgia 30309.

Q In what capacity are you employed at AT&T?

A I'm employed as the manager in the Access Management Organization.

Q And as a part of Docket 950737 on whose behalf are you testifying?

A I'm testifying on behalf of AT&T Communications of the Southern States.

Q I have several questions regarding your prefiled direct testimony submitted in 950737. The first question refers to Page 8, Line 6 of your direct testimony. On Line 6 you state that "The capability of providing interim number portability exists in the switching equipment of both the incumbent LECs and the new entrants." Could you briefly explain this capability and how it works?

A Yes. The method of interim number portability that was approved by the Public Service Commission in Florida through its December order, December '95 order, was a remote call-forwarding type of an arrangement.

Remote call forwarding is a service that has been offered in the past to other customers. It is not a new service. It requires switching upgrades as a general statement. There may be a switch out there that cannot do it. But as a general statement all of the switches currently in existence can provide that service.

Q Okay. Could we go off the record for one

minute?

(Discussion off the record.)

MR. COX: Rick, you just missed the first part of the first question. Go ahead and make your appearance, Rick, for the record.

MR. MELSON: Richard Melson of the law firm Hopping Green Sams & Smith P.A, appearing on behalf of MCI Telecommunications Corporation and MCI Metro Access Transmission Services, Inc.

Q (By Mr. Cox) Back to Line 6 on Page 8.

In the statement you were making there, which interim number portability solutions are you referring to?

A Remote call forwarding was the one I was referring to.

Q In AT&T's arbitration proceeding with BellSouth, did AT&T request BellSouth to offer other interim number portability solutions in Florida?

A It's my understanding that they did.

Q And to your knowledge what are those other proposals?

A I believe they listed two or three additional ones, and from memory direct flexible DID, I believe, was one of them. LERG reassignment, I believe, was another possibility.

Q Would you propose or suggest that these other solutions be included in the cost recovery mechanism developed in this proceeding?

A I believe the same general cost guidelines should apply. My testimony did not address the methodology, perhaps, that would be a way of calculating those costs; have not been suggested in any testimony at this point in time. The same overriding guidelines would certainly apply. The equations may be a little bit different.

Q How would the equations be different?

A Under my first proposal there would be no difference. In other words, if we go with the original proposal we'd simply say each carrier provides the service and essentially without compensation other than other parties' agreements to provide the same kinds of services, there would be absolutely no difference.

When you get to the NYNEX type of an equation, which is my alternative methodology, then you have to calculate certain costs that were involved. The costs involved in providing LERG reassignment may be different than the costs involved in providing remote call forwarding solutions. So you would modify that equation to incorporate the proper

costs but you could then distribute it on a telephone-number basis the same way the NYNEX formula works.

Q My next question refers to Page 7, Line 17, of your direct testimony. On Line 17 you state that "The Commission should adopt on mechanism which requires each carrier to pay for its own cost of providing interim local number portability." Which characters do you believe would incur costs of implementing an interim local number portability solution, and, if you could, touch on as many of these as possible: the LECs, ALECs, IXCs, pay telephone providers, alternative access vendors and shared tenant services.

A Incumbent LECs and ALECs would have the requirement of providing this service. So they would incur the costs, whatever costs there were.

Q And the IXCs?

A The IXCs would not incur costs directly because they will not be porting numbers to anyone.

Q Pay telephone providers?

A I don't believe there's a plan for pay telephone providers to port numbers either.

Q And the alternative access vendors or the shared tenant services, either of those, are there

plans for those to your knowledge?

A Not to my knowledge, no. I think you would have to be providing -- in some way you'd have to be providing local service to end-user customers on a retail basis to be involved in this point of the operation. Competitive access providers generally don't do that.

Q Okay. Just so it's clarified for my perspective, are all of these different types of providers going to incur costs or you're saying that some of them are not going to incur costs?

A They are not going to incur costs. The ones that I believe will incur costs will be the incumbent LECs and the alternative LECs.

Q Okay. Could you be a little more explicit on those you think are going to incure costs as far what those costs might be?

A Yes. In a remote call forwarding arrangement, if you were to look at a total service long run incremental cost analysis of providing remote call forwarding, there would be costs involved in providing the service and they would include some software costs on a total service basis, they would include some switching costs; they would probably -- I say local switching costs -- they would probably

include some transmission costs also, again on a total service long run incremental cost basis.

In the very short term, if we recognize that this interim portability is going to go away in 12 to 18 months or two years when the permanent solution is in place, we're looking at the remote call forwarding to be used only for a short period of time, in which case the short run incremental cost would be probably a more appropriate costing methodology. There would still be some costs involved. There would be less costs, however, than under a total service long run incremental cost analysis.

Q Would you agree that the incumbent LEC would incur the majority of these costs?

A I think they would provide the majority of the service and their switching machines would be used for porting more than others. I would say since they currently have perhaps 100% of the customers they would probably incur most of the costs.

Q The next question is on Page 8, first of Line 2, Page 8 of your direct testimony, you imply that interim number portability is an arrangement that will become obsolete in Florida within the next 12 to 18 months.

A That's correct.

Q What is the basis of this statement?

A The basis of that statement is my belief that the permanent solution will begin an implementation process probably within 12 months. They will begin to turn up the software and the upgraded switching machines that will provide a permanent number portability solution. As the permanent solution becomes more broadly available then the interim solution will be phased out. And I believe that will begin happening in 12 months.

Q So would you then agree that many locations may still require utilizing a interim number portability solution until the permanent solution is implemented?

A Yes, I think that is true. I think we have to keep in mind, however, the way the permanent solution is going to be rolled out.

The FCC has stated, and the Florida Commission has done some work on, which central offices will be turned up first. And those central offices are primarily the offices where incumbent LECs have expressed a strong interest in providing alternative service. They are also the locations that have the most dense populations which would be the most -- I think the greatest opportunities for

companies that actually went to put a switch in place.

In the more remote areas services such as resale, services such as unbundled elements that can be purchased from the LECs would be an alternative to providing local service. And those services don't require any number portability at all.

So the permanent solution is being implemented specifically in those areas where interim number portability is going to be a hot item, and, consequently, I think they are going to take care of those areas fairly quickly.

Q When do you believe permanent number portability will be available in all areas of Florida?

A I don't know.

Q Okay. Do you feel that might be a considerable amount of time? Do you have any guesstimation on how long that would take?

A If you're talking about absolutely every single switch it's going to take some time. It's my understanding that United Telephone has some switching equipment that simply cannot be upgraded to handle a permanent solution and we'll have to wait until they replace those switches.

There's other companies -- and there's areas of demand in the state where there may not be a great

deal of demand for the permanent solution. They will move slower. But I believe the majority of the areas that are going to face media switching facility-based competition will be upgraded fairly soon; within 12, 18, 24 months.

Q For those areas where you said that it might take a considerable amount of time, might take a greater amount of time, do you agree with the requirement that each carrier pay for its own cost of providing interim local number portability?

A Yes, I do. Again let me state that number portability only becomes an issue when an alternative LEC uses its own switch, okay? You can have competition being introduced into these areas on a resale basis or an unbundled element basis, which is probably the more likely way it will be introduced in the remoter areas. My statement still stands. But it also stands that we're talking about a small amount of porting here.

Q Okay. The next question refers to Page 8 again but Line 22. Your direct testimony. On Line 22 you state that "These realities do not seem to justify the creation of a complex recovery mechanism." Can you explain what you mean by the term "complex recovery mechanism"? Could you give an example?

A Well, an example would be, I believe, the proposed solution that Metropolitan Fiber, I believe, has put on the table, where you would do this on some kind of an intrastate revenue base. I think there's all kinds of complications involved in doing that. It would involve every carrier, LEC and ALEC, to do an accounting of their total revenues, define what part of those are intrastate; probably define what part of those are associated with telecommunications services versus perhaps cable TV services if the Commission so decided to split those two out. A lot of decisions would have to be made to put that kind of a solution together.

I think that is too complex of a solution for this particular problem.

Q Could you explain why the solution that you would advocate would be simple as opposed to complex, and why it would be a better solution?

A Yes. My proposal would not require any accounting. My proposal would simply require that service orders be processed in interim number portability and that the service be turned up to customers, ALECs or ILECs, who have requested the ported numbers. There would be no necessity for tracking costs. There would be no necessity for even

estimating costs or worrying about is this cost right or is that cost wrong? And there would be no reason to count telephone lines or set up any kind of auditible mechanism to track billing, either with the company being billed or the company that would be rendering bills. And probably both ALEC and ILEC would be in both of those pots from one time to another. Those are the kinds of complexities that would be eliminated under my proposal.

Q My next question refers to Page 9 of your direct testimony, Line 15 and 16. You provide a formula to calculate the dollar payments that the Florida Public Service require such a mechanism. Could you explain to me what you mean by a mechanism that requires dollar payments, briefly?

A A mechanism that requires dollar payments would essentially require one company writing a check to another company at the end of a 30-day period or a 60-day period or whatever, for -- in this case the numbers that were ported during that month or active reported during that month.

Q In the numerator of that formula that you mention there, you use total ported minutes. Could you explain how total ported minutes would be calculated if the Commission adopted the proposal, or

this proposal?

A Total ported minutes would have to be measured; in this case in the incumbent LEC's switching machines. So when an incumbent LEC would port a number to an alternative LEC at that alternative LEC's request, the incumbent would have to keep track of those minutes, of every minute that was ported to each and every ALEC within its territory and that would be -- that's where the numbers would come from.

Q So the measuring capability would rest with the ILEC?

A Yes, they would.

Q Okay. Also in the numerator of the formula you use, switching plus transport costs. Could you explain how switching and transport cost would be calculated if the Commission adopted your proposal?

A In conjunction with the other factor in the numerator, the switching and transport cost would have to be expressed on a per-minute basis also. When you use remote call forwarding you essentially tie up a path within a central office and there's some cost involved, at least in a total service long run incremental cost view in tying up that path. So that would be part of the cost of providing switching. And

you can calculate that on a per minute basis and it has been calculated on a per minute basis by the major ILECs from time to time without expressing, at least at this point, any agreement or disagreement without calculating it, if they have calculated it. Transport costs be can be the same way. Common transport, for example, the cost can be calculated on a per-minute basis. You would do these two on a per minute basis, multiply by total minutes and come up with total cost for a monthly period.

Q In the denominator of that formula you use the total working telephone numbers provided by NYNEX, the ILEC. Could you explain why you use total working telephone numbers by a NYNEX instead of the total working telephone number of all telecommunications carriers?

A Yes. To be consistent with the calculation I have in the numerator. The numerator is the total cost provided by the ILEC. Therefore, to be consistent, the denominator is the total number of lines by the incumbent. In the theory you could put the total cost of everybody in the numerator and the total numbers in the denominator. That would be terribly complicated because now I have to have the ALEC's new cost studies and I don't want to have to do

that so I made my calculations based upon the incumbent.

Q If the Commission were to use all telecommunications carriers in its calculation, how would you -- how would they determine that number?

A Well, you would greatly complicate the formula. You would essentially do exactly what I stated but you would have every single local service provider, facilities-based local service provider contribute information to the calculation.

In other words, the ALECs would have to measure all of the minutes that they ported back to the ILEC or to any other ALEC for that matter, and that would all have to go into the calculations, which make it extremely complicated. I think -- in fact I'm very confident that the answer would come out to be very, very much the same because the costs, either on a total service basis or a short run basis, are going to be very similar between what the ILEC incurs and what an incumbent would incur on a per-minute basis. So this number is going to come out pretty much the same.

Q The next question refers to Page 9, Line 19, of your direct testimony. Mr. Guedel you state there that "The charge per working telephone number times

the number of ported telephone numbers used by the new entrant would equal the charge per new entrant."

A Uh-huh.

Q This statement seems to indicate that there's only a charge per new entrant. Would the ILEC pay any of these costs?

A Yes. Under this formula, the ILEC would pay -- let me back up.

The equation on Line 15 and 16 will produce a number, and that number will be a, quote, "cost per total working telephone number." That cost will be multiplied by the number of telephone numbers that are ported to a given ALEC. The product of that equation is the bill that the ILEC will receive -- excuse me, the ALEC will receive from the ILEC and vice versa.

Q So both the ALEC and ILEC would be incurring costs, is that how I understand you, depending upon the situation?

A Depending upon the situation both could incur costs, yes.

Q Okay. Now, this methodology that we have been going through here, is it consistent with the FCC's requirement that cost for number portability should be borne by all telecommunications carriers?

A Yes, it is. In fact, it is an example and

it was included in the FCC's July 2nd order as meeting its requirement.

Q Why would you agree that it's consistent beside the fact they say it is consistent. Because this is based on the Telecommunications Act of 1996. I'm just trying to make sure the FCC is correct in their interpretation. Why would you agree with the FCC on their interpretation?

A The motivation of the Telecommunications Act was to introduce competition to the local telecommunications markets. It did other things but that was one of its motivations.

What we're attempting to do here with the interim number portability, and ultimately with permanent number portability, is reduce a barrier to entry in the local telecommunications market. Because these costs are essentially public policy costs and the benefits of introducing local number portability will be accrued by every user of telecommunications service in the state of Florida. Customers who are ported obviously get to keep their own number when they move to an ALEC. Customers who remain with the ILEC are benefitted also because they are given the choice which they did not have before, to either stay and maintain service with the ILEC, or move to the

ALEC.

Further, the introduction of competition is going to tend to reduce the prices of all telecommunications services over time and, therefore, once again, all customers within the state are going to benefit from the introduction of this competition.

The formula that I have represented will distribute the costs, this social cost of introducing competition or removing the barrier to competition basically throughout the consuming network. And it will be distributed based upon the companies that have -- distributed based upon the relative number of customers each company has, so it will meet the requirements of the Federal Communications Commission; it will meet the requirements of the Telecommunications Act of 1996.

Q In your formula here Page 9 again you use telephone numbers instead of revenues as proposed -- which other witnesses have proposed in this docket. Can you explain why you believe it is better to use telephone numbers instead of revenues?

A Yes. And then I believe in my rebuttal testimony I talk quite a bit about why the revenue solution is not the proper solution.

The revenue solution, number one, would

require all carriers, all ALECs and ILECs to make accounting of their revenues.

The MFS proposal, as I read it, was based upon intrastate revenues, so now we're going to have to figure out which revenues are state revenues and which revenues are interstate revenues and we're going to have to make a decision on how to break those out.

There's a third complexity in the market that companies such as Time Warner, if they enter the local market, may enter it while they are simultaneously providing cable TV service. And there is a possibility, not a fact but a possibility, that these companies may want to jointly market those kind of services. So they might say, "For $50 a month, Mr. Customer, I'll give you cable and I'll give you basic telecommunications service for one check." If they do that, then decisions have got to be made as to whether you count the cable revenues in here or whether you just want to count the local services revenues. And if you only count the local services revenues, how do you separate the $50 into one pot or the other?

Again I'm not saying these are insurmountable. I think the Commission can ultimately make a decision on how to do this, but it's very, very

complicated and it's going to take a lot more work; it's going to take a lot more testimony, a lot more opinions to get there. So I don't think the revenue solution is the answer. Plus all of this has to be auditable.

Under the telephone number solution, only the incumbents have to do these calculations. It's much more straightforward. The information is generally available today and it will be much smoother. But again let me point out, it is my secondary recommendation. It's more complicated than my primary recommendation.

Q If the Commission were to use revenues, would a mechanism using interstate revenues filed on a telecommunications carrier regulatory accessment fees be easier to implement than the formula we've just discussed?

A It may be easier to implement than my interpretation of the Metropolitan Fiber's proposal. It would probably be more complicated to implement than either my first or secondary proposals.

MR. COX: That concludes Staff's questions. Do any of the other parties have questions for Mr. Guedel? Are there any questions?

MR. ALEXANDER: This is Tom Alexander with

BellSouth. I've got questions. I was sort of waiting if anybody else had. If you'd like, I'll go ahead.

EXAMINATION

BY MR. ALEXANDER:

Q Mr. Guedel, this is Tom Alexander with BellSouth in Atlanta.

A Good afternoon.

Q Good afternoon.

Under your proposal I notice -- do you consider that a bill and keep? I'm referring to Page 7 of your direct, 17 through 19, do you consider that a bill-and-keep type proposal?

A I haven't used that terminology and I'm going to refrain from using that terminology in this docket. I think bill and keep has been specifically used in connection with interconnection arrangements. And quite frankly it's a proposal that we have put forth with respect to interconnection arrangements. I think I'm going to stick with the FCC's construction in this case.

Q And your proposal is essentially that each carrier pay for its own calls providing interim local number portability; is that correct?

A Essentially each carrier will provide the service without directly billing other alternative --

excuse me, other local exchange companies. And they will recover the cost as best they can as part of their general service offerings.

Q That's the part I want to talk to you about, recover the cost as best they can.

Do you agree that for purposes such as RCF on a interim number portability mechanism that the incumbent LEC will be primarily, if not exclusively, providing that service?

A My anticipation would be that they will provide more of that service than the alternative LECs will provide in the absolute -- on the basis of existing customers, they will probably provide about the same amount as an ALEC would.

Q You're just making some pro rata assessment, not an actual assessment; is that correct?

A That's the way I think things are going to fall out, if that's the question. I don't think we have a lot of historical data to track here. At least I don't have a lot of historical data to track here.

Q Well, if the incumbent LECs are incurring most of the cost, then under your proposal the incumbent LECs will be required to pay for these costs on their own and not recover any from the ALEC; is that correct?

A Yes, they will be required to recover the costs that do, in fact, happen. Again let me positively state that although they will be incurring the majority of the costs in a absolute basis, they will be incurring a relatively equal amount of costs on a subscribership basis.

Q On Page 4 of your direct at lines 19 through 21 -- are you there?

A Yes.

Q Okay. You make the statement "This method now appears to be inconsistent with the Act."

A That's correct.

Q What is the basis of the "now appears."

A The basis of the "now appears" is the July 2nd order of the Federal Communications Commission.

Q But for this FCC order, the Florida order would be consistent with the competitively neutral language that's contained in the Telecommunications Act of 1996?

A No. That's not what I'm saying. My understanding is, and I'm not an attorney -- my understanding is that the legislative -- the legislation, the Act, prescribed competitive neutrality and gave the Federal Communications Commission the explicit authority to interpret what

that meant. So until the FCC interpreted it, there was probably not a strong basis for me to make a stand one way or the other with respect to the Florida legislation.

Q Mr. Guedel, I'm not asking for a legal opinion but do you know from a plain reading of the Telecommunications Act whether or not the Act was referring to permanent number portability cost recovery or interim number portability cost recovery?

A Again, my reading of the Act was that it stated in the 251 piece number portability. It didn't at that point distinguish between interim or permanent.

Q Do you know at what point the Act does refer to an interim or transitional measure, if you will?

A I believe that the term "interim" appears in Section 271, but I'm not familiar with how or where that appears.

Q Okay. But you would agree it does not appear in Section 251.

A No. In 251 I have not detected either the word "interim" or "permanent."

Q Under your proposal, Mr. Guedel -- let me back up. Are you aware of the Florida Statute 364.16(4)?

A No. I may be. I'm certainly not familiar with the reference number.

Q Well, the pertinent portion of that statute requires that "prices and rates for interim number portability shall not be below costs." Have you had any knowledge of that at all, Mr. Guedel?

A I will accept your reading of it for the moment.

Q Given that's the Florida law, how does your proposal fly with that statute?

A I believe that the purpose for entering interim number portability is to reduce a barrier to ALEC entry into the local exchange market. I believe that the costs that are caused are caused by public policy and that the costs are essentially caused by all consumers in telecommunications services.

What I am suggesting is not that the incumbent LEC necessarily forgo recovery of these costs, particularly if the costs are significant. All I'm suggesting is that they recover those costs in a manner that is competitively neutral and that they do not recover those costs, in essence, by implementing a barrier to competition that we are trying to eliminate. I don't think it's inconsistent with the Florida Statute.

Q Well, let me ask you specifically, under your proposal then if the incumbent LEC is required to incur all, if not -- the majority if not all of the costs for implementing RCF as an interim number portability solution, and it is only allowed to recover its own cost from its own customer base, how is that consistent with the Florida Statute I've just stated a summary of?

A It's consistent that they will recover the costs and the price they charge for their services.

Q The service of RCF and ALEC purchases?

A That's correct. Because I would believe that the ALEC is not the ultimate cost causer here. The cost causer is the public determination that barriers to competition must be eliminated. The beneficiaries of providing remote call forwarding or interim number portability via remote call forwarding are benefits that are going to be accrued to all ratepayers in the state of Florida.

And what we're suggesting is a competitively neutral means that you recover those equally amongst all customers within the state.

Q Competitively neutral in AT&T's mind is that the incumbent LEC be required to either, if you will, eat the costs as the cost of doing business or they

have to recover it through the charges of other services to its current or existing customer base; is that correct?

A Essentially that's correct. Essentially what we're doing by spreading the costs in this manner is attempting to equalize those costs on a subscriber-by-subscriber basis. So what we're suggesting is not that BellSouth will incur higher costs per end user than an ALEC, what we're prescribing is that at least with respect to this item the costs that BellSouth will incur are the same costs on a per subscriber or per telephone number basis as the ALEC will incur, and that to me is competitively neutral.

Q Is competitively neutral that the ILEC's customers, not the ALEC's customers, have to absorb the cost of providing RCF to the ALEC; is that what you're saying?

A I can restate my previous answer. I believe that recovering the cost, or establishing a recovery mechanism that assigns or recovers costs from ALEC customers and ILEC customers in equal proportion, such that neither has a cost advantage as a result of the implementation of number portability is a fair mechanism.

Q I guess I'm still struggling with -- you said earlier in response to Staff's question that you want to distribute this social cost of removing entry barriers for competition and introducing competition because interim number portability benefits all consumers, yet all consumers aren't paying for it under AT&T's proposal, only the incumbent LEC's customers are paying for it.

A I disagree with that. I did not state that.

Q How are the customers of the ALEC paying for the RCF being acquired from the incumbent LEC?

A The customers of the ALEC will contribute in two ways: number one -- okay, under my original proposal they will contribute by the fact that the ALEC has to provide interim number portability to the ILEC under the same terms and conditions. So if we take the step that interim number portability will be provided in relatively the same relation as acquisition market share, then the cost that will be recovered by the ALEC from its customers will equal on a customer-by-customer basis the costs that will be recovered by the ILEC from it customers. Nobody gets a free ride.

Q With regard to your alternative approach, Mr. Guedel --

A Yes.

Q -- is it your opinion that this approach or this formula will allow the incumbent LEC to charge a price or recover its costs with remote call forwarding or another interim number portability solution that's above its costs for that solution?

A Yes, I believe the incumbent will be required -- will be allowed to recover its costs.

Q From whom will it recover that cost and how?

A It will recover a portion of those costs through this formula in billing to the alternative local exchange companies based upon the numbers that are ported to those companies. Those companies will then be forced to recover that cost that they are billed by the ILEC from their retail customers. Costs other than that will be recovered, if so desired, by the ILEC, and by the ALEC, from the retail services that they provide to their other customers.

Q From other retail services is what you're suggesting?

A That would be the most likely way, yes, sir.

Q And also in response to Staff's questions you prefer that it be done on a telephone number basis as opposed to a revenue solution basis because only the incumbent LEC is going to have to incur the

administration and actually the cost of tracking the cost associated with that. And you specifically said you didn't want the ALECs to have to track their costs that a revenue solution would require that they do.

A Correct. I think that would be an added complication. It would require additional auditing, it would require additional expense on the part of the ALECs and probably on the part of the ILECs who would have to be begin auditing revenue bills and revenue assessments and revenue determinations and so on to make sure they were getting their fair share of the pot and so on and so forth. So yes, I think the administrative and bureaucratic problems of that solution outweigh any merit that they have.

Q But you agree then that there should be an administrative charge that the incumbent LEC should assess or be allowed to recover for the administration of bureaucratic problems associated with their being the only carrier to have to track and record this data?

A That is not expressed in my equation. I would be interested in looking at an ILEC's estimatation of what that cost may be. I don't believe it would be significant. The information that we have is pretty much available today. But I would

look at that if the ILECs would like to put that on the table as a possibility.

Q You want them to have to track these costs and yet not get compensated for the administrative work.

A I guess, yes, but it's yes because the ALECs have already tracked the number of telephone numbers they have in service. That's no big deal. The ALECs -- excuse me, I misspoke. The ILECs already know how many telephone numbers they have in service and they keep a running record of that to my knowledge. The cost of switching and the cost of transmission are not going to change on a daily or hourly basis. Once the Commission Staff establishes that the cost studies provided by the ILECs are accurate, then those numbers are basically there and they won't have to be adjusted; probably won't have to be adjusted in the course of interim number portability which is not expected to be with us forever. The measurement of the minutes is a capability I believe inherent in the machines today. So there's really no additional costs that are going to be incurred here. And I don't want to make a mountain out of a mole hill. As I say, I would be happy to look at that LEC's estimate of these costs to

see if there is anything there.

Q I'm about through, Mr. Guedel. You do agree on behalf of AT&T that there are software costs associated with performing RCF, remote call forwarding?

A In the total service long run incremental analysis there would be.

Q And likewise, there are local switching costs associated with the incumbent LEC providing RCF for interim number portability?

A Could you repeat that?

Q There are local switching costs associated with the provision of RCF?

A Yes. In the total service long run incremental cost analysis there would be local switching costs involved.

Q Likewise there are some transmission costs I believe you said earlier associated with providing RCF?

A Yes.

MR. ALEXANDER: Thank you, Mr. Guedel. I have no further questions.

MR. COX: Does anyone else on the line have any questions for Mr. Guedel?

MR. FONS: This is John Fons. I have a few

questions.

EXAMINATION

BY MR. FONS:

Q Mike, who are you testifying for today?

A AT&T Communications of the Southern States, Inc.

Q Does AT&T communication of the Southern States, Inc. hold an ALEC certificate?

A My understanding is that we do.

Q Is your testimony on behalf of the ALEC or is it on behalf of AT&T Communications of the Southern States, Inc., the IXC?

A Sir, I don't know that there are separate corporations. I just don't know the answer to that.

Q Well, let's just try to separate them into separate operations then. Which operation are you testifying on behalf of?

A I haven't given that any thought. I'm testifying on behalf of AT&T Communications of the Southern States, Inc.

Q Who will benefit from your testimony today, the IXC operations or the ALEC operations?

A Customers in the state of Florida will benefit from what I'm testifying to today.

Q Which customers, the local exchange or the

IXC customers of AT&T?

A Potentially both.

Q Does AT&T plan to do its own switching of local services in the state of Florida?

A I'm not privy to the status of those plans.

Q I believe you testified earlier today that the only ALEC situation which will require telephone number portability is a situation when the ALEC uses its own switch; is that correct?

A That's my understanding today, yes.

Q So that if AT&T were to resell a local exchange company's retail local exchange service, there would be no telephone number portability issue?

A Yes. My understanding is that the customer could keep his telephone number under that scenario.

Q And likewise if the ALEC were to purchase the local exchange company's unbundled local loop and switching functions, there would be no telephone number portability issue?

A Yes. Let me be specific on that, and I guess in both cases, there would be no cost issue. The numbers could easily -- there would be a port -- I mean there would be a transfer of telephone numbers as a customer moves from one company to another, but there would be no cost involved there, and the

customer, it's my understanding, could keep his number; wouldn't have to be ported.

Q You have agreed, I believe, in your questioning by Mr. Alexander that under TSLRIC there would be a cost incurred by the local ILEC to provide telephone number portability using remote call forwarding as the methodology.

A Yes. There would be cost involved to either the ILEC or the ALEC in providing interim number portability under remote call forwarding application.

Q And the FCC has in this order viewed that the new entrants should not bear all of the costs of telephone number portability, isn't that correct?

A That's my understanding.

Q And do you share in that belief?

A Yes.

Q Have you had an opportunity to review United-Centel's proposal for telephone number portability in this docket?

A Yes, I believe I have.

Q And you've read Mr. Poag's testimony?

A I've read Mr. Poag's direct testimony.

Q And under United-Centel's proposal isn't it intended that the charges to the ALEC by the ILEC would be TSLRIC less a 55% discount?

A That is my understanding of Mr. Poag's testimony.

Q And under that proposal, wouldn't that satisfy the FCC's concerns that the new entrants not bear all of the costs?

A Yes, it would satisfy the concerns that they would not bear all of the cost. I'm not sure it would meet the competitively neutral standards because it does require that ALEC customers on a customer-specific basis would incur predominant or bear a predominant amount of that cost. In other words, the ALEC's cost of providing a service to an end user under a ported number would be higher than an ILEC's cost of providing service to a customer.

Q If United-Centel's customers are picking up that 55%, wouldn't they be bearing that cost?

A Yes. The difference as I see it between what I have proposed and what Mr. Poag has proposed is the degree of distribution.

Mr. Poag's distribution is take the total amount of dollars and essentially divide them up on a 50/50 basis; 55/45, if you will. My proposal, at least my secondary proposal would divide those costs up based upon relative market share.

I would think that in the near term the

ILECs relative market share would be greater than 50%. So my proposal would require the ILECs, would require the ILECs to recover a larger amount of money in total than the ALECs would, but on a customer-specific basis or a customer-reduced basis they would recover the exact same amount.

Q And it's your proposal, the proposal that is set forth on Page 9 of your direct testimony?

A Yes, that's the alternative proposal and the one that I just discussed with you.

Q And in comparing that proposal to Mr. Poag's proposal, which is the more complex recovery mechanism? (Pause) Are you there?

A I am here and I'm trying to think through how Mr. Poag's proposal would be implemented, and I honestly haven't thought that through well enough to give you an answer.

Q Under Mr. Poag's proposal, wouldn't the ILEC simply send the ALEC a bill and the ALEC would pay the bill?

A Yes, I believe that's true, but that's also true under my alternative proposal.

Q But under your proposal aren't there certain analysis that have to take place on a monthly basis involving ported minutes, switching and transport

costs, total working telephone numbers?

A Yes. Those are all elements of my formula.

Q And you think those are less complex than simply sending a bill from the ILEC to the ALEC?

A I'm not sure, and let me clarify that.

The switching and transport costs that I've listed, or that are included in my equation are exactly or essentially the same costs -- I'm not going to argue on the numbers, we may disagree on the numbers -- but are basically the same costs that Mr. Poag includes in his. So those elements are the same.

The total ported minutes is the difference. In Mr. Poag's proposal I believe total ported numbers would have to be measured; in this proposal total ported minutes would have to be measured. To the extent it's more complicated to measure minutes than it is ported lines, this one may be slightly more complicated. However, I do believe that the measuring capability exists in most of the switches today.

MR. FONS: I have no further questions.

MR. COX: Are there any further questions for Mr. Guedel? (No response)

Okay. That concludes the deposition.

(Deposition concluded at 3:40 p.m.)

ERRATA SHEET

DOCKET NO. 950737-TP
NAME: MIKE GUEDEL
DATE: 11-13-96

Page	Line	

AFFIDAVIT OF DEPONENT

This is to certify that I, MIKE GUEDEL, have read the foregoing transcription of my testimony, Page 1 through 46, given on 11-13-96, 1996, in Docket No. 950737-TP, and find the same to be true and correct, with the exceptions, and/or corrections, if any, as shown on the errata sheet attached hereto.

_____
MIKE GUEDEL

Sworn to and subscribed before me this

_____ day of _____, 19_____

_____

NOTARY PUBLIC

State of _____

My Commission Expires:

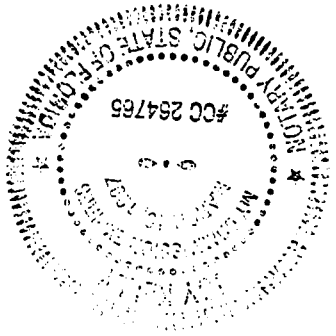
F L O R I D A)
:
COUNTY OF LEON)

CERTIFICATE OF OATH

I, the undersigned authority, certify that MIKE GUEDEL personally appeared before me and was duly sworn.

WITNESS my hand and official seal this 18th day of November, 1996.

Joy Kelly
Notary Public - State of Florida



STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, JOY KELLY, CSR, RPR, Chief, Bureau of Reporti Official Commission Reporter,

DO HEREBY CERTIFY that I was authorized to and did stenographically report the foregoing deposition of MIKE GUEDEL.

I FURTHER CERTIFY that this transcript, consisting of 50 pages, constitutes a true record of the testimony given by the witness.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 18th day of November, 1996.

JOY KELLY, CSR, RPR
Chief, Bureau of Reporting
(904) 413-6732

EXHIBIT NO. _____

DOCKET NO: 950737-TP

WITNESS: ALPHONSO J. VARNER

PARTY: BELLSOUTH

DESCRIPTION:

1. BELLSOUTH'S RESPONSE TO STAFF'S 1ST SET OF INTERROGATORIES (NOs. 1-3)

2. BELLSOUTH'S RESPONSE TO FCTA'S 1ST SET OF INTERROGATORIES (NOs. 1-8)

3. BELLSOUTH'S FLORIDA TEMPORARY NUMBER PORTABILITY TARIFF

PROFFERING PARTY: STAFF

I.D. # AJV-3

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950737 EXHIBIT NO 2
COMPANY/
WITNESS: BELLSOUTH / VARNER
DATE 11/25/96

BELLSOUTH TELECOMMUNICATIONS, INC.

Thomas B. Alexander
Attorney

Legal Department
675 W. Peachtree Street, N.E.
Suite 4300
Atlanta, Georgia 30375
404/335-0750
404/658-9022 (fax)

October 24, 1996

Monica M. Barone, Esq.
Staff Counsel
Florida Public Service Commission
Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Docket No. 950737-TP

Dear Ms. Barone:

Enclosed is an original of BellSouth Telecommunications, Inc.'s Responses to Staff's First Set of Interrogatories (Nos. 1 through 3) and BellSouth Telecommunications, Inc.'s Response to Staff's First Request for Production of Documents (No. 1), both dated September 24, 1996, and filed in the above-captioned docket.

With kindest regards, I am

Sincerely yours,

Thomas B. Alexander (DL)

Thomas B. Alexander

Enclosures

cc: All Parties of Record
A. M. Lombardo
R. G. Beatty
W. J. Ellenberg

BELLSOUTH TELECOMMUNICATIONS, INC.

Thomas B. Alexander
Attorney

Legal Department
675 W. Peachtree Street, N.E.
Suite 4300
Atlanta, Georgia 30375
404/335-0750
404/658-9022 (fax)

October 24, 1996

Mrs. Blanca S. Bayo
Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

RE: Docket No. 950737-TP

Dear Mrs. Bayo:

Today, BellSouth Telecommunications, Inc. served its Responses to Staff's First Set of Interrogatories (Nos. 1 through 3) and Staff's First Request for Production of Documents (No. 1), both dated September 24, 1996, and filed in the above-captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return the copy to me. Copies have been served on the parties shown on the attached Certificate of Service.

Thank you for your attention to this matter. With kindest regards, I remain

Sincerely,

Thomas B. Alexander (DL)

Thomas B. Alexander

Enclosures

cc: All Parties of Record
A. M. Lombardo
R. G. Beatty
W. J. Ellenberg

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 Filed: October 24, 1996

BELLSOUTH TELECOMMUNICATIONS, INC.'S RESPONSE TO
STAFF'S FIRST REQUEST FOR PRODUCTION OF DOCUMENTS

BellSouth Telecommunications, Inc., ("BellSouth" or "Company"), hereby files, Pursuant to Rule 25-22.034 AND 25-22.035, Florida Administrative Code, and Rules 1.350 and 1.280(b), Florida Rules of Civil Procedure, hereby submits the following Response to the Staff of the Florida Public Service Commission's ("Staff's") First Request for Production of Documents (No. 1) to BellSouth.

RESPONSE

Request No. 1: Please provide a copy of all cost studies associated with the provision of remote call forwarding, flex-direct inward calling, route index portability hub, and local exchange route guide reassignments as interim number portability solutions.

BellSouth Response: BellSouth has no documents that are responsive to this request other than the cost studies that have already been produced in this docket to the Florida Public Service Commission Staff on October 10, 1995.

Respectfully submitted this 24th day of October , 1996.

BELLSOUTH TELECOMMUNICATIONS, INC.

Robert G. Beatty (BL)

ROBERT G. BEATTY
J. PHILLIP CARVER
c/o Nancy H. Sims
150 South Monroe Street, Room 400
Tallahassee, Florida 32301
(305) 347-5555

Thomas B. Alexander (BL)

THOMAS B. ALEXANDER
NANCY B. WHITE
675 West Peachtree St., Room 4300
Atlanta, Georgia 30375
(404) 335-0750

BellSouth Telecommunications, Inc.
Docket No. 950737-TP
FPSC Staff's 1st Set of Interrogatories
September 24, 1996
Item No. 1

REQUEST: Has BellSouth provided any telecommunications carrier with remote call forwarding, flex-direct inward calling, route index portability hub, and local exchange route guide reassignment as proposed by AT&T in Docket No. 960833-TP? If so, identify the state that each solution is offered in and the rate being charged.

RESPONSE: BellSouth has provided remote call forwarding to telecommunications carriers throughout the Region, and currently has provided flex-direct inward calling in one state (Florida). To date, tariffs for use of remote call forwarding (RCF) in connection with interim number portability have been approved only in Florida. The rates for interim number portability RCF in Florida are found in Section E22.1.3 of the General Subscriber Service Tariff. Both remote call forwarding and direct inward dialing rates that were negotiated with local interconnection companies are included in the attached "BellSouth Number Portability by Contract" listing.

RESPONSE PROVIDED BY: Vic Atherton
Manager
3535 Colonnade Parkway
Birmingham, AL 35243

BellSouth -Number Portability by Contract

Although an agreement may be noted as "all states", the CLEC may not as yet have been certified in all states. The note only means that the contract can potentially and ultimately cover all states.

Interim basis- remote call forwarding (RCF) or direct inward dialing (DID)

ACSI
All states except North Carolina

RCF	Monthly Rate	Nonrecurring Charge
Per number Ported		
-Residence/6 paths	$1.15	----
-Business/10 paths	$2.25	----
Each additional path	$0.50	----
Per order, per end user location		None

DID

Per number ported	Recurring	Nonrecurring
- Residence	$0.01	$1.00
- Business	$0.01	$1.00
Per order		$25.00

	DID trunk termination-monthly	non-recurring trunk-initial	non-recurring trunk-subsequent
Alabama	$13.00	$160.00	$80.00
Florida	15.00	170.00	86.00
Georgia	14.00	165.00	83.00
Kentucky	13.00	150.00	80.00
Louisiana	13.00	170.00	86.00
Mississippi	13.00	150.00	80.00
South Carolina	13.00	164.00	81.00
Tennessee	13.00	164.00	83.00

American MetroComm

All states

RCF	Monthly Rate	Nonrecurring Charge
Per number Ported		
-Residence/6 paths	$1.15	----
-Business/10 paths	$2.25	----
Each additional path	$0.50	----
Per order, per end user location	----	None

DID

Per number ported	Recurring	Nonrecurring
- Residence	$0.01	$1.00
- Business	$0.01	$1.00
Per order		$25.00

	DID trunk termination-monthly	non-recurring trunk-initial	non-recurring trunk-subsequent
Alabama	$13.00	$160.00	$80.00
Florida	15.00	170.00	86.00
Georgia	14.00	165.00	83.00
Kentucky	13.00	150.00	80.00
Louisiana	13.00	170.00	86.00
Mississippi	13.00	150.00	80.00
North Carolina	13.00	160.00	83.00
South Carolina	13.00	164.00	81.00
Tennessee	13.00	164.00	83.00

Brooks Fiber

Mississippi and Tennessee only

RCF	Monthly Rate	Nonrecurring Charge
Per number Ported		
-Residence/6 paths	$1.15	----
-Business/10 paths	$2.25	----
Each additional path	$0.50	----
Per order, per end user location	----	None

DID

Per number ported	Recurring	Nonrecurring
- Residence	$0.01	$1.00
- Business	$0.01	$1.00
Per order		$25.00

	DID trunk termination-monthly	non-recurring trunk-initial	non-recurring trunk-subsequent
Alabama	$13.00	$160.00	$80.00
Florida	15.00	170.00	86.00
Georgia	14.00	165.00	83.00
Kentucky	13.00	150.00	80.00
Louisiana	13.00	170.00	86.00
Mississippi	13.00	150.00	80.00
North Carolina	13.00	160.00	83.00
South Carolina	13.00	164.00	81.00
Tennessee	13.00	164.00	83.00

Business TeleCom, Inc. (BTI)

Georgia

Reseller only

Continental Cablevision , FCTA, ICI, TCG, & TW
by Stipulation Incorporated in Order dated January 17, 1996

Florida

RCF	Monthly Rate	Nonrecurring Charge
Per number ported		
-Residence	$1.25	----
-Business	$1.50	----
Each additional path	$0.50	
Per order		Max of $25.00

DID

To be negotiated.

If not party to Order of January 17, 1996:

RCF	Monthly Rate	Nonrecurring Charge
Per number ported		
-Residence	$1.00	----
-Business	$1.00	----
Each additional path	$0.50	
Per order		$10.00

Competitive Communications, Inc. (CCI)

All states

RCF	Monthly Rate	Nonrecurring Charge
Per number Ported		
-Residence/6 paths	$1.15	----
-Business/10 paths	$2.25	----
Each additional path	$0.50	----
Per order, per end user location	----	None

DID

Per number ported	Recurring	Nonrecurring
- Residence	$0.01	$1.00
- Business	$0.01	$1.00
Per order		$25.00

	DID trunk termination-monthly	non-recurring trunk-initial	non-recurring trunk-subsequent
Alabama	$13.00	$160.00	$80.00
Florida	15.00	170.00	86.00
Georgia	14.00	165.00	83.00
Kentucky	13.00	150.00	80.00
Louisiana	13.00	170.00	86.00
Mississippi	13.00	150.00	80.00
North Carolina	13.00	160.00	83.00
South Carolina	13.00	164.00	81.00
Tennessee	13.00	164.00	83.00

Georgia Comm South, Inc.

Georgia

Reseller only

Hart Communications Corporation

All states

RCF

	Per Number Ported Monthly	Additional Capacity for Simultaneous Call Forwarding, per Additional Path-Monthly	Per Order, per End User Location-Nonrecurring
Alabama	$1.50	$0.75	$25.00
Florida	1.50 Business	0.50 Business	25.00
	1.25 Residence	0.50 Residence	25.00
Georgia	1.75	0.75	25.00
Kentucky	1.50	0.75	25.00
Louisiana	1.50	0.75	25.00
Mississippi	1.75	0.75	25.00
N. Carolina	1.50	0.75	25.00
S. Carolina	1.50	0.75	25.00
Tennessee	1.75	0.75	25.00

DID

Per number ported	Recurring	Nonrecurring
- Residence	$0.01	$1.00
- Business	$0.01	$1.00
Per order		$25.00

	DID trunk termination-monthly	non-recurring trunk-initial	non-recurring trunk-subsequent
Alabama	$13.00	$160.00	$80.00
Florida	15.00	170.00	86.00
Georgia	14.00	165.00	83.00
Kentucky	13.00	150.00	80.00
Louisiana	13.00	170.00	86.00
Mississippi	13.00	150.00	80.00
North Carolina	13.00	160.00	83.00
South Carolina	13.00	164.00	81.00
Tennessee	13.00	164.00	83.00

Intermedia Communications Inc., (ICI)

All states

RCF	Monthly Rate	Nonrecurring Charge
Per number Ported		
-Residence/6 paths	$1.15	----
-Business/10 paths	$2.25	----
Each additional path	$0.50	----
Per order, per end user location	----	None

DID

Per number ported	Recurring	Nonrecurring
- Residence	$0.01	$1.00
- Business	$0.01	$1.00
Per order		$25.00

	DID trunk termination-monthly	non-recurring trunk-initial	non-recurring trunk-subsequent
Alabama	$13.00	$160.00	$80.00
Florida	15.00	170.00	86.00
Georgia	14.00	165.00	83.00
Kentucky	13.00	150.00	80.00
Louisiana	13.00	170.00	86.00
Mississippi	13.00	150.00	80.00
North Carolina	13.00	160.00	83.00
South Carolina	13.00	164.00	81.00
Tennessee	13.00	164.00	83.00

Intetech, L.C.

Florida only

Reseller only

MCImetro

All states

RCF	Monthly Rate	Nonrecurring Charge
Per number Ported		
-Residence	$1.25	----
-Business	$1.50	----
Each additional path	$0.50	----
Per order, for multiple residential or business lines for one or more end user customers placed on the same order within an NPA or the area included within an NPA		$25.00

MFS

All states

Rates shown are for Florida and Georgia only

RCF	Monthly Rate	Nonrecurring Charge
Per number Ported		
-Residence/6 paths	$1.15	----
-Business/10 paths	$2.25	----
Each additional path	$0.50	----

Cost recovery subject to modification to conform to FCC Report and Order in Docket 95-116 - Rulemaking 8535, regarding number portability, once the Order is implemented.

MediaOne

Georgia

RCF	Monthly Rate	Nonrecurring Charge
Per number Ported		
-Residence/6 paths	$1.15	----
-Business/10 paths	$2.25	----
Each additional path	$0.50	----

DID

To be negotiated

National Tel

All states

RCF	Monthly Rate	Nonrecurring Charge
Per number Ported		
-Residence/6 paths	$1.15	----
-Business/10 paths	$2.25	----
Each additional path	$0.50	----

NEXTLINK

Tennessee

RCF	Monthly Rate	Nonrecurring Charge
Per number ported		
-Residence	$1.25	----
-Business	$1.50	----
Each additional path	$0.50	----
Per order, for multiple residential or business lines placed on the same order in a single exchange.		Max of $25.00

DID

To be negotiated. Prices and rates not to be below cost.

Payphone Consultants, Inc.

Florida and Georgia

Reseller only

SouthEast Telephone, Ltd.

All states

Reseller only

The Telephone Co. of Central Florida

All states

Reseller only

Teleport Communications Group, Inc. (TCG)

All states

RCF	Monthly Rate	Nonrecurring Charge
Per number Ported		
-Residence/6 paths	$1.15	----
-Business/10 paths	$2.25	----
Each additional path	$0.50	----
Per order, per end user location	----	None

DID

Per number ported	Recurring	Nonrecurring
- Residence	$0.01	$1.00
- Business	$0.01	$1.00
Per order		$25.00

	DID trunk termination-monthly	non-recurring trunk-initial	non-recurring trunk-subsequent
Alabama	$13.00	$160.00	$80.00
Florida	15.00	170.00	86.00
Georgia	14.00	165.00	83.00
Kentucky	13.00	150.00	80.00
Louisiana	13.00	170.00	86.00
Mississippi	13.00	150.00	80.00
North Carolina	13.00	160.00	83.00
South Carolina	13.00	164.00	81.00
Tennessee	13.00	164.00	83.00

Time Warner

All states

RCF	Monthly Rate	Nonrecurring Charge
Per number Ported		
-Residence/6 paths	$1.15	----
-Business/10 paths	$2.25	----
Each additional path	$0.50	----

DID

To be negotiated

TriComm, Inc.

All states

RCF

	Per Number Ported Monthly	Additional Capacity for Simultaneous Call Forwarding, per Additional Path-Monthly	Per Order, per End User Location-Nonrecurring
Alabama	$1.50	$0.75	$25.00
Florida	1.50 Business	0.50 Business	25.00
	1.25 Residence	0.50 Residence	25.00
Georgia	1.75	0.75	25.00
Kentucky	1.50	0.75	25.00
Louisiana	1.50	0.75	25.00
Mississippi	1.75	0.75	25.00
N. Carolina	1.50	0.75	25.00
S. Carolina	1.50	0.75	25.00
Tennessee	1.75	0.75	25.00

DID

Per number ported	Recurring	Nonrecurring
- Residence	$0.01	$1.00
- Business	$0.01	$1.00
Per order		$25.00

	DID trunk termination-monthly	non-recurring trunk-initial	non-recurring trunk-subsequent
Alabama	$13.00	$160.00	$80.00
Florida	15.00	170.00	86.00
Georgia	14.00	165.00	83.00
Kentucky	13.00	150.00	80.00
Louisiana	13.00	170.00	86.00
Mississippi	13.00	150.00	80.00
North Carolina	13.00	160.00	83.00
South Carolina	13.00	164.00	81.00
Tennessee	13.00	164.00	83.00

WinStar

All states

RCF	Monthly Rate	Nonrecurring Charge
Per number Ported		
-Residence/6 paths	$1.15	----
-Business/10 paths	$2.25	----
Each additional path	$0.50	----

Cost recovery subject to modification to conform to FCC Report and Order in Docket 95-116 - Rulemaking 8535, regarding number portability, once the order is implemented

DID

To be negotiated

Nat Jones
(205) 977-1567
September 30, 1996

numport.doc

BellSouth Telecommunications, Inc.
Docket No. 950737-TP
FPSC Staff's 1st Set of Interrogatories
September 24, 1996
Item No. 2

REQUEST: Has BellSouth offered a telecommunications carrier remote call forwarding, flex-direct inward calling, route index portability hub, and local exchange route guide reassignment as proposed by AT&T in Docket No. 960833-TP? If so, identify the state that each solution is offered in and the rate being charged.

RESPONSE: Where it is technically feasible, BellSouth has offered telecommunications carriers remote call forwarding, flex-direct inward calling, route index portability hub, and local exchange route guide reassignment as possible interim number portability solutions. However, no rates have been identified for local exchange route guide reassignment, and rates have not been established for route index portability hub. Please see attachment to Item No. 1 (BellSouth - Number Portability by Contract) for rates for remote call forwarding and direct inward calling.

RESPONSE PROVIDED BY: Vic Atherton
Manager
3535 Colonnade Parkway
Birmingham, AL 35243

BellSouth Telecommunications, Inc.
Docket No. 950737-TP
FPSC Staff's 1st Set of Interrogatories
September 24, 1996
Item No. 3

REQUEST: Has BellSouth performed any cost studies that identify the cost of remote call forwarding, flex-direct inward calling, route index portability hub, and local exchange route guide reassignment when used as an interim number portability solution?

RESPONSE: BellSouth has performed a cost study that identifies the cost of remote call forwarding (RCF) when used as an interim number portability solution. This study was produced in BellSouth's response to the FPSC Staff's First Request for Production of Documents dated September 21, 1995. A new RCF cost study related to number portability is scheduled to be completed in March, 1997.

RESPONSE PROVIDED BY: Reginald E. Starks
Director
675 West Peachtree St., NE
Atlanta, GA 30375

BELLSOUTH TELECOMMUNICATIONS, INC.

Thomas B. Alexander
Attorney

Legal Department
675 W. Peachtree Street, N.E.
Suite 4300
Atlanta, Georgia 30375
404/335-0750
404/658-9022 (fax)

October 21, 1996

Ms. Laura L. Wilson, Esq.
Florida Cable Telecommunications Assn., Inc.
310 North Monroe Street
Tallahassee, FL 32301

RE: Docket No. 950737-TP

Dear Ms. Wilson:

Enclosed is an original of BellSouth Telecommunications, Inc.'s Responses to FCTA's First Set of Interrogatories dated September 19, 1996, in the above captioned docket.

With best regards, I am

Sincerely yours,

Tom Alexander

Thomas B. Alexander

Enclosures

cc: All Parties of Record
A. M. Lombardo
R. G. Beatty
W. J. Ellenberg

STATE OF GEORGIA

COUNTY OF FULTON

BEFORE ME, the undersigned authority, personally appeared Gary A. Tucker, who being first duly sworn deposes and says:

That he occupies the position of Manager, Headquarters Regulatory and is the person who has furnished answers to these interrogatories No. 1 through No. 8 and further says that said answers are true and correct to the best of his knowledge and belief.

WITNESS my hand and seal this 31st day of October, A.D., 1996.

Signature Gary A. Tucker

Notary Public

State of Georgia

My Commission Expires:

Notary Public, Fulton County, GA
My Commission Expires Sept. 10, 2000

REQUEST: Identify which of the following services your company currently provides:

a. Call Forward - Fixed
b. Call Forward - Variable
c. Call Forward - Busy/No answer
d. Remote Call Forwarding as a temporary number portability solution
e. Any other call forwarding service(s)

RESPONSE: BellSouth provides Call Forwarding Fixed, Remote Call Forwarding (RCF), Call Forwarding Variable (CFV), Call Forwarding Busy Line (CFBL), Call Forwarding Don't Answer (CFDA), Remote Activation of Call Forwarding (RACF), and Flexible Call Forwarding (FCF).

INFORMATION PROVIDED BY: Gary Robert
Manager
3535 Colonnade Pkwy.
Birmingham, AL

REQUEST: Explain in detail any technical and cost similarities and differences among the services identified in Interrogatory No. 1a-e.

RESPONSE: Technical similarities and differences - Call Forwarding Fixed, RCF,CFV,CFBL,CFDA, RACF, and FCF.

Similarities:

1. Call Forwarding Fixed, Call Forwarding Variable (CFV), Call Forwarding Busy Line (CFBL), Call Forwarding Don't Answer (CFDA), Remote Call Forwarding (RCF), and Flexible Call Forwarding (FCF) involve software transfer of calls from a customer's location to another location.

2. All are generally available in all major switch types. (1AESS, 5ESS, DMS-100).

Differences:

1. Remote Call Forwarding does not require a physical loop to the customer's premises. Call Forwarding Fixed, Call Forwarding Variable (CFV), Call Forwarding Don't Answer (CFDA) and Call Forwarding Busy Line (CFBL) require a physical loop to the customer's premises.

2. Call Forwarding Don't Answer - allows calls to be automatically forwarded to another telephone number after a specified number of rings (1 to 9) or time interval. The number of rings are preprogrammed in the central office at the time service is established. If Call Forwarding Variable or Call Forwarding Fixed is active, it will override the CFDA feature.

3. Call Forwarding Busy Line - allows calls attempting to terminate to a subscriber's busy line to be forwarded to another telephone number. The forwarded to number is preprogrammed in the central office at the time service is established. If Call Forwarding Variable or Call Forwarding Fixed is active, it will override the CFBL feature.

4. Remote Activation of Call Forwarding Variable - gives the client the ability to activate/deactivate the call forwarding feature from remote locations other than their base station. CFBL and CFDA must be activated from the base station. RCF cannot be changed by the customer. RCF is preprogrammed at the time of service activation.

5. Customer Control of CFBL/CFDA/CFV/Call Forwarding Fixed - allows a customer to activate and deactivate the features from the telephone number from which the feature is assigned. Remote Call Forwarding cannot be activated/deactivated by the customer. It is a preprogrammed feature and retains the forwarded to number input at service activation.

RESPONSE (CONTINUED):

Differences (Continued):

6. Flexible Call Forwarding - allows a variety of call forwarding and routing capabilities for incoming calls. FCF is Advanced Intelligent Network (AIN) based instead of switch based. It allows call screening of forwarded calls and it provides voice mail treatment of forwarded calls.

Cost Similarities and Differences:

Cost differences among the various call forwarding features can be attributed to the amount and type of central office equipment required to process the call forwarding request. Features which allow customer interaction, i.e., those which give the customer the ability to program the final destination of the incoming call, will consume more switch resources due to the additional holding time required for activation/deactivation of the feature, interactive announcement, and/or additional memory and real-time required to forward the call. The cost for FCF also includes components of the AIN architecture.

Right to use fees will also generate differences in the cost of the feature. How the right to use charge is applied (per office, per switch module, or per line), the cost of the package, and the package content will drive the cost.

RESPONSE PROVIDED BY: Reginald E. Starks
Director
675 W. Peachtree
Atlanta, GA

Gary Robert
Manager
3535 Colonnade Pkwy.
Birmingham, AL

REQUEST: Identify the embedded cost per switch of providing:

a. Call Forward - Fixed
b. Call Forward - Variable
c. Call Forward - Busy/No Answer
d. Remote Call Forwarding as a temporary number portability solution
e. Any other call forwarding service(s)

In providing your response, identify the cost categories and accounts associated with each cost category.

RESPONSE: An embedded cost study for these features has not been performed.

RESPONSE PROVIDED BY: Reginald E. Starks
Director
675 W. Peachtree
Atlanta, GA

REQUEST: Assume that your company provides call forwarding services, what is your company's additional cost per switch to add Remote Call Forwarding as a temporary number portability solution for:

a. One ALEC customer
b. Ten ALEC customers
c. One hundred ALEC customers
d. One thousand ALEC customers

Provide all assumptions underlying your response.

RESPONSE: As stated in response to Item No. 6, BellSouth has not completed an updated cost study for interim number portability - RCF.

RESPONSE PROVIDED BY: Reginald E. Starks
Director
675 W. Peachtree
Atlanta, GA

REQUEST: Identify what additional cost for billing and collection services your company will incur per number when providing Remote Call Forwarding as a temporary number portability solution? Provide all assumptions underlying your response.

RESPONSE: There are billing and collection work efforts identified with providing Remote Call Forwarding as a temporary number portability solution. A study to determine the costs of these billing and collection work efforts is in progress and will be completed prior to the March, 1997 filing of the updated temporary number portability cost study.

RESPONSE PROVIDED BY: Reginald E. Starks
Director
675 W. Peachtree
Atlanta, GA

REQUEST: Identify in detail the incremental cost and the cost elements associated with providing Remote Call Forwarding as a temporary number portability solution including, but not limited to, the following elements: switching costs, line costs, marketing costs, and billing and collection costs. Provide all assumptions underlying your response.

RESPONSE: BellSouth previously filed its cost study in October, 1995. BellSouth has not completed an updated cost study that provides the incremental cost associated with providing Remote Call Forwarding as a temporary number portability solution. Such a study is currently being conducted and will be filed in March, 1997.

RESPONSE PROVIDED BY: Reginald E. Starks
Director
675 W. Peachtree
Atlanta, GA

REQUEST: Assume that your company provides Remote Call Forwarding as a temporary number portability solution, what specific additional costs does your company incur in forwarding the calls paced to an ALEC's customers? In providing your response, identify any nonrecurring costs and any recurring costs and the specific reason for the costs.

RESPONSE: See response to Item Number 4.

RESPONSE PROVIDED BY: Reginald E. Starks
Director
675 W. Peachtree
Atlanta, GA

REQUEST: If a switch contains the hardware and the software that has the capability of providing Remote Call Forwarding what is the increased recurring cost of adding additional numbers to that service? Provide all assumptions underlying your response.

RESPONSE: See response to Item Number 4.

RESPONSE PROVIDED BY: Reginald E. Starks
Director
675 W. Peachtree
Atlanta, GA

E22. SERVICES FOR ALTERNATIVE LOCAL EXCHANGE COMPANIES [1] (N)

CONTENTS

		New Page	Old Page
E22.1	**Service Provider Number Portability-Remote (SPNP-Remote)**	1	1
E22.1.1	General	1	1
E22.1.2	Rules and Regulations	1	1
E22.1.3	Rates and Charges	3	3

Note 1: Text is shown as new due to reissue of all Tariff Sections. No changes in rates or regulations were made with this filing.

E22. SERVICES FOR ALTERNATIVE LOCAL EXCHANGE COMPANIES [1] (N)

Services offered in this Tariff are available to Alternative Local Exchange Companies (ALECs), as defined in E2.6 of this Tariff, for their use in furnishing services to their end users.

E22.1 Service Provider Number Portability-Remote (SPNP-Remote)

E22.1.1 General

Service Provider Number Portability-Remote (SPNP-Remote) is an interim service arrangement provided by the Company to ALECs whereby an end user, who switches subscription to local exchange service from the Company to an ALEC, is permitted to retain use of the existing Company assigned telephone number provided that the end user remains at the same location. With this service, a call dialed to an SPNP-Remote equipped telephone number, assigned to the Company, is automatically forwarded to an ALEC assigned seven or ten digit telephone number within the Company's basic local calling area as defined in Section A3. of the Company's General Subscriber Service Tariff. The forwarded-to number is specified by the ALEC.

SPNP-Remote provides a single call path for the forwarding of no more than one sumultaneous call to the ALEC specified forwarded-to number. Additional call paths for the forwarding of multiple simultaneous calls are available on a per path basis at rates specified in E22.1.3 following, and are in addition to the rate for SPNP-Remote service.

E22.1.2 Rates and Regulations

A. SPNP-Remote service is only available to ALECs.

B. SPNP-Remote service and facilities will only be provided, where technically feasible, subject to the availability of facilities and may only be furnished from properly equipped central offices. SPNP-Remote service and facilities are not offered for NXX Codes 555, 976, 950 or BellSouth public or semi-public telephone service.

C. SPNP-Remote service is not available for local exchange end user accounts that have been denied or disconnected for non-payment and for which there remains an outstanding balance.

D. SPNP-Remote service is only available from or to host central offices.

E. SPNP-Remote is not available on telephone number based Company provided services other than basic local exchange service. Such services precluded from eligibility for SPNP-Remote include, but are not limited to, Foreign Exchange, Foreign Central Office, Remote Call Forwarding, Universal Access Numbers, and Surrogate Client Number.

F. SPNP-Remote is available only where the ALEC is currently providing, or will begin providing concurrent with provision of SPNP-Remote, basic local exchange service to the affected end user.

G. SPNP-Remote for a particular ALEC assigned telephone number is available only from the Company central office originally providing local exchange service to the end user.

H. SPNP-Remote for a particular ALEC assigned telephone number will be disconnected when any end user, Public Service Commission, or Company initiated activity (e.g., a change in exchange boundaries) would normally result in a telephone number change had the end user retained the Company's local exchange service.

I. Where technologically feasible, the Company will provide identification of the originating telephone number, via SS7 signaling, to the ALEC.

J. Responsibilities of the Company

1. The Company's sole responsibility is to comply with the service requests it receives from the ALEC and to provide SPNP-Remote in accordance with its tariff.

Note 1: Text is shown as new due to reissue of all Tariff Sections. No changes in rates or regulations were made with this filing.

E22. SERVICES FOR ALTERNATIVE LOCAL EXCHANGE COMPANIES [1] (N)

E22.1 Service Provider Number Portability-Remote (SPNP-Remote) (Cont'd)

E22.1.2 Rates and Regulations (Cont'd)

J. Responsibilities of the Company (Cont'd)

2. The Company is not responsible for the allocation of charges for resold or shared SPNP-Remote services or for misdialed calls.

K. Responsibilities of the ALEC

1. The ALEC is responsible for obtaining authorization from the end user for the handling of the disconnection of the end user's service with the Company, the provision of service by the ALEC and the provision of SPNP-Remote service. Should a dispute or discrepancy arise regarding the authority of the ALEC to act on behalf of the end user, the ALEC is responsible for providing written or other safisfactory evidence of its authority to the Company. In the event that the ALEC is unable to provide such authorization in a form satisfactory to the Company, the Company will reestablish service with the appropriate local service provider. The appropriate nonrecurring charges set forth in Section A4. of the General Subscriber Service Tariff will apply.
2. The ALEC is responsible for coordinating the provision of service with the Company to assure that its switch is capable of accepting SPNP-Remote ported traffic.
3. The ALEC is responsible for providing equipment and facilities that are compatible with the Company's service parameters, interfaces, equipment and facilities. The ALEC is required to provide sufficient terminating facilities and services at the terminating end of an SPNP-Remote call to adequately handle all traffic to that location and is solely responsible to ensure that its facilities, equipment and services do not interfere with or impair any facility, equipment or service of the Company or any of its end users. In the event that the Company determines in its sole judgement the ALEC will likely impair or is impairing, or interfering with any equipment, facility or service of the Company or any of its end users, the Company may either refuse to provide SPNP-Remote service or terminate it in accordance with other provisions of the Company's tariff.
4. The ALEC is responsible for providing an appropriate intercept announcement service for any telephone numbers subscribed to SPNP-Remote service for which it is not presently providing local exchange service or terminating to an end user.
5. Where the ALEC chooses to disconnect or terminate SPNP-Remote service, it is responsible for designing the preferred type of announcement to be provided by the Company at appropriate intercept rates.
6. The ALEC is responsible for all charges for the provisioning of SPNP-Remote service as set forth in E22.1.3 following.
7. The ALEC is responsible for designating to the Company at the time of its initial service request for SPNP-Remote service one of the following options for the handling and processing of collect and third party non-sent paid calls to SPNP-Remote assigned telephone numbers: 1) the ALEC may request that the Company block all such calls; 2) the ALEC may accept billing from the Company for such calls; or 3) the ALEC may negotiate a separate, detariffed billing and collection agreement with the Company establishing the call handling, processing and billing responsibilities of the parties.
8. The calling party is responsible for payment of the applicable charges for sent-paid calls to the SPNP-Remote number.

Note 1: Text is shown as new due to reissue of all Tariff Sections. No changes in rates or regulations were made with this filing.

E22. SERVICES FOR ALTERNATIVE LOCAL EXCHANGE COMPANIES [1] (N)

E22.1 Service Provider Number Portability-Remote (SPNP-Remote) (Cont'd)

E22.1.2 Rates and Regulations (Cont'd)

K. Responsibilities of the ALEC (Cont'd)

9. The ALEC is responsible for notifying the Company and requesting disconnection of the SPNP-Remote arrangement associated with the original Company provided telephone number when the ALEC's end user for which SPNP-Remote is provided initiates a change (e.g., relocation, subscription to a specific service, etc.) which would otherwise require a change in the Company provided telephone number.

10. SPNP-Remote service is furnished upon the conditions that the customer obtain adequate facilities to permit the user of SPNP-Remote service without injurious effect upon it or any other services rendered by the Company. The Company may terminate or refuse to furnish service to any customer, without incurring any liability, if the use of the service would interfere with or impair other services provided by the Company, provided that, in the case of a termination of service, at least five days have elapsed following written notification to the customer by mail, or in person, of the Company's intention to terminate the service for such cause.

L. Limitaitons of Service

1. The Company is not responsible for adverse effects on any service, facility or equipment from the use of SPNP-Remote service.

2. End-to-end transmission characteristics may vary depending on the distance and routing necessary to complete calls over SPNP-Remote facilities and the fact that another carrier is involved in the provisioning of service. Therefore, end-to-end transmission characteristics can not be specified by the Company for such calls.

3. The Company is not responsible to the ALEC if necessary change in protection criteria or in any of the facilities, operation, or procedures of the Company renders any facilities provided by an ALEC obsolete or renders necessary modification of the ALEC's equipment.

E22.1.3 Rates and Charges

A. SPNP-Remote

(1) Per Number Ported

		Nonrecurring Charge	Monthly Rate	USOC
(a)	Business Number, each	$-	$1.00	TNPBL
(b)	Residence Number, each	-	1.00	TNPRL
(2)	Additional Capacity for Simultaneous Call Forwarding			
(a)	per additional path	-	.50	NA
(3)	Per Order			
(a)	per customer account	10.00	-	NA

Note 1: Text is shown as new due to reissue of all Tariff Sections. No changes in rates or regulations were made with this filing.

EXHIBIT NO. _____

DOCKET NO: 950737-TP

WITNESS: ALPHONSO J. VARNER

PARTY: BELLSOUTH

DESCRIPTION: CONFIDENTIAL

1. Exhibit No. 11 filed in original proceeding 950737-TP

PROFFERING PARTY: STAFF

I.D. # AJV-4

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950737 EXHIBIT NO 3
COMPANY/ WITNESS: BELLSOUTH / VARNER
DATE: 11/25/96

EXHIBIT NO. _____

DOCKET NO: 950737-TP

WITNESS: BEVERLY Y. MENARD

PARTY: GTEFL

DESCRIPTION:

NOVEMBER 14, 1996 DEPOSITION TRANSCRIPT

PROFFERING PARTY: STAFF

I.D. # BYM-1

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950737 EXHIBIT NO. 4
COMPANY/ WITNESS: BELL SOUTH / MENARD
DATE: 11/25/96

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into temporary local telephone number portability solution to implement competition in local exchange telephone makets.	DOCKET NO. 950737-TP

DEPOSITION OF:	BEVERLY Y. MENARD
TAKEN AT THE INSTANCE OF:	The Staff of the Florida Public Service Commission
PLACE:	2540 Shumard Oak Boulevard Room 362 Gerald L. Gunter Building Tallahassee, Florida
TIME:	Commenced at 2:50 p.m. Concluded at 3:35 p.m.
DATE:	Thurs., November 14, 1996
REPORTED BY:	SARAH B. GILROY, CP, RPR Notary Public, State of Florida at Large.



[illegible] REPORTING
[illegible] 11-20-96

APPEARANCES:

KIMBERLY CASWELL, ESQUIRE, 201 North Franklin Street, Legal Department, 16th Floor, Tampa, Florida 33602, appearing on behalf of GTE Florida.

SUE E. WEISKE, ESQUIRE, 160 Inverness Drive West, Englewood, Colorado 80112 appearing on behalf of Time Warner.

NANCY B. WHITE and THOMAS B. ALEXANDER, 675 West Peachtree Street, Suite 4300, Atlanta, Georgia 30375, appearing on behalf of BellSouth Telecommunications, Inc.

J. JEFFREY WAHLEN, ESQUIRE, Ausley & McMullen, 227 South Calhoun Street, Tallahassee, Florida 32301, appearing on behalf of Sprint.

MARTHA P. McMILLIN, ESQUIRE, 780 Johnson Ferry Road, Suite 700, Atlanta, Georgia 30342, appearing on behalf of MCI Metro.

GWEN G. JACOBS, ESQUIRE, Messer, Vickers, Caparello, Madsen, Goldman & Metz, 215 South Monroe Street, Suite 701, Tallahassee, Florida 32301, appearing via telephone on behalf of AT&T Wireless.

RICHARD RINDLER, Swidler & Berlin, 3000 K Street Northwest, Suite 300, Washington, D.C., appearing via telephone on behalf of MFS Communications Company.

WILLIAM P. COX, ESQUIRE and MONICA BARONE, ESQUIRE, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0863, appearing on behalf of Commission Staff.

Also appearing via telephone, MR. PAUL McDANIEL,

I N D E X

	PAGE NO.
STIPULATION	4
ERRATA SHEET	5
CERTIFICATE OF DEPONENT	37
CERTIFICATE OF OATH	38
CERTIFICATE OF REPORTER	39

WITNESSES

BEVERLY Y. MENARD

Direct Examination by Mr. Cox	6
Cross Examination by Ms. Weiske	13
Cross Examination by Mr. Alexander	32
Cross Examination by Ms. Caswell	34
Recross Examination by Ms. Weiske	35

S T I P U L A T I O N S

IT IS STIPULATED that this deposition was taken pursuant to notice in accordance with the applicable Florida Rules of Civil Procedure; that objections, except as to the form of the question, are reserved until hearing in this cause; and that reading and signing was not waived.

IT IS ALSO STIPULATED that any off-the-record conversations are with the consent of the deponent.

ERRATA SHEET

DOCKET No. 950737
NAME: BEVERLY Y. MENARD
DATE: November 14, 1996

Page Line_____

MR. COX: We're going to go ahead and start. We're going to go ahead and start. Thank you. Take appearances. This is Wil Cox and Monica Barone appearing for Staff.

MS. McMILLIN: Martha McMillin appearing on behalf of MCI Telecommunications Corporation and MCI Metro.

MS. WEISKE: Sue Weiske appearing for Time Warner.

MR. ALEXANDER: Tom Alexander and Nancy White appearing for BellSouth Telecommunications.

MR. WAHLEN: Jeff Wahlen appearing on behalf of Central Telephone Company and United Telephone Company, which is referred to as Sprint.

MS. CASWELL: Kim Caswell for GTE.

MR. COX: Who just joined us?

MS. JACOBS: Gwen Jacobs of AT&T Wireless.

MR. COX: Hi, Gwen. Go ahead and make your appearance for the record.

MS. JACOBS: Gwen Jacobs, Messer Law Firm, 215 South Monroe, on behalf of AT&T Wireless Services, Inc.

Thereupon,

BEVERLY Y. MENARD

was called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. COX:

Q Ms. Menard, would you state your name for the record.

A Beverly Y. Menard.

Q And where are you presently employed?

A GTE Florida as regional director of regulatory and industry affairs.

Q And on whose behalf in this Docket 950737 are you testifying?

A GTE Florida.

Q Staff has several questions regarding your direct testimony in this docket. The first question refers to page three, line 24 of your direct testimony. Line 24 you state that, virtually all of the costs of interim number portability are incurred solely by the ILEC providing the service.

Now is this true for all methods of cost recovery discussed in the FCC's order?

A No, this is for the interim number portability.

Q Just for the remote call forwarding; is that what you're referring to?

A Either remote call forwarding or DID, any of the interim forms of number portability. I mean I think the higher preponderance of cost is also going to be done by the ILECs for long-term, but there will be costs that the ALECs will incur for long-term number portability.

Q What are some of the costs -- could you first go

with the ILECs and then the ALECs?

A For which, interim or long-term?

Q Interim.

A Interim. Because most of the customers are existing customers of GTE Florida, they're going to be porting their calls to the ALECs, so I'm going to be incurring the switching and transport costs.

Q Okay. And for the ALEC?

A The only cost I'm aware of is administrative costs to keep track of the numbers.

Q My next question refers to page four of your direct testimony, line two. Line two you state that, GTE submits that competitively neutral cost principles are not applicable in the context of interim number portability.

So are you recommending that the Commission disregard the FCC order on number portability?

A I don't know if I'm recommending they disregard or recommending they choose which parts of the FCC order that they conform to, because to me the FCC order has contradictory terms in it.

MS. CASWELL: Also, to the extent that's a legal question, you know, she can answer --

MR. COX: Sure. I wasn't asking for a legal answer.

MS. CASWELL: Okay. Fine.

BY MR. COX:

Q Could you explain some of those contradictions.

A Certainly. For instance in the FCC order in paragraph 127 they talk about the states are free to require that tariffs be filed by the carriers. And then in paragraph 137 they say that to be competitively neutral the incumbent LEC would have a reciprocal compensation arrangement with a new entrant, which is what we have in Florida, the arrangement we have in Florida, which is why we believe that the Commission doesn't need to do anything.

But then other language they say, you can't have a charge where it's much more than zero for the new entrant.

Q On page five of your direct testimony, line ten through 13 you state that, allowing the parties to charge each other their tariff rates for interim number portability will permit each party to recover its respective costs while maintaining competitive neutrality.

Now does this proposal meet the language of the Telecommunications Act of 1996 and the FCC order which requires the cost of number portability be spread across all carriers?

A I think it does. And one of my references would be paragraph 137 of the FCC order where they specifically talk about having reciprocal arrangements would be competitively neutral.

Q And how would you say this proposal would meet that

requirement being spread across all carriers? Could you expound upon that?

A As far as it would -- it would not have some of the carriers directly sharing in the cost in the interim that I think we will have in the permanent, where we will have more carriers sharing in the cost. But the carriers that are incurring costs would be sharing it.

Q Also on page five, line 16 you state that, all costs of number portability ultimately pass to the consumer and accordingly establish an explicit pooling mechanism to recover these costs. When you say "pooling mechanism," what are you referring to?

A Mechanism like what the FCC order explicitly discusses for the long-term number portability solution. And it's discussed in more detail on pages six and seven of my testimony, one particular methodology that could be used.

Q Are you proposing that the Commission establish a cost recovery mechanism where the carriers assess their customers a charge to cover the cost?

A That would be GTE's preferred position, and that is the position they've taken at the FCC.

Q Why is that your position?

A So that the shareholders don't have to pay for the cost.

Q Do you believe that all customers will benefit from

the implementation of this interim number portability solution?

A That's the theory. I am not sure.

Q Well why should the Commission establish a charge to all end users to recover the cost? That's what I'm trying to ask.

A Well personally I think that the better short-term solution of the interim number portability is to leave as status quo with the tariffs that we have. Where you're going to have a much larger magnitude of costs to be recovered is when we get to the long-term number portability.

Q Okay. Well in this situation, with your proposal, how would the customers in a rural area with no competition benefit from the implementation of the proposal?

A I don't know that I won't have competition in all my rural areas.

Q Okay. So are you saying that there will be competition in the rural areas?

A I believe there will be, yes.

Q And in what period of time?

A Within the next year or so.

Q Are you basing this on any studies or --

A Just what the carriers have said. I mean if AT&T is going to have 30-percent market share, they've got to get a lot of customers.

Q In the mechanism that you're proposing, is it

necessary for cost recovery, being that interim number portability will be replaced by permanent number portability?

A No. That is why our preferred position is to leave the status quo with the tariffs we have in place and where each carrier charges the other carrier.

Q Staff has just one more question. Do you believe that the cost recovery mechanism established in this proceeding should apply to all possible interim number portability methods that might be implemented?

A Yes. I know of no reason why there should be different cost methodologies -- cost methodologies, whether you're talking about remote call forwarding or DID service.

Q The cost recovery mechanism would be the same?

A Yes.

MS. CASWELL: I'm sorry. Could I ask for clarification? Were we just talking about RCF and DID in that question?

MR. COX: No. We wanted to also ask for other possible mechanisms such as LERG assignment and the --

A DRNI.

BY MR. COX:

Q Any basically.

A Any? I would assume it would be the same. I mean the bigger problem I would have with the other -- for instance, LERG, you know, our position is it isn't technically feasible.

And the DRNI, by the time I could probably get it implemented we're already going to be at permanent.

So I have not really looked at other methodologies because we seriously question whether they should be implemented prior to the permanent.

Q But is it your testimony that I'm understanding that if the Commission were to order one of those methods for INP, the same cost recovery mechanism should be implemented?

A Yes. I know of no reason why it should be different.

MR. COX: That concludes Staff's questions.

MS. McMILLIN: MCI has no questions.

MS. WEISKE: Time Warner has a few.

CROSS EXAMINATION

BY MS. WEISKE:

Q Ms. Menard, you indicated earlier -- I'm sorry. I'm Sue Weiske for Time Warner. You indicated earlier that you believe that the status quo would be appropriate for this Commission in resolving how to recover the costs related to interim number portability. If the Commission agreed with you why would they have opened this docket?

A I think the reason why they opened the docket was so they could look at the situation and make a decision.

Q Do you recall the order that agreed that carriers would put respective tariffs in place for RCF and DID? You

were in that case as I recall.

A Yes. I was a witness in that case, yes.

Q Do you recall that that order raised some concerns about the cost studies presented in that case?

A My recollection is they raised concerns about the Bell cost studies.

Q But not GTE's cost studies?

A Not that I'm aware of.

Q Can you refresh my recollection; was the GTE cost study a TSLRIC cost study?

A No, it was a LRIC cost study.

Q Are you familiar with the term "short-run incremental cost"?

A Basically.

Q How would you define the concept of short-run incremental cost versus TSLRIC or versus LRIC? I apologize. You start where you want to start.

A As far as between a short-run incremental study cost study and a long-run incremental cost study, the time horizon you're looking at in a long-run is much longer, so therefore you have much more of the fixed costs included in a long-run incremental cost that you would not include in a short-run incremental cost study.

Q Can you give me a specific example of a cost that you believe would appropriately be in a LRIC cost study related

to RCF that would not be in a short-run incremental cost study related to RCF?

A To me it would depend on the time frame of when I was doing a cost study. For instance, depending on how I did a LRIC cost study I could have included some of the initial right-to-use fees that we had to put in the switches to ever turn on that methodology. We didn't include those type costs in our long-run incremental cost study.

But those definitely would not be in a short-run probably cost study, but they could be in a long-run, depending on the manner in which you conduct the long-run incremental cost study.

Q Any other examples of the difference that come to mind between short-run and long-run?

A Not right offhand, because I don't remember when we've ever done a short-run incremental cost study, so I'm not an expert on the methodology for those type studies.

Q What would you believe would be the difference between a long-run incremental cost study and a total service long-run incremental cost study?

A My understanding in a total service, there are more of the costs that you consider being directly assigned to a service. And so typically a TE or TSLRIC cost study is going to be a higher cost. And then depending on if you use the FCC's definition you would also have some joint and common

costs --

Q Okay.

A -- in that cost study.

Q Today if a GTE -- currently if a GTE customer would go to a Time Warner customer, what would be the charge for the porting for that customer?

A The tariff rate is a dollar for the first path and 50 cents for any additional paths.

Q And what would be the rate charged if the customer went the other way --

A Same rate.

Q -- from Time Warner to GTE?

A It's my understanding it's the same rate.

Q Tell me how you believe that approach to cost is competitively neutral under the FCC order.

A Because both of us are paying -- paying when -- it's a reciprocal arrangement where when the customers go one way, the charge is the same as when they go the other way.

Q I assume you're generally familiar with the proposal of a lot of the ALECs in this case that each carrier would absorb its own costs related to RCF or DID or some other method of interim number portability?

A Yes, I'm aware of that position.

Q Do you believe that that approach is competitively neutral pursuant to either the act or the FCC order?

A No, I don't believe that's competitively neutral.

Q Why would it not in your perspective be competitively neutral for Time Warner to treat the cost of RCF as a cost of doing business, and vice-versa, GTE treat those costs similarly?

A Because we aren't starting at ground zero, and I think I'm going to incur a much higher proportion of the costs than Time Warner will.

Q Why do you believe that you would incur a higher cost -- initially I assume is what you meant?

A Yes.

Q -- than Time Warner might?

A Because most customers are already my customers, and they're just switching to your service, so I'm going to be incurring the cost.

Q Do you believe that there is any other approach that's been recommended in this case, either by BellSouth or Sprint United, that would meet the competitive neutrality test as you've defined it or as you think of it? Maybe I should back up.

Are you familiar with what both BellSouth and Sprint United have proposed in this case?

A I'm more familiar with the BellSouth -- I understand the BellSouth proposal more than I do part of the Sprint proposal. Personally I have no real problem with

BellSouth's alternative. I mean their initial position is the same as mine, that we keep the tariffs that we have.

But their alternative, where we keep the costs and then recover it in the same methodology that we do for the long-term to me is a reasonable solution that's consistent with GTE's position.

Q What about the Sprint United proposal, which I think is 55 percent of TSLRIC will be absorbed by the ALEC?

A Actually based on the cost studies we have filed in the arbitration cases, I have higher rates than I currently do. So I probably might not have a lot of problem with it. Philosophically I don't fully understand the rationale behind their thing, and unfortunately I haven't had the time to spend to try to understand their rationale a little better.

Q I want to go back to your earlier answer about the ALEC proposal not being competitively neutral. If from the ALEC perspective, from a Time Warner perspective, it appeared that to pay respective tariff rates, it appeared that the ALECs were absorbing more of the costs than GTE or its LEC colleagues, given that you said earlier to me the reason you thought the ALEC proposal was not competitively neutral was that the LECs were absorbing most of the costs, if the ALECs felt that in your proposal the ALECs were absorbing most of the costs, you would also agree, using your perspective on competitively neutral, that that was not competitively neutral?

A I mean -- my initial reaction is, the difference is, under our -- look at competitively neutral, what we're talking about is more synonymous to what we've always done in the past of cost causer, and I think that's what we've always done historically. And I think that's the right way to do it.

Given -- if we had left the rates at what our retail rates were, at $16 plus usage, I would fully support your position on why you would think that wouldn't be competitively neutral. Given the rates this Commission has put in, I think it's very competitively neutral.

Q And do you say that in making the distinction between the retail rate and the rate that's been approved on the wholesale level because of the relationship of that rate to cost, or simply its numerical magnitude? What caused you to make that distinction?

A Mainly the relationship of rate to cost, because the rate basically is at cost.

Q And when you use "cost" there, you're using "cost" in terms of LRIC?

A LRIC, yes.

Q You made a reference in response to a Staff question to AT&T indicating they were going to have a 30-percent market share.

A Yes.

Q I was curious where you had gotten that

information.

A Lots of periodicals. I don't have any references with me.

Q Can you be more specific?

A Quotes by the chairman of AT&T.

Q And that 30 percent referred to market share within GTE's service territory?

A Nationwide.

Q In terms of local service?

A Yes.

Q Okay. Is that then the basis for your belief that the rural areas within GTE's service territory would have competition in a fairly short time frame; I think you said one to two years?

A Yes. And because of the compactness of my territory.

Q If Mr. Allen of AT&T is incorrect, and AT&T's market share in your serving territory, in fact the ALECs' market share in total was 5 percent or less, would you still believe that for your customers in your service territory, that they are receiving the benefits of local competition, so ALECs in total have 5 percent or less of the market?

A I don't know how I differ just because of some percent of the market -- I mean part of it is going to be a factor of the time it takes just for things to happen. And it

doesn't mean the customer -- I mean it's just like the rate averaging we have today.

All my customers benefit even when they didn't have equal access, because they all got the benefit of the same rate. So there are benefits to the other customers even though they may not have a choice.

Q If 95 percent of the customers in your market area -- your serving area, excuse me -- don't have an alternative, can you elaborate on how they would be receiving the benefits of competition?

A Because we will be -- because of the 5 percent we're losing, we're going to be more efficient, we're going to be more cognizant of the services and rates we offer the customers, and all of the customers are going to benefit from that.

Q If an ALEC would target a specific city within your service area -- and I apologize, I'm not from this part of the country, so I can't give you a specific city -- and if the target was a specific, I don't know, some kind of customer service deal that was different than what GTE was currently offering to its customers, but was only specific to that community, do you still think that the 95 percent that didn't have that offer from the ALEC would be receiving some benefit in the GTE reaction to that?

A My initial reaction is yes. But I don't know what

they would offer that wouldn't end up still having some benefit for other customers.

Q You state at pages three, four and five in your direct testimony, particularly you start at paragraph 127, and I think you reiterated that paragraph in response to a Staff question when Staff counsel requested you to elaborate what parts of the FCC order you thought were inconsistent, and I apologize, I didn't capture all of the thoughts there that you were articulating.

Could you go back through what you believe -- what portions of the FCC order you believe are inconsistent, to the best of your ability, given that we both accept you're not an attorney.

A Thank you. Of course as I said, paragraphs 127 and paragraphs 137 to me are consistent with what Florida is already doing.

Q Are consistent.

A Are consistent.

Q That's because of the issue of reciprocal tariffing?

A Tariffing and it being reciprocal.

Q Okay. You mentioned something --

A They talk about --

Q -- zero costs.

A Yeah, there is a reference, and I'm trying to find

it here. Unfortunately I didn't yellow highlight it.

Q What I wrote down is, you said something like they indicated in a paragraph that there may be costs --

A In paragraph 133 they say, the incremental payment by a new entrant if it went to the customer would have to be close to zero to approximate the interim number portability costs by the incumbent LEC if it retains the customer.

Q Okay. Do you believe that the current tariff in place for GTE is consistent with that statement?

A Not necessarily, but I also think that's not -- that statement is inconsistent with where they say, the second criteria, it shouldn't have a disparate effect on the ability of the companies to earn a normal return. If I've got to eat all the costs, I can't earn a normal return. That's why I have problems with the consistency in the FCC order.

Q Do you believe that the tariff rate in place at GTE for RCF at a wholesale level results in any disparate treatment for the ALEC?

A You're going to have to explain that question.

Q I'm curious if you think there is any result that would be disparate in terms of an ALEC with putting respective tariffs in place, that approach?

A I'm having -- I'm having a problem.

MS. CASWELL: Clarify "disparate," in what aspect.

BY MS. WEISKE:

Q The way you were explaining it from the FCC perspective. It wasn't my terminology, it was yours.

A What I was talking about was the fact of the conflicting items in the FCC order.

Q Okay. You mentioned in response to a Staff question that you didn't think it was appropriate for shareholders to pay. And I didn't know if you meant there that you didn't believe it was competitively neutral or if you were using "appropriate" in some other way.

A I was using "appropriate" more in the context of the philosophy that I've got to bear all the costs to me is not competitively neutral.

Q Why is it appropriate for a group of rate payors, either in total or a specific subgroup of rate payors to pay for RCF, but it would not be appropriate for a group of shareholders of GTE to pay for RCF?

A Because it goes back to the cost causer principle, that the people that are incurring the cost pay for the cost.

Q And if you go along with your cost causation perspective, then is it your perspective that all customers, whether they're receiving the benefits of a ported number, would pay, or a specific subset of customers or rate payors would pay?

A It depends on whether I'm talking about interim or long-term.

Q First let's talk about interim.

A On interim, if you can repeat your question again?

Q Sure. I wanted to understand if when you said cost causation and that linkage, whether you were referring to all customers or some specific subset of customers that you identified as benefiting from RCF for example?

A I would say it was based on the cost cause -- i.e., today I have customers that buy RCF out of my retail service. They cause the cost; they pay the rates.

Q Given that, would it only be the customers whose numbers are being ported from GTE to Time Warner that should pay, or would it be your entire customer base that should pay, not simply the customers that are having ported numbers?

A I say that's the difference between our two proposals. One is, we do the existing tariffs today, the others we set up a cost type pooling mechanism, and everybody pays.

Q In your cost type pooling mechanism, when you say "everyone," you mean the entire customer base?

A The entire customer base.

Q If the costs of RCF, as some ALECs have testified in deposition are considered a cost of doing business, is it still your belief that the shareholders should not pay for those costs, whether it be a Time Warner group of shareholders or a GTE group of shareholders?

A If it's a cost of doing business, it's incumbent on me to make sure that my rates cover those costs.

Q I'm not sure if you answered my question, which was if it is viewed as a cost of doing business, is it then appropriate in how you look at a cost of doing business as a cost that your shareholders may potentially absorb?

A I don't think any cost the shareholders should have to absorb.

Q So you don't think there are any costs in a competitive environment?

A Oh, there are going to be costs in a competitive environment.

Q That a shareholder should have to absorb?

A I don't think there is any costs my shareholders should have to absorb; I think there are going to be costs my shareholders will have to absorb.

Q Do you believe there are any costs today of doing business for GTE that your shareholders currently absorb?

A I have no idea.

Q If the Commission would find that, despite your view of the order, that GTE cost studies would need to be amended, added to, modified, do you have any sense how difficult it would be to assess what the short-run incremental costs related to RCF for GTE would be?

A I do not know, because to the best of my knowledge

I have never seen a short-run incremental cost study of GTE.

Q Would you be the person that would have to supervise or assign such a task if it were so ordered by this this Commission?

A I might assign it; I probably wouldn't supervise it.

Q I don't think I'm going to pursue that (laughter). If I could have a minute just to review your testimony, I'm almost done.

You said at the bottom of page four, top of page five that it's your belief that passing the cost of number portability on to shareholders is patently unconstitutional as you've been advised legally. Is there anything about that you can elaborate on, or you believe that's a statement you were given?

A It's a taking.

Q I don't want to put you on the spot.

A There is a limit to how much my lawyers let me talk about legal things.

Q If a group of ALEC customers go from Time Warner to GTE, does Time Warner in that case have similar costs much like GTE has if that customer goes from GTE to Time Warner?

A I would assume they would.

Q Does it make a difference in terms of how you view the costs associated with that, whether the customer was for

the first time going from Time Warner to GTE, versus returning to GTE as a former customer? Think the costs would be the same?

A I would think the costs would be the same. As far as when you're porting, you're porting. I don't think it makes any difference. I don't know.

Q You responded in -- you said in response to a Staff question that you believe the costs associated with porting numbers for an ALEC were administrative costs. Do you have any sense of the magnitude of the ALEC administrative costs related to RCF or DID?

A Not really, other than me knowing the administrative costs we incur when our end user customers have RCF.

Q Do you have a sense whether those costs are large or small?

A In the scheme of things I always thought they were small. But I don't remember any specific cost studies.

Q Okay.

A Because when we did retail RCF, we never did a cost study.

Q I want to just talk a little bit, if I can find it, about your reference to 251E2 which you talk about a little bit on page three. And if you would give me just a second to find that reference in the act.

Is it your belief, given your testimony on page three, that because section 251E2 does not mention interim number portability specifically, that the reference there is only to long-term number portability?

A Yes.

Q Does the -- does section 251E2 -- and I would be happy to share my copy with you -- specifically refer to long-term number portability?

A No, but you've got the other references in the act under 271, where they talk about strictly interim. So to me I would have thought if they're talking about both, they would have said both. But I --

Q So the absence of both the words "interim" and "long-term" leads you to believe that the reference in 251E2 refers to long-term?

A Yes.

Q Because in section 271, for example, there is a reference to "interim." On the other hand is it possible for a reasonable person to disagree with you and believe, since neither "interim" nor "long-term" is mentioned, that the reference there to number portability could refer to both, since it's not specific?

A I'm sure someone could argue that, yes.

Q If your choice of recommendations were not to take the approach that you've recommended, which is to stay with the

status quo, nor to take the pooling approach, but instead to look at either the BellSouth approach, which was to put it off and deal with it all during the long-term resolution of recovery of costs in the long-term number portability, versus each company absorbing its own costs, do you have a preference there as to only having those two choices?

A My preference would be the Southern Bell alternative.

Q If the question were the same, but it is the ALEC approach generally, which is each company, each carrier absorb its own cost, versus the Sprint United approach, which is -- I don't want to misstate it, I think it's 55 percent of TSLRIC, and those costs would be -- those rates would be paid for by the ALEC, do you have a preference between those two recommendations?

A Not fully understanding the Sprint proposal, my reaction is I would prefer the Sprint proposal.

Q Let me go back, and I think this does wrap up my line of questioning. In response to my first question your preference was the BellSouth proposal. Could you tell me why you prefer that approach to the ALEC approach of each carrier absorbing its own costs?

A Because I think then it is truly more in line with what the FCC interpretation of the order of competitively neutral for all carriers to share in the cost. And then in the

pooling type arrangement, then you are truly having all carriers do it by having the interexchange carriers, et cetera, help pay for the costs.

Q And the second question, where your response was the Sprint United proposal, could you explain why, given those two choices, your choice was the Sprint proposal?

A Because at least there is some cost causation of the carrier who is having the costs incurred pays part of the cost.

Q And finally you also oppose the MCI recommendation for retroactivity in terms of any sort of recovery of costs for interim number portability. You state that you would want your -- you would want any proposal to be handled by the Commission on a going-forward basis, but I didn't see an explanation of why you felt retroactivity was inappropriate.

A Number one, I've always been taught retroactivity was illegal. My other reason is, nobody has ordered RCF, so there is no need for a retroactive adjustment in my case.

Q So at least its your impression on behalf of GTE that no ALEC at this point is receiving RCF or DID on a wholesale basis?

A As of when we checked a month ago, that is correct.

MS. WEISKE: That's all I have. Thank you very much.

CROSS EXAMINATION

BY MR. ALEXANDER:

Q This is Tom Alexander, and I'm representing BellSouth Telecommunications. Ms. Menard, I want to just confirm, to date, at least the last time I think you just said within the last month ago, that no ALECs in the GTE territory have ordered number portability for RCF from GTE; is that correct?

A That is correct.

Q Are you familiar with the proposals of all the parties? I know we've talked about at least MCI, AT&T, Time Warner are proposing one that each carrier pays its own costs for recovering RCF expenses?

A I have read all of the testimony. Due to the timing of when I read it I may not remember it all at this moment, because I've had a few other things in between.

Q Do you think when each carrier pays its own cost it's a cost recovery mechanism?

A No.

Q Do you think when each carrier pays its own cost it is a competitively neutral cost recovery mechanism as the act defines that?

A No, I do not.

Q Are you familiar with Florida Statute 364.16(4), which I will give you a reference that I'm looking for there,

requires that prices and rates shall not be below costs for interim number portability?

A Yes, I remember that reference.

Q Do you think when each carrier pays its own costs for providing interim number portability it is in compliance with this Florida law?

A No, I do not. I think the prior Commission decision is in compliance with the law.

Q Do you know of any reference in the telecommunications act to a definition or even in the FCC orders, the July 2nd number portability order or the August 8th '96 interconnection order, that discusses using short-term incremental cost as a basis for determining the cost that an incumbent LEC can recover for providing services to an alternative LEC?

A No. As I said, I don't remember any reference -- in fact I don't think GTE -- I have not seen a short-run incremental cost study, and I've seen no references to a short-run incremental cost study standards in those orders.

Q Do you think that it is appropriate for GTE's shareholders, or for that matter any other incumbent LEC shareholders to absorb the costs of the ALECs entering in the local exchange market?

A No.

Q If -- which companies in the short-term, for

example, in the next 18 to 24 months, will incur the majority of the costs of providing remote call forwarding for interim number portability?

A I believe it will be the incumbent LEC.

Q And not the alternative LEC?

A Yes.

Q And under that scenario, if that is in fact the case, then each carrier pays its own cost would mean that a larger proportion of the cost would be paid by the incumbent LEC and not the alternative LEC?

A Yes, that is correct.

MR. ALEXANDER: I have no other questions. Thank you very much.

MR. COX: Who just dialed in?

MR. POAG: This is Ben Poag.

THE WITNESS: Hi, Ben.

(discussion off the record).

MR. WAHLEN: I don't have any questions.

MS. WEISKE: We're almost done, Ben. We started at quarter to 3:00.

MR. COX: Nancy, do you have any questions? Gwen, did you have any questions? Gwen? No more Gwen?

CROSS EXAMINATION

BY MS. CASWELL:

Q Just a couple of redirect. Do you consider LERG

reassignment a method of true number portability?

A No.

Q Has the Commission -- has this Commission to your knowledge ever supported the use of short-term incremental cost methodology to set prices?

A No.

MS. CASWELL: That's it.

MS. WEISKE: Can I ask a quick follow-up?

MS. CASWELL: I don't know if that's allowed really.

MS. WEISKE: Just one question.

MS. CASWELL: I get redirect too.

MS. WEISKE: That's fine. If you have anything out of this question, you can have it.

RECROSS EXAMINATION

BY MS. WEISKE:

Q You were asked whether you perceived LERG reassignment to be true number portability, and you said no. Do you believe LERG reassignment can be an interim method of number portability?

A No. The only way, we testified in our arbitration cases, to me the only thing you can use LERG reassignment for is if I had an end user customer that had an entire NXX, there is the guidelines under the LERG where they can change to another carrier. I don't have any of that. So that's why I --

Q But you would agree that both RCF and DID are considered methods of interim number portability?

A Yes, I would.

MS. WEISKE: Thank you. That's all I have. And I appreciate counsel letting me follow up.

MS. CASWELL: That's it.

MR. COX: That concludes the deposition.

(The deposition was concluded at 3:35 p.m.)

CERTIFICATE OF DEPONENT

This is to certify that I, BEVERLY Y. MENARD, have read the foregoing transcription of my testimony, pages 1 through 36, given on November 14, 1996 in Docket No. 950737, and find the same to be true and correct, with the exceptions, and/or corrections, if any, as shown on the errata sheet attached hereto.

_____

BEVERLY Y. MENARD

Sworn to and subscribed before me this

_____ day of_____ , 19____

_____

NOTARY PUBLIC

State of_____

My Commission Expires:

F L O R I D A)
COUNTY OF LEON)

CERTIFICATE OF OATH

I, the undersigned authority, certify that BEVERLY Y. MENARD personally appeared before me and was duly sworn.

WITNESS my hand and official seal this 19th day of November, 1996.

Sarah B. Gilroy

SARAH B. GILROY
Notary Public - State of Florida

STATE OF FLORIDA) CERTIFICATE OF REPORTER

COUNTY OF LEON)

I, SARAH B. GILROY, Registered Professional Reporter,

DO HEREBY CERTIFY that I was authorized to and did stenographically report the foregoing deposition of BEVERLY Y. MENARD.

I FURTHER CERTIFY that this transcript, consisting of 36 pages, constitutes a true record of the testimony given by the witness.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties, nor attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 19th day of November, 1996.

Sarah B. Gilroy

SARAH B. GILROY, CP, RPR

EXHIBIT NO. _____

DOCKET NO: 950737-TP

WITNESS: BEVERLY Y. MENARD

PARTY: GTEFL

DESCRIPTION:

1. GTEFL'S RESPONSE TO STAFF'S 1ST SET OF INTERROGATORIES (NOs. 1-3)
2. GTEFL'S RESPONSE TO FCTA'S 1ST SET OF INTERROGATORIES (NOs. 1-8)
3. GTEFL'S FLORIDA TEMPORARY NUMBER PORTABILITY TARIFF
4. EXHIBIT NO. 13 FILED IN ORIGINAL PROCEEDING 950737-TP

PROFFERING PARTY: STAFF

I.D. # BYM-2

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950737 EXHIBIT NO 5
COMPANY/
WITNESS: BELL SOUTH/MENARD
DATE 11/25/1996

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October 29, 1996

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

Re: Docket No. 950737-TP
Investigation into temporary local telephone number portability solution to implement competition in local exchange telephone markets

Dear Ms. Bayo:

Please find enclosed an original and one copy of GTE Florida Incorporated's Notice of Service of Responses to Staff's First Set of Interrogatories for filing in the above matter. Service has been made as indicated on the Certificate of Service.

Very truly yours,

Kimberly Caswell/tas

Kimberly Caswell

KC:tas
Enclosures

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 Filed: October 29, 1996

NOTICE OF SERVICE OF GTE FLORIDA INCORPORATED'S RESPONSES TO STAFF'S FIRST SET OF INTERROGATORIES

NOTICE IS HEREBY GIVEN that a true and correct copy of GTE Florida Incorporated's Responses to Staff's First Set of Interrogatories, which were legally propounded by Staff on September 24, 1996, was hand-delivered on October 29, 1996, to Monica M. Barone, Staff Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850.

The original and one copy of this Notice were hand-delivered on October 29, 1996 to the Director, Division of Records & Reporting, at the Commission. Further service on other parties of record is as set forth on the Certificate of Service, appended hereto.

Respectfully submitted on October 29, 1996.

By: Kimberly Caswell /tas

Anthony P. Gillman
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Telephone: 813-483-2615

Attorneys for GTE Florida Incorporated

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

GTE FLORIDA'S RESPONSES TO
STAFF'S FIRST SET OF INTERROGATORIES
(Nos. 1 through 3)

Provide the name, address, and relationship to the Company of each person providing answers to the following inquiries and identify which question(s) each person answered.

Response:

Interrogatory Nos. 1, 2:

Timothy Decker
Senior Product Manager-Local Competition
GTE Telephone Operations
600 Hidden Ridge
Irving, TX 75038

Beverly Menard
Regional Director-Regulatory and Industry Affairs
GTE Florida
P.O. Box 110, FLTC0616
Tampa, Florida 33601-0110

Interrogatory No. 3:

Mike Mathews
Section Manager-Costing
GTE Telephone Operations
600 Hidden Ridge
Irving, TX 75038

1) Has GTE provided any telecommunications carrier with remote call forwarding, flex-direct inward calling, route index portability hub, and local exchange route guide reassignment as proposed by AT&T in Docket No. 960847-TP? If so, identify the state that each solution is offered in and the rate being charged.

Response:

GTE has not offered all of these options to any one carrier. It has offered specific carriers particular options, as noted below.

State	Description	
California	SPNP via RCF	NRC $ 4.15
	Initial	MRC $ 2.29
	Additional Path	No Charge
Florida Tariff	SPNP via RCF	NRC $ 10.00
	Initial	MRC $ 1.00
	Additional Path	MRC $ .50
Florida MFS Agreement	SPNP via RCF	No Charge
	Initial-Res (6 paths)	MRC $ 1.15
	Initial-Bus (10 paths)	MRC $ 2.25
	Additional Path	MRC $ .50
Florida ICI Agreement	SPNP via RCF	NRC $ 5.00
	Initial	MRC $ 1.25
	Additional Path	MRC $ .50
Michigan	SPNP via RCF	NRC $ 10.50
	Initial	MRC $ 2.10
	Additional Path	MRC $ 4.80
Oregon	SPNP via DNRI	NRC $117.17
	Initial	MRC $ 4.26
	Change of Svc.	MRC $ 24.53

Oregon	SPNP via RCF	NRC $ 26.14
	Initial	MRC $ 4.43
	Change of Svc.	NRC $ 26.14
	Additional Path	MRC $ 1.52
Texas	SPNP via RCF	NRC $ 13.20
	Initial	MRC $ 3.40
	Additional Path	No Charge
	SPNP via DID	MRC $ 1.70 Per Trunk
		MRC $ .03 Per Block of 20 Numbers

Acronyms:
SPNP - service provider number portability
RCF - remote call forwarding
DNRI - directory number route indexing
DID - direct inward dial
NRC - nonrecurring charge
MRC - monthly recurring charge

2) Has GTE offered a telecommunications carrier remote call forwarding, flex-direct inward calling, route index portability hub, and local exchange route guide reassignment as proposed by AT&T in Docket No. 960847-TP? If so, identify the state that each solution is offered in and the rate being charged.

Response:

Please see GTE's response to Staff Interrogatory No. 1.

3) Has GTE performed any cost studies that identify the cost of remote call forwarding, flex-direct inward calling, route index portability hub, and local exchange route guide reassignment when used as an interim number portability solution?

Response:

A cost study was performed on the use of remote call forwarding as an interim number portability solution. The relevant study is found in Tab 9, pages 129 through 131, of the Cost Study binder filed in Docket Nos. 961169-TP and 961173-TP.

Marcell Morrell**
Vice President & General Counsel - Florida

Associate General Counsel
Anthony P. Gillman**
Leslie Reicin Stein*

Attorneys*
Kimberly Caswell
M. Eric Edgington
Ernesto Mayor, Jr.

* Licensed in Florida
** Certified in Florida as Authorized House Counsel

GTE Telephone Operations

One Tampa City Center
Post Office Box 110, FLTC0007
Tampa, Florida 33601
813-483-2606
813-204-8870 (Facsimile)

FACSIMILE COVER SHEET

November 20, 1996

TO: Monica Barone

FROM: Kim Caswell

No. of Pages including cover sheet - 13

Sender's Direct Telephone Number - 813-360-3241

MESSAGE: Per your request - call me if you need anything else.

The information contained in this facsimile message is confidential client information subject to the attorney-client and work product privileges and is intended only for the use of the individual or entity named herein. If the reader of this message is not the intended recipient, or the employee or agent responsible to deliver it to the intended recipient, you are hereby advised that any disclosure, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us by telephone and return the communication to us by U.S. Mail at the address above.
Thank you.



Marceil Morrell**
Vice President & General Counsel - Florida

Associate General Counsel
Anthony P. Gillman**
Leslie Reicin Stein*

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M. Eric Edgington
Ernesto Mayor, Jr.

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** Certified in Florida as Authorized House Counsel

GTE Telephone Operations

One Tampa City Center
201 North Franklin Street, FLTC0007
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Tampa, Florida 33601
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October 24, 1996

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

Re: Docket No. 950737-TP
Investigation into temporary local telephone number portability solution to implement competition in local exchange telephone markets

Dear Ms. Bayo:

Please find enclosed an original and one copy of GTE Florida Incorporated's Notice of Service of Responses to Florida Cable Telecommunications Association, Inc.'s First Set of Interrogatories for filing in the above matter. Service has been made as indicated on the Certificate of Service.

Very truly yours,

Anthony P. Gillman

for Kimberly Caswell

KC:tas
Enclosures

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

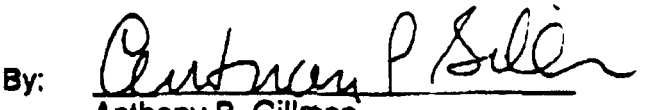
In re: Investigation into temporary local telephone number portability solution to implement competition in local exchange telephone markets	)))))	Docket No. 950737-TP Filed: October 24, 1996

NOTICE OF SERVICE OF GTE FLORIDA INCORPORATED'S RESPONSES TO FLORIDA CABLE TELECOMMUNICATIONS ASSOCIATION, INC.'S FIRST SET OF INTERROGATORIES

NOTICE IS HEREBY GIVEN that a true and correct copy of GTE Florida Incorporated's Responses to Florida Cable Telecommunications Association, Inc.'s (FCTA) First Set of Interrogatories, which were legally propounded by FCTA on September 19, 1996, was sent via overnight delivery on October 23, 1996, to Laura L. Wilson, Esq., Florida Cable Telecommunications Association, Inc., 310 North Monroe Street, Tallahassee, Florida 32301.

The original and one copy of this Notice were hand-delivered on October 24, 1996 to the Director, Division of Records & Reporting, at the Commission. Further service on other parties of record is as set forth on the Certificate of Service, appended hereto.

Respectfully submitted on October 24, 1996.

By: 

Anthony P. Gillman
Kimberly Caswell
Post Office Box 110, FLTC0007
Tampa, Florida 33601
Telephone: 813-483-2615

Attorneys for GTE Florida Incorporated

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

GTE FLORIDA'S RESPONSES TO
FLORIDA CABLE TELECOMMUNICATIONS ASSOCIATION'S
FIRST SET OF INTERROGATORIES
(Nos. 1 through 8)

Provide the name, address, and relationship to the Company of each person providing answers to the following inquiries and identify which question(s) each person answered.

Response:

Questions: 1-8

Beverly Y. Menard
Regional Director-Regulatory and Industry Affairs
GTE Florida, Inc.
201 N. Franklin Street
Tampa, Florida 33601

1) Identify which of the following services your company currently provides:

a. Call Forward - Fixed
b. Call Forward - Variable
c. Call Forward - Busy/No Answer
d. Remote Call Forwarding as a temporary number portability solution
e. Any other call forwarding service(s)

Response:

GTE Florida currently provides the following services:

a. Call Forward - Variable
b. Call Forwarding Busy Line - Fixed
c. Call Forwarding No Answer - Fixed
d. Call Forwarding Busy Line/No Answer - Fixed
e. Remote Call Forwarding in General Tariff
f. Service Provider Number Portability (SPNP) in Intrastate Access Tariff

2) Explain in detail any technical and cost similarities and differences among the services identified in Interrogatory No.1a-e above.

Response:

a. Call Forwarding - Variable . This service, which is a Smart Call service, permits a subscriber to arrange to have all incoming calls to his telephone automatically transferred to another dialable telephone number during any period of the day in which this feature is activated. Where a charge (local or long-distance) is applicable for a call between the subscriber's telephone and telephone to which calls are to be forwarded, such charge is applicable to the subscriber on every call forwarded to and answered at that telephone. The investment necessary to calculate costs for Call Forwarding - Variable includes the realtime milliseconds to recognize the access codes to activate and deactivate the feature plus any costs additional to the original call.

The next three services (b, c & d) are basic call forwarding offerings for Enhanced Service Providers:

b. Call Forwarding Busy Line - Fixed: This service, permanently activated, provides clients the ability to redirect incoming calls to their home or business to the customer's preselected PBX Trunk Line number, CentraNet line number, or other line number of the customer at another location when such incoming calls encounter a normal busy line condition.

c. Call Forwarding No Answer - Fixed: This service, permanently activated, provides clients the ability to redirect incoming calls to their home or business to the customer's preselected PBX Trunk Line number, CentraNet line number or other line number of the customer at another location when such incoming calls encounter a no answer condition after a specific number of rings. The costs of Call Forwarding No Answer are based on the investment required for the processor realtime milliseconds to forward a call to a predetermined station.

d. Call Forwarding Busy Line/No Answer - Fixed: This service, permanently activated, provides clients the ability to redirect incoming calls to their home or business to the customer's preselected PBX Trunk Line number, CentraNet line number or other line number of the customer at another location on a different premises when such incoming calls encounter either a normal busy line condition or a no answer condition after a specific number of rings.

[Charges for calls between the originating location and the call forwarded equipped line are applicable in accordance with regularly filed tariffs for local message units, dial station, operator station or person toll. The costs for all features are variable and are based on usage and switch technology type. The variables would include, but are not limited to, the number of times the feature is activated and deactivated, calls per line, holding times per activation and deactivation, holding time for the calls, number of lines in the office equipped for call forwarding, digits per activation, activity and size of the central office.]

e. Remote Call Forwarding (RCF): This service is in the General Tariff and works in the same technical manner as the remote call forwarding

solution, Service Provider Number Portability, for interim number portability. However, for all calls between the RCF location and the terminating stations, the appropriate usage charges apply based on the type of call: local, ECS, or toll charges. In addition, for the initial or subsequent installation of RCF features, the Network Access Establishment Charge shall apply.

f. Service Provider Number Portability (SPNP): This is a local exchange telecommunications service whereby a call dialed to a telephone number assigned by one telephone company is automatically forwarded to a dialable local telephone number provided by another. GTE's SPNP is only available to ALECs, who must have a local interconnection agreement with GTE, and is used only as an interim solution for number portability. If the ability to terminate multiple simultaneous calls for a single SPNP number is a requirement, the additional path charge is applied for each additional simultaneous call capability per number forwarded. The ALEC is also responsible for an initial one time charge for installation and the monthly rate for SPNP service.

3) Identify the embedded cost per switch of providing:

a. Call Forward - Fixed
b. Call Forward - Variable
c. Call Forward - Busy/No Answer
d. Remote Call Forwarding as a temporary number portability solution
e. Any other call forwarding service(s)

In providing your response, identify the cost categories and accounts associated with each cost category.

Response:

Embedded cost studies are not performed for GTE cost support. Long Run Incremental Costs (LRIC), Total Service Long Run Incremental Costs (TSLRIC) or Total Element Long Run Incremental Costs (TELRIC) have been developed on a per line basis.

4) Assuming that your company provides call forwarding services, what is your company's additional cost per switch to add Remote Call Forwarding as a temporary number portability solution for:

a. One ALEC customer
b. Ten ALEC customers
c. One hundred ALEC customers
d. One thousand ALEC customers

Provide all assumptions underlying your response.

Response:

GTE does not have the "additional cost per switch" information sought in the question, nor is GTE certain how "additional cost per switch" would be calculated. Moreover, GTE objects to this question because it seeks information that is not relevant and not designed to lead to the discovery of relevant evidence. To the extent that it would require GTE to develop a new cost study, GTE also objects on the basis that it is unduly burdensome and oppressive.

GTE has only TELRIC and TSLRIC cost studies for remote call forwarding service. These studies capture the effect of economies of scope and scale. But because these studies are for the entire service, they do not specifically address the effect of volume commitments made to GTE by parties wishing to purchase the related services or unbundled elements.

Notwithstanding its objections, GTE is willing to produce its existing RCF studies upon execution of an appropriate nondisclosure agreement.

5) Identify what additional cost for billing and collection services your company will incur per number when providing Remote Call Forwarding as a temporary number portability solution? Provide all assumptions underlying your response.

Response:

Incremental costs for billing and collection services on a per number basis with respect to Remote Call Forwarding have not been developed.

6) Identify in detail the incremental cost and the cost elements associated with providing Remote Call Forwarding as a temporary number portability solution including, but not limited to, the following elements: switching costs, line costs, marketing costs, and billing and collection costs. Provide all assumptions underlying your response.

Response:

The cost elements associated with providing Remote Call Forwarding are shown in GTE's confidential cost study mentioned earlier. GTE will produce this study, if requested, upon the execution of an appropriate nondisclosure agreement.

7) Assume that your company provides Remote Call Forwarding as a temporary number portability solution, what specific additional costs does your company incur in forwarding the calls placed to an ALEC's customers? In providing your response, identify any nonrecurring costs and any recurring costs and the specific reason for the costs.

Response:

As noted, GTE's cost study associated with interim number portability is confidential, as is GTE's nonrecurring cost study. GTE will produce these studies, upon request, after execution of an appropriate nondisclosure agreement.

8) If a switch contains the hardware and the software that has the capability of providing Remote Call Forwarding what is the increased recurring cost of adding additional numbers to that service? Provide all assumptions underlying your response.

Response:

GTE's cost studies reflecting this information are confidential and will be made available only upon execution of an appropriate nondisclosure agreement.

18. SERVICE PROVIDER NUMBER PORTABILITY (SPNP) (N)

CONTENTS

		Page No.	
18.1	General	1	
18.2	Description of Service	1	
18.3	Conditions	1	
18.4	Rates and Charges	2	(N)

18. SERVICE PROVIDER NUMBER PORTABILITY (SPNP) (N)

18.1 General

Pursuant to Chapter 364, Telephone Number Portability is provisioned on an interim basis in this Tariff and provides the ability of a user of telecommunications services, to the extent technically feasible, to retain an existing telephone number when changing from one provider of telecommunications service to another provider. Services offered in this Tariff are provided only within the GTE Florida Incorporated exchange serving areas as approved by the Florida Public Service Commission.

Service Provider Number Portability (SPNP) is only available to Alternative Local Exchange Carriers. Alternative Local Exchange Carriers are defined in this Tariff as a holder of an ALEC Certificate granted by the Florida Public Service Commission.

18.2 Description of Service

Service Provider Number Portability is a local exchange telecommunications service whereby a call dialed to a telephone number assigned by the Telephone Company is automatically forwarded to a dialable local telephone number provided by a Alternative Local Exchange Carrier (ALEC).

18.3 Conditions

SPNP described in this Tariff is used only as an interim solution for number portability.

The ALEC must have a local interconnection agreement with the Company in order to purchase SPNP from the Company. When SPNP is purchased from the Company, the ownership of the telephone number is NOT transferred to the ALEC. The Company reserves the reasonable right to assign, designate or change telephone numbers. Should it become necessary to make a change in such number(s), the Company will furnish the ALEC six (6) months notice of the effective date and an explanation of the reason(s) for such change(s).

SPNP will not be provided in conjunction with Coin, Public Telephone Access Service, ISDN or any other technically limited services.

SPNP service may only be ordered at the time the ALEC is converting the end-users local service from Company provided local service to the ALEC's local service.

Service interactions with SPNP may limit the functionality of some services and/or features rendering them non-functional to calls sent to the ALEC's end-users.

Busy verify and interrupt services will not be provided for telephone numbers with SPNP.

GTE Calling Cards will not be provided to a ALEC end-user line for which SPNP is purchased.

The ALEC is responsible to obtain authorization from the end-user for the handling of the disconnection from the end-user's service with the Company, the provision of service by the ALEC and the provision of SPNP service. Should a dispute or discrepancy arise regarding the authority of the ALEC to act on behalf of the end-user, the ALEC is responsible for providing written evidence of authority by certificate of agency to the Company. In the event the ALEC is unable to provide such authorization in a form satisfactory to the Company, the Company will refuse to disconnect the end-user's service.

The ALEC is responsible for coordinating the provisioning of the SPNP service with the Company.

The ALEC is responsible for all charges for canceling SPNP services for any telephone numbers subscribed to SPNP services for which it is not presently providing local exchange service.

The ALEC is responsible for all charges for the provisioning of SPNP services as set forth in this Tariff.

Some applications (i.e., hunt lines) may require the ability to terminate multiple simultaneous calls for a single SPNP number. In these instances, the additional path charge is applied for each additional simultaneous call capability per number forwarded. For example, an ALEC end-user may want the capability to terminate five (5) simultaneous calls to a single SPNP number; the SPNP charge will apply for one line and the additional path charge will be applied four (4) times. (N)

18. SERVICE PROVIDER NUMBER PORTABILITY (SPNP) (N)

18.3 Conditions (Continued)

The ALEC is responsible for designating to the Company, at the time of its initial service request for SPNP services, the appropriate Line Information Database (LIDB) indicator for the correct handling of collect, third party, and other operator handled calls to SPNP assigned telephone numbers. The ALEC may request that an indicator be included in the Company's database that all such calls be denied; however, the Company will not guarantee such denial. The indicator default will be set to deny all collect, third party, and operator handled calls in instances where the ALEC does not designate a preference when service is initially established. In any case, the ALEC is responsible for payment of all collect, third number, and other operator handled charges terminated on the SPNP telephone number.

ALECs will be held liable for both the unauthorized termination of service with the Company and the subsequent unauthorized transfer of their own service. ALECs are responsible for the actions of their agents that solicit unauthorized service termination and transfers. ALECs who engage in such unauthorized activity shall restore the end-user's service to the Company without a charge to the end-user. The ALEC shall be billed the applicable charges from Section 4 of the General Services Tariff to reconnect the end-user's service and the applicable PIC change charges in the GTE Telephone Operating Companies' FCC No. 1 Tariff.

18.4 Rates and Charges

	Monthly Rate	GSEC	Nonrecurring Charge	GSEC	
SPNP	$ 1.00	ALECSPNPF	$ 10.00	ALECSPNPN	
Additional Path (each)	.50	ALECSPNPA	*		(N)

* If additional paths are ordered at the same time as the request for SPNP for the telephone number, no additional nonrecurring charge is applicable. If additional paths are ordered on a subsequent order, the $10.00 nonrecurring charge is applicable. (N) (N)

EXHIBIT NO. 13

DOCKET NO.: 950737-TP

WITNESS: BEVERLY Y. MENARD

PARTY: GTEFL

DESCRIPTION:

RESPONSE TO STAFF'S 1ST SET OF PRODUCTION OF DOCUMENTS - ITEM 1

PROFFERING PARTY: STAFF

I.D. # BYM-2

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

GTE FLORIDA'S RESPONSES TO
THE STAFF OF THE FLORIDA PUBLIC SERVICE COMMISSION'S
FIRST REQUEST FOR PRODUCTION OF DOCUMENTS

1) Provide the cost study used in developing the recurring and nonrecurring costs for remote call forwarding. The cost study should include line-item costs for each element used in determining the costs. Labor hours, labor rate(s) software costs, rate of return, cost of money, right-to-use fees, present value discount, equipment costs, etc., are considered line-item costs.

Response:

GTEFL has not prepared a cost study used to develop the nonrecurring costs for remote call forwarding. However, please see Attachment I for support of prices for nonrecurring service.

Please see Attachment II for the cost study relating to recurring costs.

Docket No. 920188-TL
Test Year 1991

Historic [ ] or Projected [X]
Average [X] or Year End [ ]
Period: 1993

FPSC MFR Schedule E-3b.1
Witness : E.W. Klessen

Line No.	Service Connection Tariff Item & Tariff Code	Work Activity (a)	Time Required Per Work Activity	Hourly Labor Cost Per Work Activity	Labor Costs Per Work Activity	Material Cost Per Work Activity	Total Cost For Work Activity	Total Expensed Cost for Work Activity
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	RESIDENCE							
2	---							
3	Secondary Service Order	Customer/Business Svc. Center	8.00	$16.36	$2.18		$2.18	$2.18
4		Dispatch Assignment Center	17.00	$13.68	$3.88		$3.88	$3.88
5		SORCES system costs				$1.39	$1.39	$1.39
6								
7								
8					Total Cost For This Service Connection Item		$7.45	$7.45

Footnote :
a Work activity description provided on E-3b.1a.

Supporting Schedules : E-3b.1a

Recap Schedules : E-3a.1

ATTACHMENT I

Docket No. 920188-TL
Test Year 1991

Historic [ ] or Projected [X]
Average [X] or Year End [ ]
Period: 1993

FPSC MFR Schedule E-3b.1
Witness : E.W. Kleeman

Line No.	Service Connection Tariff Item & Tariff Code	Work Activity (a)	Time Required Per Work Activity	Hourly Labor Cost Per Work Activity	Labor Costs Per Work Activity	Material Cost Per Work Activity	Total Cost For Work Activity	Total Expensed Cost for Work Activity
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	BUSINESS							
2								
3	Secondary Service Order	Customer/Business Svc. Center	19.64	$20.25	$6.63		$6.63	$6.63
4		Dispatch Assignment Center	19.00	$13.68	$4.33		$4.33	$4.33
5		SORCES system costs				$1.39	$1.39	$1.39
6								
7								
8								
					Total Cost For This Service Connection Item		$12.35	$12.35

Footnote :

a Work activity description provided on E-3b.1a.

AVG $9.90

Work Activity Description	
Customer/Business Service Center	- Serves as point of contact with the customer. Service orders are generated to begin the service connection process by input into SORCES system. All additions and deletions to the customer record are performed by this work activity.
Dispatch Assignment Center	- Upon receipt of the service order, the DAC unit reviews the service order, verifies the availability of facilities, and updates SORCES. The DAC also provides all necessary information to the installation/maintenance work force.
Switching Services	- Switching services receives the service order from the SORCES system. After receiving the service order, the line is connected at the central office or remote switching unit. Tests are then performed to insure satisfactory transmission standards are met.
Travel to Customer's Location	- Average travel time to the customer's location by installation/maintenance personnel.
Activity at Customer's Premise	- This activity includes the installation of facilities to the customer's location. Also included is the relocation of facilities at the customer's request.
Customer Billing Center	- This activity includes reviewing customer records and customer contact as necessary to recover revenue and to maintain the customer account as possible.

10/04/95, 03:49 PM

GTE Florida

Remote Call Forwarding (RCF)

Cost Study (DMS & 5E)

	FIRST LINE	ADDITIONAL LINE
GETTING STARTED	4.22685	4.22685
CALL	4.43709	4.43709
LINE CARD	13.02658	
MEMORY	0.00211	0.00211
TOT INVESTMENT	21.69263	8.66605
EF&I (.42092)	$9.13086	$3.64771
TOTAL	$30.82	$12.31
MONTHLY COST/LINE (LAPP)	0.79	0.31
MONTHLY COST/TRANSPORT	0.09	0.09
TOTAL MONTHLY (LRIC) COST	$0.88	$0.40
VOLUME INSENSITIVE (.2559)	$0.23	$0.10
TOTAL COST	$1.11	$0.50

FL RCF cost study 02-Oct-95

5ESS & DMS	First (w/line card) Investment	Distr.	Wtd Inv.	Addtl (w/o line card) Investment	Distr.	Wtd Inv.
SCIS	21.69			8.66		
EFI (.42092)	9.13			3.65		
Total Investment	30.82			12.31		
Monthly cost per RCF line	0.79			0.31		
Usage/Transport	0.09			0.09		
Subtotal	0.88			0.40		
Volume Insensitive (.2559)	0.23			0.10		
Total monthly cost	1.11			0.50		

	FL lines	
DMS100	58,815	3.0%
5ESS	411,690	21.2%
GTD5	1,474,077	75.8%
Total	1,944,582	

source: Ken Thompson 9/29/95

	EF&I
DMS100	0.36973
5ESS	0.42925
SCIS weighted	0.42092
GTD5	0.36906
Total weighted	0.38161

source: FF95V2

GTD5 line term	155.07
% needing line term	0.80
% GTD5	0.758
	94.03

source: COSTMOD & GTE CA study

Usage/Transport source: RAD
Volume Insensitive source: CCI

RESTRICTED

c:\inboxtvcf\10a.msg

PRICING

State: FLORIDA
Service: RCF SCIS w/[redacted] line card

Period: 132 Months
File: C:\123\LAPP31\RCFSCIL

1	Total Monthly Asset Cost	$0.30
2	Total Monthly Engineering/Installation Cost	$0.11
3	Total Monthly Expenses	$0.38
4		----------
5	Total Incremental Monthly Cost (1)+(2)+(3)	$0.79
6	Forecasted Units	1.000
7		----------
8	Incremental Monthly Cost Per Unit (5)/(6)	$0.79
9		
10		
11	PROPOSED NON-RECURRING CHARGE (NRC) PER UNIT	$0.00
12		==========
13		
14		
15		
16		
17	Monthly Credit for NRC Per Unit (11)	
18	Amortized at 10.13%	$0.00
19		
20	MONTHLY RECURRING CHARGE (MRC) PER UNIT (8)-(18)	$0.79
21		==========

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*** GTE RESTRICTED ***

```
      State:  FLORIDA                                          LAPP 3.1
    File ID:  C:\123\LAPP31\RCFSCILC.WK1                       08/22/96
                Column 1    Column 2   Column 3   Column 4    Column 5
Study ID>       RCF SCIS w/SE line card
  venue Years>          3.0        5.0        7.0        11.0
Markup on CostA>        0.0%       0.0%       0.0%       0.0%
Markup on CostB>        0.0%       0.0%       0.0%       0.0%
Print Markup In Percent?>   N
-------------------------------------------------------------------
Account Label>  #2212.00    #2423.20   #2232.21   #          #
Recovery Period COE         OSP        CKT        OTHER 1    OTHER 2
     Asset>     B           B          B          B          B
     E & I>     B           C          C          C          C
                [B = Book Life, C = Contract Period]
-------------------------------------------------------------------
Material Loading Option>    D          < [D]efault;[U]ser;[N]one
Fully Allocated Cost Study> N          < N for Incremental Cost Study.
Contract Months Label>      Y          < N to Suppress Printing.
Print Term. Liability>      N          < Y to Print.
Print Used Factors Only>    N          < Y to Suppress Unused Factors.
Non-Cap Exp Tied to Forecast>Y         < N to Spread All Non-Cap Exp.
                Page Down for More Inputs
                      Year 1     Year 2     Year 3     Year 4     Year 5
COE INVESTMENT>       $21.69      $0.00      $0.00      $0.00      $0.00
[1]=HRS [0]=$>    --        0
Installation>         $4.57      $0.00      $0.00      $0.00      $0.00
Engineering>          $4.57      $0.00      $0.00      $0.00      $0.00
Vendor E/I $          $0.00      $0.00      $0.00      $0.00      $0.00

OSP INVESTMENT>       $0.00      $0.00      $0.00      $0.00      $0.00
[1]=HRS [0]=$>            0
Installation>         $0.00      $0.00      $0.00      $0.00      $0.00
Engineering>          $0.00      $0.00      $0.00      $0.00      $0.00
Vendor E/I $>         $0.00      $0.00      $0.00      $0.00      $0.00

CKT EQ INVESTM>       $0.00      $0.00      $0.00      $0.00      $0.00
[1]=HRS [0]=$>            0
Installation>         $0.00      $0.00      $0.00      $0.00      $0.00
Engineering>          $0.00      $0.00      $0.00      $0.00      $0.00
Vendor E/I $>         $0.00      $0.00      $0.00      $0.00      $0.00

OTHER 1 INVESTM>      $0.00      $0.00      $0.00      $0.00      $0.00
Installation>         $0.00      $0.00      $0.00      $0.00      $0.00
Engineering>          $0.00      $0.00      $0.00      $0.00      $0.00
Vendor E/I $>         $0.00      $0.00      $0.00      $0.00      $0.00

OTHER 2 INVESTM>      $0.00      $0.00      $0.00      $0.00      $0.00
Installation>         $0.00      $0.00      $0.00      $0.00      $0.00
Engineering>          $0.00      $0.00      $0.00      $0.00      $0.00
Vendor E/I $>         $0.00      $0.00      $0.00      $0.00      $0.00

Label Oth Accts   Book Life   Net Salv  Plant Spec Exp
   Other Acct 1           0      0.00%      0.00% Source:
   Other Acct 2           0      0.00%      0.00% FACT-FINDER Database
                Minor Matl  Supply Exp MACRS Factor
Other Acct 1>        0.00%      0.00%    0.00000  Source:
Other Acct 2>        0.00%      0.00%    0.00000  FACT-FINDER Database

NON-CAP EXP:        YR 1       YR 2       YR 3       YR 4       YR 5
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Database>	$0.00	$0.00	$0.00	$0.00	$0.00
Software/RTU	$0.00	$0.00	$0.00	$0.00	$0.00
Training	$0.00	$0.00	$0.00	$0.00	$0.00
Other Expense	$0.00	$0.00	$0.00	$0.00	$0.00
er Expense	$0.00	$0.00	$0.00	$0.00	$0.00
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Forecast 16-20>	1	1	1	1	1

Units in Average Monthly Qty [0] or Annual Qty [1]> 0
MRC Additive $0.00 <Amount to be added to calculated MRC

****

COMMENT SECTION Date: 08/17/94 Name:

pyright (C) GTE Telephone Operations 1994 *** GTE RESTRICTED ***

PRICING

State: FLORIDA
Service: RCF SCIS addtl (no line card)

Period: 132 Months
File: C:\123\LAPP31\RCFSCIN

1	Total Monthly Asset Cost	$0.12
2	Total Monthly Engineering/Installation Cost	$0.04
3	Total Monthly Expenses	$0.15
4		----------
5	Total Incremental Monthly Cost (1)+(2)+(3)	$0.31
6	Forecasted Units	1.000
7		----------
8	Incremental Monthly Cost Per Unit (5)/(6)	$0.31
9		
10		
11	PROPOSED NON-RECURRING CHARGE (NRC) PER UNIT	$0.00
12		==========
13		
14		
15		
16		
17	Monthly Credit for NRC Per Unit (11)	
18	Amortized at 10.13%	$0.00
19		
20	MONTHLY RECURRING CHARGE (MRC) PER UNIT (8)-(18)	$0.31
21		==========

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*** GTE RESTRICTED ***

File ID: C:\123\LAPP31\RCFSCINO.WK1 08/22/96

	Column 1	Column 2	Column 3	Column 4	Column 5
Study ID>	RCF SCIS addtl (no line card)				
Revenue Years>	3.0	5.0	7.0	11.0	
Markup on CostA>	0.0%	0.0%	0.0%	0.0%	
Markup on CostB>	0.0%	0.0%	0.0%	0.0%	

Print Markup In Percent?> N

Account Label>	#2212.00	#2423.20	#2232.21	#	#
Recovery Period	COE	OSP	CKT	OTHER 1	OTHER 2
Asset>	B	B	B	B	B
E & I>	B	C	C	C	C

(B = Book Life, C = Contract Period)

Material Loading Option> D < [D]efault;[U]ser;[N]one
Fully Allocated Cost Study> N < N for Incremental Cost Study.
Contract Months Label> Y < N to Suppress Printing.
Print Term. Liability> N < Y to Print.
Print Used Factors Only> N < Y to Suppress Unused Factors.
Non-Cap Exp Tied to Forecast>Y < N to Spread All Non-Cap Exp.

Page Down for More Inputs

	Year 1	Year 2	Year 3	Year 4	Year 5
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Engineering>	$1.83	$0.00	$0.00	$0.00	$0.00
Vendor E/I $	$0.00	$0.00	$0.00	$0.00	$0.00
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Installation>	$0.00	$0.00	$0.00	$0.00	$0.00
Engineering>	$0.00	$0.00	$0.00	$0.00	$0.00
Vendor E/I $>	$0.00	$0.00	$0.00	$0.00	$0.00
CKT EQ INVESTM>	$0.00	$0.00	$0.00	$0.00	$0.00
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Engineering>	$0.00	$0.00	$0.00	$0.00	$0.00
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OTHER 1 INVESTM>	$0.00	$0.00	$0.00	$0.00	$0.00
Installation>	$0.00	$0.00	$0.00	$0.00	$0.00
Engineering>	$0.00	$0.00	$0.00	$0.00	$0.00
Vendor E/I $>	$0.00	$0.00	$0.00	$0.00	$0.00
OTHER 2 INVESTM>	$0.00	$0.00	$0.00	$0.00	$0.00
Installation>	$0.00	$0.00	$0.00	$0.00	$0.00
Engineering>	$0.00	$0.00	$0.00	$0.00	$0.00
Vendor E/I $>	$0.00	$0.00	$0.00	$0.00	$0.00

Label Oth Accts	Book Life	Net Salv	Plant Spec Exp	
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Other Acct 2	0	0.000%	0.000%	FACT-FINDER Database

	Minor Matl	Supply Exp	MACRS Factor	
Other Acct 1>	0.000%	0.000%	0.00000	Source:
Other Acct 2>	0.000%	0.000%	0.00000	FACT-FINDER Database

NON-CAP EXP:	YR 1	YR 2	YR 3	YR 4	YR 5
[1]=HRS [0]=$>	1 <Database Expenses in Hours or $				

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Database>	$0.00	$0.00	$0.00	$0.00	$0.00
Software/RTU	$0.00	$0.00	$0.00	$0.00	$0.00
Training	$0.00	$0.00	$0.00	$0.00	$0.00
Other Expense	$0.00	$0.00	$0.00	$0.00	$0.00
ver Expense	$0.00	$0.00	$0.00	$0.00	$0.00
Forecast YR 1-5>	1	1	1	1	1
Forecast 6-10>	1	1	1	1	1
Forecast 11-15>	1	1	1	1	1
Forecast 16-20>	1	1	1	1	1

Units in Average Monthly Qty [0] or Annual Qty [1]> 0
NRC Additive $0.00 <Amount to be added to calculated NRC

COMMENT SECTION Date: 08/17/94 Name:

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Feature: 33. Remote Call Forwarding

Report: Marginal CAPACITY; Marginal Investments

Calculation: Marg-CAPACITY E,F&I
State: FL Input File: (untitled) Date: 09/29/95 08:15

Technology: Weighted

Investment Category	Variable	Direct Fixed per Line	Shared Fixed per Line	Direct Fixed per Office	Shared Fixed per Office
A. Getting Started	4.22685			No Inv.	No Inv.
B. CCS	No Inv.			No Inv.	No Inv.
C. Call	4.43709			No Inv.	No Inv.
D. Minimum per Line	13.02658			No Inv.	No Inv.
E. Hardware	No Inv.			No Inv.	No Inv.
F. Memory	0.00211			No Inv.	0.33838
G. SSP Octet	No Inv.			No Inv.	No Inv.
H. Total End Office	21.69264	NA	NA	No Inv.	0.33838

TOTAL Investment: per Line 21.69264 per Office 0.33838

5ESS Technology Mix: 86.00 %
DMS-100 Technology Mix: 14.00 %

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See confidentiality restrictions on the title screen.
PROPRIETARY INFORMATION

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of GTE Florida Incorporated's Notice of Service of Responses to Staff's First Request for Production of Documents in Docket No. 950737-TP were sent via U.S. mail on October 11, 1995 to the parties on the attached list.

for Kimberly Caswell

~~014~~
34

EXHIBIT NO. _____

DOCKET NO: 950737-TP

WITNESS: BEVERLY Y. MENARD

PARTY: GTEFL

DESCRIPTION: CONFIDENTIAL

1. GTEFL'S RESPONSE TO STAFF'S 1ST REQUEST FOR PRODUCTION OF DOCUMENTS (NO. 1)

   [Tab 9, Pages 129-131, of Cost Study Binder filed with the FPSC in Docket No. 961169-TP and 961173-TP]

PROFFERING PARTY: STAFF

I.D. # BYM-3

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950737 EXHIBIT NO 6
COMPANY/
WITNESS: BELL SOUTH / MENARD
DATE: 11/25/1996

EXHIBIT NO. _____

DOCKET NO: 950737-TP

WITNESS: ELIZABETH KISTNER

PARTY: MCI

DESCRIPTION:

NOVEMBER 14, 1996 DEPOSITION TRANSCRIPT

PROFFERING PARTY: STAFF

I.D. # EK-1

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950737 EXHIBIT NO. 7
COMPANY/
WITNESS: BELL SOUTH / KISTNER
DATE: 11/25/1996

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

DEPOSITION OF:	ELIZABETH KISTNER
TAKEN AT THE INSTANCE OF:	The Staff of the Florida Public Service Commission
PLACE:	2540 Shumard Oak Boulevard Room 362 Gerald L. Gunter Building Tallahassee, Florida
TIME:	Commenced at 10:05 a.m. Concluded at 1:15 p.m.
DATE:	Thurs., November 14, 1996
REPORTED BY:	SARAH B. GILROY, CP, RPR Notary Public, State of Florida at Large.



BUREAU OF REPORTING
RECEIVED 11-20-96

APPEARANCES:

SUE E. WEISKE, ESQUIRE, 160 Inverness Drive West, Englewood, Colorado 80112, appearing on behalf of Time Warner.

NANCY B. WHITE and THOMAS B. ALEXANDER, 675 West Peachtree Street, Suite 4300, Atlanta, Georgia 30375, appearing on behalf of BellSouth Telecommunications, Inc.

J. JEFFREY WAHLEN, ESQUIRE, Ausley & McMullen, 227 South Calhoun Street, Tallahassee, Florida 32301, appearing on behalf of Sprint.

MARTHA P. McMILLIN, ESQUIRE, 780 Johnson Ferry Road, Suite 700, Atlanta, Georgia 30342, appearing on behalf of MCI Metro.

GWEN G. JACOBS, ESQUIRE, Messer, Vickers, Caparello, Madsen, Goldman & Metz, 215 South Monroe Street, Suite 701, Tallahassee, Florida 32301, appearing via telephone on behalf of AT&T Wireless.

RICHARD RINDLER, ESQUIRE, Swidler & Berlin, 3000 K Street Northwest, Suite 300, Washington, D.C., appearing via telephone on behalf of MFS Communications Company.

WILLIAM P. COX, ESQUIRE and MONICA BARONE, ESQUIRE, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0863, appearing on behalf of Commission Staff.

Also appearing via telephone, MR. PAUL McDANIEL, MR. MIKE GUEDEL

I N D E X

	PAGE NO.
STIPULATION	4
ERRATA SHEET	5
CERTIFICATE OF DEPONENT	100
CERTIFICATE OF OATH	101
CERTIFICATE OF REPORTER	102

WITNESSES

ELIZABETH KISTNER

Direct Examination by Mr. Cox	7
Cross Examination by Ms. Weiske	38
Cross Examination by Mr. Wahlen	51
Cross Examination by Mr. Alexander	67

S T I P U L A T I O N S

IT IS STIPULATED that this deposition was taken pursuant to notice in accordance with the applicable Florida Rules of Civil Procedure; that objections, except as to the form of the question, are reserved until hearing in this cause; and that reading and signing was not waived.

IT IS ALSO STIPULATED that any off-the-record conversations are with the consent of the deponent.

ERRATA SHEET

DOCKET No. 950737
NAME: ELIZABETH KISTNER
DATE: November 14, 1996

Page Line_____

MR. COX: This is Wil Cox and Monica Barone for the Public Service Commission.

MR. ALEXANDER: Tom Alexander with BellSouth Telecommunications.

MS. McMILLIN: Martha McMillin representing MCI Telecommunications Corporation and MCI Metro.

MR. WAHLEN: Jeff Wahlen of Ausley & McMullen on behalf of Sprint.

MS. WEISKE: I'm Sue Weiske for Time Warner Advocates of Florida, Time Warner Communications and Digital Media Partners.

MS. JACOBS: Gwen Jacobs with AT&T Wireless Services, Inc.

MR. RINDLER: Rich Rindler, Swidler & Berlin, for MFS Communications Company, Inc.

MR. COX: Is there anyone else on the line?

MR. GUEDEL: This is Mike Guedel with AT&T. I'm on the line, but I'm not acting as an attorney.

MR. McDANIEL: Paul McDaniel. I'm on the line, but I'm not an attorney.

MS. WEISKE: Glad to hear that, Paul.

MR. COX: Did someone just join us?

MR. McDANIEL: No, I hit a key in response to Sue's comments.

MR. COX: Does everyone here and online agree to

the usual stipulations?

(no response).

Thereupon,

ELIZABETH KISTNER

was called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. COX:

Q Ms. Kistner, could you state your name for the record.

A My name is Elizabeth Kistner.

Q And where are you presently employed?

A I am self-employed as a consultant. I'm representing MCI Telecommunications Corporation and MCI Metro.

Q Several questions regarding your direct testimony in Docket 950737. The first question refers to page four, line 25 of your direct testimony. On line four you state that, if one must find a cost causer, then it is competition in general in which all local telecommunications carriers will participate and all local telecommunications users will benefit.

Do you propose that only local telecommunications carriers be responsible for the recovery of costs associated with interim number portability?

MS. McMILLIN: Which page and line were you on, Wil?

MR. COX: Page four, line 25, one must find a cost causer -- it starts on 24 actually.

A And your question I believe was whether or not I believe that only local carriers should be responsible for interim number portability costs?

BY MR. COX:

Q Cost recovery, yes.

A Cost recovery. Yes, I believe that the cost should be recovered by carriers involved in porting numbers via interim number portability mechanisms.

Q And exactly why do you think it should just fall on the local carriers?

A Because I think the local carriers -- it is the customers of the local carriers who are directly involved in the -- in benefiting from the porting of the -- the porting of numbers.

Q Would you agree that the Telecommunications Act of 1996 states that the costs of number portability should be borne by all telecommunications carriers?

A The act states that the costs should be borne by all telecommunications carriers on a competitively neutral basis. And I believe that the act -- that that provision needs to be read and interpreted in the whole and not in piece parts.

Q So you would say that refers only to local carriers or that those that are actually porting; is that your opinion?

I'm not asking for a legal opinion, but just your opinion.

A My interpretation of it is that it requires carriers that are involved in the porting of numbers. And interim portability, there is some different groups of carriers, a more narrow group of carriers that are involved than in long-term portability. So it would be different for long-term and interim.

But in any event, the key is that those carriers -- for those carriers that are incurring costs, that the costs be incurred and recovered on a competitively neutral basis.

Q Would you agree that the FCC order would give the states the ability to spread cost recovery of interim number portability over all telecommunications carriers?

A Yes, I agree with that.

Q Could you explain how all telecommunications users would benefit from local competition if some or any of the providers are not in their service territory. Basically if a service provider is not in that territory, how would they benefit?

A I understand -- as I understand your question, you're asking me how would a customer benefit if there were no carriers providing competitive service?

Q In their service area.

A In their service area? I think that the benefits of competition will fall even beyond the area in which a

competitor may actually be providing service, in that services -- new services will be offered. Prices will go down.

And those tend to -- those sorts of benefits will tend to accrue to -- across all lines and not just in the immediate area where a competitor exists. I think that was true certainly for long distance competition.

Q When you identify -- in this same line, when you identify competition as the cost causer, are you referring to local competition; is that my understanding?

A Yes.

Q Okay. Next question refers to page seven of your testimony, line 12. You state that, the simplest and most direct of the recommended mechanisms is one whereby each local carrier would pay for its own costs of currently available number portability measures.

With this mechanism wouldn't the incumbent local exchange carrier, the ILEC, be incurring most of the cost of implementing available number portability measures?

A On an aggregate basis the incumbent would incur most of the cost. However, on a per-customer basis I think it would be pretty equal.

Q How would it be equal on a per-customer basis?

A Well as customers both of incumbent LEC and ALECs, alternative local exchange carriers, will be incurring costs,

and especially as time goes on, more carrier -- more customers that may have initially initiated service with the -- with the ALEC and then want to leave another carrier back to the incumbent or to another ALEC, costs would be incurred by all carriers.

And if you take those costs and spread them over a customer base on a proportionate basis, I would expect it to be -- we're not talking very large costs. So you spread them over a large base of customers, and I think the numbers would be relatively similar.

Q Also on this line you used the term, "currently available number portability measures." Could you explain which number portability measures are currently available, to your knowledge?

A Certainly the most significant or often used one is remote call forwarding, or RCF. There is also DID, direct inward dial, and some variations on that. Some people call it flex DID. There is LERG reassignment, which is the reassignment of an entire NXX to another carrier. If all of the customers or a single large customer using that NXX were to move to another carrier, you could simply move the NXX to the carrier, to the new carrier.

I think there is some additional variations, although I'm not sure of the actual technical feasibility for BellSouth in Florida, for the other incumbent carriers in

Florida that are sometimes called route indexing or hub, hub routing are some of the other names.

Q For these various interim number portability measures, would you agree that this cost mechanism that we were just discussing should be used in all those different measures as far as the cost recovery mechanism?

A Yes, I agree.

Q Next question refers to line 16 on page seven of your direct testimony. You state that, such a mechanism is competitively neutral because it recognizes that both incumbent LECs and ALECs will incur costs to forward calls to another carrier's network via interim local number portability methods.

Can you explain what costs an ALEC would incur for each interim number portability measure that we just mentioned in the previous question?

A Well an ALEC is going to incur costs in two ways. First an ALEC will incur the same -- when they forward a call to another carrier, they will incur the same types of costs, pretty much the same category on a mechanism-by-mechanism basis as the incumbent LEC would.

In addition, for each customer that an ALEC serves that is getting service via RCF or one of the -- RCF in particular, the ALEC will incur costs in -- administrative costs in linking up the forwarded number with the number in the ALEC's system.

So they have to ensure that their billing systems and their customer service systems, et cetera, are able to match up the customers -- the number that the customer believes is their number with the number in the ALEC's network that actually delivers the call to the ALEC.

So there are costs that the ALECs incur simply to receive ported numbers, as well as to port numbers out.

Q Wouldn't these costs essentially be captured in your rates to an ILEC for the termination of traffic between the local carriers?

A It depends on how we're directed to handle cost recovery. In MCI's proposal, the proposal of several of the other ALECs, if carriers are absorbing their costs, then the costs incurred to do that will be recovered through rates generally.

Q If the Commission were to establish a cost recovery mechanism based on telephone numbers or revenues, should the Commission include all costs associated with the use of interim number portability, including ALEC costs?

A Yes.

Q Why would you say that?

A Because I think -- because ALECs will be incurring costs in the same way that the incumbent would. I can't think of any reason why you would include the costs of one carrier and not another.

Q Okay. Well how would you propose the Commission determine these costs?

A I think ALECs would -- would need to provide information to the Commission establishing what the ALECs' costs are in the same way that the incumbent would. Alternatively the Commission could decide that since the preponderance of the costs -- again, in the aggregate sense -- would be incurred by the incumbents, that those might be a surrogate for costs of all providers providing it. Two ways to go about it.

Q Okay. Next question is still on page seven, but it's on line 23 of your direct testimony. You discuss a cost recovery mechanism used in Rochester, New York. Could you explain how this method would be used to determine a carrier-specific rate for cost recovery of interim number portability?

A What I understand about the Rochester methodology is that the costs are -- the costs for providing the number portability mechanism, RCF in particular, are aggregated and a formula -- and I don't have the exact formula. I know it's included in the FCC's order.

There is a formula whereby those costs are translated into some per-number amount. And that per -- per working telephone number amount. And then that per working -- that amount is allocated to each carrier based on their number

of customers.

Q In this method could you explain how the ILEC would be required to recover a portion of the costs, since it would not have any ported telephone numbers?

A ILECs will have ported telephone numbers. Again, as ALECs provide service to customers using ALEC phone numbers, if the customer chooses to return -- not return -- chooses to take that service to the incumbent LEC, the ALEC will incur the costs of providing the portability, and the incumbent LEC will have customers with ported numbers.

Q Okay. But if this is an interim method, would the ALEC -- I mean the ALEC in fact be incurring any of these costs?

A Absolutely. As I said, both the costs of providing the portability to other carriers, to another ALEC or to an incumbent LEC, there will also be costs associated with having ported customers in their own network, you know, with matching up phone numbers, the administrative systems necessary to track the two different numbers that will be associated with the given customer that's ported.

Q So if my understanding is correct, you're saying that the ILEC would be able to recover some of its costs under this mechanism?

A The New York mechanism, the Rochester mechanism is an allocation mechanism. I don't -- I am not aware that it

speaks actual recovery, how, of those costs that are allocated to an ILEC, how those costs would be recovered from end users.

I think there is -- there is some possibility of recovering that from a surcharge on end users, or a choice whereby the carrier could recover it -- could actually pass the costs on to end users via a surcharge, or absorb them.

Q All right. The next question refers to page eight of your direct testimony, line 14. You state that the mechanism MCI proposes would not require carriers to produce or the PSC to review cost studies to determine the appropriate incremental costs for recovery.

Couldn't the Florida Public Service Commission use the rates established in its previous proceeding on interim number portability for remote call forwarding instead of having to have additional cost studies developed and provided to the Commission?

A Well I think there are two problems with that; one is, the rates that the PSC set are not the costs; they are above the costs. And in addition, the costs that the Commission looked at in the previous proceeding were not the -- the true -- the short-term incremental costs of providing this that I think are the relevant costs in making a determination of cost, so that I think the Commission would -- would need to relook at -- require the carriers to provide the applicable costs for review. And the ones that had been provided in the

previous case would not -- would not be right.

Q On line 14 you also state that if the Commission required carriers to recover their own costs of an interim local number portability, the Commission would not have to review cost studies to determine the appropriate incremental cost for recovery. When you're referring to this cost data, are you referring to cost data from the ILECs or ALECs or both?

A Both. If -- again, as I said, I think there is -- certainly it would require the Commission to look at incumbent LEC cost recovery. It would be up to the Commission to determine whether or not it would require the cost recovery -- or cost -- specific cost information from the ALECs, or whether or not it would be more appropriate and more efficient to use the incumbent LECs' costs as a surrogate for all costs.

Q Okay. So do you feel that it's really necessary to request these new cost studies when it appears that the ILEC will recover the majority of the costs no matter which method is implemented?

A Again, I think the most -- the simplest and most efficient is to not require specific cost studies, and instead have carriers absorb -- recover -- absorb -- provide the service in exchange for the service being provided by the other carrier. And in that way there is sort of an in-kind provision of RCF or other portability measures from one carrier to another.

With that mechanism all carriers, all local carriers are incurring costs of number portability, of interim number portability, and at the same time it doesn't require any further determination by the Commission's --

Q Okay.

A -- by the Commission on cost studies.

Q On page eight, line 16 of your direct testimony you state that, the interim number portability measures will soon be replaced by permanent number portability.

Do you know or have an opinion on when permanent number portability will be implemented in all Florida end offices?

A I don't know that it will ever be provided in all Florida end offices. I know that the schedule set by the FCC would have portability beginning in the largest MSAs in October of 1997 and would be complete through the top 100 MSAs by December '98.

After that time carriers would -- incumbent carriers would honor bona fide requests for additional end offices beginning in the -- would take requests beginning in January of 1999.

Q Okay. So if I'm understanding you, you would agree that for permanent number portability measures to be implemented throughout the state it would be at least several years in the future for most of the state?

A I think that for the most part interim number portability measures will, as a practical matter, no longer be requested by carriers after December 1998, because to the extent that carriers want to serve customers outside of those areas covered in the -- in that first 18-month implementation period, rather than use RCF, an ALEC would make a bona fide request for permanent portability to be provided.

So as I said, as a practical matter I wouldn't expect RCF to be used for portability purposes after December '98, assuming that carriers meet the schedule established by the Commission.

Q On page eight, line 24 you state that, other cost recovery mechanisms specified by the FCC would have nearly the same effect on carriers as the method MCI advocates.

Could you identify the other cost recovery mechanisms you're referring to here?

A Yes. I believe they're listed in my testimony on pages seven and eight. In answer to the question, what other types of competitively neutral recovery mechanisms did the FCC identify, there is the Rochester method that we had talked about. There is a cost recovery mechanism that allocates number portability costs based on a carrier's number of active telephone numbers or lines relative to the total number of active telephone numbers or lines in a service area.

And there is a cost recovery mechanism that would

assess a uniform percentage assessment on a carrier's gross revenues less charges paid to other carriers.

Q On page nine, line 13 of your direct testimony, you state that, it's likely that the number of customers porting away from a carrier will be in proportion to the market share of that carrier.

Could you explain what the basis of that statement is?

A The statement is pointing to the fact that ALECs will have carriers porting away from it in the same way that incumbents will have carriers porting away from it. I would expect that as a relative percentage, that if, you know, 1 or 2 percent of an ALEC -- of an incumbent LEC's carriers are porting -- customers are porting away from it, that you would see a similar, you know, initially small level, and then growing percentage of an ALEC's customers porting away from it.

Q On page 10 of your direct testimony, line six, you state that, if the Commission allocates the cost of interim local number portability to carriers based on some specific criteria, it is important that only incremental costs should be recovered.

When you use the term "carrier" here, do you mean all carriers or ALECs, ILECs, IXEs; which carriers are you referring to?

A Well I'm referring to -- I mean as the Florida

Commission has the -- has the job to determine -- to make that determination what carriers -- over what group of carriers it will allocate interim number portability costs, it is my recommendation that the allocation be to the local carriers involved in portability. But that is a determination for the Commission to make.

Q In this line you also use the term "incremental costs." Would do you mean by "incremental costs" here?

A I believe that the appropriate -- the incremental costs that should be recovered that are relevant here are the short-term incremental -- costs that are incremental to the provision of RCF as an interim number portability measure, so that, for example, this would not be the same as total service costs, which are the costs that the Commission looked at in the -- in the previous number portability case.

The costs that I am -- the short-term incremental costs for providing RCF I believe are extremely small. These would be only those -- the costs that would be only those newly incurred costs as a result of providing, you know, a specific unit of RCF for interim number portability purposes.

Q Could you identify some of those costs that you just mentioned as far as exactly what the incremental costs would be?

A I frankly can hardly even think of one. I would certainly be, you know, interested in viewing a cost study by

BellSouth or another incumbent LEC as to, you know, new personnel that were, you know, hired for the purpose of providing RCF, the equipment or software that was somehow unique to RCF for number portability purposes.

I'm sure that there are some, I simply can't think of -- one, for example, may be the act of changing the register, of actually inputting, you know, the data entry for having the RC -- telling the switch that this particular number is going to then be remote call forwarded to another number.

As you can imagine, for a given -- for a given instance it's very, very small. I mean it's a matter of, you know, minutes of data entry. That would be a type of a cost.

Another type though, as I said, for the -- for the ALEC that is absolutely incremental to RCF for interim number portability purposes would be the cost of developing systems that will match up the ported number with the ALEC network number. So those -- those types of costs would be completely incremental to the service.

Q Also on page ten, line seven of your direct testimony you use the term -- actually scratch that, strike that. Let's go to page 12 of your direct testimony, line four. You state that, the Commission found BellSouth's cost studies to be questionable and so directed BellSouth to file new cost studies by March 31st, 1997.

Would you agree that the PSC did not actually

require BellSouth to file a new cost study, but gave BellSouth the opportunity to file a new cost study since the rates established for remote call forwarding by the Commission for interim number portability were below BellSouth's stated costs?

A I would -- I would have to reread that order. At the time I wrote this testimony I believe I read -- when I read the order that I believe that it directed them to file the cost studies, but that's subject to change if I had an opportunity to read it again.

Q Sure, sure. On page 13, line two of your direct testimony you state that, it's appropriate for the Commission's decision in this docket, in this case, to be retroactively applied to the release date of the FCC order, July 2nd, 1996.

Is -- to your knowledge is July 2nd, 1996 the effective date of that order?

A I don't know; I would have to check.

Q Okay.

A That's my intention, though, to indicate an effective date of the FCC's order.

Q Right. Regardless of which date is actually the effect of date of the FCC order is your intention?

A Right.

Q With your understanding of the FCC's order, does it require the state commissions to refund the amounts if their previous decisions, the commissions' previous decisions are

inconsistent with the FCC order?

A I don't believe the FCC order addresses that in any way.

Q Okay.

A I would note, though, that BellSouth had agreed in its interconnection agreement with MCI that any subsequent -- that any of the agreed upon, you know, rates, terms or conditions in the interconnection order would be, to the extent that an FCC order called for something different, that they would immediately renegotiate that contract and apply it back to the date of -- and the date of the renegotiated amount would be the date of the FCC order.

Q Okay. Are you aware of how the Florida Public Service Commission would have authority to require refunds of these amounts if in fact that were needed?

A No. I have no knowledge of that.

Q Okay. Again on page 13, line three of your direct testimony you state that the LECs would provide full refunds -- the LECs meaning the ILECs -- would provide full refunds to ALECs of all amounts collected for remote call forwarding between that date and the date of the Commission's order in this proceeding.

Has MCI used remote call forwarding as an interim number portability mechanism in Florida?

A To my knowledge they haven't as of this date. But

when I wrote that I did not know what the date would be of the order in this case.

Q Right. Can you identify mechanisms that are at least in place, if they haven't been used in Florida by MCI, as an interim number portability solution?

A Are you asking me what number -- what interim number portability solutions MCI has used to date?

Q Yes.

A It's my -- I don't believe they have ordered any yet.

Q On page 13, line five of your direct testimony you state that, depending on the cost recovery mechanism chosen and the cost of remote call forwarding provided during that period can be reallocated accordingly.

Can you explain what you mean by this sentence, this statement? This is page 13, line five. I will repeat --

A Well it would -- the sentence is -- means that it would depend on the particular cost recovery mechanism as to how those -- those -- the costs of RCF or other -- I'm only aware that perhaps RCF may have been requested, so how the costs of RCF would be reallocated.

In the case of a decision that each carrier would provide it -- provide it in exchange for provision in return, then there would be no need to reallocate. If the decision was to allocate it based on working telephone numbers, then those

costs would go into the, you know, the costs that were being allocated according to working telephone numbers and so on.

Q Okay. On line 22 on page 13 of your direct testimony you mentioned other comparable methods. Are these the same comparable methods that we just discussed earlier that the FCC identified?

A The -- and the FCC did not specifically identify. They used the terms RCF, DID and other comparable methods. Those methods would include -- I think LERG reassignment is one, and perhaps some of those others, if they were technically feasible.

Q Page 14, line one of page 14, you state that, the cost allocation and recovery mechanism it adopts applies to DID as well as remote call forwarding.

Would MCI propose to apply the cost recovery mechanism to any interim local number portability mechanism that may be required?

A Yes.

Q Again on page 14, line 10, you state that the FCC order required meet point billing arrangements. Could you explain what you mean by "meet point billing arrangements"?

A Meet point billing arrangement would be a sharing arrangement for access charges that recognizes that the access service was provided by more than one carrier, and therefore the carriers would -- the access charges collected from the

interexchange carrier would be distributed according to some meet point arrangement.

Q On line 14, again on page 14 of your direct testimony you identify the appropriate split of access charges. Does the FCC order require a split of this fashion of access charges?

A The FCC was not specific about what the appropriate split would be. This is my recommendation for what the appropriate split would be.

Q What is the basis of your recommendation?

A The basis is, and a key component I believe of a split is a recognition, first of all, that it's the terminating LEC that would receive the common line or RIC access charges from the -- from the IXE. And I would say -- and I was not aware of any specific position that BellSouth had taken on the appropriate split, but I was aware that there was some incumbent LECs across the country, for example, that believed that they should receive the common line revenue on a call remote call forwarded, even though they did not actually provide the common line to that customer, provide a common line to that customer.

So I -- you know, one important clarification I think of the FCC's order, or a specifying interpretation is that the common line and RIC does belong correctly to the terminating carrier, and that, you know, in addition, that the

LEC forwarding -- that the forwarding LEC would charge the IXE for transport from the IXE point of presence to the end office where the RCF is provided, but that the terminating LEC would receive the terminating switching function in addition to the -- in addition to the common line and RIC.

Q On line 15 on page 14 you identify -- actually what you just mentioned regarding the common line and RIC being collected by the terminating LEC, just for my clarification, where in the FCC order is this required?

A Again, the FCC order only said that there should be a split of access revenues. It was a statement that, you know, absent -- since the interexchange carrier hands off the call to the carrier who then forwards it, the interexchange -- the carrier that actually terminates the call, the ALEC on most ported calls never actually has a hand-off of that call from the interexchange carrier.

So, you know, absent some -- some mechanism or directive that those access revenues do not belong solely to the incumbent, the ALEC would be completely foreclosed from receiving any access revenues, even though it is performing a terminating access function for toll traffic. The FCC order went only as far as saying that there needed to be a split.

And they simply, you know, they stopped short of saying exactly how that split the, you know, an item by item, an element -- an access element by access element basis.

Q Would you agree that the FCC order directed the forwarding carriers and terminating carriers to assess on IXEs charges for terminating access through meet point billing arrangements? Want me to repeat the question?

A I'm sorry. Could you --

Q Yeah, I will repeat the question. Would you agree that the FCC order directed the forwarding carriers and terminating carriers to assess on IXEs charges for terminating access through meet point billing arrangements?

A Yes. The only -- the reason I was hesitating, absent some information from the forwarding carrier, the terminating carrier doesn't have a mechanism to assess directly on the interexchange carrier. So it does require, and I think that's inherent in a meet point billing arrangement, is that there is the carrier's need to share information essentially that would enable either each carrier to bill the interexchange carrier directly, or one carrier to bill, but then remit -- but then remit to the second carrier. You know, some arrangement has to be worked out for that.

Q Has MCI to your knowledge discussed the type of proposal, a proposal on these types of issues with the incumbent LECs?

A Generally I believe that is -- they have been discussing that with incumbent LECs.

Q Okay. On page 15 of your direct testimony, line 15

you state that, the Commission should alternatively allocate the cost of number portability based on the number of active access lines or telephone numbers.

Could you explain how the allocation of costs would incur and how it is calculated?

A Well let me say first of all, this -- I choose this as sort of the next best allocation method because it still does require the -- a review and an approval of costs and then some kind of administration of an allocation method.

Of the various allocation methods that the FCC has suggested and that would be competitively neutral in terms of the telecommunications act, I believe the one that's simplest is a simple accounting of telephone numbers as a means of apportioning relative to market share of some sort. If you have $100,000 in costs and 100,000 customers total -- or customer lines total, that would be $1 per customer line. And if I'm a new entrant, and I have 100 of those lines, my share would be $100.

That's the general -- that would be a simple explanation of that allocation method.

Q Okay. Where do you think that the Commission here should get the information on access lines to perform this calculation, these types of calculations?

A Offhand I don't have a specific -- I don't have a recommendation for the best place to get that information.

Q So far other parties to this docket have proposed to use revenues instead of access lines or telephone numbers. Could you explain why you believe access lines or telephone numbers would be better than revenues?

A I think there are a number of problems with using revenues. First of all there is a problem in identifying what revenues. And, you know, is it -- you've got, you know, interstate revenues, you've got intrastate revenues, you've got non-Telco related revenues.

You've got services that may -- or revenues that may combine a rate to a customer for a combination of non-Telco and Telco related services. You have the issue of netting out charges to other carriers.

You wouldn't want to include, since a substantial portion of the revenues, for example, that a long distance carrier would receive are simply a pass-through to the incumbent LECs for access services, those revenues would be inappropriate. So you have to start -- you know, whatever source of revenue you choose, you then have to start backing out numbers.

You have fluctuations. You have just a great deal more, you know, accounting and auditing of this -- of that particular measure than you would with other measures. And, again, since interim number portability is by nature rather short-lived, relatively short-lived, it would -- I would think

it would take more effort and perhaps even more cost to establish and administer such a system than -- that those costs might even eclipse the costs, the short-term incremental costs of providing the portability mechanisms.

Q Do you have any idea what the cost would be for developing a cost recovery mechanism based on these different types of access lines or telephone numbers or revenues?

A I don't have any estimates for the cost of any one mechanism, other than to say that there is no cost to a mechanism where each carrier provides it to the other, and there is definitely cost associated with all of the others.

Q Next question refers again to page 15, line 17, and you state that, the Commission should direct BellSouth, GTE and Sprint to provide cost studies that identify only the necessary incremental costs that they will incur in the provision of interim number portability, including cost studies for both RCF and DID.

What is your definition here of "incremental costs"? Is it the same as you mentioned earlier?

A Yes.

Q Should the Commission require the incumbent LECs to file cost studies for the other interim number portability solutions identified in addition to DID and RCF?

A I guess I would say -- and I might even put DID in this -- that the filing of those studies might be triggered by

a request for a particular method, either a request by an ALEC or a decision or a request by the incumbent to provide a particular type of -- to provide portability in a particular way that would be more cost efficient to do it one way versus another.

I think a lot of the trade-offs between them are cost related between RCF or DID or LERG routing. But RCF, obviously there is a request by carriers for RCF at this time. And perhaps, depending on how long it would take to develop studies for the others, if it would not take too long, perhaps it would be more efficient to wait for a request by a carrier before performing that study.

I think you would have to weigh that. If it takes a year to do a study though, it might be necessary to begin preparing a study for say DID right away rather than waiting.

Q This sort of goes back to something we talked about earlier. But would you say it's possible or even appropriate that at least for remote call forwarding the Commission could use the rates established in its earlier proceeding as an estimate of the costs of providing remote call forwarding as an interim number portability solution?

A No, that wouldn't be appropriate, because first of all the rates aren't set at costs, and, second, the costs are not the short-term incremental costs that I've recommended.

Q If the Commission -- this actually refers to page

eight, line 21 of your direct testimony where you state that, the development and monitoring of the accounting and reporting systems necessary -- necessary to -- page eight, line 21 -- necessary to implement another and more complicated competitively neutral cost recovery mechanism would be extremely inefficient.

If the Commission were to use its intrastate regulatory assessment fees to determine the charge for telecommunications carriers to recover the costs of number portability and the existing rates established by the Commission, do you believe this system would be unmanageable and not worth implementing in Florida?

A Could you tell me again the name of the system?

Q Well instead of using revenues or telephone numbers we would be using the intrastate regulatory assessment fees and that data.

A Interstate regulatory --?

Q Intrastate.

A I'm not familiar with exactly what goes into the intrastate regulatory assessment fees. I suspect that they would -- they would not be appropriate on their face. They may include non-Telco, non local Telco related revenues, revenues for payments that would -- they would not be netted of payments to other carriers.

Without knowing what was in them, I can't answer

the appropriateness. But I suspect that they would not be.

MR. RINDLER: Wil, excuse me, for interrupting. I'm going to click off. This is Rich Rindler.

MR. COX: Okay.

BY MR. COX:

Q I just have a couple more questions. I'm going to actually go back to page three of your direct testimony, line seven. We were discussing earlier about the issue of whether the Commission should be required to apply its decision retroactively in this case to the date of the FCC order.

Did you believe that the Commission had the authority to do that in this case?

A I wasn't commenting on the legal authority of the Commission. My recommendation was as a matter of public policy.

Q Do you feel that, just from a public policy perspective, do you feel that the retroactive application of this decision would be necessary, since telecommunications carriers requesting number portability at this time is very limited?

A Obviously if our -- if MCI has not requested any RCF by the date of the order and have not paid BellSouth at any -- or the incumbent carriers at any rates, the question of retroactivity would be moot. So the question of retroactivity is obviously related to whether or not revenues have changed

hands on the basis of the previous Commission order.

Q Okay. And to your knowledge I think you mentioned earlier that MCI has not been billed for temporary number portability in Florida yet?

A I cannot say that with a certainty. But --

Q Subject to check?

A Subject to check, that's my understanding.

Q Okay. All right.

A And, again, without knowing when an order would be in this case, it was not a recognition or an assertion about what we had paid to date, but what we might between now and the date of the order.

Q Last question refers to page four, line 25. And you state that, all local telecommunications carriers will participate and all local telecommunications carriers will benefit. We mentioned this earlier. Will Florida rural LECs benefit in this competition?

A I believe that all local carriers have an opportunity to participate in all markets. So to the extent that a small rural LEC has an opportunity to serve in other areas to expand their business opportunities, that's a benefit. I think that, as I said also, that users will benefit --

MR. COX: Excuse me. Could we go off the record for a second?

(discussion off the record).

BY MR. COX:

Q So would you say it's realistic that these rural LECs would in fact -- you say there is a possibility that they would be moving into other areas or whatnot. But is that realistic they would actually benefit?

A I can't speak to the -- to the business plans how any one carrier will react. I can only speak to the fact that competition makes all these things possible.

Keep in mind though, I'm not recommending that rural carriers be assessed a portion of interim number portability costs. I believe that those costs should properly be allocated among the porting carriers.

Q If some of the other mechanisms were implemented, not the one you're recommending, but if one of the other alternative mechanisms that we've discussed was implemented, and the Commission determines that these entities and end users do not benefit from local competition in these rural areas, does it make sense to limit cost recovery of temporary number portability to those carriers or areas who are benefiting from the local competition?

A Again, first of all I would have to separate a discussion of who benefits from local competition versus who was involved in portability cost recovery. When I make a statement that all -- all carriers, all customers will benefit,

I mean that in the very broadest sense. And so that if you look for benefits to rural carriers and rural customers, they may not immediately be direct benefits as in competitors come in, offer new services and drive down the prices.

But I think there are long-term benefits to the entire state that include rural carriers and rural customers from having increased competition. I think that the additional services and price reductions do tend to have a ripple effect throughout the economy.

And in addition, with appropriate universal service reform, you know, I think there is a much better possibility that you will in fact have competition, additional carriers providing service in those areas. And I would expect that would be more and better service at lower prices, so --.

MR. COX: That concludes Staff's questions. Would you like to take a break first?

THE WITNESS: Sure.

(short recess).

CROSS EXAMINATION

BY MS. WEISKE:

Q My name is Sue Weiske, Beth, as you know, and I'm here representing Time Warner. I have a couple of questions about some areas that you were already asked about by Staff counsel.

You were asked a question about an intrastate

access fee and I thought indicated you weren't quite sure what went in or did not go into such a fee. If it was clear to you that interstate revenues were not part of that fee, would that have changed your answer at all in terms of it being appropriate or not appropriate?

A That would tell me that one area of concern would be eliminated. But, again, there is still other inclusions that I would want to know about, for example, whether it included non-Telco related revenue. I believe that only local revenue and not local and long distance would be appropriate.

There would be amounts charged to -- or amounts paid to other carriers. So there would be other pieces to it too that would concern me.

Q You also had some discussion about the prior Commission order related to interim number portability. Are you aware of the fact that that order placed all the costs of interim number portability on the ALECs?

A Yes. And it's for that reason that I believe that order is not consistent with the telecom -- telecommunications act.

Q When you say "not consistent," are you referring to the fact that it's not competitively neutral?

A Yes.

Q You also referenced the FCC order and their reference to the Rochester approach to recovery of costs for

interim number portability. Are you aware that in the Rochester Telephone area's serving area, that a $1 million fund was set up to pay for the cost of interim number portability?

A I'm aware that Rochester offered up and that the plan was initially adopted as part of a settlement of a case, that Rochester proposed that the first $1 million of costs they would not even apportion out, that that would -- they would absorb those costs themselves.

Q In other words, Time Warner, for example, serving customers in Rochester telephone areas, similar exchange areas, is not being charged today by Rochester Telephone for RCF?

A I believe that would be the outcome.

Q Are you aware at all what portion of that fund has been depleted over the time period that that $1 million has been in place?

A No, but I suspect a very small portion.

Q Why would you say you suspect a very small portion?

A Because entry by competitors is by nature something that starts out very slowly. So the number of instances of customers leaving the incumbent to new entrants is going to happen fairly slowly, especially in the initial stages.

Q Given that response, do you believe that for the state of Florida as well, that with the method you proposed on behalf of MCI, that initially the incumbent LEC costs related to interim number portability will also be fairly small?

A Yes. I believe that to be true.

Q For the same reason you just stated?

A For that reason and the reason that I believe the -- that the true incremental costs -- and by "true" I mean those costs that are only incurred because of RCF being provided for interim number portability purposes -- are extremely small in and of themselves. So you have an extremely small cost multiplied by a not very significant number of use. And the result then is very, you know, relatively small amount of cost overall.

Q When you use the term "cost" there in response to one of my questions, are you referring to the term you've been using this morning, short-term incremental costs, or are you referring to TSLRIC?

A Definitely not TSLRIC. I think TSLRIC would be inappropriate in this case.

Q If this Commission were to utilize or decide it's appropriate to use TSLRIC, is it your belief then that the costs would be greater than the costs would be using short-run incremental costs?

A Yes.

Q Would those costs still be as great if they were spread across all working numbers or all customers?

A Well the costs would remain the same. The allocation, if they were allocated across all working telephone

numbers, again, would still most likely produce a very small, you know -- a number that perhaps could not even be identified.

It could be less than, you know, a penny a customer a month.

Q And tell me again please why you believe a short run approach rather than a TSLRIC approach is appropriate in costing for RCF or DID.

A I think it's appropriate, because as the FCC recognized in their order, I agree with them that RCF already exists as a retail service. And, you know, the costs of that service have already been -- are already being recovered through the rates for that service, and then some, and then quite a bit as a matter of fact.

So for the purposes of this interim method -- and, again, this is only an interim method in order to accommodate -- to bridge the gap between competitive entry and availability of long-term portability methods, would only be appropriate to attempt to recover those costs that are absolutely incremental to the provision of the service for interim portability.

Q And from your perspective I thought you said earlier in response to Staff counsel that you at least could not give a specific example of a short-term cost either related to personnel costs or software costs?

A Yes. I said that, although upon further reflection I think I identified at least one cost would be the actual data entry to put the RCF instruction in the switch would be an example of an incumbent LEC cost. And then I also had examples of ALEC costs that -- of receiving ported numbers that would be incremental to the provision.

Q Setting aside for a moment whether or not your recommendation as to a refund that would date back to the date of the FCC order is legal or not, if this Commission determined they did not want to place a refund back to that date, do you have another recommendation as to what date the refund should be in place from? For example, have you considered whether the refund would then date from the date of this Commission's order?

A Well if it's from the date -- of this Commission's order?

Q Uh-huh.

A In this case? Then there wouldn't be a refund. It would be a going-forward change.

Q Right. Do you have any position on whether MCI would be willing to live with that or not?

A We would certainly live with that if that was the Commission's order.

Q But your preference, notwithstanding whether it's legally appropriate or not, would still be back to the FCC

order?

A And, again, subject to -- as a practical matter, I'm not aware at this time whether or not there really are, you know, revenues to be refunded.

Q Does your recommendation on behalf of MCI that each carrier absorb its own costs, is that dependent on any kind of balance of traffic between the various carriers?

A It doesn't relate to balance of traffic per se, and it's not dependent on any balance. But it does assume and recognize that there are costs incurred by both carriers.

Q If the traffic were not in balance, does that impact your belief that such an approach would be competitively neutral?

A No, because traffic balance only talks -- for any given customer, if a customer ports, that's a single instance of porting, regardless of whether or not the traffic is flowing -- once the calls are -- once the RCF is provided, it's not relevant really on any given line how much traffic is flowing back and forth between the two carriers. So it's not really a question of traffic balance.

Q I'm not an expert on meet point billing, so bear with me. I need to better understand why you think, again, from a fairness or neutrality perspective, that the meet point billing recommendation is the appropriate one.

A The meet point billing recommendation is

appropriate because otherwise new entrants would be completely precluded from receiving any access revenues to the extent that their customers are porting their traffic via RCF, even though they would be providing the terminating access function for which the incum -- the interexchange carrier would be paying.

So it's really a question of, you know, the wrong hand being out to take the money, when in fact the call has really been completed in another network.

Q Okay. If initially the costs incurred for interim number portability approaches is largely borne by the incumbent LECs, do you still believe that that would be appropriate from a cost recovery perspective? In fact let me make it more extreme.

If all the costs initially are borne by the incumbent LEC -- LECs, plural, do you still believe that that's appropriate from a cost recovery perspective? So initially there would be no costs that the ALEC incurs until those customers come into the system that they are then going to have to port to someone else?

A In the first place the ALEC will incur costs. The ALEC is going to incur interim number portability costs by having to receive ported customers. So there really is no such -- I can't accept the premise that you would have only incumbent LECs bearing the cost.

Q Let me stop you there for a second. I'm not

necessarily disagreeing, but I want to understand what you just said. If I have 150 customers as Time Warner Communications, and all those customers have come from BellSouth, and therefore all those customer numbers are being ported, explain more specifically what cost I'm incurring as Time Warner Communications in that setting.

A You will incur the cost of developing systems for managing customers with two telephone numbers. They have the telephone number that you've assigned in your own network to deliver the call to the customer, and then you have the telephone number that the customer knows, which is really a BellSouth number.

So there are systems that have to be designed and put in place to match up those phone numbers so that you can provide customer service; you can provide repair service; you can, you know, provide billing in a way that both makes sense in your systems but makes sense for the customer too.

If you have only 150 customers, your cost per customer for developing those systems are in fact quite high. So on a per-customer basis you may actually be incurring more interim number portability costs per customer than BellSouth is, even though you don't have -- you have not actually provided portability to anyone else.

Q And in that situation do you see any kind of subsidization going on, either for the incumbent LEC or the

ALECs?

A No, I don't see it as a question of subsidy at all. I think that each carrier is simply bearing a cost of being a player in a competitive environment.

Q In that situation, if neither BellSouth nor Time Warner are recovering those costs in their rates, do you see anything inappropriate about that, about them absorbing the costs but not recovering them through rates?

A Well I -- I would disagree with a premise that if you have not actually added some incremental amount to your rates for recovery that you're not recovering it. I think first of all that these costs are extremely small, and I think there are normal fluctuations in a carrier's total cost of doing business that never get reflected in a -- you know, if you have a good year revenue-wise or interest rates go down, rates are not automatically lowered to reflect every single, you know, small change in the underlying costs.

So I can't accept the premise that without -- that if you don't have some explicit cost recovery from end users, and in this particular instance, where the total amount is insignificant in the big scheme of things, that you're not recovering -- you know, that you're not recovering the amount that you're incurring.

Q Okay. It seems to me that the approach that you're taking excludes in the terminology all carriers, both

interexchange carriers and wireless carriers. Why do you think, one, that's appropriate, given the FCC order, and, two, why do you think that's competitively neutral?

A When I make that recommendation, first of all, I am making it based on the act's requirement, not the FCC order per se. As I said, my -- I read the provision that cost be recovered from all telecom carriers on a competitively neutral basis. I read that in total and not breaking it out by piece parts.

I think there is -- I think the purpose of the competitive neutrality provision is to make sure that no -- no one carrier is disadvantaged vis-a-vis its competitor. And to the extent that, for example, a LEC -- a LEC, either an incumbent LEC or an ALEC, cannot be disadvantaged vis-a-vis a CMRS provider, because they are not competing against each other. Same thing with an interexchange carrier.

So it's for that reason that I believe that a system which -- that the purpose and the intent is to make sure that carriers are not disadvantaged vis-a-vis each other through the cost recovery. And I think you will find that interim number portability is somewhat of an anomaly in the overall portability sense, because when you get to long-term portability -- and this is where the bulk of number portability costs -- I mean by "bulk," I mean the vast majority of number portability costs are going to be in the long-term portability,

and they will be long-term. There will be continuing costs of maintaining the database that provides long-term number portability.

And in that -- in that time frame, under permanent portability, you really will see all carriers paying for it, either through their access to the neutral database, that would include interexchange carriers; it would include CMRS providers as they become porting carriers.

There will be other noncarriers that are actually participating by receiving downloads. You have uploading carriers, CLECs, ALEC -- I'm sorry -- ALECs, incumbent LECs, CMRS providers as they port, they put software in their switches, you will see a really much more across the board -- and even carriers that aren't porting, to the extent that they are asking another carrier to perform the service for them, a reseller for example, would see a cost of portability reflected in the rates that they pay for their resold service.

So in the provision of all telecommunications carriers pay on a competitive -- on a competitively neutral basis is probably more reflected -- better reflected in the long-term portability sense. But at the same time I think what I'm recommending for interim portability, it still is -- fits within the provision established by Congress.

Q And finally I wasn't quite sure in response to a question earlier on the benefits to rural either LEC

subscribers or rural LECs, whether you were making a societal good argument or some other -- I wasn't quite sure what your response really was in terms of, one, if those subscribers benefit; and if they do in your perspective, how they benefit from interim number portability?

A I tried to make the distinction first of all that there is a general benefit of competition that I believe accrues to all carriers and customers in the state of Florida from competition for reasons of, you know, benefits to the economy, increased business opportunities for all carriers to enter businesses that they may have been previously precluded from entering, and from the effect -- as yet unknown effect of changes in the universal service funding that would actually encourage and result in competition coming to rural areas.

So I was -- in explaining my statement that all customers and all carriers benefit from competition, that was an explanation for that. I think that for purposes of interim number portability it would be unnecessary and inappropriate to try and somehow spread out these relatively small costs of interim number portability across all carriers and customers throughout the state of Florida for, one, given the interim nature of it, and, two, because I think it's more appropriate that the carriers that are actually involved in the porting are more directly affected by the porting and the availability of portability and therefore should recover the costs.

MS. WEISKE: Thank you. That's all I have.

CROSS EXAMINATION

BY MR. WAHLEN:

Q Ms. Kistner -- am I pronouncing it right?

A Yes.

Q I'm Jeff Wahlen. I represent Sprint. I think you testified that the interim portability measures would probably only be in effect for two years; is that correct? --

A I --

Q -- from now?

A I believe that as a practical matter, in assuming that carriers meet the schedule established by the Commission, that within two years -- approximately two years from now, that the need for interim portability measures will be all but gone.

Q So what we're dealing with in this docket will probably only be in effect for a couple years?

A Correct. And of course beginning -- beginning in about 11 months it will begin -- it should begin to decline.

Q Okay. So in fact it could be less than two years?

A Again, I see it as a, you know, an increase in the amount of RCF that would be -- or other measure, up until October of 1997, and then, although there may be some additional be it declining amount, once you -- as you are switching to long-term portability.

Q Have you done a study or analysis of the demand for

RCF as an interim number portability measure in the next year or two years?

A No, I have not.

Q Do you have any sense for how great the demand is going to be?

A There is a lot of factors that go into that. What you're really asking is, you know, how -- how successful will competition be, how successful will new entrants be in the next two years.

And as you know, an awful lot of that depends -- certainly from my company's perspective, that's going to depend in substantial part on results of the interconnection arrangements that are being negotiated now. So --

Q So you don't know?

A No way to know at this time.

Q And I guess then you don't know how many customers who have left the incumbent for an ALEC would be switching back in the next two years?

A No, I wouldn't know that either.

Q Okay. When you were answering questions of Mr. Wil Cox, I think you said something like, the costs should be paid by the local carriers involved in local number portability. And as I understand what you said, you meant the carrier that's porting the number and then the carrier that's receiving the porting number. And those are the two people,

players in this that should bear the costs of temporary number portability; is that correct?

A Porting local carriers.

Q Porting local carriers. And that means either porting or receiving a ported number?

A I'm assuming that any given carrier will be doing both.

Q Okay. All right. At least initially wouldn't you expect most of the porting to be performed by the incumbent?

A By definition, as a new entrant you start out with zero customers.

Q Right.

A So the only way you're going to get them -- or some of them is through porting. So you have to start out on day one with the incumbent providing the porting and the new entrant receiving.

But from the first day that the new entrant assigns a number of his own to a customer, that customer may be -- may leave to another carrier. So it is -- if you graph it, it would start here and go up.

Q But you don't know, I think you testified, how many customers will need to have numbers ported, nor do you know how many customers are going to be going back to the incumbent LEC?

A Let me clarify that customers that go back to the incumbent LEC, the ALEC isn't providing RCF in that instance.

The incumbent LEC would simply cease to provide the remote call forwarding.

The instance where the ALEC provides portability is an instance where the ALEC has assigned an ALEC number to a customer, and then that customer chooses to go to either another ALEC or to the incumbent LEC and take the ALEC number with him.

Q But your testimony was that you really didn't have any sense of -- or a feel for how often that's going to happen?

A As I said, I can -- I can only say that, you know, right now the -- the success -- the relative success of competitors is very dependent on the outcome of current interconnection negotiations and hearings. However, it is by nature a -- going to have to be a building process, because it assumes that LECs have -- or the ALECs have to have switching facilities. It's a facilities-based provision of service that would require remote call forwarding or some other interim portability measure.

Q Page five of your testimony, line seven and eight, you've stated that number portability enables competition and is a network function not a service. Is there a difference in your mind between a network function and a network element?

A I wouldn't make or not make such a distinction. I don't know what you mean by "network element."

Q Well the telecommunications act uses the term

"network element." But I haven't -- and I'm just wondering if that's what you're trying to say here, or are you trying to say something different than a network element?

A I would have to see the -- I would have to see your definition of "network element" or be shown a definition of "network element" in order to -- but perhaps I can just say that my point here is that it is a function of operating a network.

Q Okay.

A I don't know if that helps.

Q All right. Going on further on page five you've outlined two quotes from the FCC order. On line 19 it talks about the recovery mechanism should not have a disparate effect on the incremental cost of competing carriers. What does that mean in your opinion?

A I think it -- to give you an example, if the retail rate currently charged by the incumbent LEC for monthly phone service is $10, if the new entrant has to bear a cost of say $1.25 or $1.50 that is unique to the new entrant because of porting, as a cost that only the new entrant would have to bear to serve that customer, but the incumbent wouldn't, that would be an example of a disparate effect on the incremental costs.

It would be a significant additional cost, all other things being equal, that the new is entrant would have to -- a real cost that they would have to bear in addition to

the other cost of providing service to the customer that the incumbent would not similarly have to share. And that would be competitively unneutral, in that it would give an advantage to the incumbent LEC in serving that same customer, vis-a-vis the competitor.

Q Okay. Are you familiar with Sprint's proposal in this docket?

A Yes, I am.

Q Have you done a study to determine whether Sprint's proposal, if adopted, would have a disparate effect on the incremental costs of competing carriers?

A No, I have not done a study.

Q Okay. Have you done any kind of analysis?

A My analysis is that it would -- it would not be competitively neutral, because it would, on a per-customer -- it would not be proportionate recovery by carriers, because on a per-customer basis the new entrants would be incurring far more costs than the incumbent would.

Q So you say you have done an analysis that shows that Sprint's proposal, if adopted, would have a disparate effect on the incremental costs?

A I'm not sure what you mean by "done an analysis." I responded to it. I analyzed it and responded to it in my rebuttal testimony.

Q All right. Going on down further, the second

criteria is that, the recovery mechanism should not have a disparate effect on a competing service provider to earn a normal return on investment. What's a "normal" return?

A I think that's -- I mean my reading of that is that it's whatever is -- all other things being equal, it would be an opportunity to earn the same type of return, so that if one carrier -- again, all other things being equal, could earn a greater return, meaning their costs relative to their rates were greater, then that would be -- that would give them less of an opportunity to earn the same return, all other things being equal.

Q Do you know what MCI considers a normal return to be in percentage terms?

A No. But as I said, in this case it is competitors relative to each other. Equaling out other factors, it's whether or not this has an impact -- whether or not the allocation of portability cost would impact a carrier's ability to earn what they would have earned absent that allocation.

Q Have you done a mathematical analysis that evaluates the effect of Sprint's proposal on MCI's ability to earn a normal return?

A No, I haven't.

Q On the bottom of page six of your testimony you state that the FCC order goes on to preclude that a cost recovery mechanism that imposes the entire incremental costs

associated with interim number portability on a facilities based entrant would violate the first criteria.

Would you agree with me that Sprint's proposal does not put the entire incremental cost on the new entrant?

A Yes.

Q On page seven of your testimony you talk about MCI's proposal, and there has been considerable discussion about this already today. But basically the proposal is that each carrier would pay its own costs, which really isn't bill and keep, but it's pay your own way basically; is that correct?

A Right.

Q And you answered some questions about the costs that the incumbent incurs and costs that the ALEC incurs. Is it correct that in your opinion the only costs the ALEC would incur when it receives a ported number are the administrative costs associated with setting up this system to keep track of two different numbers?

A There may be additional -- there may be additional ones.

Q But you haven't identified any additional costs?

A No, I have not identified any other ones.

Q Have you quantified those additional costs?

A No, I haven't.

Q Have you compared those administrative costs to the

costs that would be incurred by the incumbent LEC to actually port the number?

A No, I haven't.

Q So you don't know whether they're greater or less than each other? You don't know how they stack up on a relative basis?

A I can tell you with a near certainty that on a per-customer basis they are greater than the costs incurred by the incumbents on a per-customer basis simply because we have to incur those costs for a relatively small number of customers.

Q But you haven't compared the costs in the aggregate?

A In the aggregate I would expect -- no, I've not compared the costs in the aggregate.

Q Okay. And your basis for your conclusion that on a per-customer basis the administrative costs would be great for the ALEC -- greater for the ALEC is that the ALEC would have to create the system for its first customer?

A Correct. That is then, you know, a completely incremental cost for them for interim number portability.

Q Okay. I believe you testified that your proposal does not presume that the amount of traffic terminating on the incumbent network and the new entrant's network will be equal; isn't that what you told Ms. Weiske?

A It doesn't make a presumption one way or the other.

Q It's irrelevant. Does your proposal -- does it assume that the number of numbers ported to the other party will be equal? Let me strike that and start over again.

Does your proposal assume that the number of numbers ported by the new entrant to the incumbent will be roughly equal to the number of numbers ported by the incumbent to the new entrant?

A No, it does not presume that.

Q That's irrelevant to your analysis?

A It's not relevant as a single -- as a single factor. As I said, there are -- there are multiple costs -- first of all it's a moving number. Initially, of course, you will absolutely have more numbers porting from the new entrant -- I mean from the incumbent to the new entrant than vice versa, because initially I would expect that let's say 50 percent of an ALEC's customers are ported numbers. And at what rate they begin to leave and port elsewhere necessarily -- I mean starts at zero and has to grow.

And in addition there are other costs. There are costs that the ALEC incurs in handling ported customers. So --

Q Those are the administrative costs we talked about?

A Right. And there are costs that -- increasing, a growing, would be an upward sloping amount of customers that will port then away from the ALEC to other carriers.

So my proposal recognizes, A, that there are costs incurred by both parties; that while the aggregate costs are not equal, may not be equal, the size of the carriers are not equal either, and that as a result they are more proportionate than if you just looked at them in an aggregate sense; and also that there are -- that the incremental costs of carriers -- of incumbent carriers providing RCF are relatively very small; and that the cost of developing tracking, counting and billing mechanisms when overlaid on top of it don't warrant the creation of those systems.

So it's really a view of many factors as opposed to any one.

Q Okay. Can we look at page 11 of your testimony please.

A (witness complies).

Q Am I correct that the quoted language that you have put in your testimony here is from the FCC order?

A Yes, at paragraph 129.

Q And then lines 22 through 24 is your conclusion or agreement with this statement of -- in the order?

A Yes.

Q Okay. Am I correct in understanding that administrative costs are not included in this list -- administrative costs incurred by the incumbent LEC?

A Are you asking me if the FCC included in its

statement of the costs the administrative costs that I've been referring to?

Q No. I'm asking if you have concluded that the list of incremental costs, whether it includes administrative costs incurred by the incumbent LEC?

A The FCC's list does not.

Q The FCC's list doesn't.

A Does not include the administrative costs incurred by the --

Q Incumbent LEC.

A No.

Q Okay. Let's just be clear. Line 22 it says, these are essentially the additional or incremental costs for the provision of interim number portability and will be incurred by any LEC providing interim number portability, both new and incumbent.

So if you're the provider, these are the costs you're going to incur; that's what you're saying on page 11?

A Yes.

Q This list doesn't include administrative costs incurred by the provider that may be necessary to provide remote call forwarding or any of the other interim number portability standards; does it?

A I'm not aware of administrative -- incremental administrative costs --

Q Okay. Well let's just --

A -- by the incumbent provider.

Q Let's say, for example, that the incumbent provider would have to set up a system to receive requests from the new entrant to port a number, a computer system, and that that would involve having service people, telephone representatives, some sort of order entry process that would take care of all of the administrative sides up to the point where the actual numbers get ported.

Are those incremental costs that would be incurred by the new entrant -- or by the incumbent because of the need to have number portability?

A I am not aware -- it would depend on whether or not the incumbent LEC were, you know, hiring -- if an incumbent LEC hired an additional person solely for the purpose of performing that task, I would agree that that would be an incremental cost. However, I would expect that most of the activity or personnel that would be involved in this might be part of an overall effort, administrative effort designed to accommodate interconnection and competitive entry.

So I would -- I would -- I would not consider those costs incremental unless they were solely directed or they could be identified specifically for activity related to interim number portability.

Q Well when you've made your comparison and reached

the conclusion that the costs that the new entrant will bear will be either equal or greater to the costs that the incumbent will bear on a per-customer basis is considered, did you consider any of the possible administrative costs that the incumbent may have to incur to facilitate number portability on a temporary basis?

A Again, I would -- I would assume that incremental to RCF, provision of RCF, I would not expect -- I mean if somebody could show me a study or information to tell me otherwise. But I would not expect that the activities related to RCF would be -- it would be necessary to set up separate personnel solely for the purpose of providing RCF to new entrants.

I would expect it to be performed in the process of, you know, processing orders for interconnection with other carriers, which would not be related specifically to RCF. I want to also say that, in looking at this list, I did not mean to suggest that this list was absolutely exclusive of any other activities, that these were the, you know -- these would be the main categories of costs.

But I would not, you know, rule out other costs that could be shown to be truly incremental to the provision of the RCF or the interim number portability mechanisms.

Q Okay. Have you reviewed the costs included in Ben Poag's exhibit to his direct testimony?

A I would have looked at them when they were filed, but I am not that familiar with them right now without looking at them again.

Q Would you agree subject to check that Ben Poag did include the detailed cost studies with his testimony, and that MCI hasn't asked for them?

MS. McMILLIN: Do you want me to show her his testimony?

MR. WAHLEN: Sure, sure, or I can show it to you.

MS. McMILLIN: You're referring to his direct testimony?

MR. WAHLEN: Yes, the Exhibit FBP-1.

BY MR. WAHLEN:

Q The question is, have you reviewed the cost study that supports this exhibit?

A No, I haven't, and I note that it's -- purports to be a total service long run incremental cost, which I don't believe is an appropriate cost methodology to use for this purpose.

Q But you haven't evaluated the cost study and compared it to the FCC order?

A No.

Q Okay. Can we look at page seven and eight of your testimony, and in particular, lines 21 through eight on page eight. You've listed three cost recovery possibilities in the

order, and then you've suggested that what MCI has proposed is better than those three; is that a correct statement?

A Well I said that these were three additional. These were -- the FCC mentioned four.

Q Right.

A And I said of the four, I believe the one that we were recommending was the simplest and most efficient --

Q Okay.

A -- under the circumstances.

Q Let's just assume for the sake of argument that you can't have what MCI has proposed. If that's the case, would you rather have what Sprint proposes or one of the three listed on pages seven and eight?

A I guess my second choice would probably be, between these three and Sprint's proposal, I would choose what I have listed as number two on page eight, line two.

Q Okay. Now as between the proposal made by GTE and the proposal made by Sprint, which would you prefer?

A The proposal by GTE, could you --

Q Well it's in their testimony.

A I realize, but I haven't read --

MS. McMILLIN: If you could ask her a specific question, otherwise --

MR. WAHLEN: I strike the question.

BY MR. WAHLEN:

Q Are you familiar with the proposal BellSouth has made in this docket?

A I am familiar -- it's my reading of their testimony that their proposal is that the Commission not do anything and leave the current system in place.

Q And as between that and Sprint's proposal, which one would you prefer?

A With the caveat that I don't think either one meets the competitively neutral criteria of the telecom act, between the two I would rather have Sprint's.

MR. WAHLEN: Okay. That's all I have.

(short recess).

MR. COX: Go back on the record.

CROSS EXAMINATION

BY MR. ALEXANDER:

Q Ms. Kistner, this is Tom Alexander with BellSouth. It's nice to meet you. We've talked on the phone a number of times on industry conference calls and what have you.

Let me start by going back over a question that Ms. Weiske of Time Warner asked you about. She asked you about the Rochester arrangement; they agreed to voluntarily put up $1 million. Are you familiar with that?

A Yes, I am.

Q Do you know when that agreement or arrangement was reached with Rochester and other carriers in New York?

A If I think about it I could probably come up with something near the date. I would say it was probably around two years ago.

Q So you would agree then that it preceded the February 8th, 1996 enactment of the telecommunications act?

A Yes, it did.

Q That it preceded the July 2nd and August 8th orders of the FCC?

A Yes, it did.

Q So it's a totally different environment than we have today; is that correct?

A Well let me back up. When the -- the plan that is known as the Rochester plan, when the commission in New York, for example, initially had accepted it as a plan as part of a settlement of the Rochester case, they later looked at it, not at the part with Rochester putting up $1 million, but simply the formula for allocation among carriers, and adopted that as an option that must be offered in the state of New York. It was that option that the FCC looked at and included in their order.

So the -- the allocation aspect of the plan has -- that part of the plan is what the FCC was referring to in their order when they said this was a competitively neutral cost recovery method.

Q Well that wasn't the part I was asking you about.

I was asking about the arrangements that Rochester and Ms. Weiske talked to you about; those were all done well before the enactment of the 1996 telecommunications act?

A Yes.

Q And any orders regarding implementation of that act?

A Yes.

Q I noticed -- let me back up and ask you about your background. You've got a degree in international relations; is that right?

A Yes, I do.

Q Do you have any education or training in accounting?

A No, I do not.

Q Do you have any work experience in accounting, cost accounting in particular?

A I have over the years been involved in numerous cost review processes, cost study review, cost study analysis. So my --

Q And that was with MCI, as an employee of MCI?

A And as a consultant.

Q There is no formal training in accounting or cost accounting?

A No.

Q Do you know whether or not -- for example, I

believe you were asked earlier about a comment I will cite to you in your testimony, page ten of your testimony, you talk about the ILEC cost studies are required. What about ALECs performing cost studies? Has MCI done any cost studies with regard to interim number portability being provided through remote call forwarding?

A No.

Q Okay. So you cannot make any comparison then of what an ALEC's costs may be with what an incumbent LEC's costs may be based on empirical data or a cost study approach; can you?

A Not at this time, no. My -- I would add, though, that the -- the provision of the service is essentially the same, so that there would be comparable elements, incremental cost elements from one carrier to the next.

Q You also mention back on page seven of your testimony the proposal is -- MCI's primary proposal -- you've got a second one, which is the Rochester -- is that each carrier would pay for its own costs?

MS. McMILLIN: Objection as to the form.

BY MR. ALEXANDER:

Q On page seven of your testimony, it's MCI's proposal -- is it not? -- that each carrier pay for its own costs for providing interim number portability; is that correct?

A Yes.

Q And you go on to state that, I believe line 15, starting there, through 17, that such a mechanism would be competitively neutral because it recognizes that both the incumbent LEC and the ALEC will incur costs to forward calls to another carrier's network via INLP methods; is that correct, that's what it states?

A Yes.

Q If all the remote call forwarding provision is being done by the incumbent LEC, how will that -- the ALEC be incurring costs that are equal?

A As I state here in my testimony, I'm assuming that ALECs will be forwarding calls to other carriers, incumbents and other ALECs. So --

Q Well let's back up. I believe you've stated elsewhere in your testimony and a number of times here today on cross examination that primarily, and particularly in the beginning stages of competition, it will be the incumbent LEC who is porting calls through remote call forwarding to the ALEC; is that not correct?

A It's correct that it is a -- that until I have customers, I don't have customers that will leave. However, I expect that that will begin to happen almost immediately, or within -- I assume that a customer, once a customer initiates service with an ALEC, that it would be, you know, some measure

of time before they would begin to leave, but that, you know, unless you want to say that initially -- if you define "initially" as the first week, I would perhaps agree with you that only the incumbent LEC would be providing RCF.

As I had said, the ALEC would be incurring costs to receive that ported customer, but, you know --

Q Those are costs that the ALEC would incur whether or not porting was going on, setting up an account for the customer and making arrangements to begin service for that customer; correct?

A It would be a cost -- the cost would be incurred, yes, as a -- I mean with the knowledge that you would -- as an ALEC you know that you're going to be requesting signing up customers that will be porting numbers, and so you establish the process to accept those customers.

Q Let's -- I'm trying to walk through the process that you talked about here. Earlier you said that based on the time lines that the FCC order mandates for implementing permanent number portability, that you would anticipate the temporary or interim number portability to last probably no more than two years; it would be fairly over by December of 1998; is that correct?

A Correct.

Q So we have a two-year window, and during that two-year window you would expect that, I assume beginning

October of 1997 when some cities are targeted for permanent number implementation, number portability implementation, that you would start seeing carriers using less and less of remote call forwarding -- is that correct? -- as a means of number portability?

A I believe they would be -- I believe that customers would begin coming off of remote call forwarding. At the same time, in places that didn't have permanent portability we may be increasing remote call forwarding usage in those areas, while in other areas it begins to decline or disappear.

I can't predict that the absolute number will begin to go down if entry is proceeding very rapidly and robustly in areas without portability. But I expect that the -- that's when the number of RCF -- customers using RCF will begin to decline over what it would have been had there been no portability I guess is what I'm trying to say.

Q Well I'm pursuing here the window of time that an ALEC would have to port, using RCF, a number back to -- not back to; we will get to that in a minute -- an ALEC, customer with an ALEC number, to the LEC?

A It would be during that two-year period, between October -- between now and December of '88.

Q Would you agree that the majority of customers that an ALEC will gather during that two-year period will be from existing customers of the LEC?

A No. The majority --

Q Why would you not agree with that?

A Because I believe that another very important -- important part of the ALEC's entry strategy is to induce customers to establish new service, to use the ALEC for new services as opposed to turning over all of their existing service.

This was certainly true in long distance entry. For many customers it was easier to initially get them to give you some new application, to sell them on new applications, they can try you out, see how your service works, and they don't give up their existing service at the same time.

MS. McMILLIN: Were you through with your answer?

BY MR. ALEXANDER:

Q Are you referring to changing service, but keeping the same telephone number as a customer switches from one company to another?

A I'm saying that ALECs will both attract some customers' existing service, and those customers would probably want to keep their phone number. And those customers would be ported. And there will be other sales that we make, which would be new application sales.

I'm saying that our customer base will be -- a service we provide would be a combination of ported customers keeping a number for an existing service that they had, and

customers for which we are providing them with a new application in addition to existing service they may have with the incumbent LEC.

Q Which of those two categories do you see MCI garnering most customers from?

A I can't say. It will be both.

Q Would you agree that most customers -- I will ask the question again -- will be from the first category; that is, existing customers of an incumbent LEC that wants to retain its telephone number and switch to the ALEC?

A I think you're asking me if it's, you know, greater than 50 percent, and I'm just not able to make that prediction.

Q So if you're not able to make that prediction, you're not sure whether it's even going to be greater than 50 percent, remote call forwarding and interim number portability is not that important; is it?

A Absolutely important.

Q It's not as important if the majority of the customers are being ported to you from an existing incumbent LEC and wanted to retain their telephone numbers; is that correct?

A It's extremely important, because it is critical that we be able to offer both existing customers with existing service an ability to come and take our service with their existing phone numbers, and the ability to offer customers new

applications. They're both very important.

And I can't -- I can't weigh the relative value. They are both critical.

Q The only time that the ALEC will incur an expense, if you will, for porting to remote call forwarding a number to the incumbent LEC is if you got a new customer and assigned them an ALEC number; is that correct?

A Correct.

Q And you cannot tell us what MCI believes will be the percentage of customers over the next 24 months that will fit in that category as opposed to those that are switching from an incumbent LEC?

A I cannot tell you the percentage. I can tell you that it is -- I know it to be a significant part of our business plan. And it --

Q To go out and assign customers new telephone numbers?

A Correct.

Q Why is that?

A Because we need the ability to attract customers' new business; business expansion, a second line, a fax line, a, you know, expected growth in existing service. We need the ability -- and, again, I refer to our experience in entering the long distance market, that we pursued simultaneously and aggressively both attracting customers to switch their existing

long distance service to MCI, all of it if we can get it, but if we can't, bring us your new service.

You know, we sell them on why they need additional long distance service, or in this case existing -- I mean additional local service for a fax line, for a, you know, home computer line, for an expected growth for a new satellite office. I mean there are many ways in which you try and induce a customer to give you some of your service if you can't have it all.

Q Look at page nine, line 14 and 15 of your direct testimony. Read that. It actually goes through 16. Would you read that please.

A (witness complies) This is starting at page -- I'm sorry, line 14?

Q Actually line 14, the sentence that begins with, in this case.

A (pause).

Q Out loud please.

A I want to read the line ahead of it if I could so I know what I'm reading.

Q You can.

A In this case most of the customers who port their number will port away from the incumbent LEC with a smaller number porting away from the new entrant.

Q And doesn't the FCC also conclude in its July 2nd

order that most of the customers using RCF as an interim number portability would be porting away from a LEC to an ALEC?

A Yes. In the aggregate that's true.

Q So most of the costs incurred are going to be upon the incumbent LEC for porting RCF; isn't that correct?

A Most of the aggregate costs will be incurred by the incumbent LEC. They have most of the customers.

Q You keep saying that, Ms. Kistner. Is a dollar not a dollar? You want to compare it to $1,000 versus $100. But a dollar is a dollar; isn't it?

A Absolutely.

Q There are expenses associated with performing remote call forwarding, and in fact you listed on page 11 some of the categories of costs that the FCC noted. In fact on page 11 there are three different types of switching costs that are -- some transport costs, as well as remote tandem in-office switching costs; is that correct?

A Yes.

Q Has MCI done a cost study to determine what those costs are?

A For MCI?

Q For MCI or for BellSouth in this instance.

A I would certainly never, nor would we ever have the ability to determine BellSouth's costs for those. And we have not conducted a study of our own either.

Q You don't think it's important for the Florida Public Service Commission to know the true cost of both the incumbent LEC and the ALEC?

A I certainly agree that it's important for them to know the costs of the incumbent LEC.

Q Why don't you think it's important for them to know the costs of the ALEC, particularly if they're going to be porting numbers in the percentages that you seem to indicate? You couldn't agree to even a 50-percent difference.

A I believe that the ALEC is not asking for a particular cost recovery method other than that each carrier bear their own. So for that reason it's not important for the -- I'm not recommending that the Commission look at our cost of providing it. We're going to provide RCF.

Q Is MCI prepared --

MS. McMILLIN: Let me make sure that she was through with her answer.

BY MR. ALEXANDER:

Q If you're not through, please complete it.

A I was going to go on to say that -- to the extent though that the Commission is going to -- if the Commission were to require some allocation scheme, then it would be important for the Commission to include ALEC cost in its calculation. Although it could do that in the -- in developing a total cost, it might be possible to do that through using a

surrogate of incumbent LEC costs if they chose.

Q Do you have any basis to know whether or not the cost that MCI's alternative LEC would incur for RCF would be similar enough that you could use the current incumbent LEC's cost as a surrogate?

A The reason I said that was that, again, given the total cost of RCF, because most in the aggregate of the porting would be from the incumbent LEC the -- you know, whether my actual number was, you know, one number versus some other slightly different number, it's not going to change the size of the total -- the total pool of cost very much, because I'm small. That's why I said the actual number was relatively insignificant to the overall.

Q But you agreed earlier, a dollar is a dollar. You're saying it's relatively insignificant when you compare it to a larger base.

A I'm saying that the addition of my cost as a specific cost versus as a surrogate cost would not change the relative size of the pool. And I say relative to the number of customers that it is spread out over.

And, again, I am recommending, and I believe that the appropriate way to view the cost is relative to the number of customers served by a carrier.

Q Okay. You also recommended that if a cost study were to be done, it would be done. And I believe you coined it

as a short-term incremental cost study?

A Yes.

Q What would you include in that cost study, and how short of a term are you referring to?

A The term is through December of '98. And the items included would be those costs that are incurred only because of the provision of interim number portability mechanisms.

Q And such a cost study would not capture to long-term obviously, nor would it capture any overhead costs; is that correct?

A Correct.

Q And who would pay those costs? You do agree that there are costs -- overhead costs for operating the network; don't you?

A Yes.

Q Who would be paying for those costs under that proposal?

A They're being -- they're being paid for today.

Q So you're asking MCI --

A I'm saying the provision of interim number portability would not increase -- to the extent that they do not increase those overhead costs, you would not allocate a portion of them to this particular routing function.

Q So in essence MCI is asking that the ILECs' existing customers pay for a part of the network that is

currently existing so that new entrants such as MCI Metro can get in local competition; is that correct?

A No, it's not.

Q You're not willing to pay for the administrative costs of those included in the short-term incremental cost study that you have setting up the call from remote call forwarding?

A If there are administrative costs that could be identified as being truly incremental to the provision of interim number portability, then those costs should be included too. Keep in mind that the -- the alternative LEC, the new entrant, will also be providing similar functionality to the incumbent LEC and other ALECs.

Q On a question from Mr. Cox of the Staff you indicated there were a couple of problems with the current Florida Public Service Commission interim number portability order. And one of those was you said the rates were set above cost and not at cost; do you remember that?

A Yes.

Q Are you familiar with Florida Statute 364.16(4) that requires that temporary interim number portability rates or prices be set not below cost?

A I'm aware of the provision that you're talking about. But I also believe that the one way in which that provision can be met is through an exchange in kind of the --

of the functionality from one carrier to the other and vice versa, just as similar provisions written for interconnection was interpreted by the Commission to mean that mutual traffic exchange would satisfy a similar provision.

Q Well the costs are not balanced unless you put that caveat on there that you look at it in a pro rata position. So if the majority of calls that are being ported through RCF are from the incumbent LEC rather than the ALEX, alternative LEC, you still believe that that would comply with the Florida statute that the rates not be below costs?

A Again, given that the proportionality of the customers I believe that there is, and the fact that there are costs being incurred by all porting carriers, both to port and to receive ported numbers, that by providing those to each other carriers are in essence recovering -- recovering their costs of providing that.

Q In real dollars, Ms. Kistner, is that taking place, not in comparison to customer base of the ALEC or the ILEC?

A I haven't seen -- I haven't seen any study that accurately depicts real dollar costs incurred by incumbent LECs in providing remote call forwarding. So until such a study were provided and until there is an attempt to calculate similar costs incurred by all carriers for both porting and receiving porting numbers I don't think you can say with a certainty.

Q You weren't involved in this same docket, a hearing that took place in October 1995?

A I was not involved at that time, no.

Q So when you say you haven't seen incumbent LEC cost studies, it's because you weren't involved? Are you aware there were cost studies filed by BellSouth, Sprint United, GTE Florida in this docket a year ago?

A Yes. I'm aware that I believe they were total service long run incremental cost.

Q You just disagree with the costing methodology is what you're saying?

A For this particular purpose, yes.

Q Let me just give you an example, just make it as simple as I can. Say six months into 1997, at the end of June, MCI Metro I would assume is going to be competing as a local exchange carrier. They have 1,000 customers, all of whom came from BellSouth's territory and were existing BellSouth customers, and all of whom are getting their service as a result of remote call forwarding, so they won't all keep their telephone numbers. And during that same six months BellSouth, through aggressive marketing, went back and was able to get 100 back.

So at that point who is incurring RCF charges? MCI at the end of that time period retained 900 out of that 1,000 that they were able to get. Is BellSouth incurring all of the

expenses for porting numbers on an interim basis through RCF?

A You are incurring the cost of porting those 900 customers.

Q And as to the 100 customers --

A There is no costs associated with those customers, because they're not being ported anymore.

Q That was my point. Under that scenario BellSouth has incurred all of the costs, and MCI Metro has incurred none of the costs for porting through RCF?

A You set up a scenario in which the only porting was being done by BellSouth, and you made as a condition of your hypothetical that MCI Metro was not providing any portability of their numbers to any other carrier. I believe that is a completely -- is an impossible hypothetical --

Q You believe in the first six months --

MS. McMILLIN: Let her finish her answer, because she was in the middle of answering it.

BY MR. ALEXANDER:

Q I thought she was.

A No, I wasn't.

Q If you weren't, you can finish.

A Thank you. In that scenario you have denied the possibility of MCI Metro establishing service for any customer within an NXX belonging to MCI -- with a number belonging to MCI Metro and that such a customer would then port.

And I would not accept as valid any hypothetical that included that assumption.

Q Well I asked you and tried earlier during my cross examination to get from you some realistic estimate of how many numbers of customers MCI expected percentage-wise to gain using assigning a new number, that they would not want to retain their existing number. And I was unable to get that is the reason I set the hypothetical up like that.

If you are suggesting that you can now tell us some percentage of customers that MCI may have where they have assigned a new telephone number to that customer, then we can certainly plug that into the hypothetical.

MS. McMILLIN: I think the question has been -- we've already gone over that ground. I mean if you want to -- I think she's answered as best she can.

MR. ALEXANDER: I agree. But I'm trying to give her the opportunity -- since she raised that as an impossible hypothetical, I'm giving her the chance now to give us that possibility.

A May I just say that, absent a projection by me of what relative percentage of our service will be provided to customers who have an RCF number versus a newly assigned number, that absent that projection that you must necessarily assume then that 100 percent of our business will be by customers that port numbers via RCF to me is illogical, given

that I am telling you that an important part of our marketing effort will be directed to establishing new service with customers.

That's why we are asking for NXXs to be assigned to each rate center we intend to serve. The absence of a marketing projection by me cannot -- I believe cannot be fairly interpreted to mean that we will have none.

Q Okay. We will move on to another area, short-term incremental costs. Does either the FCC July 2nd order on number portability or the August 8th interconnection order suggest using short-term incremental cost as the appropriate methodology to determine an incumbent LEC's costs?

A I think in the FCC's number portability order they describe that they expect the cost of interim number portability to be extremely small because RCF is already being provided as a retail service, and thus the incremental cost for providing it for interim portability purposes would be very small.

That to me, although not explicit, is an implicit indication that they would not expect total service cost to be used as a basis for determining the cost of the service, of the routing of this -- of the routing mechanism.

Q You went over several types of interim number portability solutions that you think are available or should be made available. In your testimony you asked that, for example,

direct inward dialing be added at this time.

Let me go over the list again, but I think you gave these to Mr. Cox: Remote call forwarding, direct inward dialing, flexible direct inward dialing, LERG reassignment and a route or hub indexing. Is that pretty much the list you gave earlier to that?

A That was a list of possible mechanisms that could be used to provide interim number portability.

Q When MCI goes in the local business here -- it may already be in business, but I think you said earlier you were unaware whether they had any RCF ported numbers; is that correct?

A Correct.

Q When they go into business here and start porting numbers, is MCI prepared to offer all types of these interim number portability solutions?

A I'm not aware of our plans beyond RCF at this time. I would expect that MCI though would offer any type of portability that it received and that all carriers would endeavor to -- would provide what is technically feasible and appropriate, given a particular customer situation.

And I think especially in the event that carriers are carrying their own costs of providing portability, they will be incented to provide whichever method of portability is most efficient technologically and economically.

Q Would you agree then that it would be appropriate for MCI not to request that BellSouth provide something other than RCF, such as DID, until MCI is able to provide that back?

A I think that the decision to provide DID, for example -- and, again, especially in the event that each carrier is covering their own cost of providing portability to other carriers, that if, for example, MCI had won a customer, particularly large customer with single number, but a lot of telephone numbers behind that, a CENTREX type customer with a single published number but a lot of numbers behind it, that it might be more efficient and economic for BellSouth to provide that via DID, and that BellSouth and MCI might discuss that and decide -- mutually agree that it was in both their interests for that customer to receive RCF via DID.

I don't know why BellSouth -- if BellSouth said, well but I'm not going to do what's best for me unless you also provide DID to me, that to me wouldn't be a very economic or efficient decision on BellSouth's part.

Q You're also proposing -- are you not, Ms. Kistner? -- that the cost recovery for interim number portability be limited to just incumbent LECs or alternative LECs?

A That the cost recovery for interim number portability be among the carriers that are using these interim number portability measures.

Q Looking at the bottom of page four, line 25, you're

referring to all local telecommunications carriers will participate.

A (examining document) I'm sorry. You said the bottom of page four, line 25?

Q Yes, yes, you're talking about in general who is the cost causer.

A Correct.

Q It's competition and all local telecommunications carriers will participate. Do you know whether or not the act in particular, section 251E2 limits it to just local telecommunications carriers for cost recovery?

A It doesn't -- I don't believe that section of the order --

Q I'm referring to the act.

A I'm sorry. I don't believe that that section of the act specifies one way or another the -- which carriers will participate -- which carriers participate so much that it says that those carriers participating, that it be -- that those costs be apportioned on a competitively neutral basis.

Q Are you saying that the act specifies that only carriers that participate in number portability should be required to pay for number portability?

A No, I don't think it specifies that. But I think in a practical way that's what will happen and what should happen. I think in the case of long-term number portability,

that will in fact be virtually all telecommunications carriers across all spectrums of service provision, because under long-term portability, all call handling will be affected by long-term portability.

And when that time comes, I think it's -- as a practical matter, and as a good public policy matter, those costs should be borne by all those carriers. I don't see a need for a policy reason to at this time create, inaugurate some kind of cost recovery mechanism that would take this relatively small amount of costs and find some way to apportion them across the state of Florida. I think that would be hugely impractical and more costly and complicated to administer than is necessary or desirable.

I think so long as the costs -- that the allocation of the costs don't competitively disadvantage any one carrier, vis-a-vis its competitor, then the provisions of the act will have been met.

Q Have you completed?

A Yes.

Q I didn't want to interrupt you. Do you know anywhere in the act, in particular section 251(e)(2), that says that the costs are to be borne by less than all telecommunications carriers?

A The provision of the act says that costs of number portability shall be borne by all telecommunications carriers

on a competitively neutral basis.

Q Okay. Do you know anywhere in the act -- that particular section 251E2 that you just recited very well -- limits it to a distinction that you made earlier in an answer as between interim and permanent costs?

A No, I don't believe it does.

Q Do you know that some carriers argue that that provision relates only to permanent number portability costs?

A Yes. I'm aware of that. I believe BellSouth is one such carrier.

Q And have you seen any reference in that section of the act that says that it relates to interim number portability?

A Yes.

Q Where does it say temporary or interim number portability in section 251E2?

A I believe the term "number portability" in that section 251E2 refers to whatever method of number portability is technically feasible to provide. At this time that would be interim number portability. Later on it will be data-based number portability. And at some point ten years down the road it may be yet some other way.

Q Yet you would carve out -- you're saying it's going to apply to interim number portability, yet you want it to apply to less than all carriers; is that MCI's interpretation

of the act?

A Excuse me. Are you -- I believe you're asking me whether or not I am interpreting the act to create a difference for interim number portability cost recovery versus long-term portability?

Q Well I'm asking you --

A I'm sorry.

Q You just said you thought 251E2 applied to interim number portability cost recovery?

A Yes.

Q And you've cited earlier that costs shall be borne by all telecommunications carriers. I'm asking you now if you would like to read or interpret that section to say that those costs should be borne by less than all, in other words only those that are participating in local exchange porting numbers; is that correct?

A That's not correct. I believe that the -- first of all, as I've said several times, the act -- I believe the act says just what it says, all telecommunications carriers on a competitively neutral basis. It doesn't -- that you cannot break off pieces of that and read them as stand-alone phrases, that there is a full sentence, and you read the full sentence as a full sentence.

As a result, when you read that, my interpretation is that the critical judgment being made by Congress is that

costs be borne on a competitively neutral basis and that carriers not be competitively advantaged or disadvantaged as a result of the costs of number portability.

From a practical -- I think obviously long-term portability is long-term. It will be with us for a long time. And there is a mechanism that the FCC, and probably in conjunction with the states, will set up for recovery of those costs. Being debated right now, what is the best way to do that. I can tell you MCI's recommendation on how that be done.

But I think no matter how you look at it, and under any of the proposals you have a situation where in fact all telecommunications carriers, and then others as well, billing -- billing entities, other parties like that, may -- will bear a portion of the costs of long-term number portability.

Interim number portability, because of its -- because of its interim nature, it would seem to be impractical to create a system just for the recovery of interim number portability costs. It could be more expensive than the costs themselves.

If there were a way to include both interim and long-term number portability costs in the same cost recovery methodology, that would fit the terms. That would fit the provisions of the act.

In the event that there needs to be some immediate need to recover interim number portability costs, an allocation method, I believe that the act is satisfied by having carriers that are participating in it absorb their cost of doing so, because in that way it will be competitively neutral, vis-a-vis each other.

Q In the interest of time I'm going to try to go to two last areas --

A Okay.

Q -- and see if we can't wrap this up. You mentioned the interim agreement or partial agreement that BellSouth and MCI have entered into. Isn't the price for interim number portability agreed upon between BellSouth and MCI in that agreement?

A It was agreed upon subject to a future order by the FCC that could change that. And the agreement then provided that in the event that there was a change as a result of an FCC order, that the parties would renegotiate that amount and that the renegotiated amount would apply as of the date of the FCC order.

That provision was not limited to number portability, so it's applicable to all provisions and rates established in the agreement.

Q As the agreement between BellSouth and MCI exists today, there is a price to be charged by BellSouth to MCI for

performing remote call forwarding for interim number portability; is that correct?

A You might be getting into semantics, or maybe this is a legal issue as to whether or not that -- under the contract, since there has been an FCC order which has changed, has required something other than what's in that contract or not, you would have to ask a lawyer whether or not those prices then are in fact in effect.

Q Let me ask it a different way, and I will come back to that point. In the agreement between BellSouth and MCI there was a price to be charged between the two companies for performing remote call forwarding for number portability; is that correct?

A Again, there was a price established subject to change by future FCC orders.

Q Can you cite to me the provision that says that it's subject to change of future FCC orders?

A If you will let me get my copy out I could.

Q You can. While you're doing that I will, in the interest of time, ask you another question.

A Okay.

Q When you find it, would you look and see if that provision does not state that it is a final order or a regulatory action that's being referenced there?

MS. McMILLIN: While she's looking, do you have a

copy handy?

MR. ALEXANDER: I do not.

MS. McMILLIN: I guess my question goes to, whoever can find it first, she can look at it.

MR. ALEXANDER: I didn't know she needed to look at it or I would have brought one.

MS. McMILLIN: Okay.

A Section 1B of the agreement states that the parties agree that, one, if the Federal Communications Commission, FCC, or state public utilities commission or other state or local body having jurisdiction over the subject matter of this agreement finds that the terms of this agreement are inconsistent in one or more material respects with any of its or their respective decisions, rules or regulations promulgated, or, two, if the FCC or state authority preempts the effect of this agreement, then in the event of the occurrence of one or two, which occurrence is final and no longer subject to administrative or judicial review, the parties shall immediately commence good faith negotiations to conform this agreement with any such decision, rule, regulation or preemption. Revised agreements shall have an effective date that coincides with the effective date of the original FCC or state authority's action giving rise to such negotiations.

Q Do you know if the FCC order on number portability is final and not subject to further administrative review?

A The order is final. It is a -- petitions for reconsideration are being considered at this time.

Q The FCC could alter its decision as a result of those petitions for reconsideration; is that not correct?

A True. And given that, perhaps in the interest of time, having read that, I believe then that the -- again, subject to clarification by our attorney -- that that would appear to mean that for now that rate would be in effect subject to the conclusion of the FCC's provision.

In the event that they did not reconsider their decision, then the agreement would result in us renegotiating that amount, and that amount would be whatever the new allocation method of cost would be, would be applicable back to the date of the FCC order.

Q Okay. That's accurate. With regard to going back and charging and giving -- retroactively making an impact on the provision of interim number portability through RCF, did the FCC suggest that any party should give refunds based on its order?

A Subject to check I don't think it addressed it one way or another.

Q Would -- today would MCI be entitled to any refunds?

A Based on this agreement negotiated by MCI and BellSouth it would suggest that --

Q Here in Florida.

A Oh, excuse me. If we have not ordered any remote call forwarding as of today, then as of today we would not be entitled to any refund.

MR. ALEXANDER: Ms. Kistner, thank you very much.

MS. McMILLIN: I have no questions.

MR. COX: Any questions on the line?

(no response).

MR. COX: That concludes the deposition.

(The deposition was concluded at 1:15 p.m.)

CERTIFICATE OF DEPONENT

This is to certify that I, ELIZABETH KISTNER, have read the foregoing transcription of my testimony, pages 1 through 99, given on November 14, 1996 in Docket No. 950737, and find the same to be true and correct, with the exceptions, and/or corrections, if any, as shown on the errata sheet attached hereto.

_____

ELIZABETH KISTNER

Sworn to and subscribed before me this

_____ day of_____ , 19____

_____

NOTARY PUBLIC

State of_____

My Commission Expires:

F L O R I D A)
COUNTY OF LEON)

CERTIFICATE OF OATH

I, the undersigned authority, certify that ELIZABETH KISTNER personally appeared before me and was duly sworn.

WITNESS my hand and official seal this 19th day of November, 1996.

Sarah B. Gilroy

SARAH B. GILROY
Notary Public - State of Florida

STATE OF FLORIDA) CERTIFICATE OF REPORTER

COUNTY OF LEON)

I, SARAH B. GILROY, Registered Professional Reporter,

DO HEREBY CERTIFY that I was authorized to and did stenographically report the foregoing deposition of ELIZABETH KISTNER.

I FURTHER CERTIFY that this transcript, consisting of 99 pages, constitutes a true record of the testimony given by the witness.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties, nor attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 19th day of November, 1996.

Sarah B. Gilroy

SARAH B. GILROY, CP/RPR

EXHIBIT NO. _____

DOCKET NO: 950737-TP

WITNESS: F. BEN POAG

PARTY: SPRINT UNITED/CENTEL

DESCRIPTION:

NOVEMBER 15, 1996 DEPOSITION
TRANSCRIPT AND LATE FILED DEPOSITION
EXHIBIT NO. 3

PROFFERING PARTY: STAFF

I.D. # FBP-2

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950737 EXHIBIT NO. 8
COMPANY/
WITNESS: BELL SOUTH / POAG
DATE: 11/25/96

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 FILED: November 7, 1996

DEPOSITION OF:	BEN POAG
TAKEN AT THE INSTANCE OF:	The Staff of the Florida Public Service Commission
CONDUCTED FROM:	Gunter Building 2540 Shumard Oak Boulevard Room 362 Tallahassee, Florida
TIME:	Commenced at 10:05 a.m. Concluded at 11:35 a.m.
DATE:	Friday, November 15, 1996
REPORTED BY:	RAY D. CONVERY Court Reporter and Notary Public (904) 224-0722

ORIGINAL

BUREAU OF REPORTING
RECEIVED 11-20-96

APPEARANCES:

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(continued)

APPEARANCES:

(continued)

NORMAN H. HORTON, JR., and GWEN JACOBS, Messer, Vickers, Caparello, Madsen, Goldman & Metz, P.A., Post Office Box 1876, Tallahassee, Florida, 32302, (904) 222-0720, appearing on behalf of AT&T Wireless Services of Florida, Inc.

JILL BUTLER, Digital Media Partners/Time Warner Communications, 2773 Red Maple Ridge, Tallahassee, Florida, 32301, appearing on behalf of Time Warner Communications.

ALSO PRESENT:

PAUL McDANIEL, Director of Regulatory Accounting, Time-Warner Communications, 160 Inverness Drive, Englewood, Colorado, 80112.

I N D E X

ITEM	PAGE NO.
STIPULATION	5
ERRATA SHEET	57
AFFIDAVIT OF DEPONENT	58
CERTIFICATE OF REPORTER	59

WITNESS

NAME	PAGE NO.
BEN POAG	
Examination by Mr. Cox	7
Examination by Mr. Rindler	36
Examination by Mr. Alexander	47

E X H I B I T S

NUMBER	PAGE NO.
Late-filed Exhibit 1	15
Late-filed Exhibit 2	22
Late-filed Exhibit 3	29

S T I P U L A T I O N

IT IS STIPULATED that this deposition was taken pursuant to notice in accordance with the applicable Florida Rules of Civil Procedure; that objections, except as to the form of the question, are reserved until hearing in this cause; and that reading and signing was not waived.

IT IS ALSO STIPULATED that any off-the-record conversations are with the consent of the deponent.

D E P O S I T I O N

MR. COX: This is Will Cox and Monica Barone appearing for staff.

MR. WAHLEN: I'm Jeff Wahlen of the Ausley & McMullen law firm in Tallahassee, appearing on behalf of Sprint.

MR. ALEXANDER: Tom Alexander and I'm in Atlanta, Georgia. I'm representing BellSouth Telecommunications, Incorporated.

MR. RINDLER: Rich Rindler, Swidler & Berlin in Washington, D.C., representing MFS Communications Company.

MS. McMILLIN: Martha McMillin in Atlanta, representing MCI Telecommunications Corporation and MCI Metro.

MR. HORTON: Norman H. Horton, Jr., and Gwen Jacobs of the Messer, Caparello law firm, on behalf of AT&T Wireless Services of Florida, Inc.

MR. COX: Is there anyone else in on the line?

MR. McDANIEL: Well, I'm here, Will, but I'm just present.

MS. McMILLIN: Who's that?

MR. COX: This is Paul McDaniel. I'm not an attorney, so aren't we just present?

MS. McMILLIN: That's correct. I just didn't

know who that voice was.

MR. McDANIEL: I say also present as opposed to doing something useful.

MR. COX: Does everyone here and everyone on line agree to the usual stipulations?

MR. WAHLEN: Yes.

MS. McMILLIN: Yes.

Whereupon,

BEN POAG

was called as a witness, having been first duly sworn to speak the truth, the whole truth, and nothing but the truth, was examined and testified as follows:

EXAMINATION

BY MR. POAG:

Q Mr. Poag, would you state your name for the record?

A Ben Poag.

Q Where are you presently employed?

A I'm employed with United Telephone Company, representing Sprint and Centel in this proceeding.

Q Okay. Staff has several questions regarding your direct testimony prefiled in this docket. On page 3, line 7, you state that the FCC order uses the term, "all telecommunications carriers."

Which carriers do you believe the temporary number

portability cost recovery mechanism should apply to for purposes of this proceeding? If you could, touch on all the carriers that I'm going to list: LECs, IXCs, ALECs, CRMS, AAV and STS. I'll repeat that. That's LECs, IXCs, ALECs, CMRS, AAV and STS.

A And that was which ones should the cost recovery apply to?

Q Yes, the cost recovery mechanism.

A Yes. Under Sprint's proposal, it would apply to all or none, and the basic underlying rationale is that it would only apply to those who in fact subscribe to number portability service for their customers, so if any of these are operating as a competitive local exchange company, providing local service -- and this would be specific to, you know, provisioning local service, then they would, you know, pay based on Sprint's plan for that based on approximately 50 percent of the cost or Sprint's cost.

MR. COX: Could we go off the record for a second?

(Whereupon, a discussion was had off the record.)

MR. COX: Back on the record.

BY MR. COX:

Q So, are all telecommunications carriers, as defined by the Act and the FCC order, assigned telephone numbers that will be assigned to end users by that

carrier?

A I'm not sure I understand that question.

Q All right, let me rephrase that.

Will all the telecommunications carriers, the ones I've just mentioned, would they be assigned telephone numbers that would be assigned to end users by a given carrier?

A I think the answer with regard to number portability is yes, and the reason I say that is that if they are providing, you know, basic local service, then they're going to have to have an NXX which would be operative out of their switch, okay. Therefore, when they sign a customer up who had been, for example, a former customer of Sprint, then they would forward that customer or we would forward that customer's, as I say, telephone number to the CLEC switch to a designated number operating off of that switch. So I think I -- I hope I'm answering your question.

I guess the question is would they have numbers assigned to them, and I think generally yes, and I say generally because if they don't have a switch and they operate as a reseller or something else, then that would not necessarily apply, and by the same token, I don't believe that they would be using number portability in that situation either.

Q So it would be just -- if I'm understanding you correctly, just the ILECs and the CLECs or the ALECs and not IXCs?

A To the best of my knowledge, yes. I do not believe an IXC would use number portability unless they were operating as a CLEC.

Q The next question is again on page 3, and it refers to line 15 of your direct testimony. You mentioned the term, "among relevant carriers."

A Yes.

Q What do you believe this term means? Who is this identifying?

A In my mind, it means those that are involved in the use of the interim number portability and are some of the cost causers.

Q Could you be a little more explicit what you mean by cost causers?

A Yes. Any time that someone elects to subscribe to the interim number portability capability, then they would be causing costs to be generated and --

Q Okay. And who are the primary cost causers in this situation, number portability?

A It would be the CLECs or those certificated as CLECs, and to some extent, not as large an extent, the local incumbent exchange telephone companies if they, in

fact, get number portability from a CLEC, if they take back a customer from a CLEC.

Q Could you specifically identify the costs for -- in your best estimation, for the ILEC and then for the CLEC?

A Well, I provided the cost in my testimony for Sprint. That was Exhibit FBP-1.

Q I guess what I'm asking is, what are the specific elements, if you would, that would result in these costs?

What would be the cost producers for the ALEC and for the ILEC?

A Okay. I'm going to give -- basically I'm going to give you the costs that we included in our study, okay, then I'll talk about some other costs that are not included.

Q Okay.

A The costs that we included in our study include the use of the processor in the switch, the use of the memory in the switch and the line cards that are necessary in some switches to make this feature work, okay? So those are basically the three costs that we were using and including, and these are all usage type-related costs, okay, except for the line card. The line card is a fixed cost.

What this does not include is it does not include

anything associated with billing for the service. It does not include in this particular case any transport costs, because there are transport costs that are required to route that forwarded call over to the CLEC. It doesn't include any software costs. Although we had to purchase software to provide this service, that is not included in the cost that Sprint has used.

Now, it's arguable that you could include these, and if you look at the FCC order, Paragraph 129, it discusses some of these costs specifically, I believe the transport costs. So what we have produced is a very conservative estimate of the costs, and it's really only the very direct costs associated with provisioning that service. It includes no shared costs, no overhead costs; and, in fact, you could argue that the transport -- and I would argue that the transport is a direct cost, but that also was not included in the study that we produced.

So I guess what I'm saying is, we produced a very conservative number for our cost study, and that we're proposing that the CLECs get a 50 percent -- excuse me -- a 55 percent discount off of that, so if you look at it in total, it's really probably the company's absorbing a much larger proportion of the cost than we're asking the CLEC to pay.

Q You were mentioning that some of the elements of

the costs were not identified in this study.

A Yes.

Q Did you -- in what you just said, did you identify those?

A Yes, for --

Q Those were all the additional costs.

A Well, shared and common are really more difficult to identify, but there are those costs that are in there I have not quantified or identified those. That's part of the difficulty in doing studies. Some of these things are a little bit elusive and they've spent an awful lot of time trying to do the studies that you need to quantify the data, so -- and unless you see that these are, you know, major drivers, sometimes you just don't put them in.

Q Do you feel there is any way that those could be identified for purposes of a cost study?

A Let me give you an example, okay, transport. The problem with identifying transport is it depends on, you know, where the remote call forwarding is located and how it routes to the CLEC, and it depends on where in my service territory they order it, but effectively, in the normal completion of a call, that call would be, for example, within the same end office, okay, but the minute that I forward that call to the CLEC, it goes -- and it goes -- it does the intraoffice translation and says,

"Well, that call was staying in this office at one time, but now it's being forwarded to a CLEC." So it has to go from that end office to the access tandem, or wherever the CLEC is interconnected, and that's part of the problem. We don't know where the CLEC is interconnected, okay, but it goes from that office either to another office or to the access tandem, and from the access tandem over the interconnection facility to the CLEC, and those are some of the costs that are not included in there.

If it's a situation where it would have gone from one central office in my service territory to another central office in my service territory, then it would still make that routing decision to go to that other central office, recognize it as call-forwarded, and from there again it would either go to the interconnection end office or it would go to the access tandem, and that's where you run into the complications of saying, you know, well, how many of these calls would be from this end office, how many would be from this end office, how many calls were there, how many minutes of use were there, those kinds of issues.

Q Would it be feasible to make projections of those types of costs?

A Yes.

Q Have at any time you performed any types of cost studies like these in the past for these types of costs?

A For other types of services?
Q Right, for these types of costs.
A I'm sure we have, but I don't specifically recall.
Q I guess specifically what we want to know is if you performed the types of costs that you were just discussing, these other costs that aren't included for RCF.
MS. BARONE: Could we go off the record for a second?
(Whereupon, a discussion was had off the record.)
THE WITNESS: We had done an attempt to identify transport, and I cannot remember whether we -- well, I think -- yes, I think we filed that study in the original proceeding that had made an attempt at identifying transport. I think that study did include transport, but it did not include any of the other items that we talked about.
BY MR. COX:
Q Could you provide that to staff as a late-filed exhibit?
A Yes.
Q Thank you.
MR. COX: That will be identified as Late Exhibit No. 1, a cost study for RCF.
(Late-filed Exhibit No. 1 identified.)
/ / / / /

BY MR. COX:

Q The next question refers to page 5 of your direct testimony, line 19. On line 19 on page 5 you state that your proposal -- page 5, line 19, you state that your proposal results in an approximately equal sharing of the cost of interim number portability by the ILEC and the CLEC, and I think we've discussed this earlier, but in your opinion, just so I understand this correctly, these would be the only carriers that are required to recover some of the costs of interim number portability?

A Well, I think "required" would be an interpretation, okay, and I guess my position is that I -- I'm hesitating here because there may be somebody other than a CLEC who would use interim number portability, so I think my answer is, if they're involved in using the interim number portability services, then I think they should be involved in the cost recovery as we have proposed, okay.

Now, I used CLEC because I think that covers most everybody.

Q Could you identify any of those other parties who might be included?

A I think potentially you could have wireless carriers involved in ordering interim number portability, because they are already have their own NXXs, and if a

customer wanted to disconnect our service and have the calls referred to a wireless number, that could be done.

Q Now, if this is correct that the CLEC and the ILEC would be incurring all of the costs, how does this comply with the FCC order and the Telecommunication Act's requirements to spread the costs of interim number portability across all telecommunications carriers?

A Well, with regard to the FCC's order -- and I thought I made it, you know, very clear in quoting the language from the order that there are several statements in the FCC's order which indicates that the states, you know, may require all telecommunications carriers to share the costs.

Q Where are you referring to in the Act right now?

A Paragraph 130, 130 of the Order, not the Act.

Q Of the Order.

A Yes. Now, I think it is absolutely clear without a doubt in that order that the FCC was not intending to require that it include all telecommunications users. The examples that they provided in the order in fact do not apportion the costs to all telecommunication users. I mean, I'll find that and show you what I'm talking about.

I think the simplest example of that is the -- in Footnote 382, where the charge is based on the number of ported telephone numbers used by the CLEC. So, I mean

that's absolute and conclusive in my mind that the FCC provides an alternative, number one, in the text in paragraph 130, and number two, in the example that's provided here.

Q As I read paragraph 130, it states that Section 251(e)(2) of the Communications Act requires that the costs of providing number portability be borne by all telecommunications carriers. So would you say that these examples of acceptable mechanisms that the FCC gives in the later paragraphs contradict this statement, or would you say it's merely --

A Yes, I -- all -- I'm sitting and I'm just -- as a nonlawyer --

Q Right. I'm not asking for a legal opinion, just your layman's opinion.

A I realize you're not, okay, and clearly there are some people who have disagreed with the FCC with regard to what they've done with regard to what the Act says, and, you know, I don't pretend to get into that argument myself, okay?

All I'm saying is that if the federal agency that has been charged with implementing the Act can make the statements that they can make in here, they must have some basis for making that; but it is abundantly clear that it does not require interim number portability to be spread

over all telecommunications carriers. Now, that is -- again, I'm a nonlawyer, but the words are there.

Q Do you have anywhere else in the Act that you're relying upon for this opinion?

A Yes. I'm glad you asked.

Q The Order. I'm sorry, not the Act, the Order.

A Yes. In 136 of the Order.

Q Yes.

A Yes. I think that the -- just the simple statement at the end where it says, you know, "Finally, we believe that a mechanism that requires each carrier to pay its own cost of currently available number portability measures would also be permissible," okay, if I'm a carrier and I have no number portability costs, then I don't participate in the cost recovery. So that's two examples within paragraph 136 that explicitly do not require recovery from all telecommunications carriers.

Q Okay. Are there any other sections of the Order that you would reference besides this paragraph?

A I guess I'd go back to my testimony and have to remember, you know, some of the points that I made in there, but as I did my testimony, I very explicitly, you know, referenced the FCC's order and the basis for my position on this; and I've just -- I feel very strongly that, you know, what we have proposed here meets all of the

criteria laid out in that order in every manner.

(Ms. Barone leaves the deposition.)

BY MR. COX:

Q The next question refers to page 6 of your direct testimony, and you identify on line 6 of page 6 an additional call path. It's page 6, line 6. You identify an additional call path for residential and business services at 31 cents each.

A Yes, sir.

Q And there's also a ten dollar nonrecurring order charge.

A Yes, sir.

Q Now, are these numbers here in this line, are those referencing costs or rates?

A Though -- the 31 cents, like the other rates that we have proposed --

Q Yes.

A -- are actually less than 50 percent of the cost, okay, so in effect, under our proposal, we're covering a greater share of the cost than we're asking the interim number portability users to pay or to recover.

Q Okay. So these are rates, is that --

A Yes, that's correct, they're rates, and the 31 -- I don't know what the cost is on the order. We haven't had enough -- we don't have any experience with what these

orders are going to look like yet. We really don't know, so the ten dollars was basically an estimate of what we thought it might be.

It's very close to our secondary service order charge that we use today, and in the secondary service order charge, some of the work functions are very similar to what we anticipate the work functions would be with establishing interim number portability. In effect, you've got to issue a service order. You've got to, you know, put a few entries in there. You've got to do some things in the switch. So it's close. It actually may be a little low to the extent that you've got some translations or some switch configurations that have to be done, but we used that as a surrogate, not having a cost number.

Q So you have no definite figures on the actual cost of each, is that --

A For the nonrecurring.

Q But for the 31 cent --

A Yes, that was provided in the -- again, in the exhibit we show how the -- the actual costs that we produced for that was 69 cents, and again, we took and discounted that by 55 percent and proposed a rate of 31 cents.

Q Now, we do have your exhibit, but has Sprint actually provided the supporting cost data for these

numbers?

MR. WAHLEN: It hasn't been requested.

MR. COX: Could staff request those be filed as late-filed Exhibit 2?

THE WITNESS: Yes.

MR. COX: And we'll title that --

MR. WAHLEN: Supporting cost data.

MR. COX: -- supporting cost data for additional call path.

THE WITNESS: Well, the study will include all of that.

MR. COX: Yes. Scratch the "additional call path."

(Late-filed Exhibit No. 2 identified.)

BY MR. COX:

Q Again on page 6, line 19, of your direct testimony, you use the term, "efficiently allocate resources."

A Yes.

Q Could you explain what you mean by that term?

A Yes. What I'm essentially talking about here is that, let's say, for example, each CLEC is -- or interim number portability user isn't responsible for paying the costs of each ported number that they use, okay, then there is no incentive for the CLECs not to use those numbers

regardless of whether there is any real value to the customer to retain that. In fact, I'm sure none of them would do it, but hypothetically, if there were a CLEC that said, "Well, look, it doesn't cost me anything, it's going to cost my competitor money to do this, I'm going to order it every time just so I can drive his costs up," so two things here. Number one is the -- you wouldn't require costs to be incurred where the value is less than the cost, but also, beyond that, you would not have numbering resources utilized inefficiently. So it's kind of like a double-edged sword. It cuts in both directions, two ways in terms of efficiency. It reduces costs and it conserves a scare resource.

Q Various other parties to this proceeding have proposed that carriers recover their own costs of providing interim number portability. What is your opinion of this proposal by the other parties?

A That they each recover their own costs?

Q Yes.

A I disagree with it totally. I think that it's -- it's clearly self-serving, but, you know, our proposal is that, you know, we share this cost approximately equally. We're taking the greater burden of the cost. It conserves resources. It generates efficiency incentives. It also -- it gives -- since we're absorbing a larger proportion of

the cost, it also gives us an incentive to move faster to permanent number portability. So I think it's an inferior plan when compared to our plan. It's substantially inferior for the reasons I've mentioned.

Q When you say the reasons you mentioned --

A Just now.

Q Well, you made a couple of statements I just want to follow up on. One is, how are the -- how is the method that we're discussing self-serving, the method of carriers recovering their own costs?

A Well, the ones that would be using the service the greatest and generating the greatest cost would pay the least, because they wouldn't have very much cost to provide the service.

Q Okay. And who would that be?

A That would be the new entrants.

Q Okay. And you said that Sprint's proposal would provide various efficiency incentives.

A Yes.

Q Could you describe a few of those?

A Well, it's really those same ones that I talked about a minute ago, okay, of not generating costs unnecessarily when the value of the service is below the cost, and also it would -- it would require, again, a situation -- if there's no cost associated with it, you're

going to do it every time, all right, if for no other reason to drive up your competitor's cost, okay.

Now, what this does is it utilizes the numbers faster because that number can't be put back into the pool for reuse, okay, because now it's out there being used for interim number portability; and also you've got this additional switching that is put on the network because of the transport of routing those calls. You've got my investment in the line card, my investment in memory to provide the service, and the other person's not paying for it. So there's no incentive for them to pay for it unless they are responsible for at least a portion of the cost.

Q Let me go to page 8 of your direct testimony. The question is regarding line 8 on page 8. On line 8 you state that it is important to recognize all of the ILEC's costs -- it's important to recognize that all of the ILEC's costs for that particular customer do not go away.

Can you explain what costs will not go away?

A Any of the facilities that can't be reused. An example would be the drop facility from the pedestal to the subscriber's house, okay, so that if we're not providing service, then we would still have that investment in that facility there, so that cost wouldn't go away, okay?

There are other costs. For example, if we're doing the number portability, you know -- well, I guess

that's not -- that's probably not a good example. But any facility I guess that would effectively be stranded and wouldn't go away.

Q When you say, "effectively be stranded," could you explain that a little bit?

A Not reusable.

Q Would the costs that do not go away, would they be due to competition or would they be due to interim number portability?

A They'd be due to competition, but that's not the point that was being made in this section, okay?

Q Also on page 8 in line 11, you state that assuming the new entrant is an efficient competitor, its costs must be at or below the ILEC's costs.

Do you have any specific cost information to support this claim?

A I just -- I think it's an economic truism.

Q Could you explain a little bit how it's an economic truism?

A If there are two competitors in the marketplace and one's costs are greater than the other, and prices, as a result of that, for the more efficient competitor are lower, then the new entrant's not going to be there very long.

By the same token, if I'm entering a market and

I'm not -- as a new entrant, and I'm not going to be as efficient as an existing provider, then why am I even entering that market?

You don't come into a market as a new entrant as a high-cost provider.

Q On page 9, line 7, of your direct testimony, you state that, "Given that this is an interim plan and implementation of permanent number portability is scheduled to begin in October of 1997, the Florida Public Service Commission should approve Sprint's proposed plan."

Could you estimate or state when all of Sprint's offices will by equipped with permanent number portability?

A I do not have that information now.

Q Would you be able to supply that information at a future date to the Commission, before this hearing?

A I don't know whether we have -- I know we're doing some work in that area, and I'm not current -- I don't know whether I can or can't. We can look at it. Stan probably knows more about that than I do.

Q Again, on page 9 of your direct testimony, line 19, you state that there hasn't been a significant amount of ported number activity.

As of this time, to your knowledge, how many requests for port numbers has Sprint received?

A I do not know.

Q Do you know how much Sprint has or will charge other parties for porting numbers? You know how much they will charge, is that correct, Sprint?

A Well, you know, right now we have several contracts with CLECs, and we've also got a tariff for the interim number portability, so it would be, you know, under those existing contracts or tariff that the service is currently being provided.

Q But you have no information as far as any revenues that have come in?

A No, I have none.

Q Could we get a late-filed exhibit follow-up on that information?

A Yes.

MR. WAHLEN: What is it exactly that you want, the amount of revenue that Sprint has received from RCF as an interim number?

MR. COX: Both the amount of numbers ported and the revenues that have been charged for RCF.

MR. WAHLEN: Okay. Okay. I just wanted to understand what we're getting.

MR. COX: And that will be Late-filed Exhibit 3.

MR. WAHLEN: How about RCF experience?

MR. COX: Sprint RCF experience.

MR. WAHLEN: To date.

MR. COX: That's fine, to date.

(Late-filed Exhibit No. 3 identified.)

BY MR. COX:

Q My next question refers to the exhibit attached to your testimony. In Exhibit FBP-1 you provide TSLRIC costs for interim number portability.

A Yes.

Q I think we've discussed this a little bit, by just in summary form, what is the basis for this cost information?

MR. WAHLEN: Do you mean where did they get the information to prepare it or --

BY MR. COX:

Q Yes.

A I'm still -- I guess I'm not real clear. You know, we talked about the memory, the process and the line cards.

Q I guess the question staff has on this issue is whether it came from a specific cost study for purposes of this proceeding or is it from some other studies that Sprint's performed?

A Well -- and it wasn't developed specifically for this proceeding. It was developed generically for interim number portability, okay, and that's why I mentioned earlier that we had filed -- we had done a study in Florida

which included transport, and we had filed that in the original proceeding. Subsequent to that we've had requests in other states, and so a study was done at Corporate using their methodology with Florida-specific inputs to that methodology with regard to the types of offices and those things, but it wasn't done just for the proceeding. It was, as I understand it, done to develop the costs.

Q You mentioned that you used Florida inputs but a corporate methodology.

A Yes.

Q What exactly was that methodology that was used, the corporate methodology?

A Basically it was using the switching cost information system to identify the costs associated with the feature. It looks at the usage of the investment components in the busy hour associated with providing the service. You know, the assumptions are, how much does this service get used in the busy hour, and beyond that, it's a standard study which does the investments associated with the switches which would be used just like for transport or local switching -- excuse me, and when I say transport, I'm talking about in tandem switching or local end office switching.

Q Would you say that this information provided here as an exhibit in this proceeding would be consistent with

the cost data filed in the original Florida proceeding by Sprint on line number portability?

A I don't remember. I think they were fairly consistent, yes.

Q Again, referring to this exhibit, could you explain why a business additional path costs more than a residential additional path?

A Yes, because it's tied to the usage. Business lines have more usage.

Q In the 6 and 10 additional call paths respectively, what is provided with remote call forwarding for residential and for business?

A Okay. With the residence customer, they would actually have a total of seven paths. They would have the telephone number plus the capability. You'd also have the directory listing associated with that, which is another cost, by the way, that wasn't included in the study.

Q Why wasn't the directory listing included in this study?

A Again, it's an issue of identifying the cost, and we really went for the big, you know, the bigger cost items.

Q And for the business? You addressed the residential. And the business?

A In the business case, you would get the basic

service plus ten additional paths, or a total of 11 paths, and yes, I guess when you look at this on a per path basis, for residence you're looking at 6.4 cents per path, and for a business you're looking at 10.5 cents per path, so it's a very nominal number in terms of the service provided.

Q And those would be the costs for each -- for a single additional path for the residential and the business?

A Well, that's the -- that's the average --

Q The average?

A The average.

Q What would be the cost of a single path for either a residential or a business?

A The cost of a single additional path is the number that's shown under additional paths. It's 69 cents, and I might go on to explain why that number is a little bigger than the average that I just gave.

Q Yes.

A And that is the fact that, as you get into larger and larger trunking groups, you get heavier and heavier amounts of traffic, and therefore that drives up the usage and that drives up the investment associated with it.

Q Okay. But you're saying the 69 cents applies to both the residence and the business cases?

A Yes.

Excuse me. It's a weighted cost, okay? All right. The rate that's applicable is 31 cents.

Q Okay. In this exhibit you identify costs only for remote call forwarding. Are there other methods of providing interim number portability in the industry today, to your knowledge?

A Yes.

Q Could you identify some of them?

A DID or flex DIDs, off the top of my head. I think there was another one mentioned. I don't recall exactly what it was.

Q If the Commission were to require DID or another method to be provided for interim number portability, do you believe the cost mechanism developed in this proceeding should apply to all other methods of providing interim number portability?

A If you're talking about Sprint's plan, I would agree that our methodology would be appropriate. If you're talking about other plans, I would strongly disagree, okay. I don't know what these other methodologies will cost, and I don't know how many other ones there are out there, but if you're talking about coming in and saying to the CLEC that we're going to put all this under one roof and it doesn't matter which one you order, the cost is the same, that's totally inappropriate, because some of these

other alternatives can be extremely expensive, and it's just -- from the perspective of saying, you know, you can go out there and you can do whatever you want and you're not going to have to pay for it or you're going to have to pay very little for it, you know, that's totally inappropriate.

Q So the cost recovery mechanism should be specific to the interim number portability solution which is --

A Absolutely, yes.

Q So you would -- from what I understand from what you've just said, you would agree that your proposal would not necessarily be appropriate across the board if the Commission required ILECs to offer other mechanisms to provide interim number portability?

A No. I agree that the methodology that we're proposing whereby the costs would be shared between the -- I use the CLEC and the ILEC, regardless of the methodology, and what I'm driving at here is that if they need a different type of methodology bad enough, then they've got to be willing to pay, you know, a portion of the cost, and if they're willing to pay, you know, a portion of the cost, what I'm saying is I'm willing to absorb that other 55 percent of the cost, but what I don't want them doing is I don't want them paying, you know, five percent or virtually, you know, getting for free and saying, give me

number portability by the most expensive method out there there is to get it. That's blatantly improper, wrong, uneconomically feasible and whatever else I can think of. I'm against that.

Q Staff's last question is, in your opinion does this proceeding affect any negotiated agreements that Sprint may have entered into pursuant to Section 252 of the Act. I'm not asking for a legal opinion, but just in your layman's opinion, do you think that this proceeding would affect any negotiated agreements that Sprint may have entered into pursuant to Section 252 of the Telecommunications Act?

A Agreements that have already been entered into?

Q Yes.

A That would -- in my mind that would depend on how you proceed out of this docket. If I have to tariff it, I would say yes, I think that would impact them, but if it's not tariffed, if it's on a contractual basis and depending on what happens with the most-favored-nations clause, yes. I'm really not sure. I usually like to do better on my legal opinions, but that one's not one I'm really -- don't feel comfortable with.

MR. COX: Okay. Well, that concludes staff's questions.

Why don't we take a ten-minute break and come back

in ten minutes.

(Whereupon, a recess was had in the deposition.)

MR. WAHLEN: Who's next? Anyone else have any questions?

MR. COX: Any follow-up questions?

MS. McMILLIN: This is -- Martha McMillin doesn't have any.

MR. COX: Tom Alexander, Tom, are you there?

UNIDENTIFIED SPEAKER: I don't think he signed back on.

MR. COX: Okay. We're going to have to hold for him then, I guess.

(Whereupon, a pause was had in the deposition.)

MR. COX: Tom, did you have any questions?

MR. ALEXANDER: Yes, I did.

MR. COX: Okay. Well, Richard Rindler is going to ask questions first, and then you'll go second, and I think that's all we have as of right now.

MR. ALEXANDER: Okay.

EXAMINATION

BY MR. RINDLER:

Q Mr. Poag, this is Rich Rindler. I represent MFS Communications Company, Inc. I just have a few follow-up questions.

Who are you testifying on behalf of today?

A United Centel, Sprint.

Q Is that United Centel and Sprint or United Centel/Sprint?

A Let us look at what I said in my testimony, and, Rich, my hesitation there is that I am providing the Sprint corporate policy on this, which I thoroughly endorse.

Q Well, that may be an adequate answer, then.

A Okay. Are you satisfied with that?

Q Yes, I'll be satisfied with that.

A Okay. Thank you.

Q Would that explain why you wanted to exclude interexchange carriers from the cost recovery?

A No.

Q Why do you want to exclude interexchange carriers from the cost recovery?

A Well, I'm not proposing to exclude interexchange carriers. All I'm --

Q -- (inaudible) interexchange carrier under y'all's program would be charged?

A If they don't use the service, they don't get charged. I'm not proposing to exclude anyone, though, but if they use the service, then they pay a portion of the cost.

Q So the only people who pay are the people who actually use the ported numbers?

A Yes.

Q You talked about -- and I'm afraid I don't have the exhibit in front of me, but in talking about the cost study you did and the costs, on what basis were those costs determined?

A TSLRIC.

Q Total service long run incremental costs?

A It was basically that methodology, yes.

Q When you say it's basically that methodology, what do you mean?

A They didn't include any software costs, which would have been -- could have been included in a TSLRIC study, because that's part of your non-volume-sensitive getting-started cost, but that wasn't in there, only those items I identified. So I guess what I'm saying is that it's a long-run incremental study using essentially the TSLRIC concept, but it doesn't necessarily include everything that you might get if you went to a strict -- a real, real strict interpretation of TSLRIC.

Q Is it appropriate to use a total service long-run incremental cost to determine an interim rate for number portability that would last from, in your testimony, for a year approximately?

A Yes.

Q Why?

A Because it represents the costs that will be incurred by the local exchange company, and I think that your limitation of a year is inappropriate because it will be used much longer than that.

Q You are receiving revenues from remote call forwarding service today, are you not?

A Yes.

Q Is this a service you offer to retail customers?

A Yes.

Q (Inaudible) the equipment for that today?

A I'm sorry. Repeat that.

Q Do you have the necessary software and equipment for that today?

A I have the necessary software and equipment for those customers that I'm serving.

Q Okay. Would the equipment be any different that you'd use to handle a ported call for a CLEC than what you use today for a retail customer who wants RCF?

A Yes. The equipment wouldn't be any different; there would be more of it. Specifically, you know, there would be more line cards, there would be more processor requirements, there would be more trunking requirements.

Q Now, you say that based on what is your estimate of demand?

A It doesn't matter what my estimate of demand is.

Q Why not?
A Well, you tell me why it does.
Q Well, you just told me you're going to need more line cards, you're going to need more and more of something.
A Yes. I didn't say how much. I just said I'm going to need more of it.
Q And my question is, how do you know that?
A How do I know that? If I'm going to have more remote call -- the assumption is -- there is a basic assumption in that, and that is there will be more demand, and if there is one more in a 5-ESS, then I have to have a line card put in that 5-ESS to provide that service.

In addition, to the extent that there is additional usage across the network and additional processor usage, that those drive exhaust of facilities and switching processors and I have to replace them.
Q Okay. Are you assuming not only an increased demand for call forwarding but also an increased demand, usage demand?
A Call forwarding generates additional usage.
Q Simply in the sense that it has to be transported further?
A It has to be transported and it has to be -- it uses the processor and memory of the switch.

Q Okay. Did your cost study attempt to define the incremental costs of remote call forwarding, that is, the incremental costs of the ported numbers that you're going to add?

A I don't think I -- the incremental costs of the ported numbers? We didn't include any number costs.

Q Ported calls, the remote -- the forwarded -- well, what would you call it?

A Well, you're looking at essentially the additional demand on the switch in the busy hour, and plus the line cards.

Q Okay. So that there had to be some numbers upon which you based these costs in the sense of demand, right?

A Say that again.

Q If you're telling me that there is an increased expense, which is what you are calculating in doing the incremental cost study, you're assuming some demand.

A Yes. We assume some CCS load in the busy hour.

Q And what is that demand assumption?

A For a residence I think it was .125 and for business I think it was 1.25.

Q I'm sorry. What do those refer to?

A CCS load in the busy hour.

Q And that -- how would that be calculated?

A Well, effectively that is the driver for the usage

on the switch. CCS is basically 100 call seconds.

Q So you have the number representing 100 call seconds by some multiplier representing your --

A Yes. Then you go into the switching cost information model. That's an input to the switching cost information model, which looks at that usage, identifies the investment associated with that usage, and produces an output related to that busy hour usage, which is then applied to an annual charge factor to come up with the cost, that usage part of the cost. In addition to that, you've got the line card cost.

Q I guess I'm still a little confused.

Do you have to, in making -- or did you, in fact, in doing the cost study here include as an input some estimate of increased demand for the network?

A Yes.

Q How was that determined?

A We know basically how much usage we have over business lines and how much usage we have over residence lines, and we used that as the basis for it.

Q Well, how many lines did you then use as the basis for determining the change in demand?

A We didn't use lines.

Q Whatever your --

A We used busy hour usage.

Q Okay. Then how did you determine the increase in busy hour usage?

A Based on the fact that we know how much usage goes to business customers and residence customers.

Q Somehow we're passing each other in the night here.

A Well, I think you're trying to get to an answer that doesn't get there. You're trying to get me to say how many lines there are, and that's not how --

Q No. I'm trying to get you to say what demand you used in doing the cost study.

A I told you very explicitly. We used .125 CCS in the residence busy hour and 1.25 CCS in the business busy hour.

Q That's your total increase in demand?

A Per RCF number.

Q And how many RCF numbers did you calculate?

A We didn't calculate the number.

Q Okay. And you said I believe in response to the staff's questions you had no idea how many ported numbers have been requested from Sprint since they've been available after the Commission's order in January, is that correct?

A No, I didn't say anything about after the Commission's order. I said I didn't know how many were

available.

Q Okay. Is that -- if I asked the question that I asked, would the answer be different?

A I guess my answer is I don't know whether -- how much we've had before or after the Commission's order.

Q Okay. And do I recall that staff has made a request for that information?

A Yes.

Q Does Sprint charge CLECs for directory listings?

A I don't believe we do.

Q But you --

A I'd like to.

Q I'm sorry. I interrupted you.

A Yes. Let me -- I'm sorry, Rich, too, and I don't think I gave you a complete answer on that.

For the primary listing, I think the answer is no, but there will be situations where additional listings are involved, and I think the answer is that we do propose to charge for those.

Q Now, is there an additional listing for a ported number?

A Probably in most cases, no.

(Ms. Barone rejoins the deposition.)

BY MR. RINDLER:

Q So you'll have the same number of listings. The

ported number is the number that will be called, the number that is actually used by the end user is hidden. It's not published, isn't that right?

A That's at the option of the end user and the CLEC. I see no reason why they would not transition over time to the actual number that the customer was using.

Q Did you tell staff that -- the directory listing I believe you said was an item that you did not include in your cost study.

A Correct.

Q You had a discussion with staff about the question of the lost revenues, do you recall that, when a customer goes away?

A Well, we talked about when we don't recover the costs, or the costs don't necessarily go away.

Q How is that relevant to the determination of cost recovery on an incremental basis for number portability?

A It's relevant to the extent that I discussed that in the context of my testimony. I can read it to you, but it's, you know, right there in black and white.

Q Well, why don't you just tell me in your own words?

A Because I've got to go back to that page and find and remember exactly what it said.

Q I believe it's page 7 and 8 of your testimony.

A I was in the wrong testimony.

It's relevant with regard to meeting the competitive neutrality issue.

Q Do you expect that the increased demand for number portability is going to require the addition of personnel, additional personnel?

A It will require clearly some additional administration. Let my give you an example. When these numbers -- let's say that a customer goes to a CLEC and that that customer subsequently, when the telephone directory is over or when that customer moves or for some reason doesn't need that ported number anymore, then we're going to have to be sure that those numbers get put on intercept, and so there's going to be some monitoring of the use of these, and it's going to be the communications back and forth between us and the CLEC to be sure that, you know, we'll get our directory listings correct, that we've connected and that we've disconnected and we've put them on intercept appropriately. These are all costs which we'll incur.

The CLEC will also incur some of those costs. None of those are included in the study, and most likely they will require some additional human resources.

Q I don't have any further questions. Thank you very much, Mr. Poag.

MR. COX: Tom?

EXAMINATION

BY MR. ALEXANDER:

Q Mr. Poag, this is Tom Alexander, and I'm in Atlanta. I'm representing BellSouth Telecommunications.

A Hi, Tom.

Q How are you?

A Good.

Q Would you look at -- go back to something that you and Mr. Cox discussed earlier. I believe it's pages 3 and 4 of your direct testimony.

A Yes, sir.

Q For example, on line 10 of page 3, you have underlined the phrase, "among relevant carriers."

A Yes.

Q And then on page 4 of your direct at line 2, you talk about cost for -- excuse me -- the number portability cost recovery applicable to relevant carriers. Are you with me?

A Yes.

Q Would you agree with me that the term or phrase "relevant carriers" does not appear anywhere in the Telecommunication Act in Section 251(e)(2) with respect to the cost recovery of number portability?

A Let me put it this way: I don't remember

specifically whether that language was in there or not. My recollection, though, of that section of the Act is that it didn't really, in my reading, address interim number portability but went to numbering resources generally.

Q Let me, if I can, just to expedite, read you Section 251(e)(2) for costs. It says, "The cost of establishing telecommunications numbering administering arrangements and number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission."

Would you accept that if -- your counsel can check it if you have the Act with you.

A I don't have it with me, but I will accept that, yes.

Q So that the phrase "relevant carriers" is not in that language?

A Correct.

Q And it's not even limited by local carriers, local exchange carriers, is it?

A Correct.

Q So when you made those references on pages 3 and 4, you were strictly speaking of the FCC's interpretation. When you refer to paragraph 130, it's the FCC order interpreting the Act at Section 252(e)(2), right?

A Correct. I did not -- I did not -- I don't think

I referenced the Act itself anywhere in my testimony. I was relying strictly on the FCC's order.

Q Well, you made a statement, I believe, to Mr. Cox that -- and I hope it got it fairly correct -- that it is abundantly clear that it -- and I assume you were referring to the FCC order and not the Act -- that it does not require the cost of interim number portability to be spread across all carriers.

A I was referring to the FCC's order.

(Ms. Barone leaves the deposition.)

BY MR. ALEXANDER:

Q And not referring to the Act?

A Correct.

Q It's not Sprint's contention that that's what the Act says?

A I was only referring to the FCC order. I don't have an interpretation for Sprint on the Act.

Q Okay. Would you look at page 7 of your direct testimony?

A Yes.

Q In line 8 you're talking about the criterion are subjective.

A Yes, sir.

Q Are you referring there to the criteria that the FCC's order put out?

A Yes, as indicated in the question.

Q Okay. And would you explain how they are subjective in Sprint's -- what you mean by your testimony there?

A Yes, and what -- well, I think, for example, it says, in -- on line 10 there, it says, "not put to the new entrant at an appreciable cost disadvantage," I think that that's, you know, subjective, and that it won't, "have a disparate effect on the ability of competing service providers to earn normal returns." In my mind, both of those are very subjective.

Q You're familiar, I think you've said in your direct testimony and other places, with the plans proposed by companies such as MCI, AT&T, Time-Warner and the FCTA that each carrier pay for its own costs of interim number portability?

A Yes.

Q And I believe you actually stated that, in response to Mr. Cox, that such a mechanism places virtually all the costs of interim number portability on incumbent LECs?

A At least a significant majority of it, yes.

Q Okay. And is it your opinion that the proposal that we just talked about, each carrier pay its own cost of interim number portability, does that comply with those two

criteria in the FCC order?

A And that was that each carrier --

Q Pay for its own costs of interim number portability. Does it meet the two-pronged criteria that you referenced on page 7?

A I think that it could be interpreted to meet those, yes.

Q That each carrier pay its own costs?

A Yes. I mean, I don't agree with that plan, but I think I could, you know, make that argument, maybe not very effectively, but --

Q Well, Mr. Poag, would you look at page 2 of your rebuttal testimony, I believe it is?

A Yes.

Q Actually it starts on the bottom of page 1, line 24, 25, and then on page 2, lines 1 and 2.

A Okay.

Q Did you not make the statement that using the approach that each carrier pay its own costs will result in the most extreme form of disparate sharing of costs?

A Yes, and I don't -- and let me -- I don't know that those are necessarily, you know, inconsistent. I think it's a disparate sharing of the costs, but it's not necessarily an appreciable cost disadvantage in terms of, you know, a new customer. I don't think it's appropriate,

and I think it's a very disparate form of the sharing of the costs.

Q Okay.

A Okay. But I think that you can still make the statements that I've made on page 7 of my testimony.

Q Okay. Are you familiar with the Florida statute at Section 364.16(4)?

A Yes.

Q In general it says that the prices and rates shall not be below cost for temporary number portability. Would you accept that?

A Those aren't the exact words, but I think it gets to the same place.

Q In general, I said.

A Okay. Yes. Thanks.

Q Is the "each carrier pays its own cost for interim number portability" a recovery mechanism that is competitively neutral under the Telecom Act, in Sprint's opinion?

MR. WAHLEN: You're talking about the federal act?

MR. ALEXANDER: Yes, I did. I'm sorry.

BY MR. ALEXANDER:

Q Let me ask you, under the statute I just gave you, under that Florida statute, first --

A Okay.

Q -- is "each carrier pays its own cost recovery mechanism for interim number portability," would you think that's in compliance with the Florida Statute 364.16(4)?

A No.

Q What about on the Telecommunications Act comparatively neutral standard under Section 251(e)(2), would "each carrier pays its own costs" be competitively neutral under the Telecommunications Act then?

A Yes, and my position is that that's -- that Sprint's plan is more competitively neutral and I'd say that that one is much less competitively neutral.

Q Speaking of Sprint's plan, Mr. Poag, do you think that it is in compliance with the Florida Statute 364.16(4)?

MR. WAHLEN: Before he answers that, I just want to make sure that you're asking his lay opinion, not his legal opinion.

MR. ALEXANDER: I'm asking his lay opinion.

BY MR. ALEXANDER:

Q In your lay opinion, Mr. Poag, does Sprint's proposal comply with the express language contained in that Florida statute?

A No.

Q Mr. Poag, I think you've been asked a couple of times by Mr. Cox and Mr. Rindler, but you don't know how

many ALECs have requested remote call forwarding for interim number portability in Florida?

A I do not.

Q Do you have a sense if it's any or it could be a few or a lot?

A I think it may be a few. I haven't -- I haven't heard much about it, but I presume a few requests have been made.

Q Would you go back to page 8 of your direct testimony? And I know Mr. Cox was asking you some questions, but at lines 8, 9 --

A What page?

Q Page 8, page 8, lines 8 and 9, the reference that, "It's important to recognize that all of the ILEC's costs for a particular customer do not go away."

A Yes.

Q Could you further explain that statement, please?

A I think probably the easiest piece of that to illustrate or visualize it is the drop from the pedestal to the customer's premises, okay. If the competitor takes that customer, okay, there is no other potential use for that facility because that's dedicated to that customer's location, okay. Potentially the cable and the other -- some of the other facilities going back towards the central office in time could be reused.

Q How is remote call forwarding currently used, if you're a residential customer, for example?

A Well, okay, the --

Q And I also give you, in general, how do most people use remote call forwarding service today?

A Well, generally, for the most part I think it's predominantly business that it's used for, and this is a situation where, for example, a business customer wants to give the appearance of a local number in a distant exchange.

It was originally designed to be used with toll such that the end user originating the call would call the number, let's say, in the same central office that the customer was calling from, and then the subscriber to the remote call forwarding feature, itself, would pay for the feature and would, in fact, pay for the transport from that distant location to the terminating premises.

Q What about the length of time a customer would normally use remote call forwarding service?

A Okay. I'm not clear what you mean by "the length of time." Do you mean the time that it would -- how long the customer would subscribe to remote call forwarding service?

Q Yes. Is it typically something someone puts in place for a short term or for a long time?

A I would think longer term.
Q For a longer term?
A Yes.
Q The customer is not going to be gone for a weekend and have their calls forwarded, for example, to wherever they're staying for a weekend?
A That's not how this service is intended to be used. You're thinking of call forwarding, where I have the call forwarding feature on my home phone and then I want to forward it to my vacation telephone or somewhere else or to a relative to, you know, answer my calls, okay.
Remote call forwarding is different than that. It's the way I described it earlier.
Q It's for a longer term?
A Yes.
MR. COX: Okay. Well, I think that's all I've got. Thank you very much, Mr. Poag.
Is there any questions of any other parties on the line?
Redirect?
No redirect?
MR. WAHLEN: No redirect.
MR. COX: That concludes the deposition.
(Deposition concluded at 11:35 a.m.)

ERRATA SHEET

DOCKET NO. 950737-TP
NAME: BEN POAG
DATE: November 15, 1996

Page	Line	
Page	Line	
Page	Line	
Page	Line	

AFFIDAVIT OF DEPONENT

This is to certify that I, BEN POAG, have read the foregoing transcription of my testimony, page 7 through 56, given on the 15th of November, 1996, in Docket No. 950737-TP, and find the same to be true and correct, with the exceptions and/or corrections, if any, as shown on the errata sheet attached hereto.

_____

BEN POAG

Sworn to and subscribed before me this

_____day of_____, 1996.

_____

NOTARY PUBLIC

State of_____

My Commission Expires:

STATE OF FLORIDA)
) CERTIFICATE OF REPORTER
COUNTY OF LEON)

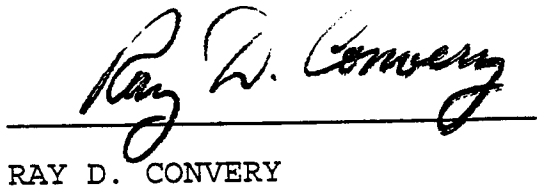
I, Ray D. Convery, Court Reporter and Notary Public,

DO HEREBY CERTIFY that I was authorized to and did stenographically report the foregoing deposition of BEN POAG.

I FURTHER CERTIFY that this transcript, consisting of 59 pages, constitutes a true record of the testimony given by the witness.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 19th day of November, 1996.



RAY D. CONVERY

RAY D. CONVERY
Notary Public, State of Florida
My Comm. Expires Feb. 25, 1998
No. CC 354181
Bonded Thru Official Notary Service

Sprint
Docket No. 950737-TP
F. Ben Poag Deposition
November 14, 1996
Late-Filed Exhibit No. 3

RCF Experience Data

Sprint has used RCF as a temporary number portability solution for one customer of one ALEC. That customer began using the service on October 7, 1996. The service has been applied to three groups of numbers: one with 12 call paths and two with eight call paths each, and is being provided pursuant to an FPSC-approved agreement between the ALEC and Sprint. The rates in that agreement are $1.25 per line per month for one path and $.50 per month for each additional path.

EXHIBIT NO. _____

DOCKET NO: 950737-TP

WITNESS: F. BEN POAG

PARTY: SPRINT UNITED/CENTEL

DESCRIPTION: CONFIDENTIAL

LATE FILED DEPOSITION EXHIBIT NOS. 1 AND 2 TO NOVEMBER 15, 1996 DEPOSITION

1. LATE FILED NO. 1 - EXHIBIT 15 FILED IN THE ORIGINAL PROCEEDING 950737-TP.

2. LATE FILED NO. 2 - DOCUMENT NO. 12423-96

PROFFERING PARTY: STAFF

I.D. # FBP-3

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950737 EXHIBIT NO 9
COMPANY/
WITNESS: BELLSOUTH/POAG
DATE: 11/25/1996

EXHIBIT NO. _____

DOCKET NO: 950737-TP

WITNESS: F. BEN POAG

PARTY: SPRINT UNITED/CENTEL

DESCRIPTION:

1. SPRINT UNITED/CENTEL'S RESPONSES TO FCTA'S 1ST SET OF INTERROGATORES 1-8

2. SPRINT UNITED/CENTEL'S FLORIDA TEMPORARY NUMBER PORTABILILTY TARIFF

PROFFERING PARTY: STAFF

I.D. # FBP-4

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950737 EXHIBIT NO. 10
COMPANY/
WITNESS: BELL SOUTH / POAG
DATE: 11/25/1996

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 FILED: October 9, 1996

UNITED TELEPHONE COMPANY OF FLORIDA and CENTRAL TELEPHONE COMPANY OF FLORIDA'S ANSWERS TO FCTA'S FIRST SET OF INTERROGATORIES

United Telephone Company of Florida and Central Telephone Company of Florida (collectively "Sprint" or the "Companies"), pursuant to Rule 25-22.034, Florida Administrative Code, Florida Rule of Civil Procedure 1.340, hereby provide the following answers to FCTA's First Set of Interrogatories, served on September 19, 1996 ("FCTA's First Set").

General

These answers are being provided subject to and without waiving Sprint's Objections to FCTA's First Set of Interrogatories, dated September 30, 1996, which objections are incorporated herein by reference. For the sake of completeness, Sprint has restated its specific objections below. Any proprietary confidential business information to be provided will be provided to the FCTA in a separate, confidential document pursuant to the non-disclosure agreement between Sprint and the FCTA.

1. **Identify which of the following services your company currently provides:**

   a. **Call Forward - Fixed**
   b. **Call Forward - Variable**
   c. **Call Forward - Busy/No answer**
   c. **Remote Call Forwarding as a temporary number portability solution**
   d. **Any other call forwarding service(s)**

Answer: Attached are tariff pages describing the call forwarding services offered by Sprint. These include: Call Forwarding, Call Forwarding Don't Answer, Call Forwarding Busy, Call Forward with Remote Activation, and Remote Call Forwarding.

2. Explain in detail any technical and cost similarities and differences among the services identified in Interrogatory No. 1a.-e. above.

Answer: The services all use essentially the same network components, i.e., switching, memory, transport and software. Call Forward - Busy and Remote Call Forwarding are similar in many respects, however, the actual cost will vary because of the different uses of the services.

Call Forward - Busy is provided as an addition to a residence or business line. Thus Call Forward - Busy does not require that a separate account be established, does not require a separate telephone number or a separate billing and collection function. In addition, where a line card is required to provide the call forwarding function, it is already included as part of the associated residence or business service with Call Forwarding - Busy. However, with remote call forward, the line card cost would be an incremental cost of the service. Thus, while the services are very similar functionally, the cost of Call Forward - Busy is much less than for Remote Call Forward because some of the necessary service components, as provided above, are already included in the associated residential or business service.

3. Identify the embedded cost per switch of providing:

a. Call Forward - Fixed
b. Call Forward - Variable
c. Call Forward - Busy/No answer
c. Remote Call Forwarding as a temporary number portability solution
d. Any other call forwarding service(s)

Objection: The Companies do not have the "embedded cost" information requested in this interrogatory question. Moreover, the Company is not sure exactly how "embedded cost per switch" would be calculated or how that information has any relevance to this proceeding. To the extent this interrogatory seeks to have Sprint perform a cost study or cost studies, the Companies note that an answer cannot be given without undue labor and expense, and object on grounds that answering the question would require Sprint to make extensive investigations, perform research, or compile and evaluate data, and, therefore is unduly burdensome, expensive, oppressive, and excessively time-consuming. In support of its objection, Sprint notes that preparing a study or studies necessary to answer the question is not a matter of running a simple computer program and extracting an answer. Rather, the Company would be required to gather a significant amount of accounting and engineering data, make certain assumptions and perform extensive calculations, which process could easily take hundreds of person hours. In addition, the Companies object to this interrogatory on grounds that it calls for information that is beyond the scope of discovery (i.e., irrelevant).

Answer: See objection.

4. Assume that your company provides call forwarding services, what is your company's additional cost per switch to add Remote Call Forwarding as a temporary number portability solution for:

a. One ALEC customer
b. Ten ALEC customers
c. One hundred ALEC customers
d. One thousand ALEC customers

Provide all assumptions underlying your response.

Objection: The Companies do not have the "additional cost per switch" information requested in this interrogatory question. Moreover, the Company is not sure exactly how "additional cost per switch" would be calculated or how that information has any relevance to this proceeding. To the extent this interrogatory seeks to have Sprint perform a cost study or cost studies, the Companies note that an answer cannot be given without undue labor and expense, and object on grounds that answering the question would require Sprint to make extensive investigations, perform research, or compile and evaluate data, and, therefore is unduly burdensome, expensive, oppressive, and excessively time-consuming. In support of its objection, Sprint notes that preparing a study or studies necessary to answer the question is not a matter of running a simple computer program and extracting an answer. Rather, the Company would be required to gather a significant amount of accounting and engineering data, make certain assumptions and perform extensive calculations, which process could easily take hundreds of person hours. In addition, the Companies object to this interrogatory on grounds that it calls for information that is beyond the scope of discovery (i.e., irrelevant). Notwithstanding this objection, the Company notes that it has performed certain cost studies to support its proposed pricing for RCF, and is evaluating whether those studies can be efficiently modified or updated to provide an answer to this question.

Answer: Without waiving the foregoing objection, which is incorporated in this answer by reference, the Company notes that it has prepared a TSLRIC cost study to support its pricing proposal in this docket and will produce a copy of that study to FCTA via a separate letter and pursuant to the non-disclosure agreement between Sprint and FCTA. The cost has been stated per line and per additional call path.

5. Identify what additional cost for billing and collection services your company will incur per number when providing Remote Call Forwarding as a temporary number portability solution. Provide all assumptions underlying your response.

Objection: The Companies do not have the "additional cost for billing and collection" information requested in this interrogatory question. Sprint notes that "additional costs" to be incurred by Sprint would depend on a variety of factors not specified in the question including, but not limited to, customer demand, type of ordering system, and manner and frequency of billing. To the extent this interrogatory seeks to have Sprint perform a cost study or cost studies, the Companies note that an answer cannot be given without undue labor and expense, and object on grounds that answering the question would require Sprint to make extensive investigations, perform research, or compile and evaluate data, and, therefore is unduly burdensome, expensive, oppressive, and excessively time-consuming. In support of its objection, Sprint notes that preparing a study or studies necessary to answer the question is not a matter of running a simple computer program and extracting an answer. Rather, the Company would be required to gather a significant amount of accounting and engineering data, make certain assumptions about how RCF will be provisioned and billed, and perform extensive calculations, which process could easily take hundreds of person hours. Notwithstanding this objection, the Company notes that it has performed certain cost studies to support its proposed pricing for RCF, and is evaluating whether those studies can be efficiently modified or updated to provide an answer to this question.

Answer: Without waiving the foregoing objection, which is incorporated in this answer by reference, the Company notes that it has prepared a TSLRIC cost study to support its pricing proposal in this docket and will produce a copy of that study to FCTA via a separate letter and pursuant to the non-disclosure agreement between Sprint and FCTA.

6. Identify in detail the incremental cost and the cost elements associated with providing Remote Call Forwarding as a temporary number portability solution including, but not limited to, the following elements: switching costs, line costs, marketing costs, and billing and collection costs. Provide all assumptions underlying your response.

Answer: The Company notes that it has prepared a TSLRIC cost study to support its pricing proposal in this docket and, pursuant to Florida Rule Of Civil Procedure 1.340(c), will produce a copy of that study to FCTA via a separate letter and pursuant to the non-disclosure agreement between Sprint and FCTA. The study includes the switch-related costs, and does not include any transport, marketing or billing and collection costs.

7. Assume that your company provides Remote Call Forwarding as a temporary number portability solution, what specific additional costs does your company incur in forwarding the calls placed to an ALEC's customers? In providing your response, identify any non-recurring costs and any recurring costs and the specific reason for the costs.

Objection: The Companies do not have the "additional cost" information requested in this interrogatory question, and is not sure what the FCTA means by the term "additional cost." Sprint notes that "additional costs" to be incurred by Sprint would depend on a variety of factors not specified in the question including, but not limited to, customer demand, type of ordering system, and manner and frequency of billing. To the extent this interrogatory seeks to have Sprint perform a cost study or cost studies, the Companies note that an answer cannot be given without undue labor and expense, and object on grounds that answering the question would require Sprint to make extensive investigations, perform research, or compile and evaluate data, and, therefore is unduly burdensome, expensive, oppressive, and excessively time-consuming. In support of its objection, Sprint notes that preparing a study or studies necessary to answer the question is not a matter of running a simple computer program and extracting an answer. Rather, the Company would be required to gather a significant amount of accounting and engineering data, make certain assumptions about how RCF will be provisioned and billed, and perform extensive calculations, which process could easily take hundreds of person hours. Notwithstanding this objection, the Company notes that it has performed certain cost studies to support its proposed pricing for RCF, and is evaluating whether those studies can be efficiently analyzed, modified or updated to provide an answer to this question.

Answer: Without waiving the foregoing objection, which is incorporated in this answer by reference, the Company notes that it has prepared a TSLRIC cost study to support its pricing proposal in this docket and will produce a copy of that study to FCTA via a separate letter and pursuant to the non-disclosure agreement between Sprint and FCTA.

8. If a switch contains the hardware and the software that has the capability of providing Remote Call Forwarding what is the increased recurring cost of adding additional numbers to that service? Provide all assumptions underlying your response.

Objection: The Companies do not have the "increased recurring cost" information requested in this interrogatory question, and is not sure what the FCTA means by that term. Sprint notes that "increased recurring cost" to be incurred by Sprint would depend on a variety of factors not specified in the question including, but not limited to, customer demand, type of ordering system, and manner and frequency of billing. To the extent this interrogatory seeks to have Sprint perform a cost study or cost studies, the Companies note that an answer cannot be given without undue labor and expense, and object on grounds that answering the question would require Sprint to make extensive investigations, perform research, or compile and evaluate data, and, therefore is unduly burdensome, expensive, oppressive, and excessively time-consuming. In support of its objection, Sprint notes that preparing a study or studies necessary to answer the question is not a matter of running a simple computer program and extracting an answer. Rather, the Company would be required to gather a significant amount of accounting and engineering data, make certain assumptions about how RCF will be provisioned and billed, and perform extensive calculations, which process could easily take hundreds of person hours. Notwithstanding this objection, the Company notes that it has performed certain cost studies to support its proposed pricing for RCF, and is evaluating whether those studies can be efficiently analyzed, modified or updated to provide an answer to this question.

Answer: Without waiving the foregoing objection, which is incorporated in this answer by reference, the Company notes that it has prepared a TSLRIC cost study to support its pricing proposal in this docket and will produce a copy of that study to FCTA via a separate letter and pursuant to the non-disclosure agreement between Sprint and FCTA.

utd\737-fcta.ans

MISCELLANEOUS SERVICE ARRANGEMENTS

T. REMOTE CALL FORWARDING

1. General

a. Remote Call Forwarding (RCF) is a service which permits calls placed to a telephone number (remote call forwarding number) to be automatically routed to another telephone number designated by the subscriber (terminating station) by means of Company central office equipment. Toll charges are applicable to the RCF customer if the programmed number is not within the customer's local calling area. (N) + (N)

b. Remote Call Forwarding is offered in those areas where central office facilities are available.

c. Remote Call Forwarding is not permitted when it is known the terminating station is a public telephone.

d. The Company will not provide identification of the originating telephone number to the Remote Call Forwarding customer.

e. In a multioffice exchange, the Company reserves the right to designate the central office which will provide Remote Call Forwarding.

f. Neither Remote Call Forwarding nor Call Forwarding will be available as a feature on a Remote Call Forwarding terminating number. (N) (T)

g. Transmission characteristics may vary depending on the distance and routing necessary to complete the call(s) involved. Remote Call Forwarding is not represented as suitable for the satisfactory transmission of data.

h. Remote Call Forwarding is provided on the condition that the customer subscribe to sufficient RCF features and facilities to adequately handle calls to the RCF number without interfering with or impairing any services offered by the Company.

i. The subscriber to Remote Call Forwarding is entitled to one directory listing (without an address) at no charge in the directory applicable to the exchange in which the central office forwarding the calls is located. Additional listings are offered at rates specified in Section A6 of this tariff.

MISCELLANEOUS SERVICE ARRANGEMENTS

T. REMOTE CALL FORWARDING (Cont'd)

1. General (Cont'd)

j. If the use of Remote Call Forwarding service is primarily or substantially of business, professional, institutional, or otherwise occupational nature, i.e., nonresidential, or if the listing used is such as to indicate nonresidential use, then calls will not be forwarded to any telephone number for which residential rates apply. (N) +

k. Remote Call Forwarding Service may not be used, switched or otherwise connected through a Cellular Mobile Carrier's RCF Service for the provision of through calling from a landline telephone to another landline telephone.

l. RCF is not eligible for Vacation Service. (N)

UNITED TELEPHONE COMPANY
OF FLORIDA

By: B. H. Reynolds
Vice President

SECTION A13
First Revised Sheet 30
Cancelling Original Sheet 30

Effective: JAN 19 1991

MISCELLANEOUS SERVICE ARRANGEMENTS

T. REMOTE CALL FORWARDING (CONT'D)

2. Rates

a. The subscriber to Remote Call Forwarding is responsible for all applicable local and long distance charges between the forwarding central office and the terminating station.

(1) Appropriate long distance message detail will be provided to the subscriber for toll calls from the forwarding central office to the terminating telephone number.

(2) Message detail is not provided for local calls when Remote Call Forwarding is subscribed to on a local basis.

b. The calling party will be responsible for any applicable local or long distance charges from the originating station to the telephone number which is being forwarded.

c. Appropriate Service Connection Charges in Section A4 of this tariff are applicable to the establishment of Remote Call Forwarding and to changes of the forwarding or terminating telephone number.

d. The minimum contract period for this service is two months.

e.

	Monthly Rate	
Remote Call Forwarding, per feature	$17.60	(I)

f. The following measured/message rates are in addition to the monthly rate when the central office which forwards the calls and the terminating station are in the same local calling area.

(1) Measured Rates, where available, per minute of use	$ .03
(2) Message Rates, per message	$ .12

MISCELLANEOUS SERVICE ARRANGEMENTS

D. CUSTOM CALLING FEATURES (Cont'd)

2. Feature Descriptions (Cont'd)

h. Speed calling service (Abbreviated dialing service)

This service permits a customer to call certain other predetermined telephone numbers by dialing an abbreviated code rather than the entire 7 or 10 digit telephone number. The arrangement available is an 8-number capacity (8-code).

i. Call Forward-Remote Activation

This service allows customers who subscribe to Call Forward to access, activate, or deactivate Call Forward from a remote location using a touch-tone telephone. Call Forward-Remote Activation enables customers to change the destination of a telephone call by dialing an access code and a personal identification number assigned by United.

3. Rates (per central office line equipped)

(D)
+

(D)

This tariff establishes the minimum, maximum and current rates for Custom Calling Features. Following a thirty day notice to the Commission and existing subscribers, the Company may increase or decrease rates within the minimum and maximum ranges specified in this tariff unless denied or suspended by the Florida Public Service Commission.

MISCELLANEOUS SERVICE ARRANGEMENTS

D. CUSTOM CALLING FEATURES (Cont'd)

3. Rates (per central office line equipped)

Per Feature	Monthly Rate		
Residence	Minimum	Maximum	Current
Call Forwarding	$ .75	$2.65	$2.50
Call Forwarding Don't Answer	.75	2.65	1.00
Call Forwarding Busy	.75	2.65	1.00
Three-way Calling	.75	2.65	2.00
Call Waiting	.75	3.50	3.50
Cancel Call Waiting	.25	1.75	1.00
Speed Calling	.75	2.65	2.00
Call Forward with Remote Activation	1.25	2.75	1.75

(D)

(D)

MISCELLANEOUS SERVICE ARRANGEMENTS

D. CUSTOM CALLING FEATURES (Cont'd)

3. Rates (Cont'd)

Feature	Monthly Rate		
Business	Minimum	Maximum	Current
Call Forwarding	$ 1.75	$ 4.50	$4.50
Call Forwarding Don't Answer	1.00	4.25	1.00
Call Forwarding Busy	1.00	4.25	1.00
Three-way Calling	1.75	4.25	3.00
Call Waiting	1.75	4.25	4.00
Cancel Call Waiting	.50	2.50	1.25
Speed Calling	1.75	4.25	3.00
Call Forward with Remote Activation	1.25	3.00	2.50

(D)

(D)

E. DIRECTORY NUMBER TRANSFER (Area C)

1. General

a. Directory number transfer, where available, is an arrangement by which a subscriber to individual line service may transfer incoming calls from that line while unattended to another preselected individual line in the serving central office or to another central office if housed in the same building. The transfer arrangement is activated through operation of a customer-provided key or switch at the main station of the line to be switched.

b. Directory number transfer is not available in electronically controlled central offices.

2. Rates

	Installation Charge	Monthly Rate
Directory number transfer arrangement	$4.00	$4.17*

NOTE: The installation charge will apply for changing lines associated with the Directory Number Transfer arrangement.

UNITED TELEPHONE COMPANY
OF FLORIDA

SECTION A13
First Revised Sheet 8
Cancelling Original Sheet 8

By: B. H. Reynolds
Vice President-Administration

Effective: November 24, 1985

MISCELLANEOUS SERVICE ARRANGEMENTS

D. CUSTOM CALLING FEATURES (Cont'd)

1. General (Cont'd)

c. Custom calling features are furnished only in connection with individual line service and rotary line service where available, exclusive of semipublic telephone service.

d. Call-forwarding services and three-way calling service contemplate that normal transmission performance quality cannot be guaranteed on all calls and cannot be effected in all instances depending on the distance and routing necessary to complete the call(s) involved. (T)

e. When custom calling features are furnished in connection with rotary line service, charges apply for each rotary line that the subscriber requests to be so equipped.

2. Feature Descriptions

a. Call-forwarding service

This service provides an arrangement for transferring incoming calls to another local service telephone number by dialing a code and the number of the service to which calls are to be transferred. In addition, calls may be transferred to a toll service telephone number subject to the availability of the necessary facilities in the central office from which the calls are to be transferred. Call-forwarding shall not be used to extend calls on a planned and continuing basis to intentionally avoid the payment in whole or in part, of message toll charges that would regularly be applicable between the station originating the call and the station to which the call is transferred. (T)

b. Call forwarding don't answer service (N)
+

This service permits the customer to automatically transfer an incoming call to another local service telephone number when the called telephone remains unanswered for a predetermined number of rings. (N)
(M)
+

(M)

MISCELLANEOUS SERVICE ARRANGEMENTS

D. CUSTOM CALLING FEATURES (Cont'd)

2. Feature Descriptions (Cont'd)

b. Call forwarding don't answer service

The service is activated by dialing a code and the number of the service to which calls are to be transferred. In addition, calls may be transferred to a toll service telephone number subject to the availability of the necessary facilities in the central office from which the calls are to be transferred. Call-forwarding don't answer shall not be used to extend calls on a planned and continuing basis to intentionally avoid the payment in whole or in part, of message toll charges that would regularly be applicable between the station originating the call and the station to which the call is transferred.

c. Call forwarding busy service

The service provides an arrangement for transferring incoming calls to another predetermined local telephone number when the customer's line is already in use. In addition, calls may be transferred to a predetermined toll service telephone number subject to the availability of the necessary facilities in the central office from which the calls are to be transferred. Call forwarding busy shall not be used to extend calls on a planned and continuing basis to intentionally avoid the payment in whole or in part of message toll charges that would regularly be applicable between the station originating the call and the station to which the call is transferred. In addition, call forwarding busy shall not be utilized as a substitute for rotary line service to which the customer would otherwise subscribe. Therefore, business customers who subscribe to more than one access line on a single premises may not also subscribe to call forwarding busy.

(D)
+

(D)

CENTRAL TELEPHONE COMPANY
OF FLORIDA

By: F. B. Poag
Director

Section 13
Seventh Revised Sheet 27
Cancels Sixth Revised Sheet 27

Effective: JUL 09 1996

MISCELLANEOUS SERVICE ARRANGEMENTS

13.10 CUSTOM CALLING SERVICES

13.10.1 General

a. Custom Calling Services are optional telephone service arrangements which may be provided from central offices equipped for custom calling service subject to the availability of facilities.

b. Custom Calling Services are furnished only in connection with individual line residence and business services. PBX, Centel Digital Centrex, Public and Semi-Public services are excluded from this offering.

c. No Secondary Service Order Charge shall apply whenever these service features are requested.

d. Rates for feature packages are contained in Section 13.19.

e. Depending on the type of switch in the customer's location, one of two functions will occur if a customer subscribes to both Call Waiting and Call Forwarding-Don't Answer. (N) +

1) In all DMS100 and 5ESS switches, if the customer does not answer a Call Waiting call between the first and second call waiting tone, the call will automatically be forwarded to the subscriber's "Forward To" number.

2) In all DMS10 and 1210 switches, if the customer does not answer the Call Waiting call, the caller will not be forwarded to the "Forward To" number, but will continue to hear the ring until he/she either terminates the call or the called party answers the call. The call will not be forwarded to the "Forward To" number. (N)

CENTRAL TELEPHONE COMPANY
OF FLORIDA

Section 13
Fourth Revised Sheet 28
Cancels Third Revised Sheet 28

MISCELLANEOUS SERVICE ARRANGEMENTS

13.10 CUSTOM CALLING SERVICES (Cont'd.) (L)

13.10.2 Description

a. Call Forwarding*

This service feature permits a customer to arrange to have all incoming calls to his telephone automatically transferred to another dialable telephone number during any period in which this feature is activated. Calls may be transferred to a long distance telecommunications point, subject to the availability of the necessary facilities in the central office from which the calls are to be transferred. Where a charge (local or long distance) is applicable for a call between the customer's telephone and the telephone to which calls are to be forwarded, such charge is applicable to the customer on every call forwarded to and answered at that telephone. Call Forwarding shall not be used to extend calls on a planned and continuing basis to intentionally avoid the payment in whole or in part of message toll charges that would regularly be applicable between the station originating the call and the station to which the call is transferred.

b. Three-Way Calling*

This service feature permits a customer to add a third party to an already established connection without the assistance of an operator.

*Both Call Forwarding Service and Three-Way Calling Service contemplate that normal transmission performance quality cannot be guaranteed on all calls and cannot be effected in all instances depending on the distance and routing necessary to complete the call or calls involved.

ISSUED: APR 1 8 1988 EFFECTIVE: APR 1 8 1988

By: Sam E. Wahlen
General Regulatory Manager
Tallahassee, Florida

MISCELLANEOUS SERVICE ARRANGEMENTS

13.10 CUSTOM CALLING SERVICES (Cont'd.)

13.10.2 Description (Cont'd.)

c. Call Waiting

This service provides a tone signal to indicate to a customer who is using his telephone that another party is attempting to call him. It also permits the customer to answer the incoming call while holding his original call.

d. Speed Calling

This service permits a customer to call certain other predetermined telephone numbers by dialing an abbreviated code rather than the entire seven or ten digit telephone number. The arrangement available is an eight-number capacity (8 code). (C) + (C)

e. Enhanced Call Waiting

This service combines the features of call waiting as described in (c) preceding and the Cancel Call Waiting feature which allows the residential and/or small-business user to defer the call waiting feature to prevent call-waiting tones from interrupting calls or disrupting data transmissions. Cancel Call Waiting can be activated before or during a call by dialing an access code and the cancellation stays in effect for the duration of a call. Incoming calls receive a busy signal while Cancel Call Waiting is in effect.

f. Call Forward Don't Answer Service (D) + (N) +

This service permits the automatic transfer of an incoming call to another local service telephone number when the called telephone remains unanswered for a predetermined number of rings, usually five or six.

In addition, calls may be transferred to a toll service telephone number subject to the availability of the necessary facilities in the central office from which the calls are to be transferred. Call Forward Don't Answer shall not be used to extend calls on a planned and continuing basis to intentionally avoid the payment in whole or in part, of message toll charges that would regularly be applicable between the station originating the call and the station to which the call is transferred. (D) (N)

1) Call Forward Don't Answer-Fixed - This feature provides for calls terminating to the subscribers idle directory number to be forwarded, after a predetermined interval, to another telephone number on a premises other than the provisioned premises. The customer selected forward-to number is preprogrammed by the Company at the time service is established and can only be changed via service order.

2) Call Forward Don't Answer-Customer Controlled - This feature provides a customer the Call Forward Don't Answer feature and the capability to control activation/deactivation of the service by using dialing tones. The service is activated/deactivated by dialing a code and the number of the service to which calls are to be transferred. (N)

(M) +

(M)

MISCELLANEOUS SERVICE ARRANGEMENTS

13.10 CUSTOM CALLING SERVICES (Cont'd.) (N)

13.10.2 Description (Cont'd.)

g. Call Forward Busy Service

The service provides an arrangement for transferring incoming calls to another predetermined local telephone number when the customer's line is already in use. In addition, calls may be transferred to a predetermined toll service telephone number subject to the availability of the necessary facilities in the central office from which the calls are to be transferred. Call forward busy shall not be used to extend calls on a planned and continuing basis to intentionally avoid the payment in whole or in part of message toll charges that would regularly be applicable between the station originating the call and the station to which the call is transferred. In addition, call forward busy customer controlled shall not be utilized as a substitute for rotary line service to which the customer would otherwise subscribe. Therefore, business customers who subscribe to more than one access line on a single premises may not also subscribe to call forward busy-customer controlled. However, business customers with multiple lines at the same premises may subscribe to Call Forward Busy-Fixed, as long as the forward-to number is located at a premises other than the provisioned premises.

1) Call Forward Busy-Fixed - This feature provides for calls terminating to the subscriber's busy directory number to be forwarded to another telephone number on a premises other than the provisioned premises. The customer selected forward-to number is preprogrammed by the Company at the time service is established and can only be changed via service order.

2) Call Forward Busy-Customer Controlled - This feature provides a customer the Call Forward Busy feature and the capability to control activation/deactivation of the service by using dialing tones. The service is activated/deactivated by dialing a code and the number of the service to which calls are to be transferred. (N)

13.10.3 Rates (D) (M)

a. Individual Services, per C. O. line equipped.

	Monthly Rate						
	Residential			Business			(C)
	Minimum	Maximum	Current	Minimum	Maximum	Current	
(1) Call Forwarding							
(a) Residential	$ .75	$2.65	$2.50				(D)
(b) Business				$1.75	$4.50	$4.50	(D)
(2) Three-Way Calling							
(a) Residential	$ .75	$2.65	$2.00				(D)
(b) Business				$1.75	$4.25	$3.00	(D) (M)

MISCELLANEOUS SERVICE ARRANGEMENTS

13.10 CUSTOM CALLING SERVICES (Cont'd.)

13.10.3 Rates (Cont'd.)

a. Individual Services, per C. O. line equipped. (Cont'd.)

	Monthly Rate						
	Residential			Business			
	Minimum	Maximum	Current	Minimum	Maximum	Current	
(3) Call Waiting							
(a) Residential	$ .75	$3.50	$3.50				
(b) Business				$1.75	$4.25	$4.00	(D)
(4) Speed Calling-8 Code Type							
(a) Residential	$ .75	$2.65	$2.00				
(b) Business				$1.75	$4.25	$3.00	(D)
(5)							
(6) Enhanced Call Waiting							
(a) Residential	$2.50	$4.50	$4.50				
(b) Business				$4.50	$6.00	$5.25	(D)
(7) Call Forward Busy							(C)
(a) Residential	$ .75	$2.65	$1.00				(R)
(b) Business				$1.00	$4.25	$1.00	(D)
(8) Call Forward Don't Answer							(N) +
(a) Residential	$ .75	$2.65	$1.00				
(b) Business				$1.00	$4.25	$1.00	(N)

Obsolete material formerly located on this page now located in Section 100.13.

UNITED TELEPHONE COMPANY
OF FLORIDA

SECTION A12
First Revised Sheet 3
Cancelling Original Sheet 3

By: F. B. Poag
Director

Effective: July 27, 1993

CENTRAL OFFICE NON-TRANSPORT SERVICE OFFERINGS

A. CENTREX SERVICE (Cont'd) (T)

2. Basic System (Cont'd)

b. Optional Features

(1) Call Forward - Don't Answer

Allows for forwarding of an incoming call to a preselected line within the system when the called line does not answer after a predetermined number of rings.

(2) Call Forward - Busy

Allows for forwarding of an incoming call to a preselected line within the system when the called station is in use.

(3) Call Forwarding

Allows all calls to a line equipped with Centrex to be automatically forwarded to a selected line within the system or outside the system. (T)

(4) Call Waiting

Provides the station user, who is busy on an existing call, with a private tone signal which indicates that another call is waiting. The station user may then ignore the waiting call; or terminate the original call and answer the waiting call; or, through the use of hookswitch flashes, put the original call on hold and receive the waiting call; or alternately talk on both calls until one is terminated. (This feature cannot be utilized if Call Forward - Busy or Call Forward - Don't Answer is activated.)

(5) Class-of-Service Restrictions

Provides the ability to allow or deny all calls originating or terminating on individual stations and tie trunks. Three types are offered.

(a) Fully Restricted Service - stations are denied access to the exchange network.

UNITED TELEPHONE COMPANY
OF FLORIDA

SECTION A12
Fifth Revised Sheet 6
Cancelling Fourth Revised Sheet 6

By: F. B. Poag
Director

Effective: July 27, 1993

CENTRAL OFFICE NON-TRANSPORT SERVICE OFFERINGS

A. CENTREX SERVICE (Cont'd) (T)

3. Rates and Charges

The following rates and charges are for Centrex service only and are in addition to the applicable service connection charges, monthly local exchange access line rates and nonrecurring charges for individual exchange access lines and other services or equipment with which they are associated. (T)

	System Size	Monthly Rate
a. Centrex - Basic System, per line equipped. Includes all standard features.	2-7 lines	$5.50 each
	8-14 lines	6.00 each
	15-25 lines	6.50 each
b. Optional Features, per line equipped		
Call Forward - Don't Answer		$1.00
Call Forward - Busy		1.00
Call Forwarding		2.00
Call Waiting		2.00
Class-of-Service Restrictions		2.00
Station Controlled Conference		.50
Meet-Me-Conference		.50
Speed Call - Station		
Speed Call 10		.75
Speed Call 30		.90
Speed Call 50		1.05
Speed Call - Group		
Group Speed Call 30		.80
Group Speed Call 50		.95
Automatic Line		2.00
Call Park		.50
Station Hunting		25% of B-1 Rate
Off-Premises Extension Station		2.00
Centrex 800 Service		2.50 (T)
Centrex OUTWATS		2.50 +
Centrex OUTWATS/Callback Queue		3.00 (T)

CENTRAL OFFICE NON-TRANSPORT SERVICE OFFERINGS

C. ENHANCED CENTREX SERVICE (Cont'd) (T)

3. Definitions (Cont'd)

CALL-BACK QUEUE

See Queuing

CALL FORWARDING-ALL CALLS

Automatically routes all incoming calls to the attendant or a predetermined telephone number.

CALL FORWARDING-BUSY LINE

Automatically routes calls to the attendant or pre-selected main station line when the called main station line is busy.

CALL FORWARDING-NO ANSWER

Automatically routes calls to the attendant or pre-selected main station line when the called main station line doesn't answer within the preset ringing cycle.

CALL HOLD

Allows a main station line user to place any call involving their main station line on hold by flashing and dialing a special code. The main station line is then free to originate another call. The first call is retrieved by dialing the hold code a second time.

UNITED TELEPHONE COMPANY
OF FLORIDA

By: F. B. Poag
Director

SECTION A12
First Revised Sheet 52
Cancelling Original Sheet 52

Effective: July 27, 1993

CENTRAL OFFICE NON-TRANSPORT SERVICE OFFERINGS

C. ENHANCED CENTREX SERVICE (Cont'd) (T)

8. Rates and Charges (Cont'd)

b. Station Features (Cont'd)

(2) Rates and Charges (Cont'd)

	Nonrecurring Charge	Month to Month	Term Payment Plan 36 Months	Term Payment Plan 60 Months
(d) Class-of-Service Restrictions				
Fully Restricted Station per line	-	$ 4.80	$ 4.75	$ 4.70
Semi-Restricted Station per line	-	2.40	2.35	2.30
Toll Restriction per line	-	.55	.50	.45
(e) Data Call Protection per line	-	.50	.45	.40
(f) Hunting				
per block of 50	-	15.00	12.75	11.65
per line	-	2.00	1.95	1.90
(g) Call Forward - All Calls				
per block of 50	-	11.00	8.25	5.50
per line	-	.15	.10	.05

UNITED TELEPHONE COMPANY
OF FLORIDA

SECTION A12
First Revised Sheet 53
Cancelling Original Sheet 53

By: F. B. Poag
Director

Effective: July 27, 1993

CENTRAL OFFICE NON-TRANSPORT SERVICE OFFERINGS

C. ENHANCED CENTREX SERVICE (Cont'd) (T)

8. Rates and Charges (Cont'd)

b. Station Features (Cont'd)

(2) Rates and Charges (Cont'd)

	Nonrecurring Charge	Month to Month	Term Payment Plan 36 Months	Term Payment Plan 60 Months
(h) Call Forward - Busy				
per block of 50	-	$15.00	$12.75	$11.65
per line	-	2.00	1.95	1.90
(i) Call Forward - No Answer				
per block of 50	-	10.75	10.60	10.50
per line	-	.20	.15	.10
(j) Call Pickup				
per block of 50	-	9.75	9.50	9.25
per line	-	.20	.15	.10
(k) Call Waiting Terminating				
per block of 50	-	5.90	5.00	4.95
per line	-	.15	.10	.05
(l) Call Waiting Originating				
per block of 50	-	28.75	28.00	27.75
per line	-	.50	.45	.40
(m) Three-Way Calling				
per line	-	1.75	1.50	1.25

CENTEL DIGITAL CENTREX (C)

12.1 CENTEL DIGITAL CENTREX (Cont'd.) (C)

12.1.2 Service Features

a. The features listed are station or attendant console related. The basic rate includes all features, but the number of features actually used depends upon the customer's operating procedures and the terminal equipment selected. The customer may utilize station features only or both station and attendant console features.

b. Station Features

(1) Call Forward
  (a) all calls
  (b) station busy
  (c) no answer
(2) Call Pickup
(3) Call Waiting
(4) Camp-on
(5) Consultation Hold - Three Parties
(6) Meet-Me Conference - Six Parties
(7) Ring Again
(8) Speed Call
(9) Station Call Park
(10) Code Call Access
(11) Station Controlled Conference - Six Parties
(12) Three-Way Conference/Transfer
(13) Paging (C)
(14) Autodial
(15) Conference - Six Parties
(16) Call Transfer
(17) Call Hold
(18) Uniform Call Distribution (C)

VERIFICATION

STATE OF FLORIDA

COUNTY OF LEON

I, F. BEN POAG, Director-Tariff & Regulatory for United Telephone Company of Florida, have read the foregoing Answers of Central Telephone Company of Florida and United Telephone Company of Florida to the foregoing Interrogatories. I am informed and to the best of my knowledge believe the information contained in the Answers to be true and correct.

F. BEN POAG

Sworn to and subscribed before me this 9th day of October, 1996.

Affiant is personally known to me.

Notary Public

My Commission Expires:

CHRISTINE S. UFNAL
MY COMMISSION # CC 251710
EXPIRES: January 24, 1997
Bonded Thru Notary Public Underwriters

ISSUED: October 11, 1996
BY: F.B. Poag
Director

Effective: OCT 26 1996

E19. SERVICES FOR COMPETING TELECOMMUNICATIONS PROVIDERS (T)

As applied to services offered in this Section, the term "Carrier" shall mean "Customer" as used in this Section. (N)

E19.1 Service Provider Number Portability - Remote (SPNP-Remote)

E19.1.1 General

Service Provider Number Portability-Remote (SPNP-Remote) is an interim service arrangement provided by the Company to Carriers whereby an end user, who switches subscription to local exchange service from the Company to a Carrier, is permitted to retain use of the existing Company assigned telephone number provided that the end user remains within the same central office. With this service, a call dialed to an SPNP-Remote equipped telephone number, assigned to the Company, is automatically forwarded to a Carrier assigned telephone number within the Company's exchange as defined in Section A3 of the Company's General Exchange Tariff. The forwarded-to number is specified by the Carrier. (T)

E19.1.2 Rules and Regulations

A. SPNP-Remote service is only available to certificated Carriers. The Carrier must have a local interconnection agreement with the Company in order to purchase SPNP-Remote from the Company. When SPNP-Remote is purchased from the Company, the ownership of the telephone number is NOT transferred to the Carrier or its end users. The Company reserves the reasonable right to assign, designate or change telephone numbers. Should it become necessary to make a change in such number(s), the Company will furnish the Carrier six (6) months notice of the effective date an explanation of the reason(s) for such changes. (T)

B. SPNP-Remote service and facilities will only be provided, where technically feasible, subject to the availability of facilities and may only be furnished from properly equipped central offices. SPNP-Remote service and facilities are not offered for NXX Codes 555, 976, 950 or public or semi-public telephone service.

C. SPNP-Remote service is not available for local exchange end user accounts that have been denied or disconnected for non-payment and for which there remains an outstanding balance.

D. SPNP-Remote is not available on telephone number based Company provided services other than basic local exchange service. Such services precluded from eligibility for SPNP-Remote include, but are not limited to, Foreign Exchange, Foreign Central Office, and Remote Call Forwarding.

E. SPNP-Remote service may only be ordered at the time the Carrier is converting the customer's service from Company provided local service to the Carrier's local service. (T)

F. Service interactions with SPNP-Remote may limit the functionality of some services and/or features rendering them non-functional to calls sent to the Carrier's end users. (T)

E19. SERVICES FOR COMPETING TELECOMMUNICATIONS PROVIDERS (T)

E19.1 Service Provider Number Portability - Remote (SPNP-Remote) (Cont'd)

E19.1.2 Rules and Regulations (Cont'd)

G. Busy verify and interrupt services are not available with SPNP-Remote. (T)

H. SPNP-Remote for a particular Carrier assigned telephone number is available only from the Company central office originally providing local exchange service to the end user. (T)

I. SPNP-Remote for a particular Carrier assigned telephone number will be disconnected when any end user, Public Service Commission, or Company initiated activity (e.g., a change in exchange boundaries) would normally result in a telephone number change had the end user retained the Company's local exchange service. (T)

J. Some applications (i.e., hunt lines) may require the ability to terminate multiple simultaneous calls for a single SPNP-Remote number. In these instances, the additional path charge is applied for each additional simultaneous call capability per number forwarded where available. For example, a Carrier end user may want the capability to terminate five (5) simultaneous calls to a single SPNP-Remote number; the SPNP-Remote charge will apply for one line and the additional path charge will be applied four (4) times. (T)

K. SPNP-Remote service is only available from or to host central offices.

E19.1.3 Responsibilities of the Company

A. The Company's sole responsibility is to comply with the service requests it receives from the Carrier and to provide SPNP-Remote in accordance with its tariff. (T)

B. The Company is not responsible for the allocation of charges for resold or shared SPNP-Remote services or for misdialed calls.

E19.1.4 Responsibilities of the Carrier (T)

A. The Carrier is responsible to obtain authorization from the end user for the handling of the disconnection from the end user's service with the Company, the provision of service by the Carrier and the provision of SPNP-Remote service. Should a dispute or discrepancy arise regarding the authority of the Carrier to act on behalf of the end-user, the Carrier is responsible for providing written evidence of authority by certificate of agency to the Company. In the event the Carrier is unable to provide such authorization in a form satisfactory to the Company, and the Company has already transferred service to the carrier, the rules and charges as outlined in Section 19.4 will apply. If the end-user's service has not been transferred, the Company will refuse to disconnect it. (T) (T) (T) (T) (N) (+) (D)(N)

B. The Carrier is responsible for coordinating the provision of service with the Company to assure that its switch is capable of accepting SPNP-Remote ported traffic. (T)

E19. SERVICES FOR COMPETING TELECOMMUNICATIONS PROVIDERS (T)

E19.1 Service Provider Number Portability - Remote (SPNP-Remote) (Cont'd)

E19.1.4 Responsibilities of the Carrier (Cont'd) (T)

C. The Carrier is responsible for providing equipment and facilities that are compatible with the Company's service parameters, interfaces, equipment and facilities. The Carrier is required to provide sufficient terminating facilities and services at the terminating end of an SPNP-Remote call to adequately handle all traffic to that location and is solely responsible to ensure that its facilities, equipment and services do not interfere with or impair any facility, equipment or service of the Company or any of its end users. In the event that the Company determines in its sole judgment the Carrier will likely impair or is impairing or interfering with any equipment, facility or service of the Company or any of its end users, the Company may either refuse to provide SPNP-Remote service or terminate it in accordance with other provisions of the Company's tariff. (T) (T) (T)

D. The Carrier is responsible for all charges for the provisioning of SPNP-Remote service as set forth in E19.1.6 following. (T)

E. The Carrier is responsible for notifying the Company and requesting disconnection of the SPNP-Remote arrangement associated with the original Company provided telephone number when the Carrier's end user for which SPNP-Remote is provided initiates a change (e.g., relocation, subscription to a specific service, etc.) which would otherwise require a change in the Company provided telephone number. (T) (T)

F. SPNP-Remote service is furnished upon the conditions that the Carrier obtain adequate facilities to permit the use of SPNP-Remote service without injurious effect upon it or any other services rendered by the Company. The Company may terminate or refuse to furnish service to any Carrier, without incurring any liability, if the use of the service would interfere with or impair other services provided by the Company, provided that, in the case of a termination of service, at least five days have elapsed following written notification to the Carrier by mail, or in person, of the Company's intention to terminate the service for such cause. (T) (T) (T)

G. The Carrier is responsible for designating to the Company, at the time of its initial service request for SPNP services, the appropriate Line Information Database (LIDB) indicator for the correct handling of collect, third party, and other operator handled calls to SPNP assigned telephone numbers. The Carrier may request that an indicator be included in the Company's database that all such calls be denied; however, the Company will not guarantee such denial. The indicator default will be set to deny all collect, third party, and operator handled calls in instances where the Carrier does not designate a preference when service is initially established. In any case, the Carrier is responsible for payment of all collect, third number, and other operator handled charges terminated on the SPNP telephone number. (T) (T) (T) (T) (T)

E19. SERVICES FOR COMPETING TELECOMMUNICATIONS PROVIDERS (T)

E19.1 Service Provider Number Portability - Remote (SPNP-Remote) (Cont'd)

E19.1.4 Responsibilities of the Carrier (Cont'd) (T)

H. Carriers will be held liable for both the unauthorized termination of service with the Company and the subsequent unauthorized transfer of their own service. Carriers are responsible for the actions of their agents that solicit unauthorized service termination and transfers. Carriers who engage in such unauthorized activity shall restore the end user's service to the Company without a charge to the end user. The Carrier shall be billed the applicable charges from Section 4 of the General Exchange Tariff to reconnect the end user's service. (T) (T) (T) (T)

I. The Carrier is responsible for providing an appropriate intercept announcement service for any telephone numbers subscribed to SPNP-Remote service for which it is not presently providing local exchange service or terminating to an end user. (T)

J. Where the Carrier chooses to disconnect or terminate SPNP-Remote service, it is responsible for designating the preferred type of announcement to be provided by the Company at appropriate intercept rates. (T)

E19.1.5 Limitations of Service

A. The Company is not responsible for adverse effects on any service, facility, or equipment from the use of SPNP-Remote service.

B. End-to-end transmission characteristics may vary depending on the distance and routing necessary to complete calls over SPNP-Remote facilities and the fact that another Carrier is involved in the provisioning of service. Therefore, end-to-end transmission characteristics can not be specified by the Company for such calls. (T)

C. The Company is not responsible to the Carrier if necessary change in protection criteria or in any of the facilities, operation or procedures of the Company renders any facilities provided by a Carrier obsolete or renders necessary modification of the Carrier's equipment. (T) (T)

EXHIBIT NO. _____

DOCKET NO: 950737-TP

WITNESS: PAUL R. McDANIEL

PARTY: TIME WARNER

DESCRIPTION:

NOVEMBER 13, 1996 DEPOSITION TRANSCRIPT

PROFFERING PARTY: STAFF

I.D. # PRM-1

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950737 EXHIBIT NO. 11
COMPANY/ WITNESS: BELL SOUTH / McDANIEL
DATE: 11/25/96

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of Investigation into temporary local telephone number portability solution to implement competition in local exchange telephone markets.	**DOCKET NO. 950737-TP**



TELEPHONIC DEPOSITION OF:	**PAUL R. McDANIEL** Located in Englewood, Colorado
TAKEN AT THE INSTANCE OF:	The Staff of the Florida Public Service Commission
CONDUCTED FROM:	Gunter Building 2540 Shumard Oak Boulevard Room 362 Tallahassee, Florida
TIME:	Commenced at 10:00 a.m. Concluded at 11:10 a.m.
DATE:	November 13, 1996
REPORTED BY:	H. RUTHE POTAMI, CSR, RPR Official Commission Reporter

APPEARANCES:

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ROBIN DUNSON, AT&T Communications of the Southern States, Inc., 106 East College Avenue, Suite 1410, Tallahassee, Florida 32301, Telephone No. (904) 425-6360, appearing on behalf of **AT&T Communications of the Southern States.**

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RICHARD M. RINDLER, Swidler & Berlin, Chartered, 3000 K Street N.W., Suite 300, Washington, D.C. 20007, Telephone No. (202) 424-7604, appearing on behalf of **MFS Communications Company**, appearing telephonically from Washington D.C.

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TOM ALEXANDER, 4300 Southern Bell Center, 675 West Peachtree Street, Northeast, Atlanta, Georgia 30375-0001, Telephone No. (404) 614-4045, appearing on behalf of **BellSouth Telecommunications, Inc.**, appearing telephonically from Atlanta, Georgia.

I N D E X

MISCELLANEOUS

ITEM	PAGE NO.
STIPULATION	5
ERRATA SHEET	54
AFFIDAVIT OF DEPONENT	55
CERTIFICATE OF OATH	56
CERTIFICATE OF REPORTER	57

NAME	PAGE NO.
PAUL R. McDANIEL	
Examination By Mr. Cox	7
Examination By Mr. Fons	26
Examination By Mr. Alexander	35
Examination By Mr. Cox	44
Examination By Ms. Weiske	46
Examination By Mr. Alexander	48

S T I P U L A T I O N

IT IS STIPULATED that this deposition was taken pursuant to notice in accordance with the applicable Florida Rules of Civil Procedure; that counsel present stipulate that the witness is the person he identified himself as; that objections, except as to the form of the question, are reserved until hearing in this cause; and that reading and signing was not waived.

IT IS ALSO STIPULATED that any off-the-record conversations are with the consent of the deponent.

- - - - -

MR. COX: We're going to go ahead and try starting taking appearances again. This is Will Cox and Monica Barone for Staff here at the Commission.

MR. FONS: This is John Fons representing United Telephone Company of Florida and Central Telephone Company of Florida.

MS. WEISKE: This is Sue Weiske for Time Warner AxS of Florida, and Jill Butler, also.

MR. MELSON: Rick Melson of Hopping Green Sams and Smith for MCI.

MS. DUNSON: Robin Dunson on behalf of AT&T.

MS. JACOBS: Gwen Jacobs on behalf of AT&T Wireless Services of Florida, Inc.

MR. RINDLER: Rich Rindler at Swidler & Berlin on behalf of MFS Communications Company, Inc.

MR. COX: Tom Alexander, would you like to make an appearance?

MR. ALEXANDER: This is Tom Alexander in Atlanta on behalf of BellSouth Telecommunications, Inc.

MR. COX: Does everyone agree to the usual stipulations for this deposition?

(Simultaneous affirmative responses.)

MR. COX: Could the notary swear in the witness now, please?

THE NOTARY: My name is Linda Dunford.

- - - - -

PAUL R. MCDANIEL

appeared as a witness and, after being duly sworn by the notary, testified as follows:

EXAMINATION

BY MR. COX:

Q Mr. McDaniel would you state your name for the record?

A My name is Paul R. McDaniel, M-C-D-A-N-I-E-L.

Q Mr. McDaniel, where are you presently employed?

A I am employed by Time Warner Communications.

Q And in what capacity are you employed with Time Warner Communications?

A I am the director of regulatory accounting.

Q And as a part of Docket 950737, in what capacity are you offering direct testimony?

A I'm offering direct testimony on the appropriate cost recovery mechanism to be used to recover the costs associated with INP in Florida.

Q And on behalf of which party to this proceeding?

A Oh. I'm testifying on behalf of Time Warner

AxS of Florida, L.P., doing business as Time Warner Communications and Digital Media Partners.

Q Mr. McDaniel, I have several questions regarding your prefiled direct testimony in Docket 950737, and I'm going to refer you to specific lines in your direct testimony.

On Page 5, Line 13 of your direct testimony, you state that the FCC interprets costs as those incremental costs incurred by an incumbent LEC. Can you provide your definition of incremental costs?

A Incremental cost is traditionally defined as some measure of TSLRIC, which really is an attempt to identify the direct costs associated with abilities and resources used to provide the entire quantity or output of a particular service or network function. In this particular case -- and that's traditionally the way we do it in the telecommunications business.

In this particular case I think that the FCC was looking more at identifying costs on a short run incremental basis, in other words, looking at the change in costs, by providing interim number portability given the facilities and resources in place to do that today.

So it's the latter definition I gave you that I am using to define the incremental costs

associated with interim number portability.

Q In that definition which you just stated, just to clarify one point, what do you mean by change in cost?

A Just looking at the -- how the costs would change by producing another increment of output, whether you're measuring that interim number portability on a per call, per minute of use basis or even a per line, per month basis.

Q My next question refers to Page 6 of your direct testimony, Line 15. And on Line 15 you identify two criteria used by the FCC's order to determine a competitively neutral cost recovery mechanism.

The second criterion states that a cost recovery mechanism should not have a disparate effect on the ability of a competing service provider to earn normal return on its investments. Can you explain what do you mean by this statement with regards to the disparate effect?

A The second effect?

Q Yes.

A What your question relates to?

Q Yes.

A The -- when the FCC was discussing that,

they were discussing that in terms of a proposal simply to say, well, let's split the costs of interim number portability 50/50. So we're not really looking at it on a per customer basis, we're just saying, let's look at the total costs, split them 50/50. If that -- but that split of the costs spread over the respective customer basis comparing the incumbent LECs to the new entrants is going to have a much more detrimental impact on the overall return which could be earned by the new entrant relative to the incumbent LEC.

So that sharing mechanism would not satisfy the second -- the second criteria discussed here in the testimony.

Q The next question refers to Page 7 of your direct testimony, Line 18; page 7, Line 18. On Line 18 you state that the Florida Public Service Commission should look beyond temporary number portability and devise a cost recovery method that is consistent with how costs will be recovered for a long term number portability.

My question is, hasn't the FCC issued a notice for proposed rule making on cost recovery for permanent number portability?

A Has the FCC issued a notice of proposed

rulemaking? Is that your question?

Q Yes.

A Yes, they have.

Q That being the case, do you believe it is appropriate to attempt to establish a permanent number portability solution prior to the FCC issuing their order on permanent cost recovery?

A Well -- I'm sorry. Could you repeat the question, make sure I understand it?

Q Sure. Do you believe it's appropriate to attempt to establish a permanent number portability solution prior to the FCC issuing their final order on permanent cost recovery for number portability?

A No. And what I'm suggesting here is that they devise a -- devise an interim number portability cost recovery mechanism which is consistent with the principles outlined for permanent long term cost recoverability.

Q The next question refers to Page 8, Line 4 of your direct testimony. On Line 8 you identify a proposal where each LEC, including both the incumbent LEC and the ALEC, when it ports a number would absorb all of the costs of providing temporary number portability. Is this the proposal in fact that Time Warner supports?

A Yes, it is. Our proposal is to treat the costs associated with interim number portability as simply network routing costs.

Q Does this recovery proposal apply to all interim number portability, solutions such as remote call forwarding and direct inward dialing?

A Yes.

Q Can you identify the costs an ALEC would incur when an incumbent LEC ports a number to the ALEC?

A To identify the costs when the ALEC ports a number to an incumbent LEC? I'm sorry. Maybe I misunderstood you.

Q Let me restate the question. Can you identify the costs an ALEC would incur when an incumbent LEC, an ILEC, ports a number to the ALEC? The ALEC's costs.

A With respect to interim number portability, they would not have any.

Q With regards to any of the solutions that we just mentioned, RCF or DID? They would not have any costs?

A No.

Q So in this proposal you would say that the ILEC incurs the majority of the costs?

A Yes, the ILEC would incur the majority of the costs, because they're incurring the costs associated with interim number portability as are all carriers. The situation is going to be, at least initially I think that it's going to be the ILEC which is porting numbers to the new entrants.

However, I think you have to keep in mind when we talk about competitively neutral cost recovery mechanisms such as absorbing your own costs, you're talking about spreading those costs over the customer base of the incumbent. Having done that, spread those costs over the customer base, the per customer costs for these increased network routing costs will probably be not perceptible in terms of the overall costs of service.

Q Could you explain why it's proposed for the ILEC to incur the majority of the costs of providing interim number portability?

A Well, what we're proposing is that simply each carrier absorb their cost of routing calls through the network, and that's consistent with the notion of trying to recover INP costs on a competitively neutral basis. In other words, no new entrant would be put at an economic disadvantage in trying to enter the market.

The premise for this is, number -- the lack of number portability is a barrier to entry, and if we want to foster competition, we have to give customers who wish to choose alternative providers the ability to retain their telephone number.

Consequently, this is really costs associated with changing the paradigm by which we're delivering telecommunications services in this country, that is from a -- what was a franchise monopoly situation to a competitive situation. And one of the interim costs we're going to have incur is interim number portability, and the -- a competitive neutral way to do that is simply to treat them as network routing costs.

Q My next question refers to Page 8, Line 18 of your direct testimony. Line 18, you recommend that the incumbent LECs be required to produce cost support for providing remote call forwarding and direct inward dialing for temporary number portability.

Do you believe that the Florida Public Service Commission could use the remote call forwarding cost information filed in its initial proceeding in this docket to determine the cost to be used on a competitively neutral basis?

A Well, no, I would not; and that's based

on -- and it's been some time, a little while since I've looked at that order. But I believe that BellSouth was required to file new cost studies by March, 1997, and the Commission seemed to have questions about -- I believe they had questions about GTE's and United's costs; so I am recommending that they file new cost studies, given the Commission's observations on those prior cost studies.

Q And why shouldn't these earlier cost studies this earlier cost information, be used?

A Well, for the reasons I just stated; that there appear to be -- although I wasn't involved in the prior proceeding, there appeared to be questions on the calculations of those costs.

Q Next question: On Page 8 of your direct testimony, Line 4, you state that each local exchange company would absorb all of the costs of providing temporary number portability, and that would include, I guess, both ILECs and ALECs?

A That's correct.

Q My question is, could you briefly explain how carriers, all the carriers, would absorb all of the costs of providing temporary number portability?

A All of the carriers would absorb all of the costs?

Q Let me restate that. Could you briefly explain how the carriers would absorb all of the costs of providing temporary number portability?

A Well, for the incumbent LECs, they would have increased routing costs which would be -- become a cost of their providing all the service they provide. The same would be true for the ALECs to the extent they were porting numbers. In other words, this is just a cost of doing business.

Q Does this method, this cost recovery method, does it apply to all possible temporary number portability solutions; for example, the temporary number portability solutions identified in the recent arbitration proceedings here at the Commission, such as LERG reassignment and route indexing portability hub?

A I'm not familiar with those -- what exactly those entail. In general when I made this proposal, what I'm looking at is if you're treating this as a network routing cost, then it's really going to be up to the company porting the number to determine how they want to deploy facilities, or use their existing facilities, to terminate calls to the other provider's network, including ported numbers. But beyond that, I'm not really familiar with those -- actually, I'm

not familiar at all with those last two that you mentioned.

Q Does your proposal mean that each carrier would then absorb their own costs?

A Yes.

Q As I tried to get at earlier, if so, wouldn't the ILEC be paying for most of the costs associated with temporary number portability?

A And as I stated previously, yes, because they will be doing the -- they will be porting the majority, if not all, of the numbers, at least initially; and -- but when looked at from a competitive neutral cost recovery mechanism, if you look at the customer base over which they can spread those, the -- in terms of providing their total cost of service, those costs would probably be imperceptible.

Q Can you explain specifically what costs Time Warner would incur in providing temporary number portability?

A Well, to the extent that we would have to port numbers back to the incumbent LEC, then we would have to determine how -- what facilities we were going to use to port them back. So we would either have RCF costs or DID costs that we would incur to port those

numbers back.

Q Aren't those costs incurred in terminating traffic from the ILEC, and not associated with provision of temporary number portability?

A I'm sorry. Could you repeat that?

Q Yes. Aren't those costs that you just mentioned incurred in terminating traffic from the ILEC, and not associated with the provision of temporary number portability?

A There are costs associated with terminating traffic even in those situations where we're dealing with nonported numbers, yes.

Q Next question refers to Page 9 of your direct testimony, Line 9. Line 9 you state that the cost recovery mechanism that requires LECs to absorb their costs would motivate the ILECs to implement a long term number portability.

A Yes.

Q Doesn't the ILEC already have a schedule to implement a long term portability number mechanism?

A Yes, they do. Under the FCC order, there is a schedule for them to implement. But what I'm suggesting here is that if we make interim number portability or treat it just like another service which the ILEC can sell to another customer rather

than treating it as a network routing cost, you are going to create incentives for them to continue to sell the service on which they may perhaps make incremental profit associated with their investment, and that certainly is not going to give them an incentive to meet those timetables or possibly delay, if possible.

I mean, I still think there's a lot of technology uncertainty associated with actually getting long term number portability in place. So treating it as a network routing cost would certainly at least not give them any further incentive to delay implementation.

Q Next question refers to Page 9 of your direct testimony, Line 20. On Line 20 you discuss the default cost recovery mechanism to be used if the Commission determines that the cost should be shared between the incumbent LEC and the ALEC.

A Yes.

Q In this default cost recovery mechanism, you state that the ILECs' and -- incremental cost of providing remote call forwarding and direct inward dialing should be used instead of the ILECs' cost or the ALEC or other parties' costs. Can you explain why you believe it is appropriate to only use the ILECs'

costs for this default recovery mechanism?

A Because the majority of the costs going to be incurred here are going to be the ILEC costs. Is that -- maybe I didn't quite follow your question, but --

Q No, I think you answered the question. Next question refers to Page 10 of your direct testimony Line 2, and it's referring again to your proposed default cost recovery mechanism.

A Yes.

Q On Line 2 you state that the costs should be shared between the incumbent LECs and ALECs by dividing the total costs according to the percentage of working telephone numbers held by the incumbent LEC and by all ALECs.

A Yes, that's correct.

Q Would this cost recovery mechanism be on an ILEC basis or on a statewide basis?

A Ideally you would want to divide it on a statewide basis, and that way you would come up with one uniform charge per working telephone number that could be applied to each carrier's share of working telephone numbers.

Q Now, in this cost recovery mechanism could you explain why it would be more appropriate to use

telephone numbers rather than revenues?

A Primarily we recommended working telephone numbers in this proceeding because it should be administratively more simple. We would simply need to get a count of the working numbers held by each carrier as opposed to trying to identify something like net revenues from each carrier. So it should be, at least in the short term, easier to accrue that information.

Q Now in this proposal do you propose that the cost recovery mechanism only applies to ILECs and ALECs and not to IXCs and cellular providers?

A That's correct, because we're just looking at the working telephone numbers. Again, that's for -- at least during the interim period, that's going to make it more administratively less complex, if you will.

Q Now, is that proposal that you just mentioned with the exclusion of these other carriers, is that consistent with the FCC order?

A Yes, it is.

Q When you use the term "working telephone numbers," does that refer to all working telephone numbers, or to ported telephone numbers?

A Refers to all working telephone numbers.

Q If the Commission, Florida Public Service Commission, uses telephone numbers, could you explain how the Commission is to determine the number of telephone numbers each carrier uses in order to determine the cost a specific carrier should pay?

A Each carrier would have to report its working telephone numbers to the Commission or to some pooling administrator, and of course those would be subject to audit and review; but there would simply only be one number that would have to be reported by those carriers not incurring costs themselves to port numbers.

Q The next question refers to Page 11 of your direct testimony, Line 15.

A Line 15?

Q Yes, Line 15, Page 11. You state that the proportionate costs to the ILEC and ALEC will not be noticeably different. Could you explain what do you mean by this statement?

A What you're trying to do is look at it on a per customer basis. So if you take the costs and divide them by, say, working telephone numbers, then the cost per working telephone number will not be noticeably different between the two carriers.

You can contrast that with a situation

where, let's say, for example the new entrant would pay all of the costs of interim number portability, then it would be a disproportionate share of costs which must be recovered by the new entrant; and that will be significant on a per customer basis.

Q And what are you basing this statement on, what types of evidence or cost studies?

A I'm not basing it on any cost studies, just the mathematical relationship that you're spreading it -- the effect per number is going to be the same for all carriers.

Q Do you believe that the Florida Public Service Commission should require new cost studies in determining the appropriate cost to use if the Commission requires a pooling type mechanism?

A Well, just as I stated -- as we discussed previously, based on the cost studies that were submitted previously, yes, I do think they -- and there was questionable results there. They should submit the new cost studies. And those costs then would be submitted to the pool, reviewed and then they would be the costs -- once they were approved, would be the costs that would be recovered through if you use some type of working telephone number surcharge.

Q If the Commission were to use revenues

instead of telephone numbers as the basis for its cost recovery mechanism, could you explain an appropriate method to determine the revenues to be used?

A What I would recommend would be total revenues, including both interstate revenues and intrastate revenues less intercarrier payments.

Q What do you mean by intercarrier payments?

A Intercarrier payments would be like access charges. Essentially, wholesale payments made by a purchasing carrier to another carrier.

Q Could the Commission use the telecommunication carriers intrastate regulatory assessment fees filed with the Commission?

A Did you say "intrastate regulatory assessment fee," or "interstate"?

Q Intra.

A Intrastate. They could certainly use it. I wouldn't recommend it, because I suspect that -- and I haven't looked at it -- but I suspect that that only includes intrastate revenues; and I would recommend using interstate and intrastate revenues.

Q Is it clear that what I'm talking about here is assessment fees as opposed to revenues?

A Well, you're using a -- the fee is the -- the result applying some type of factor to revenues

less intercarrier payments to result in the collection of some dollars which would defray the cost of running a public utility commission -- I'm not -- public service commission. Excuse me.

Q Could I just restate the question? Actually, it's separate from the other question. I think I stated it improperly.

A Okay.

Q Could the Florida Public Service Commission use the telecommunication carriers' interstate regulatory assessment fees filed with the Florida Public Service Commission?

A And I said that --

Q Just intrastate.

A Again, it sounds to me like you keep saying "interstate." So I'm going to assume that we're talking about they filed intrastate revenues --

Q Yes.

A -- on some form which is used to determine the fee.

Q Yes.

A And my recommendation would be that we -- if we were going to use net revenues as the basis for spreading of the costs of interim number portability is that we would include interstate revenues as well.

I am not sure if interstate revenues are reported on that form, so I wouldn't use that form in that sense.

MR. COX: That concludes Staff's questions. Do any of the other parties have questions for the witness?

(No response.)

MR. COX: Are there no questions?

MS. WEISKE: I have one. I was waiting to see if any other party did. Sue Weiske for Time Warner.

MR. FONS: Sue, I've got some questions.

MS. WEISKE: Okay. Who is that?

MR. FONS: John Fons.

MS. WEISKE: Okay. Go ahead.

EXAMINATION

BY MR. FONS:

Q Mr. McDaniel, my name is John Fons, and I represent United Telephone Company of Florida and Central Telephone Company of Florida, and I have a few questions as follow-up on the questions that Mr. Cox asked you.

Throughout your answers to Mr. Cox's questions you kept referring to network routing costs. Can you tell me what those are?

A Just the cost of delivering and routing

calls through the network to their intended destination.

Q And what particular facilities are involved in that network routing?

A You can involve end office switching, transport, tandem switching, those types of facilities.

Q And in particular with regard to remote call forwarding as a telephone number portability mechanism, what routing costs would be involved?

A What routing costs?

Q Yes; network routing costs.

A Are you talking about additional routing costs or total routing costs?

Q Total first, and then additional.

A Okay. If it's -- the call is an intraoffice call, it really doesn't matter whether -- it doesn't matter whether you're -- it doesn't matter as much whether ported or nonported in that particular case. You're simply going to have end office switching at the originating office, and you're going to have either direct trunking to the ALEC's end office or you're going to be going -- tandem, in which case you'd have both, to the tandem, tandem switching and trunking off to the end office -- to the ALEC's end

office.

If it's an interoffice call and you're dealing with a ported number, then you're going to be starting at one ALEC end office, perhaps direct trunking or tandem routing to the second incumbent LEC's office where the ported number resides, and you're going to have end office switching, and you're going to have to carry that call either directly to the ALEC's switch or, again, haul it back through the tandem and to the end office, and that would involve transport and tandem switching.

Q What about the additional costs?

A The -- when I say additional costs, I was talking about -- of carrying the call?

Q Yes.

A As compared to a nonported call?

Q Well, you are the one that -- you asked me which costs I wanted, total or additional, and I said total first and --

A Okay. If you were doing a nonported call, then you would simply have to start at the incumbent LEC's end office, and you would either direct trunk to the ALEC's office or you would go through the tandem. You wouldn't have to worry about an intermediate stop at the end office where you ported the number.

Q Okay. So the additional cost would be the intermediary stop where you have to check for the ported number?

A Right, and that's only on interoffice calls. If the calls -- if the original call of the incumbent LEC was an interoffice call, then you'll have that additional routing to that office. If the original call was an intraoffice call, then the routing would appear -- the ultimate routing through the network would appear the same as a nonported call.

Q Are you familiar with the United and Centel's or any incumbent local exchange company's retail offering of remote call forwarding?

A I'm aware that they exist.

Q Are you aware of what facilities are involved to provide remote call forwarding on a retail basis?

A Basically they would be similar to the facilities we're talking here. You would have to, of course, use the remote call forwarding feature in the switch.

Q Who uses the local exchange company's remote call forwarding service today?

A I'm not real sure.

Q Do you know what percent of the local

exchange company's retail customers subscribe to remote call forwarding?

A No, I do not.

Q Do you subscribe to remote call forwarding?

A No, I do not.

Q If you were to subscribe to remote call forwarding, how would you use it?

A I can't envision a situation where I'd want to permanently reassign, say, my home number elsewhere.

Q Isn't that, in fact, the way customers use it today; they do not permanently assign their number to another location by using remote call forwarding? Isn't it a service where you temporarily call forward a call?

A I assume that you could do that. You would have to be temporarily routing that call to a specific separate location.

Q Right. If my wife and I were going out for the evening and going to someone else's home, we could remote call forward our call to our friend's home?

A Well, you'd be using something there more like variable call forwarding, I would think. In other words, you have a -- you know, there is a line connection change on remote call forwarding, so you

simply wouldn't -- it would be activated, I think, in the central office.

Now, I'm not an engineer, but I think you're talking about a slightly different feature, very similar in all respects to remote call forwarding because you're using basically the same feature on the switch. Remote call forwarding, it is offered at retail, but it involves what I would consider to be at least a semipermanent change in the way that call is going to be terminated.

Q Have you performed an incremental cost study for Time Warner's remote call forwarding feature?

A No, I have not.

Q Have you reviewed United-Centel's proposal for pricing remote call forwarding as a temporary number portability solution?

A Was that contained in their testimony?

Q It was.

A Yes, I did read it. Is that -- make sure I have the witnesses right. Was that Ms. Menard?

Q No, that would be Mr. Poag's testimony.

A Oh. Was that the -- okay. That was Mr. Poag. Was that the 55% discount or something, or the --

Q Yes; TSLRIC less the 55% discount.

A Yes, I did recall reading that.

Q And doesn't that particular solution provide incentives for United-Centel to move on to a long term number portability solution?

A It certainly would give them more incentive than if they were to charge the full cost, full TSLRIC cost plus incremental profit, but I think it really depends on if we could be assured that they were offering that below cost, and certainly they would have more incentive to -- (inaudible) --

Q Would you repeat the end of that, please?

A If you could ensure that they would -- were actually recovering less than the direct economic cost of providing that, then certainly that would give them more incentive than the proposal to charge the direct cost plus a normal profit. It would still give them less incentive than if you were to use a competitively neutral cost sharing mechanism.

Q Because under that mechanism United and Centel would receive no compensation; isn't that correct?

A They would treat their costs of interim number portability as a part of their own network routing costs and would not receive compensation.

Q They would not receive compensation from the

ALEC; isn't that correct?

A That's correct.

Q Under your proposal, you do not require that there be a balance of traffic going each way in order to get this bill and keep; isn't that correct?

MS. WEISKE: Excuse me. I don't think --

THE WITNESS: I'm not sure I follow that.

MS. WEISKE: If you could rephrase your question, please.

Q (By Mr. Fons) Do you describe your solution as bill and keep?

A No. I describe it -- I prefer to describe it as each carrier incurring their own network routing cost.

Q How is that different from bill and keep?

A Well, generally we -- generally, I have a tendency to reserve bill and keep for talking about compensation in kind for those -- call termination. Here we're talking about interim number portability, and perhaps the distinction is not important, but it's a distinction I use.

Q In other words, you believe that these network routing costs should be borne by the ILEC because you believe it can be spread, these additional costs can be spread across a greater customer base?

A That's correct.

Q What customers of the ILEC would bear these costs?

A Well, these costs would simply be treated as network routing costs, which is just another cost of doing business which the incumbent LEC incurs to provide all of its telecommunications services. It would be -- in that sense it's spread over the customer base. But the main point when you're trying to look at a competitively neutral situation and you're comparing that to a new entrant is the new entrant doesn't want to be placed at an economic cost disadvantage relative to providing service to its potential customers as compared to the incumbent LEC; and because their customer base is so large, that those costs would not be -- would be imperceptible in looking at their cost providing service on a per customer basis. So you would have more of an equal footing as both new entrants and incumbent LECs compete for customers.

Q And these costs would be borne by the ILEC's remaining customers; in other words, the ones that the ALECs have not taken away from them?

A That's correct.

MR. FONS: I have no further questions.

MS. WEISKE: I don't have any questions. The question I wanted to ask was already asked and answered.

MR. ALEXANDER: This is Tom Alexander with BellSouth, and I've got a couple of questions.

MS. WEISKE: I reserve the right to follow up.

EXAMINATION

BY MR. ALEXANDER:

Q Mr. McDaniel, this is Tom Alexander with BellSouth, and I'm by phone in Atlanta. Are you able to hear me okay?

A Yes, I'm able to hear you.

Q Okay. I wanted to follow up on Time Warner's proposal. And you indicated to Mr. Fons that you don't prefer to call that a bill and keep, but just a proposal that each carrier incurs their own cost of performing RCF or another interim number portability mechanism; is that correct?

A Yes, that's the way I think of it.

Q And I am correct that you earlier testified that the majority, if not all, of the costs are going to be incurred by the incumbent LEC; is that correct?

A That's the -- that's correct, because the ILEC will be doing the majority, if not all, of the

porting, at least in the initial stages of incipient competition, if you will. So, yes, they will incur those costs.

Q Well, please tell me how Time Warner is going to be incurring any costs in performing RCF if the ILEC, incumbent LECs such as BellSouth and GTE and United-Centel, are going to be doing all the porting?

A How Time Warner would be incurring any costs?

Q Yes.

A Well, there could be a situation where we would -- there could be a situation -- and I think as we discussed previously, I don't think that, at least initially, for sure that's going to be very likely -- where we would be required to port to the incumbent LEC, and we would incur those costs in that situation.

Q Would you agree that that's only in the situation where the incumbent LEC is able to gain back a customer it had lost to the alternative LEC?

A No. I think you're probably looking at a situation where the -- we have a completely brand new customer not being provided service who initiated service with Time Warner and subsequently went to the incumbent LEC.

Q So you're saying it's a loss of a new

customer that Time Warner had, for example, as an alternative LEC, that another incumbent LEC may gain through competition is how you would incur those costs?

A That's correct. If we simply -- say, we took a customer from you, and subsequently that customer returned to you, there would be no interim number portability costs for anybody. We would be back to the status quo prior to the entry of -- prior to the entry of the new entrant.

Q Do you have any idea -- and I know I'm asking you to estimate how many customers until the time when you have permanent number portability that an alternative LEC might be able to garner as a new customer?

A I do not.

Q Would you agree with me that that percentage would be small compared to the percentage of customers of existing LECs that you may be gaining through competition?

A Is your question that the new entrant would probably have a relatively small market share? Yes, I would agree with that.

Q Of new customers as opposed to customers who have switched from an incumbent LEC.

A How those might be divided between the incumbent LEC and the new entrant?

Q Yes.

A I wouldn't have any better guess than to assume that they -- to assume that new customers, say, coming from new development, would be apportioned among the companies relative to existing market share.

Q Mr. McDaniel, you do agree that there are costs -- and you refer to them as network routing costs -- but there are costs associated with providing RCF as an interim number portability mechanism; is that correct?

A Yes, there are costs. It kind of depends on how you define costs. I started off this -- earlier discussed the issue of TSLRIC versus short run incremental costs. Short run incremental costs may be very, very low, but it kind of depends on how you want to define incremental costs.

Q One of the purposes of this docket is to evaluate, if you will, the FCC's order issued in July of this -- July 2nd, 1996, and I don't have the docket number in front of me. I believe it's FCC Docket No. 95-116 with the Florida Public Service Commission's Order No. PSC-95-1604. And you are aware of that being one of the issues of this docket?

A Yes.

Q Are you also aware that one of the foundations for the earlier Florida order is a Florida statute, Section 364.16(4). Are you aware of what that statute requires?

A I think so. I think that's one -- well, go ahead. Why don't you go ahead and tell me.

Q I'll be happy to. In short, the statute requires that the prices and rates for interim number portability shall not be below costs. Would you accept that and your counsel accept that, subject to check?

A Yes.

Q Under your proposal of each carrier basically incurring their own costs of interim number portability -- and you admit that the incumbent LECs will be incurring the majority, if not all, in your own words, of the cost of interim number portability -- how can your proposal comply with the requirements of Section 364.16(4)?

A I'm not sure that we could, but if we were -- but our proposal does comply with the telecommunications -- the federal act as well as the FCC's order; and based on those interpretations I'm not sure -- it may not be possible, but I'd have to

ask the advice of a attorney to comply with both of those acts -- unless we defined economic costs in a very -- as we discussed earlier, in a very short run incremental cost basis such that costs would very much approach zero. But other than that, we could probably not meet both those standards, and I would seek counsel's advice on how to reconcile those two.

Q And I wasn't trying to ask you a legal opinion. Mr. McDaniel, you're saying that Time Warner's proposal in this proceeding, the Act, are you referring to E(2) of the Telecommunications Act of 1996?

A That's correct.

Q And if I heard you correctly, and in your direct testimony, you're proposing that all carriers be required to share in these costs because only the carriers that are actually porting are incurring the costs; is that correct?

A Carriers are required to share in the costs. Only carriers actually porting numbers would be incurring costs. That's correct, if that was your question.

Q That was my question, and the Act requires that the costs be borne by all telecommunications carriers?

A On a competitively neutral basis, yes.

Q And you're saying that only those carriers that incur costs would put them in that competitively neutral basis because the others are not incurring them? Is that how you leave the IXCs and the wireless carriers out?

A Well, what we're talking about -- what the standard in the Act is to have a competitively neutral system -- mechanism. As the FCC defines that, you don't want to put any particular carrier at an incremental cost disadvantage when trying to attract new customers. And what you -- you can make that competitively neutral by spreading those costs over a number of carriers or providers.

And I think as the FCC pointed out, you know, mechanisms which are based on net revenues, mechanisms which are based on working telephone numbers, mechanisms which are based on access lines or mechanisms which just, you know, require the carrier to incur their own costs, all will satisfy this requirement that we not put any one provider at a competitive disadvantage in trying to attract customers.

Q And that's based on not your reading of the Act, the section I just gave you, 251 E(2), but you're

basing that on the FCC's interpretation of that section; is that correct?

A Yes, that would be correct; and I agree with the FCC's interpretation.

Q And you are aware that a number of carriers, including BellSouth, have filed for a petition for reconsideration of the FCC's order in this -- on number portability; is that correct?

A Yes.

Q And the proposal that cost recovery of interim number portability is not, I guess in your words, that each carrier incur their own costs and recover them, you're -- are you not asking incumbent LECs, such as BellSouth, to subsidize the new entrants by asking the existing or those retained customers of the incumbent LECs to pay for those costs of interim number portability?

A I don't -- no, I'm not.

Q You're not asking that to be done if only the existing or remaining customers of the incumbent LEC is paying for the cost of interim number portability mechanisms such as remote call forwarding?

A No. I don't look at it as a subsidy, because I look at it as the -- the fundamental premise here is that you are changing the method by which

telecommunication services are being provided in this country for changing from a -- be when a whole monopoly franchise in which the telephone -- incumbent LECS own the telephone numbers to a situation where we're now looking at the provision of telecommunications services in a competitive -- with a competitive market structure.

And there are -- we are faced with a situation where we do have some barriers to entry, and we are just spreading those costs over all customers. So I don't see that as an issue of subsidy.

Q Well, I'm trying to focus on -- you're saying you're spreading it across all customers, but in reality, admit that the costs are going to be -- a majority, if not all the costs, in your words, are going to be incurred by the incumbent LEC, you're asking the incumbent LEC to spread those costs over its existing or remaining customers; is that not correct?

A That's correct, and that's because that cost, in terms of looking at the cost of service on a per customer basis would probably be imperceptible, and that's going to be competitively neutral in terms of all carriers, new entrants as well as incumbents, to try to compete for customers.

Q And your proposal -- I'll ask you again -- if it's adopted, would it not be true that the incumbent LECs' remaining or existing customers would be paying for the cost of interim number portability measures such as RCF, rather than the customers of the ALEC?

A Yes; but that is consistent with competitive neutrality.

Q Consistent with the FCC's interpretation of competitive neutrality?

A That's correct.

Q I have no other questions.

MS. WEISKE: Anybody else have any questions?

MR. COX: Are there any other questions?

(No response.)

MR. COX: Mr. McDaniel, Staff has one follow-up question.

MS. WEISKE: And I do, too, when you're done.

EXAMINATION

BY MR. COX:

Q You were speaking earlier to Mr. Fons regarding network routing costs.

A I'm sorry. Could you speak up?

Q Sure. You were speaking earlier with Mr. Fons regarding network routing costs --

A Uh-huh.

Q -- that you were describing to me earlier. My question is, is it possible that the network routing costs would differ between the different temporary number portability solutions, such as remote call forwarding, direct inward dialing and others?

A Is it possible that the costs would be different?

Q Yes.

A Yes, they will be different.

Q And with regards to those two mechanisms that I mentioned, at least with the remote call forwarding and the direct inward dialing, how would the cost recovery mechanisms for these different solutions be different?

A The cost recovery mechanism would be the same. The cost for providing DID or RCF are different, and that really would be up to the incumbent LEC to -- or whoever is providing number portability to elect the technology to use. Then those costs would be recovered in a competitively neutral mechanism, whether it's net revenues, access lines or working telephone numbers. So the cost

recovery mechanism would be the same.

MR. COX: Staff has no more questions. Thank you.

MS. WEISKE: Could I have a minute, please?

MR. COX: Yes.

(Brief pause in proceeding.)

MS. WEISKE: Paul, are you ready?

THE WITNESS: Yeah. I know I'm having a hard time hearing you.

MS. WEISKE: Okay. I'll try to speak up.

EXAMINATION

BY MS. WEISKE:

Q You were asked a question by Mr. Alexander of BellSouth about the Florida statute.

A Uh-huh.

Q And I thought his question, although I don't have the statute in front of me, was whether you were familiar with the statute that stated that prices or rates not be below costs.

A Correct.

Q And do you recall he asked you how that statute then related to the Time Warner proposal?

A Yes.

Q How were you defining costs when you answered him in that question?

A I was thinking of in terms of incremental costs. I was actually thinking of it two ways, depending on how the Commission ultimately determined cost. We talked earlier, I guess early on this morning about, you know, whether we define costs as TSLRIC, which really looks at the direct economic costs of providing the facilities and resources. In that case, there would probably be some, probably with reconciling with the statute.

If the interpretation of what the FCC meant here was something such as short run incremental costs, I think, as I stated earlier, those could very well approach zero, because that cost is measured with the existing facilities and resources in place; and the changing costs in that situation may be very close to zero.

If that were the case, then I suppose our proposal would be -- well, our proposal -- if that were the case, our proposal would be consistent with the statute.

MR. COX: That's all I have thank you.

MR. ALEXANDER: I'm afraid I've got to ask some follow-up in light of that, if I can.

MS. WEISKE: Who's speaking?

MR. ALEXANDER: This is Tom Alexander with

BellSouth.

EXAMINATION

BY MR. ALEXANDER:

Q Mr. McDaniel, in your reference to short run incremental costs, those would be close to zero, I believe is what you just stated.

A Yeah, they could be close to zero.

Q Mr. McDaniel, is there not a cost incurred in simply placing the order, for an RCF, for example?

A Is there -- is there's an incremental cost in the short run in placing that order, and that could be close to zero.

Q That was not my question. Are you familiar with whether or not there would -- it would be inappropriate to have a nonrecurring charge, for example, in order to implement the RCF order from the ALEC to the incumbent LEC?

A It would depend on how you define cost. I would agree that there's a TSLRIC cost that would be positive associated with that. As far as the short run incremental cost of placing that order, that could very well be zero, because you're using the existing resources, facilities and labor force, and there's really no out-of-pocket cash outlay incurred by the incumbent LEC.

Q And the other costs involved in switching RCF calls over the network, those are costs as well, are they not?

A Of --

Q As costs?

A They would -- when we measure costs in the telephone business, if you are looking at it from a TSLRIC perspective, yes; but I think you have to keep in mind here that we're talking -- when we're talking about the costs in the network, we're talking about capacity costs. The incremental capacity costs, if you were to measure it on a short run incremental cost basis, for example, look at the actual incremental cost incurred by the incumbent LEC by routing another minute of use through the network, that's going to be zero, if you assume all the facilities are in place today.

Q I suppose that that would be true of also processing and transport costs involved in RCF implementation?

A Right; the same cost caviats with respect to TSLRIC and short run incremental costs.

Q What about the situation where the facilities are not all in place, that RCF for existing customers exhaust -- exhausting a particular switch's

capacity to handle that and additional equipment is needed, hardware or software, changes are required to be made?

A If, even in the short run, you didn't have the existing capacity to provide RCF, then, yes, you would have facility costs immediately.

Q So in that instance in particular, you would admit that's not an item close to zero; is that correct?

A There would be costs associated with that, yes, and it would be non-zero.

Q And Time Warner is not aware of what those situations would be in Florida?

A No, we're not. Well, at least I'm not. Let me restate that.

Q And I guess I'm still struggling with your trying on redirect, to characterize the cost as being close to zero, thus it doesn't violate the Florida statute saying that costs shall not be below costs.

Mr. McDaniel, if a carrier, or any company for that matter, were to charge just as incremental costs involved in doing business, would you agree that -- for all its services, that it would not be very long that that company would go out of business?

A Yes. It would not be able to recover its

total costs; that's correct.

Q So you're advocating that for the limited RCF type costs, that a company violate economic principles by charging either -- either incurring its own cost without an ability to recover them except to its own customers, based on its own costs, are not being able to charge the company that incurs the cost, the ALEC; is that correct?

A I'm sorry. Could you repeat the question?

Q You're advocating the position -- I guess I will. You're advocating a position that puts the incumbent LEC in a position of either having to incur its own costs and recover them by spreading it out over its customer base, existing or remaining customer base, or simply not being able to do that at all. It's not going to be able to charge the company, for example, the alternative LEC who is causing the costs; is that correct?

A I agree that under our proposal we are going to spread the costs of providing interim number portability over -- we're going to spread those costs on a competitively neutral basis. I would agree with your question to that extent. I do not agree that the -- it's the new entrants that are causing the costs.

Q Are they not the companies asking for the service?

A I think what has been recognized is that, again, we're changing the regulatory paradigm, or the paradigm by which we are providing telecommunications services and -- or to promote competition we have to eliminate that barrier to entry. So I don't see it as the new entrants that's causing that. I look at it as a decision by our society to change the paradigm by which we are going to provide telecommunications services in this country.

Q And so then, hopefully, this will be my final question, Mr. McDaniel. You're advocating a position that as a result of this societal paradigm change from a monopoly environment to a competitive environment, that the incumbent LECs subsidize the ALECs' entry into that business; is that correct?

A No, I don't view that as a subsidy. I view that all carriers are sharing in eliminating the barriers to entry.

Q And you say that, even though the incumbent LEC is the one that you admit will have the majority, if not all, the costs that are incurred in doing that service; is that correct?

A But looking at that total cost, if you will,

since we use the term "on a societal basis," the cost per customer turns out to be very much the same. Neither cost will put either the incumbent LEC or the ALEC at a -- at an economic disadvantage in trying to compete for customers.

MR. ALEXANDER: Mr. McDaniel, thank you very much. I have no other questions.

THE WITNESS: Thank you.

MS. WEISKE: I don't have anything.

MR. COX: Are there any other questions of the witness?

(No response.)

MR. COX: That concludes the deposition.

(Deposition concluded at 11:10 a.m.)

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ERRATA SHEET

DOCKET NO. 950737-TP
NAME: PAUL R. McDANIEL
DATE: November 13, 1996

Page	Line	

AFFIDAVIT OF DEPONENT

This is to certify that I, PAUL R. McDANIEL have read the foregoing transcription of my testimony, Page 1 through 54, given on November 5, 1996, 1996, in Docket No. 950737-TP, and find the same to be true and correct, with the exceptions, and/or corrections, if any, as shown on the errata sheet attached hereto.

_____
PAUL R. McDANIEL

Sworn to and subscribed before me this

_____ day of _____, 19_____

_____

NOTARY PUBLIC

State of _____

My Commission Expires:

CERTIFICATE OF ADMINISTERING OATH

STATE OF COLORADO }
}
COUNTY OF ARAPAHOE }

I, LINDA J. DUNFORD, Notary Public for the State of Colorado;

DO HEREBY CERTIFY that the witness, Paul R. McDaniel, personally appeared before me at the time and place designated and was duly sworn.

WITNESS MY HAND AND SEAL this 13th day of November, 1996, in the County of Arapahoe, State of Colorado.

Linda J. Dunford

Linda J. Dunford
Notary Public, State of Colorado

My Commission Expires July 29, 1998

STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, H. RUTHE POTAMI, CSR, RPR
Commission Reporter,

DO HEREBY CERTIFY that I was authorized to and did stenographically report the foregoing deposition of PAUL C. McDANIEL.

I FURTHER CERTIFY that this transcript, consisting of 54 pages, constitutes a true record of the testimony given by the witness.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 18TH day of November, 1996.

H. RUTHE POTAMI, CSR, RPR
Official Commission Reporter
(904) 413-6734

EXHIBIT NO. _____

DOCKET NO: 950737-TP

WITNESS: JOSEPH P. CRESSE

PARTY: FCTA

DESCRIPTION:

NOVEMBER 6, 1996 DEPOSITION TRANSCRIPT

PROFFERING PARTY: STAFF

I.D. # JPC-2

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950737 EXHIBIT NO. 12
COMPANY/
WITNESS: BELL SOUTH/CRESSE
DATE: 11/25/96

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of	
Investigation into temporary local telephone number portability solution to implement competition in local exchange telephone markets.	DOCKET NO. 950737-TP

DEPOSITION OF: JOSEPH P. CRESSE

TAKEN AT THE INSTANCE OF: The Staff of the Florida Public Service Commission

PLACE: Gunter Building
2540 Shumard Oak Boulevard
Room 362
Tallahassee, Florida 32399-0870

TIME: Commenced at 10:00 a.m.
Concluded at 10:40 a.m.

DATE: Wednesday, November 6, 1996

REPORTED BY: ROWENA NASH HACKNEY
Official Commission Reporter

APPEARANCES:

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RICHARD RINDLER, Swidler & Berlin, Chartered, 3000 K Street, N. W., Suite 300, Washington, D. C. 20007, appearing on behalf of **MFS Communications Company, Inc.**, located at Washington.

APPEARANCES CONTINUED:

WILLIAM P. COX and **MONICA BARONE**, Florida Public Service Commission, Division of Legal Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870, appearing on behalf of the **Commission Staff**, located at Tallahassee.

I N D E X

MISCELLANEOUS

ITEM	PAGE NO.
STIPULATION	5
ERRATA SHEET	29
AFFIDAVIT OF DEPONENT	30
CERTIFICATE OF OATH	31
CERTIFICATE OF REPORTER	32

WITNESSES

NAME	PAGE NO.
JOSEPH P. CRESSE	
Examination By Mr. Cox	7
Examination By Mr. Rindler	27

S T I P U L A T I O N

IT IS STIPULATED that this deposition was taken pursuant to notice in accordance with the applicable Florida Rules of Civil Procedure; that objections, except as to the form of the question, are reserved until hearing in this cause; and that reading and signing was not waived.

IT IS ALSO STIPULATED that any off-the-record conversations are with the consent of the deponent.

MR. COX: Does everyone on the line, everyone here, agree to the usual stipulations?

MS. WILSON: Yes.

MR. COX: Does everyone on the phone agree to the usual stipulations?

MR. RINDLER: You need to recite them.

MR. COX: If I can recite them? All right.

MR. RINDLER: Just joking. I agree.

MR. WIGGINS: I agree.

MR. SELF: I agree.

MR. COX: Let's go ahead and take appearances now. This is William Cox and Monica Barone appearing for Staff.

MS. WILSON: Laura Wilson appearing on behalf of the Florida Cable Telecommunications Association, 310 North Monroe Street, Tallahassee, Florida 32301.

MR. SELF: Floyd Self and Gwen Jacobs of the Messer Caparello, P. O. Box 1876, Tallahassee, Florida, appearing on behalf of AT&T Wireless Services of Florida, Inc.

MS. DUNSON: Robin Dunson, 1200 Peachtree Street, Room 4038, Atlanta, Georgia 30309, appearing on behalf of AT&T.

MR. RINDLER: Rich Rindler, Swindler &

Berlin, 3000 K Street, N.W., Washington, DC 20007, appearing on behalf of MFS Communications Company, Inc.

MR. WIGGINS: Patrick A. Wiggins, law firm of Wiggins & Villacorta, P. O. Box 1657, Tallahassee 32302, appearing on behalf of Intermedia Communications, Inc., and BellSouth Mobility.

MR. COX: Is there anyone else?

MS. BUTLER: Jill Butler. I'm not appearing on behalf -- or I'm just here for Time Warner Communications.

JOSEPH P. CRESSE

appeared as a witness and, after being duly sworn by the court reporter, testified as follows:

EXAMINATION

BY MR. COX:

Q All right. Mr. Cresse, would you state your name for the record?

A It's Joseph P. Cresse.

Q And where are you presently employed?

A With the Messer Caparello law firm, Tallahassee, Florida.

Q And in what capacity are you employed with the Messer firm?

A As a consultant, nonlawyer consultant.

Q And as a part of this Docket 950737, on whose behalf are you appearing?

A Florida Cable Telecommunications Associations.

Q We have a few questions regarding your prefiled direct testimony in Docket 950737. The first question refers to Page 2, Line 1 of your direct testimony. And on Page 2, Line 1 you state that the appropriate cost recovery mechanism for number portability is bill and keep.

Now, there are three parts to this question. If the Florida Public Service Commission ordered bill and keep as you propose, would you agree that the incumbent LEC would incur the majority of the cost of implementing interim number portability solutions?

A No, I would not because I have not seen any evidence that there would be any incremental costs of providing temporary number portability. I recognize there's a cost in providing call forwarding. And I think what the Commission has before it is the opportunity to only look at any incremental costs, and I see no evidence that there would be any incremental cost, particularly when you are talk -- when you know there will be additional costs for billing and keep and those could offset one another.

Q Okay. What carriers do you believe would incur costs of implementing an interim number portability solution including LECs, ALECs, IXCs, PATS, alternative access vendors and shared tenant?

A I think the cost of interim number portability would be -- some of it would be incurred by the existing LEC if -- depending on how you define "costs." If you talk about total service long run incremental cost or total element long run incremental cost, you're talking about something different than just incremental cost. If you are talking about incremental cost, then, as I said earlier, I don't have any evidence at all that there would be any incremental cost.

Q All right.

A Let me describe that to you just a little bit so you can understand it.

Q All right.

A If you had an automobile that was going from here to Jacksonville and carrying three passengers, you could calculate the total service cost of that transportation to and from Jacksonville. If you add another passenger to that trip, then you would be calculating the incremental cost of the fourth passenger. They already have in place what is

comparable to the traveling back and forth to Jacksonville. The vehicle is already in place to provide call forwarding; they do it today. And no one has suggested and the FCC has recognized that what we are talking about here is the incremental cost to the local exchange company that would forward the call. And I just don't think there's very much of it involved. I've seen no evidence to that effect.

Q So of the carriers that I've named, you say they'd be no --

A No incremental cost that I'm aware of.

Q And no other costs incurred in addition to incremental cost?

A Well, if you set a fee, there would be billing and collection costs obviously. And whether or not that would cause an incremental biding and collection cost, I'm not sure. I know there would be some because of the fact that they have to send out bills and collect them and reconcile and audit and all the other things that are involved when you are billing somebody for something.

Q Okay. Well other than the LECs would any other carriers incur costs?

A Well, yes. If you implemented a system other than bill and keep, the carriers who had to pay

for it would incur costs. But if you're talking about would they incur any costs other than paying for it, I don't think so. None comes to mind at the moment.

Q The next question refers to Page 2, Line 17 of your direct testimony. And on that line you state that the Commission found that the BellSouth costs appear to be questionable.

A Yes.

Q And that the Commission required BellSouth to do a cost study directing them to include only those cost components that are directly related to providing remote call forwarding as a temporary number portability solution.

A Uh-huh.

Q Would you agree that the Commission -- subject to check, of course -- did not require BellSouth to file a cost study, but gave BellSouth the opportunity to file a new cost study since the rates established for remote call forwarding by the Commission for interim number portability were below BellSouth's stated costs?

A My understanding was that they directed them to file a new cost study, but I could be wrong on that. And I don't have that Order with me, but I think a search of that Order would determine that

pretty conclusively.

Q The next question refers to Page 3, Line 1 of your direct testimony. On Line 1 you state that it may be the incremental cost for a temporary solution are so low as to not warrant the additional cost of billing and collection. Now, on what basis are you making this statement?

A Well, my basis is that we've asked for some cost studies and haven't received any. And then what I did was to apply logic. If you already have the system in place and it's totally operated from a mechanical standpoint and all you are doing is adding some additional units to it, that there may not be an incremental cost that exceeds the cost of billing and collection. And I have no evidence to support that, but it's certainly something that the local exchange companies ought to be required to submit data on if they dispute it.

Q Can you explain in a little more detail what the additional costs -- what additional costs of billing and collection would be required?

A You would be recording the usage or the numbers of persons who kept their number and transferred to another local exchange company. Then you would bill -- you'd have to bill that. That takes

computer time, postage stamps. Then you have to receive the checks, and that takes time and effort to process more bills, time and effort to process more checks, and it uses additional computer space that might be available to do something else.

Q Okay.

A Plus, in addition to that, if there was a dispute, then you'd have to reconcile the disputes over the bills. And I think all of us are aware of the fact that the bills the telephone companies send out are not always 100% accurate.

Q And you have no cost studies or anything like that to back that up with?

A No, sir, we have no cost studies. We have asked for some information. I know in interrogatory requests and the responses to that, at least from Centel/United, was that they didn't have the cost.

Q The next question refers to Page 3 and in Line 1 again. Here you are stating that the Commission should consider that the charges for temporary number portability should be competitively neutral, and bill and keep is an appropriate method to comply with the 1996 Act and this idea of competitively neutral.

Now, is your definition of bill and keep

that a carrier pays its own costs? Or feel free to expound on what your definition of bill and keep is.

A Well, I think it's competitively neutral, and I attached to my testimony the FCC rules that discuss that.

Q Right.

A And on Page 8 of 10 of my Exhibit No. 2, as they near the conclusion they say: Finally, we believe that a mechanism that requires each carrier to pay for its own costs of currently available number portability measures would also be permissible.

So I think the FCC has addressed the issue right straightforward and said that what I'm proposing is permissible. I also think it's the system would promote competition most effectively.

Q So would you agree, in your opinion, that that bill and keep is competitively neutral?

A Yes.

Q Again on Page 3, Line 21 in your direct testimony, you discuss an alternative to the bill and keep method which would be to assess the incremental cost to all LECs based on their pro rata share of active telephone numbers.

Here are you proposing that only the LECs be required to recover the cost of temporary number

portability?

A Yes. Remembering that this is supposed to be a temporary system and that there would be very little incremental cost to continue what's already existing in place.

And, yes, I would also add that I think the non-LEC telecommunication companies are paying substantially more in their services than the cost of the services they are currently receiving, so they are already making a very substantial contribution to the cost of the LECs in providing not only number portability, but all other services the LECs provide; access charges paid by both IXCs as well as saler carriers. And I know there's another name for them, CMRS, or something like that. The charges, they're already paying for use of the local network is a factor that I don't think the Commission should overlook.

Q Now, would you say that this is consistent with the Act's requirement that the cost of number portability be borne by all telecommunications carriers?

A Yes, I think so, if you recognize the prices that they are already paying for services in excess of costs, and you use that as an offset, I think it's

permissible. And, again, I want to the say that we are looking at just a temporary situation here, not a permanent solution. My comments are relating solely to the temporary solution.

I think if the Commission was to move access charges to costs, you may have another scenario that you could legitimately discuss. But I believe everybody in this business recognizes that the IXCs and the cellular carriers are paying substantially more than cost.

Q Would you agree, subject to check, that the FCC Order for number portability allows the state commissions to require all telecommunication carriers to help in the recovery of the cost of temporary number portability?

A Yes. I would agree with that, and I don't have to check it. That's what my memory tells me, that they would permit the state commissions to allocate costs in a competitively neutral way and that they make certain suggestions as to possible ways in which that could be done.

Q In your alternative cost recovery proposal that you mentioned in your direct testimony in here, you used a pro rata share of active telephone numbers?

A Yes.

Q Could you specifically explain how you would calculate a LECs share of the cost of temporary number portability using your alternative proposal?

A Sure. Let's assume that the existing LEC, such as BellSouth, had 5 million active lines, and the new local exchange company had 100,000. You would take -- let me just make it a little bit simpler. Make it 4,900,000 for BellSouth and 100,000 for the new LECs. You determine the cost, and 2% of that cost would be paid by the LECs since they have 2% of the lines, the alternative LEC; 98% of that cost would be paid by BellSouth because they have 98% of the lines.

And I suggested that method because it's far better than all the auditing that would be required if you went on a receipts basis or revenue basis, which is another alternative that the FCC said would be appropriate. I think this would be the simplest, the easiest to determine and would avoid all the auditing and so forth that would take place using the gross -- the receipts method.

Q Just to clarify this for me, so where would you get the information in order to make this type of calculation?

A You get it from the local exchange companies, which right now would probably not be very

many numbers for the alternative local exchange companies. I don't know how much success they've had in penetrating the market.

Q Now, in this proposal, why would you propose to use active telephone numbers instead of revenues which some of the other parties in this proceeding have proposed?

A I think revenues require a whole lot of auditing, and I think it requires more effort and work than it would be worth. And I think there's also a correlation, typically, between the number of lines and the amount of revenue.

I think what we ought to keep in mind constantly is to impose the least amount of additional cost that you can do and the steps in any policy or procedure setting any prices. The Commission needs to always be careful that they don't wind up imposing more costs on the consumers in Florida by some methodology that they would adopt.

Q If the Commission were to use revenues, would you agree that using the intrastate regulatory assessment fee information filed with the Commission, would you agree that that would be an easy way to determine the carrier's share of cost recovery?

A Would you repeat that, please?

Q Sure. I'll state that again. If the Commission were to use revenues instead of active telephone numbers, wouldn't using the intrastate regulatory assessment fee information filed with the Commission be an easy way to determine a carrier's share of cost recovery?

A How is the intrastate -- you're talking about the regulatory fee assessed by the Commission --

Q Yes.

A -- on telecommunications companies?

Q Yes.

A How is that determined? Is that on gross revenue, or is it gross revenue net of payments to other telecommunication companies for telecommunication service?

Q Could you address both of those options?

A Sure, sure. If you used gross revenues -- let's say you used gross revenues of an IXC. Included in their gross revenue is the payments that they make, assuming that they are profitable, the payments that they make to local exchange companies for access and other services. And in that situation if you used gross, you would tax those revenues twice. You would tax them once when the revenue was received by the local exchange company, and you would tax them again

when the revenue was received by the long distance carrier.

And the reason that people have advocated net revenue, and I think that's applicable, is that that then would subtract from the IXC the payments they made to the local exchange company, and you would calculate the amount that was due then on the balance. That way you would only have a tax on total communication revenues received from consumers, not from providers. And I think that's applicable both in our gross receipts tax, and I hope it's also applicable in the current regulatory assessment fee that the Commission collects. If it's not, it should be. Otherwise you are not taxing people fairly.

So the answer to the question is, if you are talking about net revenues, that is another alternative that could be applied.

Q In your Exhibit JPC-2, attached to your prefiled direct testimony, Page 8 of 10, Paragraph 136, could you identify some other possible alternatives for the recovery of temporary number portability identified in that exhibit?

A Well, I think they discuss in here several alternatives. We have discussed three so far. One, bill and keep, or sometimes called payment in kind.

We've discussed allocating the cost proportionately based on the number of telephone lines. We have discussed allocating the cost based upon net revenues. And there may be some others in this list. If there are, then I have -- well, I guess they talk about the number of ported telephone numbers relative to the total number of active telephone numbers in the local service area in that paragraph.

Q Could you expound upon that?

A No. I don't quite understand it.

Q Okay. All right. The next question refers to Page 4, Line 4 of your direct testimony.

A Page 4, Line 4?

Q Yes.

A Okay.

Q Line 4, you state that the Commission should keep in mind that we are talking about cost recovery of a temporary method and not a permanent method, and you've emphasized that earlier today.

A Uh-huh.

Q Would you agree that numerous locations may still be required to utilize a temporary number portability solution until a permanent number portability solution is implemented?

A Yes. I believe every location would be

required to use a temporary number portability until a permanent number portability system was implemented.

Q I guess Staff's question was sort of getting to the fact that maybe in some locations the permanent solution may have been implemented, but it may not be possible even though it has been implemented as a policy.

A Are you saying that there may be some places where it's physically not capable of being implemented?

Q Yes.

A I'm not familiar with where that would be. I think the FCC has recognized that all local exchange companies, incumbent LECs or other existing LECs or alternatives LECs, are going to have to incur some costs to provide number portability. There may be some locations where that's impossible, but I can't imagine it because my understanding is it depends upon -- it's a switching function. And I assume the Commission would have to address the issue if someone came forward and said we cannot implement interim number portability or permanent number portability. They'd have to address that issue whenever that allegation was made.

Q In your opinion, when do you believe that

permanent number portability will be implemented in all parts of Florida?

A I really don't have an opinion on that. But I do have an opinion that the Commission ought to provide all the incentives that they possibly can with existing telephone companies to implement permanent portability, because I think it's to the consumer's advantage. It will facilitate and promote competition, and people are just not going to be reluctant -- are going to be a little reluctant to give up their telephone number and that handicap needs to be overcome if you are going to promote competition.

Q My next question refers to Page 4, Line 9 of your direct testimony. On Line 9 you state that the cost recovery of remote call forwarding in Florida is inconsistent with the FCC's Order.

A Yes.

Q Do you believe there is any way to comply with both the Florida law, which states that the LECs should recover their cost, and the FCC's requirement that the cost should be borne by all telecommunications carriers?

A Do I believe there's any way to reconcile that?

Q Correct.

A Yes. I think under the Florida law there is no definition of "cost." And if the Commission uses incremental cost to provide interim number portability, they will probably find that the net cost of providing interim number portability is zero, because I think you have to offset costs. And so, I don't think there's anything in Florida law that prevents them from finding that the incremental cost is zero, particularly if the local exchange companies tell you that they don't have any information on the incremental cost.

Big difference between incremental cost and total service long run incremental cost.

Q You mentioned an offset of costs. Which costs were you referring to?

A Additional billing and collection expense. I might also add that if you see a conflict -- it seems to me if the Commission sees a conflict between federal law and state law, that they would move to get that conflict removed in the next session of the legislature.

Q The next part of this question is: Is remote call forwarding the only temporary number portability solution identified so far, to your

knowledge, to be used in Florida?

A Would you repeat that, please?

Q Yes, sir. Is remote call forward the only temporary number portability solution identified to be used in Florida?

A I think there's some discussion about a system of DID, but I'm not familiar with that. I'm no expert on that subject.

Q On DID?

A Right. Technically, I'm not an expert on remote call forwarding either. I don't want to mislead you.

Q Are you aware that AT&T has identified other temporary number portability solutions in Florida?

A No, I'm not.

Q Some of the solutions that have been proposed: route indexing, local exchange routing guide and reassignment, are other solutions in addition to the DID and remote call forwarding. Are you familiar with any of those solutions?

A As a temporary?

Q Yes.

A No, I'm not familiar with them.

Q Given that you are not that familiar with some of these other solutions, but, in your opinion,

would the cost recovery mechanism be the same, would you think, for any temporary number portability solution?

A Let me respond this way. I think the solution ought to be the one that is the least cost solution to solving the problem. And my method of funding it would be the same.

Q The next question is still on Page 4, and it refers to Line 16 of your direct testimony. In Line 16 you state that the Commission should recognize that terminating access charges will be shared by both the LECs providing facilities -- or both LECs providing facilities to terminate a call through remote call forwarding arrangements.

Do you agree, subject to check, of course, that the Commission recognized this in its previous decision on temporary number portability?

A I don't recall it being discussed in that Order, but I would certainly agree with that, subject to check. I assume if they recognized it, it was something that would be discussed in their Order. Certainly the person who wrote the Order recognized it if it's in the Order.

Q Do you agree, subject to be check again, that the FCC in its interim number portability order

addressed this issue as well?

A Oh, yes. I think there's discussion of that in the FCC Order.

Q And what was your understanding, as you recall?

A That the FCC recognized that the terminating access charges would be shared between the local exchange company who forwarded the number, as well as the local exchange company who received the forwarded number.

MR. COX: That concludes Staff's question.

Does anyone have any questions for Mr. Cresse?

MR. RINDLER: I have one question.

EXAMINATION

BY MR. RINDLER:

Q This is Mr. Rindler representing MFS Communications Company, Mr. Cresse.

A How are you, sir?

Q Pretty good, thank you. And yourself?

A Fine.

Q Do you believe that the net revenue approach that you discussed earlier with Staff is competitively neutral?

A Yes, I think so.

MR. RINDLER: Thank you. I have no further questions.

WITNESS CRESSE: I might add, to answer that, it's not as good as bill and keep, but it is competitively neutral.

MR. COX: Are there any other parties on the line that have any the questions for Mr. Cresse?

I guess not.

WITNESS CRESSE: They are very quiet.

MS. DUNSON: AT&T has no questions.

MR. WIGGINS: That is Pat Wiggins. I have no questions.

MR. COX: Okay. Well, thank you, and that concludes the deposition.

(Deposition concluded at 10:40 a.m.)

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ERRATA SHEET

DOCKET NO. 950737-TP
NAME: JOSEPH P. CRESSE
DATE: November 6, 1996

Page	Line	

AFFIDAVIT OF DEPONENT

This is to certify that I, JOSEPH P. CRESSE have read the foregoing transcription of my testimony, Page 1 through 28, given on November 6, 1996, in Docket No. 950737-TP, and find the same to be true and correct, with the exceptions, and/or corrections, if any, as shown on the errata sheet attached hereto.

_____
JOSEPH P. CRESSE

Sworn to and subscribed before me this

_____ day of _____, 19_____

_____

NOTARY PUBLIC

State of _____

My Commission Expires:

F L O R I D A)
:
COUNTY OF LEON)

CERTIFICATE OF OATH

I, the undersigned authority, certify that JOSEPH P. CRESSE personally appeared before me and was duly sworn.

WITNESS my hand and official seal this 6th day of November, 1996.

ROWENA NASH HACKNEY
Notary Public - State of Florida

STATE OF FLORIDA)
: CERTIFICATE OF REPORTER
COUNTY OF LEON)

I, ROWENA NASH HACKNEY
Commission Reporter,

DO HEREBY CERTIFY that I was authorized to and did stenographically report the foregoing deposition of JOSEPH P. CRESSE.

I FURTHER CERTIFY that this transcript, consisting of 31 pages, constitutes a true record of the testimony given by the witness.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 7th day of November, 1996.

_____
ROWENA NASH HACKNEY
Official Commission Reporter

OFFICIAL RECOGNITION LIST FOR 11/25/96 HEARING-DOCKET NO. 950737-TP

1. FPSC Order No. PSC-95-1214-AS-TP - Issued October 3, 1995 - Approval of initial stipulation establishing Remote Call Forwarding as a temporary number portability solution.

2. FPSC Order No. PSC-95-1604-FOF-TP - Issued December 28, 1995 - Final Order approving for initial proceeding.

3. Order No. FCC 96-286 - Issued July 2, 1996 - FCC's 1st Report and Order on Number Portability.

4. Order No. FCC 96-325 - August 8, 1996 - FCC's 1st Report and Order in CC Docket No. 96-98.

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET
NO. 950737 EXHIBIT NO 13
COMPANY/
WITNESS: BELLSOUTH / STAFF
DATE: 11/25/96

BELLSOUTH TELECOMMUNICATIONS, INC.
FPSC DOCKET NO. 950737-TP
EXHIBIT NO. AJV-1 _____

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 95-116
Telephone Number Portability	)	

PETITION FOR RECONSIDERATION OR CLARIFICATION

BELLSOUTH CORPORATION
BELLSOUTH TELECOMMUNICATIONS, INC.

M. Robert Sutherland
Theodore R. Kingsley

Their Attorneys

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DATE: August 26, 1996

FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 950737 EXHIBIT NO 14
COMPANY/ WITNESS: BELLSOUTH / VARNER
DATE: 11/25/96

DOCUMENT NUMBER-DATE
10154 SEP 23 96
FPSC-RECORDS/REPORTING

TABLE OF CONTENTS

SUMMARY i

I. The Commission's Cost Recovery Guidelines For Remote Call Forwarding And Direct Inward Dialing Do Not Permit Local Exchange Carriers To Fully Recover Their Costs Of Providing Intrastate Services. 1

A. The Commission's Attempt To Direct The States To Disregard Cost-Causative Principles When Pricing Intrastate Service Operates to Illegally Preempt State Authority As Well As To Abrogate And Impair LEC Contracts. 3

B. The Commission Lacked Jurisdiction To Promulgate Cost Recovery Guidelines for Transitional Measures. 4

II. The Commission Should Reconsider Its Decision To Require That Areas With Populations Greater Than One Million Be Implemented In Only 90 Days, And Clarify The Scope Of LNP Implementation With Respect To The Number Of Switches. 10

A. LNP Deployment In Compliance With The Commission's Implementation Schedule Does Not Mandate That Every Switch Within An MSA Be Activated Within The Relevant Implementation Phase. 14

III. The Commission Should Not Allow The Continuing Delays In Establishing North American Numbering Council Membership To Delay Development Of Regional SMS Databases. 16

IV. The Commission Should Reconsider And Eliminate Its Fourth LNP Performance Criterion Or, In The Alternative, Reconsider Its Decision To Ban Any LNP Technology. 18

V. The Commission Should Clarify That Interexchange Carriers Are Obligated To Make 500 And 900 Numbers Portable. 24

CONCLUSION 25

SUMMARY

The Commission established a rule requiring local exchange carriers ("LECs") to provide Remote Call Forwarding, Flexible Direct Inward Dialing and comparable services ("RCF" and "DID") that are intrastate functions to other carriers without also establishing a corresponding cost recovery mechanism. The Commission instead established cost recovery guidelines for these services that prohibit pricing of these services at any amount that is not "close to zero." Application of the federal guidelines preempts state retaking authority and effectively requires LECs to provide intrastate services below cost at confiscatory levels. Application of the guidelines further unlawfully abrogates carrier agreements.

The Commission was without jurisdiction to depart from traditional cost-causation principles with respect to pricing for RCF and DID. These are intrastate services subject to state jurisdiction under the Communications Act of 1934. To the extent the Commission's jurisdiction to compel these services arises out of the 1934 Act, there is no corresponding authority within that statute to abandon traditional cost-causation pricing principles. To the extent the Commission purports to find authority in the Telecommunications Act of 1996 to depart from cost causation in order to allocate costs in a competitively neutral manner, such allocation only applies to long-term database number portability (LNP), not to RCF and DID.

In any event, there is no basis in the law or in the record in this proceeding to support the Commission's determination that "cost causation" and "competitive neutrality" are *prima facie* mutually exclusive. Neither is there sufficient evidence in the record to support a finding that an "each bears his own cost" approach to RCF and DID provision is competitively neutral. Finally, the cost recovery guidelines adopted by the Commission are vague and ambiguous.

The Commission based its aggressive LNP implementation schedule on the representation of four switch vendors. In doing so, the Commission did not consider a number of critical LNP pre-deployment, deployment and post-deployment processes and contingencies. In light of this, the Commission should increase the implementation interval for Phase I and Phase II LNP implementation from 90 to 180 days to ensure the integrity of the public switched network. The Commission should also clarify that LNP implementation within a desirable subset of switches within any metropolitan statistical area satisfies its LNP implementation requirements.

Because of the ongoing delay in selecting membership to the North American Numbering Council ("NANC"), and the rapid progress being made in the states toward establishing regional service management ("SMS") databases to support LNP, the Commission should direct NANC to automatically approve any SMS regional database administrator selected by carriers prior to NANC selection of such an administrator. The Commission should also clarify that the NANC has authority over SMS database administration alone, and allow carriers to make their own arrangements with regard to service control points.

The Commission's fourth LNP performance criterion is unrealistic and has the effect of eliminating potentially innovative and efficient LNP technologies. Accordingly, it should be eliminated. No LNP technology, specifically including, but not limited to Query On Release, should be eliminated absent demonstrated proof that its implementation would violate the Commission's technical performance criteria. Finally, the Commission should clarify that all interexchange carriers must participate in 500/900 portability efforts prior to referring that issue to the Industry Numbering Committee for resolution.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 95-116
Telephone Number Portability	)	

PETITION FOR RECONSIDERATION OR CLARIFICATION

BellSouth Corporation and BellSouth Telecommunications, Inc., by counsel and pursuant to Part 1, Subpart C of the Commission's Rules, 47 C.F. R. § 1.429, petition the Commission for reconsideration of the final action in this proceeding.[1]

I. THE COMMISSION'S COST RECOVERY GUIDELINES FOR REMOTE CALL FORWARDING AND DIRECT INWARD DIALING DO NOT PERMIT LOCAL EXCHANGE CARRIERS TO FULLY RECOVER THEIR COSTS OF PROVIDING INTRASTATE SERVICES.

The Commission's "Transitional Measure" rule compels local exchange carriers ("LECs") to provide intrastate functionalities to other carriers on request. *Number Portability Order*, B-7, to be codified at 47 C.F.R. § 52.7(a).[2] Rate setting for these intrastate functionalities have historically been outside federal jurisdiction. 47 U.S.C. § 152(b). In practice, rates for these

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[1] *Telephone Number Portability*, FCC 96-286, CC Docket No. 95-116 (July 2, 1996) (*Number Portability Order*)

[2] This rule requires all LECs to provide Remote Call Forwarding ("RCF"), Flexible Direct Inward Dialing ("DID"), or any other "comparable and technically feasible method" of number portability ("transitional measures") upon receipt of a specific request from another telecommunications carrier, until such time as the LEC implements a long-term database method for number portability ("LNP").

functionalities have been set by state commissions and have enabled LECs to receive reasonable compensation for the provision of these functions. In this proceeding, however, the Commission failed to establish a cost recovery mechanism for its Transitional Measure rule and instead promulgated "guidelines" which it has interpreted in such a way that their application would preempt state intrastate ratemaking authority. *Number Portability Order*, B-7 - B-8, to be codified at 47 C.F.R. § 52.9, ¶ 133.[3] By expressly prohibiting the payment by a carrier cost-causer or any Transitional Measure beneficiary of an amount that is not "close to zero," the Commission has effectively abrogated carrier to carrier and has directed states to require LECs such as BellSouth to provide intrastate services below cost at confiscatory levels in violation of the Fifth and Fourteenth Amendments to the Constitution of the United States of America.

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[3] The Commission states:

> . . .When a facilities-based carrier that competes against an incumbent LEC for a customer, the incumbent LEC incurs no cost of number portability if it retains the customer. If the facilities-based carrier wins the customer, an incremental cost of number portability is generated. The share of this incremental cost borne by the new entrant that wins the customer cannot be so high as to put it an appreciable cost disadvantage relative to the cost the incumbent LEC would incur if it retained the customer. Thus, the incremental payment by the new entrant if it wins a customer would have be close to zero, to approximate the incremental number portability cost borne by the incumbent LEC if it retains the customer. *Id.* at ¶ 133.

Nevertheless, the Commission determined that the costs of transitional measures are incurred solely by the LEC providing the service. *Id.* at 122.

A. The Commission's Attempt To Direct The States To Disregard Cost-Causative Principles When Pricing Intrastate Service Operates to Illegally Preempt State Authority As Well As To Abrogate And Impair LEC Contracts.

As the Commission notes, several states have previously adopted cost recovery mechanisms for Transitional Measures, including two in states in which BellSouth provides telephone exchange and exchange access service:

> [I]n Florida, carriers have negotiated appropriate rates for currently available measures. The Louisiana PSC has adopted a two-tiered approach to negotiate an appropriate rate. If the parties cannot agree upon a rate, the PSC will determine the appropriate rate that can be charged by the forwarding carrier based on cost studies filed by the carriers. . . . *Id.* at ¶ 123.

These rates, although negotiated by BellSouth with other carriers as "appropriate" (to a point well below retail prices), *Id.*, and approved by the state commission, are not "close to zero." *Id.* at 133. As demonstrated below, nothing in the Telecommunications Act of 1996[4] alters the grant of exclusive jurisdiction to the states with respect to setting prices for intrastate functionalities in the Communications Act of 1934.[5] To the extent the Commission seeks to undo the work done by state commissions, it is engaging in unnecessary and unlawful federal preemption. To the extent the Commission's guidelines result in reopening and disrupting of BellSouth's mutually negotiated agreements, they constitute an immediate and ongoing threat to, and an abrogation and impairment of, BellSouth's mutually negotiated contracts with other carriers[6] in violation of the Fifth and Fourteenth Amendments.

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[4] Pub. L. 104-104, 110 Stat. 56, enacted Feb. 8, 1996 ("1996 Act" or "Act").

[5] 47 U.S.C. §§ 151, 2(b).

[6] Even assuming, for the sake of argument, that the Commission had jurisdiction, the Commission can only abrogate carrier contracts after a finding that the specific contract was contrary to the (Continued...)

B. The Commission Lacked Jurisdiction To Promulgate Cost Recovery Guidelines for Transitional Measures.

The Commission bases its jurisdiction to compel LEC provision of Transitional Measures on a three legged stool: section 251(b)(2) of the 1996 Act, *Number Portability Order* at ¶ 110; section 271(c)(2)B)(xi) of the 1996 Act, *Id.* at ¶ 111; and sections 1 and 202 of the 1934 Act, independent of the 1996 Act. *Id.* at ¶ 112. The Commission bases its jurisdiction to direct states to deviate from cost causative rate setting for transitional measures on section 251(e)(2) of the 1996 Act alone. Thus, by the Commission's own findings, even if it had jurisdiction to compel LEC provision of transitional measures had the 1996 Act not been enacted, it would not have had any authority to depart from cost-causative pricing principles for Transitional Measures.[7] *Id.* at ¶ 131. As shown below, however, neither section 251 nor section 271 constitute such a mandate with respect to Transitional Measures.

Congress, in section 251(b)(2) of the Act, imposed the duty on all LECs to provide Number Portability, not Transitional Measures. Congress only required that the costs of Number Portability, not the cost of Transitional Measures, be borne by all telecommunications carriers on a competitively neutral basis. 1996 Act, § 251(e)(2). The separate regulatory categories, and

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public interest. No record exists to support such a finding nor was there any notice that the Commission was intending to abrogate these agreements. Western Union Telegraph Co. v. FCC, 815 F.2d 1495, 150I (D.C. Cir. 1987)

[7] To the extent the Commission bases its jurisdiction to require LECs to provide transitional measures on request on sections 1 and 202 of the Communications Act of 1934, it simply has no corresponding license under that statute to suspend its obligation to provide a concurrent and fully compensatory cost recovery mechanism for such service provisioning.

their separate definitions, for Transitional Measures and Long-Term Database Method make clear that Transitional Measures cannot have the same legal meaning as Number Portability or LNP.

As an initial matter, the Commission determined that Transitional Measures are unacceptable as an LNP solution because they fail to meet the performance criteria established by the Commission in order to ensure that LNP complies with the Act's definition of Number Portability set forth at section 153(30).[8] *Number Portability Order* at ¶¶ 56, 115. The Commission adopted a separate rule in this proceeding which defines Transitional Measure as a method that allows one LEC to transfer telephone numbers from its network to the network of another telecommunications carrier, but does not comply with the performance criteria adopted by the Commission for LNP. *Id.* at B-4, to be codified at 47 C.F.R. § 52.1(t).[9] In sum, long-term database method LNP is Number Portability as defined by the 1996 Act, Transitional Measure methods are not.

The Commission's reliance on section 271(c)(2)(B)(xi) of the 1996 Act[10] as a statutory mandate to compel LEC provision of transitional measures is illogical and manifests a blatant

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[8] That definition, adopted by the Commission at 47 C.F.R. § 52.1(k), prohibits the "impairment of quality, reliability, or convenience when switching from one telecommunications carrier to another." The Commission guts this requirement by grafting section 251(b)(2)'s technical feasibility language onto the definition and dropping the non-impairment criterion from Congress's definition. *Number Portability Order* at ¶ 110. Congress meant what it said -- number portability is a method whereby service users are able to switch providers *without* impairment. If Congress had meant that definition to be elastic, it would have inserted the "technically feasible" language directly into section 153(30) rather than put it into section 251.

[9] It is disingenuous, and an obvious jurisdictional grab, for the Commission to prohibit RCF and DID as a permanent solution but to also characterize them as meeting Congress's definition of Number Portability.

[10] "Until the date by which the Commission issues regulations pursuant to Section 251 to require number portability, interim telecommunication number portability through remote call forwarding, direct inward dialing trunks, or other comparable arrangements, with as little impairment of (Continued...)

distortion of congressional intent to further an independent administrative agenda. The Commission observes:

> . . . There will necessarily be a significant time period between the adoption date of these rules and the availability of long-term number portability measures. Therefore, were the Commission to promulgate rules providing only for the provision of long-term number portability, during this time period the BOCs could satisfy the competitive checklist without providing *any form of number portability. This could be true even if they had been providing interim number portability pursuant to the checklist prior to the effective date of the Commission's regulations.* We do not believe Congress could have intended this result. *Number Portability Order* at ¶ 111 (emphasis added).

The same "significant time period" (17 months) which compels the Commission to mandate LEC provision of Transitional Measures is elsewhere described by the Commission as a "relatively short period" when it attempts to rationalize application of number portability cost allocation principles to Transitional Measures. Id. at ¶ 121. In any event, it defies logic to believe that a Bell operating company that desires to provide in-region, interLATA service would not read section 271 as requiring BOC provision of interim number portability through RCF and DID until the Commission mandated deployment of LNP beginning in October 1997. BellSouth agrees with the Commission that Congress could not have intended that the 11th point on the 14 point checklist should appear, disappear, then reappear 17 months later.[11] BellSouth disagrees that this

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functioning, quality, reliability, and convenience as possible. After that date, full compliance with such regulations."

[11] This absurd result is obtained by construing Congress's "[u]ntil the date by which the Commission issues regulations pursuant to Section 251 to require number portability" language in section 271(c)(2)(B)(xi) as meaning that the obligation to provide interim portability ceases on July 2, 1996, the date the Commission issued its order, rather than October 1, 1997, the date the Commission's regulations require LNP to be provided. If the Commission were seriously concerned that BOCs would read section 271(c)(2)(B)(xi) as a statutory loophole, and in response required mandatory LEC provision of transitional measures to close this BOC loophole, (Continued...)

interpretation grants the Commission the authority to graft section 271(c)(2)(B)(xi), applicable to BOCs who desire to get into the long distance business, onto sections 251(b)(2) and 153(30), which apply to all LECs. Rather, the Commission should interpret 271(c)(2)(B)(xi) as common sense dictates: a continuing requirement that certain BOCs are to provide interim telecommunications number portability under Section 271 until they, together with all other LECs, are required to deploy section 251(b)(2) LNP in October 1997.

Assuming *arguendo* that the Commission has authority to apply section 251(e)(2)'s cost allocation provisions to transitional measures, its findings are arbitrary and capricious and unsupported in the record. The Commission jettisons cost causation out of hand without any meaningful explanation, and attributes its decision to a Congressional directive that appears nowhere in the Act or its legislative history. *Number Portability Order* at ¶ 131 ("With respect to number portability, Congress has directed that we depart from cost causation principles if necessary in order to adopt a 'competitively neutral' standard, because number portability is a network function that is required for a carrier to compete with the carrier that is already serving a customer.") There is no express or implied Congressional finding, in the Act or in its legislative history, that "number portability is a network function that is required for a carrier to compete with the carrier that is already serving a customer." The Commission itself stopped short of making any such determination on the record. *Id.* at ¶ 31. Indeed, the issue of competitive neutrality is addressed *en toto* (without any reference to the Commission) in the legislative history as follows:

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why, then, when it adopted its definition of "Transitional Measure," did it not include section 271(c)(2)(B)(xi)'s "minimal impairment" requirement in the definition of Transitional Measure?

> [T]he costs for [sic] numbering administration and number portability shall be borne by all providers [sic] on a competitively neutral basis. Telecommunications Act of 1996, Law & Legislative History at CR-122 (Pike & Fisher 1996).

The "reasons" the Commission cites for its determining that "cost causation" and "competitively neutral" are *prima facie* mutually exclusive have no basis in the law or in the record

In its "examples to clarify and illustrate" its cost recovery criteria, the Commission purports to guarantee that no new entrant in local exchange markets will (1) have to pay an amount higher than close to zero when it requests Transitional Measures for which incumbent LECs will incur all the costs (¶ 133); and (2) even if all costs are borne equally by all carriers, no new entrant will have to pay its share of costs if "the new entrant's share of the cost [is] so large, relative to its expected profits, that the entrant would decide not to enter the market." *Id.* at ¶ 135. The Commission has not explained why, having itself determined that the costs of transitional measures will primarily be born by all incumbent LECs, the allocation schemes required to ensure the Commission's guarantees of profitability to new entrants over the next 17 months will not operate to the competitive disadvantage of incumbent LECs. Nor has the Commission explained how such allocation mechanisms, which will essentially require incumbent LECs to pay for their competitors'' legitimate business costs of entry, can possibly comport with any rational notion of "competitive neutrality."

There is simply no express or implied Congressional directive to the Commission, in the Act or in its legislative history, to "depart from cost causation principles, if necessary." In fact, an element of cost causation is implicit in the concept of long-term database portability, insofar as all carriers are expected to incur shared costs in the creation of databases and their administration.

Id. at ¶¶ 212-220. Yet the Commission purports to find a "statutory mandate" not "to price number portability on a cost causative basis." *Id.* at ¶ 131. This is clear error.

Moreover, it was arbitrary, capricious and clear error for the Commission to adopt its competitively neutral cost recovery principles for transitional measures in order to "create incentives for LECs, both incumbents and new entrants, to implement long-term portability at the earliest possible date. . ." *Number Portability Order* at ¶ 125. The Commission established a long-term portability phased deployment implementation schedule that it believes "is in the public interest and supported by the record." *Id.* at ¶¶ 77-82 (quote at ¶ 82). Having established a regulation that requires implementation of long term portability beginning in October 1997, and finding that schedule to be in the public interest and supported by the record, it is wholly arbitrary and capricious for the Commission to attempt to force an earlier implementation schedule through imposition of a punitive cost recovery mechanism that does not allow for complete cost recovery.

Likewise, having determined that the costs of providing Transitional Measures will be incurred solely by the incumbent LEC network, *Id.* at ¶ 122, it was arbitrary, capricious, and clear error for the Commission to determine that a mechanism that requires each carrier to pay for its own costs of currently available number portability measures would be competitively neutral. *Id.* at ¶ 136. The result of such a mechanism would be to preclude LECs from recovering any of their legitimate costs in providing transitional measures.

Finally the Transitional Measure cost recovery guidelines are vague and ambiguous. These guidelines provide that:

> Any cost recovery mechanism for the provision of number portability pursuant to section 52.7(a) of this chapter, 47 C.F.R. § 52.7(a), that is *adopted by a state commission* must not:
>
> (1) give one telecommunications carrier an appreciable, incremental cost advantage over another telecommunications carrier, when competing for a specific

> subscriber (i.e., the recovery mechanism, may not have a disparate effect on the incremental costs of competing carriers seeking to serve the same customer); or (2) have a disparate effect on the ability of competing telecommunications carriers to earn a normal return on their investment.

Both principles are "suggested" (¶ 132) by an agency "interpretation" (¶ 132) which "reflects the belief" in an "intent" ascribed to Congress (¶ 131). From this ephemeral etiology spring forth two full-fledged cost recovery "criteria" unfettered by any basis in law, free market economics or logic (although the Commission, having first derived the principles from thin air, takes pains to illustrate to states how they are to price such services in a way that will result in LEC subsidization of a new entrant's legitimate costs of entry. This is far from competitive neutrality). Important terms are left undefined: what is an "appreciable cost advantage?" (something little more than zero?) What is a "normal return"? Although the Commission adopted 20 definitional terms in its new number portability regulations; none of them define operative terms in its Transitional Measure cost recovery guidelines.

II. THE COMMISSION SHOULD RECONSIDER ITS DECISION TO REQUIRE THAT AREAS WITH POPULATIONS GREATER THAN ONE MILLION BE IMPLEMENTED IN ONLY 90 DAYS, AND CLARIFY THE SCOPE OF LNP IMPLEMENTATION WITH RESPECT TO THE NUMBER OF SWITCHES.

The Commission adopted a rule requiring all LECs to implement LNP by December 31, 1998, in the 100 largest Metropolitan Statistical Areas ("MSAs") in a five part phased deployment that allows only 90 days to implement each MSA. *Number Portability Order*, B-5, B-10 -11, to be codified at 47 C.F.R. §§ 52.3(b), App. A to Part 52. According to this schedule, BellSouth must implement the largest MSA in its region, Atlanta (approximate population 3.3 million), in 90 days during Phase I (10/97-12/97); and the next three largest MSAs, all in Florida (combined

approximate population 4.8 million), in 90 days during Phase II (1/98-3/98).[12] For the reasons discussed below, the Commission should extend the LNP implementation interval for Phase I and Phase II from 90 to 180 days. BellSouth further urges the Commission to clarify that its implementation schedule will be satisfied even if LNP is not deployed across every switch within and MSA.

The Commission has established an implementation schedule without full consideration of all the factors necessary to do so. Specifically, the Commission only considered vendor projections of availability of LRN software.[13] It expressly assumed that there will be no significant problems in software development that will affect such vendor projections. *Id.* at ¶ 78. In failing to consider other LEC implementation factors it implicitly assumed that all LEC switches will have installed the appropriate generic switch software to support the LRN releases. Equally implicit is the apparent belief that all LECs have the same resources to implement individual MSAs completely in three month intervals. The Commission appears to believe that providing LNP is simply a matter of loading LRN software into LEC switches. There is no basis in the record to support these assumptions, or a uniform three month per MSA implementation across all deployment phases.

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[12] The next four largest MSAs, spread across four separate states (combined approximate population 4.7 million), in 90 days during Phase III (3/98-6/98); the next five largest MSAs, spread across four states (approximate combined population 4.9 million), in 90 days during Phase IV (6/98-9/98); and the next seven largest MSAs, spread across five states (combined approximate population 4 million), in 90 days during Phase V (9/98-12/98). *Id.*, *see also* D-1 -2, App. D to Part 52.

[13] The Commission expressly acknowledged that its schedule is consistent with the proposed schedule of one new entrant, AT&T and the estimates of four switch vendors, Lucent, Nortel, Siemens Stromberg-Carlson and Ericsson. *Id.* at ¶¶ 77, 78.

Each RBOC region is populated with a variety of switches, including multiple models from multiple manufactures, within MSAs. Each different switch type has its own operating software ("generic"). As illustration, BellSouth has deployed a number of AT&T (Lucent) 5ESS switches in its region. All of these switches are loaded with generic 5E-9.1 or generic 5E-10. Neither generic will support LRN software. Instead, these switches will have to be upgraded to a generic 5E-11 which is not yet available from the vendor.

In order to protect the integrity, quality and reliability of the public switched telephone network ("PSTN"), BellSouth conducts preinstallation lab testing of new generics in order to find any defects in the software prior to field installation. Defects found during this process can cause deployment delays. [14] BellSouth next conducts soak tests for the new software in a live switch. In this process, a new generic is loaded in a single small (in terms of access lines) switch and soaked for up to 30 days. BellSouth then proceeds with a gradual ramp up, starting with small switches and working up to a large FCC reportable switch. After this process is completed, the generic is available for general deployment in BellSouth. Live switch soak tests are used to identify defects previously undetected during lab testing. Defects found during this process can also cause deployment delays.

Once a generic is generally accepted in BellSouth, every switch generic upgrade undergoes a stabilizing period subsequent to load complete. This period, which applies before new capabilities (such as LRN) available on a given generic can be activate, can range from one week or longer depending upon software complexity. By failing to account for these processes,

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[14] The vendor then develops "patches" to be loaded into BellSouth's lab switch. At general availability the vendor incorporates these patches into the production version of the software.

which apply to the varied switch and generic software topography across LECs, as well as to the anticipated LRN releases,[15] the Commission has established an implementation schedule that is inconsistent with protecting the integrity of the PSTN, and with the Commission's own non-degradation performance criteria.

In addition to necessary switch upgrades, the Commission failed to take into account that deployment of workable LNP must be scheduled and coordinated with other fundamental and essential LNP efforts. The Commission cites Georgia's implementation schedule for number portability in support of the implementation schedule it established in this proceeding. *Id.* at ¶¶ 22, 67. Yet the *Selection Committee Report to the Georgia Public Service Commission* identifies four major work efforts that must be scheduled and coordinated for the successful completion of a database number portability solution: the availability of switch vendor functionality; the availability of a neutral third party service management system ("SMS"); the availability of participating telecommunications service provider service control point ("SCP") and SMS functionality; and the availability of participating telecommunications service provider internal operational support systems ("OSS"), billing systems and associated methods and procedures. The Commission failed to recognize and account for these crucial elements of an LNP solution when it established its implementation schedule for number portability. The Selection Committee Report from the Georgia Workshop, on the other hand, has determined that in order to meet the

[15] In addition to software upgrades, the Commission has not considered the effect of necessary hardware upgrades required to support long-term database methods of number portability. For example, BellSouth estimates that approximately 85% of its Nortel DMS family of switches will require switch processor upgrades in order to support LRN.

LRN deployment schedule, all internal OSS, billing systems and operational planning needs to be completed by May, 1997.[16]

A. LNP Deployment In Compliance With The Commission's Implementation Schedule Does Not Mandate That Every Switch Within An MSA Be Activated Within The Relevant Implementation Phase.

In establishing its implementation schedule requiring that the top MSAs be completely implemented in three month intervals, the Commission overlooked the proposal put forth by AT&T in its comments, and agreed to by participants in the Georgia Number Portability Workshop, that LRN be deployed in a desirable subset of total switches within an MSA. Such deployment is necessary in order to conduct systematic testing that will ensure that the quality, reliability and convenience of the PTSN is not unreasonably impaired. In March of this year, AT&T proposed that LRN be deployed "in 20 to 25 switches in each market (20 for the incumbent and at least 1 for each alternative carrier)." AT&T, *ex parte,* CC Docket 95-116 at 8 (Mar. 29, 1996). Similarly, carriers participating in the Georgia Number Portability Workshops agreed to deploy LRN in the 21 most desirable (as determined by the competing service providers) switches within the Atlanta MSA. The actual number of switches should be determined by the carriers, under the supervision of the SMS administrator.

Such limited deployment is consistent with sound network engineering principles, as well as the Commission's efforts to target deployment in those areas where competing service providers are likely to offer alternative services. *Number Portability Order* at ¶ 82. It is consistent, as well, with the 1996 Act's qualification to LEC provision of LNP "to the extent

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[16] Testing for these processes has been mandated a part of the Illinois Number Portability field test. However, results will not be available until well after the May 1997 ready date. *Infra,* n.17.

technically feasible." 1996 Act, § 251(b)(2). Just as it is inappropriate to flashcut LNP nationally, it would be inappropriate to require simultaneous deployment in all switches within the largest MSAs. *Cf. Number Portability Order* at ¶¶ 70, 81. Large MSAs, such as Atlanta, encompass thinly populated suburban and rural areas in which competing service providers are not as likely to offer alternative services as in more concentrated urban and suburban areas. A simultaneous, MSA-wide switch deployment in MSAs would not allow BellSouth the opportunity to conduct necessary testing to ensure network integrity, is unnecessary, and is a recipe for disaster.

The Commission should therefore reconsider its requirement that carriers complete implementation of LNP during Phase I and Phase II in only 90 days.[17] Deployment of such a potentially convulsive change to the PTSN in the largest MSAs should be done expeditiously, but cautiously. An additional 90 days will allow for appropriate preparation and testing, and enable LECs to more efficiently complete later deployments. The Commission should also clarify that initial deployment of a desirable subset of the MSAs total switches comports with the Commission's implementation schedule. LECs must still have the opportunity to seek a waiver from the modified implementation schedule pursuant to the rules established by the Commission. *Id.* at ¶ B-5, § 52.3(e).

III. THE COMMISSION SHOULD NOT ALLOW THE CONTINUING DELAYS IN ESTABLISHING NORTH AMERICAN NUMBERING COUNCIL

[17] The Commission should also clarify that Phase I implementation may actually begin at any time during the Phase I installation period. This is necessary if a LEC is to make any meaningful use of the field test results of the Illinois Local Number Portability Workshop, which are to be filed with the Commission on the last day of third quarter of 1997. *Id.* at B-6, to be codified 47 C.F.R. § 52.3(g).

MEMBERSHIP TO DELAY DEVELOPMENT OF REGIONAL SMS DATABASES.

The Commission adopted rules that enable the North American Numbering Council ("NANC") to direct establishment of a system of regional SMS databases. *Number Portability Order*, B-6, to be codified at 47 C.F.R. § 52.5(a). These regional databases are to be administered by entities selected by NANC within seven months of NANC's initial meeting. *Id.* at § 52.5(c). The difficulty with this plan is that NANC membership has yet to be selected, NANC's first meeting has yet to be scheduled, and LECs must deploy LNP in the largest MSA in each BOC region in only 17 months. Even if NANC members were appointed and the first meeting convened before the pleading cycle in the Commission's pending number portability docket closed, it is conceivable that NANC-appointed SMS administrators would have less than a few months to discharge their prescribed obligations.[18]

In the meantime, participants in the Georgia Local Number Portability Steering Committee have already formed a limited liability company ("GA NAPC"), and the GA NAPC's Operating Agreement is being circulated among prospective members for signature. The Georgia Steering Committee is also currently in the process of finalizing, and plans to soon release, a request for proposal for an SMS administrator. Further, the Florida Public Service Commission's Florida Number Portability Task Force, concerned about the timely development of the NANC LNP SMS databases, has contacted the Georgia Public Service Commission about working together to

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[18] The NANC-appointed local LNP administrator(s) ("LNPA(s)") are to determine, *inter alia*, technical interoperability and operational standards, the user interface between telecommunications carriers and the LNPA(s), the network interface between the SMS and the downstream databases, and the technical specifications for the regional databases. *Id.* at § 52.5(d).

develop a regional database, and then presenting this work effort to the NANC for acceptance as the database for the southeast region.

The *Number Portability Order*, while allowing individual state opt-outs based on the selection of a state SMS administrator prior to July 2, 1996, does not appear to address the fact that carriers may proceed to implement regional database LNP solutions prior to NANC selection of the LNPA. In order for BellSouth to have any realistic chance to implement LNP on schedule, efforts must proceed apace with respect to the creation of a region-wide SMS database based on the work performed to date by GA NAPC. These efforts cannot be stalled because of the continuing delay with respect to the selection of NANC membership. The Commission should therefore clarify that NANC will automatically approve any regional SMS database administrator selected through a competitive bidding process by industry participants prior to the selection of a NANC-appointed LNPA, subject to the administrator's continuing adherence and compliance with NANC SMS database administration specifications. In the alternative, the Commission should clarify that any regional SMS administrator selected through a competitive bidding process by industry participants prior to the selection of a NANC-appointed LNPA may be granted a waiver from any LNPA application or certification process developed by NANC, subject to the administrator's continuing adherence and compliance with NANC database administration specifications.

The Commission should further clarify that the NANC should address SMS functionality only. In order to comply with the LNP implementation schedule, carriers must begin the process of selection an SCP vendor, or make arrangements to otherwise obtain SCP functionality, immediately. Individual carriers will have unique SCP requirements. Each carrier must have the

exclusive authority to select the SCP component of its own call processing network. BellSouth is concerned that, in light of the broad duties granted NANC-appointed LNPAs, *supra* n.4, and the definition of *regional database* in the Commission's rules to include "an SMS/SCP pair," *Id.* at B-3, §52.1(l), a NANC-appointed LNPA may attempt to select and contract with an SCP vendor that would have no accountability to a carrier, and particularly to LECs, for any problems in call processing. The Commission should therefore clarify that NANC should only address SMS, and not SCP, functionality. This is similar to the current situation with respect to 800/888 service, in which there is a single central SMS database but each service provider selects its own SCP to be used for live call processing.

Finally, the Commission should reconsider its authorization that the NANC determine the requirements for the interfaces between the SMS and down stream databases. *Number Portability Order*, B-6, to be codified at 47 C.F.R. § 52.5(d). As the Commission states elsewhere in its Order, the fundamental purpose of the NANC is to act as an oversight committee with the technical and operational expertise to advise the Commission on numbering issues. *Id.* at ¶ 93. Industry participants, and specifically the carriers sharing in the costs of developing, establishing and maintaining the regional databases, are the appropriate parties to determine such technical interface requirements, subject to NANC oversight and management.

IV. THE COMMISSION SHOULD RECONSIDER AND ELIMINATE ITS FOURTH LNP PERFORMANCE CRITERION OR, IN THE ALTERNATIVE, RECONSIDER ITS DECISION TO BAN ANY LNP TECHNOLOGY.

Rather than choosing a particular LNP technology or a specific LNP architecture, the Commission, "in order to better serve the public interest," adopted a rule establishing nine

performance criteria for LNP deployment. *Number Portability Order*, ¶ 46; B-4 -5 (to be codified at 47 C.F.R. § 47.52.3). The fourth criterion provides that LECs must provide LNP that:

> (4) does not require telecommunications carriers to rely on databases, other network facilities, or services provided by other telecommunications carriers in order to route calls to the proper termination point;

Number Portability Order, B-4, to be codified at 47 C.F.R. §§ 52.3(a)(4). This criterion is unrealistic, is not a true performance criterion, and violates the Commission's proscription against technology foreclosure.[19] It should therefore be eliminated.

Perhaps, in the best of all worlds, carriers should not be required to rely on the databases, network facilities and services of other carriers in order to route calls to the proper termination point. BellSouth rather suspects that such a world would be characterized by redundancy and inefficiency. In any event, the Commission's fourth criterion is unrealistic in the immediate, multiple carrier competitive environment. In such an environment there will always be calls which, in order to be completed, must traverse other carriers' networks. The fourth criterion will always be impossible to achieve because carriers receiving ported numbers will always be dependent upon other carriers' databases, services and network facilities. Specifically, just as in today's non-LNP environment, some carriers will always be dependent upon other carriers' ability to take proper measures to determine routing information as well as to physically route calls to the interconnection point. A criterion that is impossible to meet should be eliminated.

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[19] The Commission determined that none of the current carrier-supported LNP methods, including LRN, has been tested or described in sufficient detail to permit the selection of a particular LNP architecture without further delay. *Id* at ¶ 46. Dictating implementation of a particular LNP method, observed the Commission, "could foreclose the ability of carriers to improve on those methods already being deployed or to implement hybrid (but compatible) methods." *Id.*

Each of the Commission's other criteria (with the exception of the seventh, which prohibits proprietary interests) address technical performance issues: supporting network services, features and capabilities; efficient use of numbers; preventing number changes; service quality and network reliability; engineering for other types of portability; and consideration of potential impacts on networks outside the area of LNP deployment. Criteria four and seven are better characterized as "competitive criteria." The fourth criterion purports to eliminate a "differential in efficiency" which the Commission assumes will result because queries will be performed only when calls are to be ported.[20] *Id.* at ¶ 53. Having already determined that none of the current LNP methods has been tested or described in sufficient detail to permit the selection of a particular architecture, however, *Id.* at ¶ 46, the Commission could not have had before it the facts necessary to determine that such a "differential in efficiency" will actually and inevitably occur, much less result in any illegitimate competitive disadvantage, whenever one carrier's databases, facilities or services are used to route another carrier's calls.

By focusing on hypothetical competitive consequences rather than actual performance issues, the Commission's fourth criteria actually violates the Commission's own basis for promulgating LNP performance criteria in the first place: to avoid "dictating implementation of a particular method," *Id.*, and to maintain "flexibility to accommodate innovation and improvement," *Id.* at ¶ 47, in light of the insufficient state of LNP testing and description. *Id.* at ¶ 46. By the Commission's own acknowledgment, however, the fourth criterion precludes LEC

[20] The Commission states that "dependence on the original service provider's network to provide services to a customer that has switched carriers contravenes the choice made by that customer to change service providers." *Id.* This is mere speculation, has no basis in the record, makes no sense when applied to non-facilities based resellers, and begs common sense in any event.

implementation of a particular method of technology: the Query on Release ("QOR") call processing solution.[21] As preclusion of QOR (and, perhaps, any other as yet undiscovered or undeveloped technologies which may, to some extent, rely on other carriers' networks, facilities or services) hampers the efficient LEC deployment of LNP, and thus eliminates a possible source of innovation and improvement, the Commission should reconsider and eliminate its fourth criterion.[22]

For the foregoing reasons, the Commission should eliminate its fourth criterion. This would permit LECs to experiment with QOR and other potential technologies, and not call into question the use of LRN, which itself requires some reliance on other carriers networks. In the alternative, the Commission could clarify that QOR or any other LNP technology may be implemented until it can be demonstrated that such implementation actually produces an anticompetitive result or violates any of the Commission's performance criteria. Specifically, the Commission should clarify that QOR may be implemented, subject to these conditions, within a

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[21] QOR is an enhancement or adjunct to LRN that increases LRN's efficiency and makes it more economical, especially when the percentage of ported numbers in any given NXX is relatively low. In a QOR scenario, once a call is placed to a number in a portable NXX, the originating switch attempts to route the call to the donor switch by sending a call setup message across the SS7 signaling network. A voice path is not established unless the number is actually resident on the donor switch. If the number has ported, the donor switch sends a release message back to the originating switch indicating that it must initiate a query to determine the LRN in order to route the call.

[22] To the extent that his criterion was adopted to facilitate deployment of LRN, and to prevent the permanent adoption of current local exchange carrier ("LEC") services such as RCF and DID, its repeal will not result in an argument that transitional Measures can serve as LNP. RCF and DID have been disqualified as failing to meet two performance criteria: criterion two (efficient use of numbers) and criterion five (non-degradation). LECs should be allowed to experiment with various triggering mechanisms, and QOR should be precluded only if it demonstrated to violate a genuine performance criteria.

carrier's own network, as well as between carrier networks by mutual agreement between two carriers.[23]

QOR will not result in "differentials in efficiency" causing competitive disadvantage in violation of the fourth criterion. There is no basis for any kind of determination that QOR facilitates call blocking. QOR specifications take into account situations when congestion in the network might block the attempt to route the call to the donor switch. As soon as blockage is encountered, the call is released back to the originating office for a database query. Nor will QOR provide a LEC access to any more information about new entrants or their customers than will already be obtained through implementation of LRN.

As noted above, if a number has been ported, the donor switch in a QOR environment sends a release message back to the originating switch indicating that it must initiate a query to determine the LRN in order to route the call.[24] In this way QOR does treat ported numbers differently than non-ported numbers, but this difference results in an insignificant additional post dial delay such that it would not be apparent to the calling party.[25] But even LRN treats ported

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[23] According to specifications provided by Nortel and by Bellcore, QOR and LRN routing do coexist; that is, one carrier's use of QOR does not force a connecting carrier to implement QOR in order to have the ability to recognize and respond to the originating carrier's QOR message.

[24] QOR, on the other hand, does not route a call to a ported number through the original carrier's network as implied in the Commission order. After an attempt is made to establish the call to the original carrier's ("donor") switch, the call is routed based on the results of a database query at the originating office just as it would have been if the QOR attempt had not been made. This distinguishes QOR from, RCF which routes calls first through the original service provider's network and then to the new provider's network in a relatively inefficient and cumbersome trunking arrangement.

[25] MCI describes this delay as "imperceptible." *Id.* at n. 156. Moreover, it is critical to bear in mind that post dial delay is not uniform today for all call types and call scenarios. Cellular calls, POTS calls, 800 calls, long distance calls over different carrier facilities, calls to independent LECs, calls using different types of signaling, etc., all result in varied post dial delays. It is (Continued...)

and nonported customers differently, in the case of intraoffice calls, and would presumably fail the Commission's equal call treatment analysis. There can thus be no anticompetitive effect of implementing QOR.

Yet, the Commission summarily disposes of QOR as a potential "innovation and improvement" with a curious determination supported nowhere in the record: the hypothetical, potential and unquantified "competitive benefits of ensuring that calls are not routed through the original carrier's network outweigh *any* cost savings that QOR may bring in the immediate future." *Id.* ¶ 54 (emphasis added). The record evidence consists of cost data indicating that LECs can save tens of millions of dollars, costs that need not be allocated to all telecommunications carriers. *Id.* at ¶ 54. BellSouth studies indicate savings of approximately $50 million over the initial 5 years of LNP implementation. Notwithstanding the Commission's cavalier dismissal of the significance of such sums by an inappropriate comparison to total operating revenue, these totals are significant indeed, especially when combined with the savings of other incumbent independent and RBOC LECs.

Implementation of QOR will not result in the violation of the Commission's technical performance criteria. Customers will not experience poorer transmission quality or loss of services because of QOR. QOR will actually increase network reliability. The Commission's implementation schedule requires aggressive implementation of a network architecture that does not currently exist. As with any new technology, there is much concern about the reliability of the initial LNP design parameters. The 100 MSAs that are to initially be equipped for LNP represent

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reasonable and normal to expect variations within an LNP environment; as a practical matter, these variations will, as MCI states, be imperceptible. *Id.*

the areas of highest access line density and, therefore, the most sensitive portions of the PSTN. If full originating LRN queries are required, the new database equipment and the enormous load on the SS7 network could result in significant network outages. The normal strategy that BellSouth would use with a new architecture would be to implement in a less sensitive area first, then move to the sensitive areas as experience is gained. The load on the databases and the SS7 network would be increased gradually to insure integrity.

In the early stages of LNP the majority of the numbers in a portable central office code ("NXX") will not be ported. If all calls to numbers in portable NXXs initiate queries, most will return normal routing indications. In such a circumstance, millions of unnecessary queries will be made for calls to nonported numbers resulting inefficient, expensive, and potentially harmful abuse of the SS7 network. QOR will reduce the quantity of queries resulting in inefficient, expensive, and potentially harmful abuse of the SS7 network. QOR will reduce the quantity of queries to those that are required for numbers that have actually ported. This will reduce the number of database systems required, the number of signaling links required and will extend switch processor life. This equates to large savings in the PTSN.

V. THE COMMISSION SHOULD CLARIFY THAT INTEREXCHANGE CARRIERS ARE OBLIGATED TO MAKE 500 AND 900 NUMBERS PORTABLE.

As the Commission notes, the vast majority of 900 numbers, as well as all 500 numbers are presently assigned to interexchange carriers ("IXCs"). Most users of these services obtain their numbers from IXCs, not LECs. *Id.* at ¶ 196. As a practical matter, portability of these numbers can only occur when they are released by IXCs. The 1996 Act, however, is silent as to the issue of 500/900 number portability, and does not address portability by IXCs. Nevertheless,

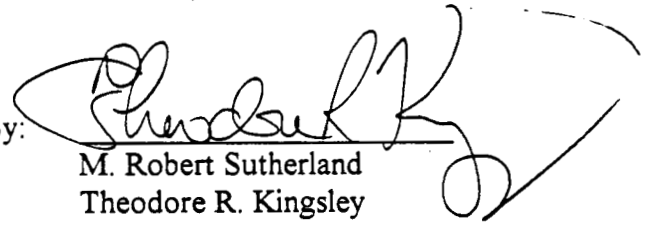
LECs and others will be disadvantaged if IXC customers are not able to change service providers without changing their 500/900 number. Therefore, before proceeding with referral of the 500/900 technical feasibility issue to the Industry Numbering Council, the Commission should clarify that all carriers, including IXCs, must provide 500/900 portability.

CONCLUSION

For the foregoing reasons, the Commission should withdraw its Transitional Measure cost recovery guidelines, lengthen the LNP deployment implementation interval for Phases I and II as indicated, eliminate its fourth LNP criterion and clarify its *Number Portability Order*, as set forth above.

Respectfully submitted,

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DATE: August 26, 1996

BellSouth Telecommunications, I
FPSC Docket No. 950737-TP
Exhibit No. AJV-2

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 95-116
Telephone Number Portability	)	RM 8535
	)	

REPLY COMMENTS

BELLSOUTH CORPORATION and
BELLSOUTH TELECOMMUNICATIONS, INC.

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TABLE OF CONTENTS

SUMMARY i

INTRODUCTION 1

I. LONG TERM DATABASE NUMBER PORTABILITY REQUIRES DIFFERENT COST RECOVERY PRINCIPLES THAN THOSE ADOPTED BY THE COMMISSION FOR CURRENTLY AVAILABLE NUMBER PORTABILITY 2

II. DIRECT CARRIER SPECIFIC COSTS ASSOCIATED WITH LONG TERM DATABASE NUMBER PORTABILITY MUST BE BORNE BY ALL CARRIERS ON A COMPETITIVELY NEUTRAL BASIS 4

III. USE OF A NATIONAL POOL IN ALLOCATING LONG TERM DATABASE NUMBER PORTABILITY COSTS IS CONSISTENT WIT CONGRESS'S MANDATE, AND A TEMPORARY, MANDATORY END USER CHARGE BASED ON A MEASURE OF CUSTOMER PERCEIVED USES OF TELECOMMUNICATIONS ACCESS LINES (THE "SBC PROPOSAL") IS THE MOST COMPETITIVELY NEUTRAL COST RECOVERY MECHANISM 7

A. The Commission Should Adopt a Mechanism of Cost Allocation by Customer Usage 7

B. A National Pool Comports With Competitive Neutrality 9

C. Cost Recovery Should Be Accomplished Through a Temporary, Mandatory and Averaged Uniform End User Surcharge 12

CONCLUSION 13

SUMMARY

The Commission should adopt separate LNP cost recovery principles to ensure that the costs of LNP are borne by all carriers on a competitively neutral basis. These principles should affirm that the LNP cost recovery mechanism (1) does not impose a disproportionately greater burden on any one telecommunications carrier relative to another; (2) does not so distort telecommunications service prices so as to influence customer choice among alternative carriers; and (3) is characterized by administrative simplicity.

Having adopted the foregoing LNP cost recovery principles, the Commission should determine that all costs essential to making LNP work that are incurred by all carriers because of the LNP federal mandate, whether they are shared or carrier specific, represent the costs of implementing the federal LNP mandate as a whole and as such are to be borne by all carriers on a competitively neutral basis. The Commission should further determine that national pooling of the industry-wide Type 1 and Type 2 costs is the best way to ensure that the costs of LNP are borne by all carriers, and that all carriers share in the burden of recovering these costs from end users of telecommunications services through mandatory, but temporary, uniform, averaged and explicit end-user charges. In this way, the Commission will provide a cost recovery mechanism for federally mandated LNP that is characterized by administrative simplicity and which will minimize anticompetitive distortion of the terms on which rival firms compete in the telecommunications services market.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	CC Docket No. 95-116
Telephone Number Portability	)	RM 8535
	)	

REPLY COMMENTS

BellSouth Corporation and BellSouth Telecommunications, Inc., by counsel, reply to the comments filed in response to the Further Notice of Proposed Rulemaking released in this proceeding on July 2, 1996.[1]

INTRODUCTION

Congress and this Commission have directed that the public switched telephone network ("PSTN") be modified so as to accommodate long term database number portability ("LNP") in order that users of telecommunications services may be able to retain, at the same location, existing telecommunications numbers without impairment of quality, reliability or convenience when switching from one telecommunications carrier to another. 47 U.S.C. §§ 153(30), 251(b)(2); Further Notice *passim*. The term LNP, therefore, describes more than just a telecommunications service that ports numbers; rather it describes a government mandated, industry-wide effort that requires fundamental changes to the PSTN through the participation of the telecommunications industry as a whole in order for the technology to work.

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[1] *In the Matter of Telephone Number Portability*, First Report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 95-116 (July 2, 1996)("Further Notice").

LNP in an economic sense constitutes an intervention in the telecommunications services market that threatens to distort the terms on which rival firms compete with each other. Recognizing the potential for distortion, Congress has required that the costs of LNP are to be borne by all carriers on a competitively neutral basis as determined by the Commission. 47 U.S.C. § 251(e)(2). Any LNP cost recovery mechanism is a concomitant burden of LNP intervention and should itself be administered in a way that does not distort the terms on which rival firms compete. In these reply comments, BellSouth demonstrates that the cost-recovery mechanism must be based on the fundamental principle that the industry-wide costs of LNP are borne, shared and recovered by the industry as a whole with a minimum of market distortion.

I. LONG TERM DATABASE NUMBER PORTABILITY REQUIRES DIFFERENT COST RECOVERY PRINCIPLES THAN THOSE ADOPTED BY THE COMMISSION FOR CURRENTLY AVAILABLE NUMBER PORTABILITY

The Commission's cost recovery principles for mandatory local exchange carrier ("LEC") provisioning of remote call forwarding ("RCF") and ("DID") are, as written, inappropriate for LNP. In order to comport with Congress's mandate of competitive neutrality, an LNP cost recovery mechanism (1) must not impose a disproportionately greater burden on any one telecommunications carrier relative to another; (2) must not so distort service prices so as to influence customer choice among alternative carriers; and (3) must be characterized by administrative simplicity.

The "currently available" number portability (RCF and DID) cost recovery principles are incompatible in the context of permanent LNP. RCF and DID, as the Commission recognized, are fundamentally different and have substantially different costs than LNP. The cost recovery principles set forth in the Further Notice were designed, in part, to incent LECs to implement

LNP, which is now mandatory. As applied by the Commission, the principles established for RCF and DID do not comport with the legislative mandate of competitive neutrality for LNP costs. Instead, they confer a competitive advantage on new entrants, result in confiscatory rate setting for intrastate services, and potentially abrogate carrier to carrier contracts.[2] As such, the principles developed for RCF and DID should not be applied to LNP.

The Florida Public Service Commission notes with respect to the second principle (competitively neutral cost recovery mechanism should not have a disparate effect on the ability of competing service providers to earn a normal rate of return):

> In a competitive environment, there is a fundamental premise that marginal service providers may not earn a normal return and may not be able to survive in the long run.[3]

Applied to LNP, this principle could result in requiring more efficient carriers to subsidize marginal service providers in order to guarantee a "normal return."

Neither of the currently available number portability cost recovery principles ensure that telecommunications service prices will not be distorted in a way that will influence customer choices among alternative carriers. LNP implementation costs must be distributed in a way which neither deters, nor encourages, telecommunications customers to change providers, because customers would not be able to avoid paying for, or would not pay a lower portion of the cost of,

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[2] Further Notice, Bell Atlantic Petition for Clarification and Partial Reconsideration (Aug. 26, 1996), pp. 11-14; BellSouth Petition for Reconsideration or Clarification (Aug. 26, 1996), pp. 1-10; Cincinnati Bell Petition for Reconsideration (Aug. 26, 1996) *passim*; GTE Petition for Clarification or Reconsideration (Aug. 26, 1996), pp. 11-12; SBC Petition for Reconsideration (Aug. 26, 1996) pp. 3-6).

[3] Fla. PSC Comments at 2.

LNP implementation by changing providers.[4] Finally, the Commission has determined that an "each carrier bears its own costs" approach comports with its RCF and DID competitive neutrality principles. As demonstrated in Section II below, such an approach is not competitively neutral when applied to LNP.

The Commission should therefore adopt separate cost recovery principles for LNP such that (1) the burden of all (industry-wide, both shared [Type 1] and carrier specific [Type 2]) LNP costs incurred because of the federal mandate are equitably distributed among all carriers and that the LNP cost recovery mechanism used to recover those costs does not impose a disproportionately greater burden on any one telecommunications carrier relative to another;[5] (2) ensures that the cost recovery mechanism does not distort service prices so as to influence customer choice among alternative carriers;[6] and (3) ensures that the LNP cost recovery mechanism is characterized by administrative simplicity.[7]

II. DIRECT CARRIER SPECIFIC COSTS ASSOCIATED WITH LONG TERM DATABASE NUMBER PORTABILITY MUST BE BORNE BY ALL CARRIERS ON A COMPETITIVELY NEUTRAL BASIS.

The comments overwhelmingly support the Commission's initial categorization of LNP costs into three categories: shared, direct carrier specific and indirect carrier specific. Likewise, the comments unanimously support the Commission's tentative conclusion that each carrier should bear its own costs that are not directly attributable to LNP. With shared costs, the

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[4] Cal. Dep. Consumer Affairs ("DCA") Comments at 11-12; USTA Comments at 16.

[5] Cincinnati Bell Comments at 6 (carriers must be able to recover all cost they incur to implement LNP); SBC Comments at 10.

[6] Ameritech Comments at 7; Cincinnati Bell Comments at 6.

[7] Bell Atlantic Comments at 3-4; GTE Comments at 14.

principle differences concern whether all carriers, or a subset of all carriers based on LNP participation, should bear this portion of the LNP burden.[8] With direct carrier specific costs, the principle difference concerns whether each carrier should bear its own cost or whether carrier specific costs directly caused by LNP are among the costs that Congress has directed are to be borne by all carriers.[9]

The Commission should conclude that "competitive neutrality" requires that all carriers nationwide should bear the total LNP shared and direct costs. The law is explicit that these costs are to be borne by all carriers, and has not excluded any carrier from this mandate.[10] Teleport correctly explains:

> Number portability has now become a requirement of doing business for all providers. It stands to reason, therefore that all carriers should equitably share the burden of the costs for providing number portability. The Telecommunications Act of 1996 requires no less . . .

BellSouth parts company with Teleport and others who argue unconvincingly that the burdens to be borne by all carriers are only the shared costs (why would Congress mandate that shared costs be shared?) and not the millions that will have to be spent by incumbent LECs in order to ensure that LNP will even work.[11] It is not relevant to distinguish between the common

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[8] *Cf.* Teleport Communications Group Comments at 4 (all carriers should bear costs) *with* Telecommunications Resellers Association Comments at 5-7 (only LECs should fund LNP costs).

[9] *Cf.* Winstar Communications Comments at 6 (individual carrier costs should not be included) *with* General Services Administration ("GSA") Comments at 5 (all costs directly incurred by any party to implement and operate the LNP solution should be pooled and spread across all carriers according to an allocator); Fla. PSC Comments at 1-2.

[10] 47 U.S.C. § 251(e)(2); Teleport Comments at 4.

[11] BellSouth estimates that its direct costs will approximate $470 million. *See also* Sprint Comments at 3 ($100 million in top 100 MSAs); U S West Comments at 3 (approximately $400 million); NYNEX Comments at 2 ($400 million) and GTE Comments at 1 ($1.136 billion).

database costs and those associated with individual LECs' deployment of the capability to provide LNP because all of these costs "are necessary to achieve a common goal, which is to implement a competitively neutral long-term solution to the number portability problem."[12]

LNP cannot work without the full participation of incumbent LECs.[13] Incumbent LECs cannot choose "not to play," and, as a practical matter, they cannot exit the market. If they could choose either option, LNP would not be technically achievable. Unfortunately, one consequence of the Commission's subdividing the cost of providing LNP into "shared" and "carrier-specific" cost categories is a tendency in the comments to overlook the fact that the carrier specific direct costs of any one carrier constitute just one part of the incremental costs of the federally mandated LNP arrangement as a whole. Indeed some comments refer to only shared costs as "industry-wide" when, in fact, all costs caused by the federal LNP mandate are "industry wide." It is fallacious and disingenuous to categorize carrier specific direct costs incurred solely as a result of the federal mandate, as MCI's lobbyists do, as "technical upgrades they'll [incumbent LECs] have to make anyway."[14] The costs identified by the Commission and others in this proceeding as directly attributable to LNP would not be incurred in the absence of an LNP mandate.[15] For these

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[12] GSA Comments at 5.

[13] For this reason, MFS's "airbag" hypothetical makes no sense in the context of a transitional regulated telecommunications market. MFS Comments at 4. MFS argues that Ford does not subsidize Toyota's costs of installing airbags in response to government safety regulations. This is true in an industry that, although individual manufacturers are subject to health, safety and environmental regulations, is not subject to the ubiquitous regulation of telecommunications common carriers and has no analog to LNP. If Ford chooses not to install airbags in is cars, it may be violating a federal regulation, but it does not mean that the Toyota airbag will not work.

[14] *Phone Companies Call for Customer Surcharge*, Wall Street J., B6, Col. 3 (Sep. 13, 1996).

[15] A number of comments demonstrate that the appropriate test for determining whether a cost is directly related to LNP is a "but for" test. GTE Comments at 5; GSA Comments at 2. *See also* Ameritech Comments at 3 (upgrades made for sole purpose of providing LNP);
(Continued...)

reasons, a determination that the costs of number portability that are to be borne by all carriers do not include an incumbent LEC's direct costs to prepare the public switched telephone network for LNP cannot be competitively neutral or socially desirable. Such a determination will disadvantage incumbent LECs, and, although an incorrect measure as a matter of law, would not even comport with the Commission's cost recovery principles for "currently available" number portability.

III. USE OF A NATIONAL POOL IN ALLOCATING LONG TERM DATABASE NUMBER PORTABILITY COSTS IS CONSISTENT WITH CONGRESS'S MANDATE, AND A TEMPORARY, MANDATORY END USER CHARGE BASED ON A MEASURE OF CUSTOMER PERCEIVED USES OF TELECOMMUNICATIONS ACCESS LINES (THE "SBC PROPOSAL") IS THE MOST COMPETITIVELY NEUTRAL COST RECOVERY MECHANISM.

A. The Commission Should Adopt A Mechanism Of Cost Allocation by Customer Usage.

BellSouth agrees, conceptually, with SBC Communications Inc.'s proposal to allocate LNP costs based upon an accounting of telecommunications sub-markets and customer-perceived uses of the local exchange access line and recovery through a cost fund linked to a mandatory, averaged, and uniform end-user charge.[16] Accordingly, BellSouth endorses SBC's approach as the most competitively neutral proposal advanced in any of the comments. Of course, the allocation method is necessarily arbitrary, as evidenced by SBC's subdivision of markets into neat "thirds" (local exchange service, intra LATA toll service and interLATA toll service), and the

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NCTA/OPASTCO at 8; NYNEX Comments at 3 (test should be whether costs are caused by LNP). Applying this test, a number of direct carrier specific costs have been identified as being caused by the federal mandate and should therefore be added to the Commission's initial list of direct carrier specific costs. *See* Pacific Telesis Group Comments at 8-9 (LNP base feature enhancements, service control points, signaling system enhancements, trunking augmentation and rearrangement and switch capacity, upgrades to operational support systems and advancement costs); U S West Comments at 10-11 (unplanned upgrades, advancement costs).

[16] SBC Comments at 7-16.

nomenclature adopted by SBC is fictional, but the concept is the least market distorting of all of the proposals put forth in this proceeding. Total nationwide access lines are a credible measure of the magnitude of the costs, while subdividing this measure into customer perceived uses of telecommunications services will result in an equitable distribution of costs across all carriers. Indeed, the essence of SBC's proposal is a recognition that end users perceive that they receive different types of services from different types of carriers. All these carriers, by federal mandate, should bear the cost burdens associated with LNP, including the burdens associated with cost recovery.

Revenue-based allocation mechanisms are clearly more susceptible to market distortion and manipulation than allocation mechanisms based on access lines. For this reason, and the fact that incumbent LECs by this measure will necessarily bear a disproportionate share of the costs of LNP in contravention of the Act, BellSouth agrees with those comments that demonstrate that the commission's gross revenues minus payments to other carriers measure is not competitively neutral.[17] Proposals that advocate total telecommunications service revenues[18] or gross revenues minus revenues paid to *and received from* other carriers[19] are preferable to the Commission's proposal. Because usage services are relatively more price-elastic than subscriber access services, they are more susceptible to distortion, and the Commission should adopt an access line based allocation measure.[20] In the alternative, should the Commission determine that a revenue measure

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[17] *See, e.g.*, Bell Atlantic Comments at 4-5.

[18] Bell Atlantic Comments at 5; NYNEX Comments at 8-9.

[19] Pacific Telesis Comments at 11.

[20] SBC Comments at 7-9; Sprint Comments at 7-8.

is appropriate, it should adopt either the retail service revenue measure or the revenue less payments made and revenues received measure.

B. A National Pool Comports With Competitive Neutrality.

In its initial comments, BellSouth advocated regional industry pools as the basis for a competitively neutral cost allocation and recovery mechanism for shared carrier costs associated with the installation and administration of the NPAC as well as for all direct carrier specific costs. Having considered the comments submitted in this proceeding, BellSouth continues to favor a pool as the basis of a competitively neutral cost recovery mechanism, but is persuaded by those commenters who advocate a national pool as opposed to a regional pool.[21] A regional pool, though logically suggested by the Commission's adoption of a system of regional SMS databases to achieve LNP, would present unnecessary complications in the form of jurisdictional separations, territorial allocations, and enforcement oversight. A national pool, however, assures uniformity of treatment as well as administrative simplicity. The national pool should be administered by the number portability administrator (LNPA) designated by the North American Numbering Council ("NANC") and would remain in operation only for as long as all carriers have recovered their eligible costs, for three to five years.

The Commission should not be persuaded by arguments that pools are inconsistent with competitively neutral cost allocation as required by the Act. Such arguments ignore the fact that mandatory LNP is not something that arises out of a competitive market place, but is a regulatory intervention in the telecommunications services market designed to facilitate competition.

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[21] *See* GTE Comments at 12; CTIA Comments at 3 (advocating a nationwide cost recovery network).

Although it may be sound economic theory that "[s]ubsidies among competitors are incompatible with the competitive process and seriously impair incentives to minimize costs," it is important to distinguish the theoretical constructs which ought to apply to a deregulated, free market, and the practical results of applying such theory to a transitional regulated market that is, in fact, subject to intensive reregulation.[22] As the Florida Public Service Commission notes:

> [Pooling] appears preferable to the first option which requires individuals carriers to bear their own costs . . .While pooling approaches can act to deter efficiency, we believe the risk is slight in this case. Whether the pooled costs are allocated based on some measure of revenues or subscriber lines, the incumbents will still pay a large percentage of these costs, and therefore, have an incentive to implement number portability in the most efficient manner.[23]

In contrast to academic arguments and special interest advocacy, a number of comments offer cogent and pragmatic explanations, from a public interest perspective, as to why having each carrier bear its LNP costs does not comport with the Act's requirement of competitive neutrality. The size of incumbent LECs' wireline network is appreciably larger than any alternative LEC's network.[24] The costs to be incurred by the incumbent LECs far exceed the costs to be incurred by anybody else.[25] As California DCA notes:

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[22] *See, generally,* Pacific Telesis Comments *passim*. On the one hand, Pacific Telesis suggests that pooling could provide incumbent LECs with a "cost advantage that could impede effective competition." But in the same paragraph Pacific Telesis also states that pooling will relieve new entrants of their LNP burden, thus subsidizing *new entrants* at the expense of established carriers. Pacific Telesis Comments at 9, ¶ 14 (emphasis added). Pooling would therefore appear to provide advantages to both incumbent LEC and new entrant alike. This would seem to be competitively neutral.

[23] Fla. PSC Comments at 4-5.

[24] California DCA Comments at 10.

[25] *Infra,* n.3.

> What is most significant is how that result affects consumers if ILECs[26] must absorb the full cost of establishing LNP in their networks, and if they lose customers to CLECs,[27] then the ILECs' remaining customers will be forced to bear a disproportionately large share of the cost of LNP, while those customers who change to a CLEC will bear a disproportionately smaller share of LNP costs because they will not have to pay for LNP implementation in the ILECs' large network.
>
> Viewed in this way, it is difficult to conclude that a cost recovery approach in which the ILECs absorb the full costs of implementing LNP in their networks comports with the federal Act's "competitively neutral" requirement . . . There seems to be some justification for requiring the CLECs to bear not only their own costs to implement and provide LNP, but also for requiring the CLECs and their customers to bear some proportionate share of the ILECs' cost of implementing LNP.[28]

Similarly, the Florida Public Service Commission recognizes that in the early stages of local competition, the incumbent local exchange carrier will incur a disproportionate amount of the cost, while the entrants will receive a disproportionate amount of the benefit.[29] Competitive neutrality must be measured by Congress's mandate that the costs of number portability be borne by all carriers in a regulated market undergoing transition, and not by an interpretation that assumes a market acting without governmental direction.

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[26] Incumbent LECs.

[27] Competitive LECs.

[28] Cal. DCA Comments at 19-21.

[29] Fla. PSC Comments at 5.

C. Cost Recovery Should Be Accomplished Through a Temporary, Mandatory and Averaged Uniform End User Surcharge.

The comments make clear that the costs of provisioning LNP will be passed on in some way by carriers to their customers.[30] BellSouth has attempted to find a solution to LNP cost recovery that avoids the imposition of an end user charge. However, the comments in this proceeding demonstrate that incumbent LECs are limited by various regulatory plans, at the federal and state level, from raising prices for services.[31] Nobody questions that incumbent LECs will be forced to spend, substantially more than other carriers to reconfigure the PSTN to accommodate LNP.[32] BellSouth is now persuaded that the fairest way to ensure that all carriers bear the burdens caused by LNP is for the FCC to adopt LNP cost recovery principles that recognize a mandatory, but temporary, uniform and averaged end user surcharge as being consistent with Congress's goal of competitive neutrality.[33] Once the costs for implementing LNP are recovered, this charge would disappear. Once the charge disappears, each carrier would be responsible for bearing its ongoing costs of providing LNP through whatever manner that carrier deems to be efficient.[34]

BellSouth appreciates the political inexpediency of advocating any sort of end user surcharge. Those who would turn Congress's mandate of competitive neutrality on its head have already exploited this inevitable approach to cost recovery in the court of public opinion.[35] Rival

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[30] *E.g.*, AT&T Comments at 13-14, Time Warner Comments at n.12. Time Warner is wrong to state that the statute prohibits recovery from end user customers because "only carriers are obligated to bear the cost" of LNP. Time Warner Comments at 5-6.

[31] GTE Comments at 8; U S West Comments at 15.

[32] *Infra* nn. 3, 28.

[33] Bell Atlantic Comments at 9; GTE Comments at 4; NYNEX Comments at 12.

[34] Cal. DCA Comments at 14-15.

[35] *Phone Companies Call for Customer Surcharge*, Wall Street J., B1 (Sep. 13, 1996).

firms will continue to fan the fires of public opinion in order to achieve a politically popular decision in the context of this proceeding that would nevertheless be inconsistent with the Act, with fairness and with competitive neutrality. But the incumbent LECs, assuming they have the regulatory flexibility to do so, cannot be the only ones who have to bear the bad news to customers in a competitively neutral system.

All elements of an LNP cost recovery mechanism, including end user billing, are burdens of federal LNP intervention in the telecommunications services market, and should not be disproportionately distributed among rival and competing firms. Requiring all carriers to participate in the cost recovery process through a rational allocation of both Type 1 and Type 2 costs, and through a concomitant end user charge based on the same allocator, is the most competitively neutral strategy. As several comments have suggested, the bill should be identified as a surcharge required by federal law in order to provide LNP. In this way, the "unpleasantness" of the notification in the customer's bill,[36] is not associated, in the public's mind, with any particular class of carriers.

CONCLUSION

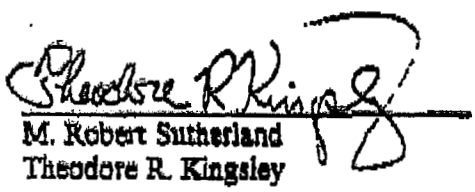
The Commission should adopt separate LNP cost recovery principles to ensure that the costs of LNP are borne by all carriers on a competitively neutral basis. These principles should affirm that the LNP cost recovery mechanism (1) does not impose a disproportionately greater burden on any one telecommunications carrier relative to another; (2) does not so distort telecommunications service prices so as to influence customer choice among alternative carriers; and (3) is characterized by administrative simplicity. National pooling of Type 1 and Type 2

[36] *Id.* at B6, Col. 3.

costs, and recovery through a mandatory, but temporary uniform and averaged end user LNP charge best comports with the foregoing LNP cost recovery principles. BellSouth endorses SBC Communications Inc.'s specific LNP cost recovery proposal.

Respectfully submitted,

BELLSOUTH CORPORATION and
BELLSOUTH TELECOMMUNICATIONS, INC.

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DATE: September 16, 1996

Interim Number Portability[1]
Cost-Rate Development

Service	TSLRIC Costs				Rates
	RCF Feature[2]	Additional Paths	Total	Additional Call Paths	@ 55% Discount[3]
Residence	$ .87	$0.12	$0.99	6	$0.45
Business	$ .87	$1.70	$2.57	10	$1.16
Additional Paths (each)	N/A	$ .69	$ .69	N/A	$ .31

(1) Using Remote Call Forwarding
(2) Includes first call path
(3) Discount for cost sharing and inferior number portability

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JOSEPH P. CRESSE

Presently employed as a non-lawyer Special Consultant with the law firm of Messer, Caparello, Madsen, Goldman & Metz P.A. in Tallahassee, Florida; former Chairman of the Public Service Commission having served seven years on the Commission; former State Budget Director for State of Florida under Governor Reubin Askew, and former Assistant Secretary for the Department of Administration, State of Florida.

Resides in Tallahassee, Florida, with wife, Beverly; has two children; born in Indiana, and attended public schools in Frostproof, Florida; attended University of Florida - graduated in 1950 B. S. B. A. Major in Accounting; served in the U. S. Army as Staff Sergeant; member of Beta Alphi PSI Fraternity.

Career accomplishments include recipient of Florida Senate and House Resolution of Commendation; Administrator of the year in 1975; recipient of University of Florida Distinguished Alumnus Award; served on the Executive Committee of National Assn. of State Budget Officers, National Assn. of Regulatory Utility Commissioners, and President of the Southeastern Assn. of Regulatory Utility Commissioners; assisted in passage and implementation of the Career Service System, State of Florida; assisted in the implementation the Governmental Reorganization Act; implementation of program budgeting and computerizing substantial budgeting information; assisted in development of Education funding program for the State of Florida; assisted in development of financial plan to reduce appropriations to operate within available funds when revenue of the State was approximately 10% less than anticipated; assisted the Governor and Legislature during Special 1978 Legislative Session in drafting and passing legislation protecting title to state sovereign lands; served as member of the Florida Advisory Council on Intergovernmental Relations; appointed by Governor as member of the Deferred Compensation Advisory Committee and elected chairman; chaired a Task Force which developed financial and organizational plans to dismantle the Inter-American Center Authority with real estate assets of the Authority preserved for public use; appointed by Governor to state team which successfully negotiated a major settlement involving oil, gas and mineral rights on state-owned submerged lands; appointed to task force overseeing litigation, State v. Mobil Oil, Sovereign Lands; member Growth Management Committee; appointed by Governor and co-chaired Telecommunications Task Force. In 1985 received the National Governor's Association award for Distinguished Service to State Government. Retired from State Government December 1985 to assume present position with Messer, law firm. Since 1985 he has been engaged in regulatory consulting work with both utilities and non-utilities. He lectures at Indiana University once a year, and has testified before the Georgia, Florida, South Carolina and Virginia Regulatory Commissions.

1 of 2 FLORIDA PUBLIC SERVICE COMMISSION
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COMPANY/ WITNESS: CRESSE / MESSER
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measures for free or at deeply discounted rates.[361] Ameritech asserts that section 251(e)(2)'s "competitively neutral" standard for cost recovery does not apply to interim portability at all. It asserts that interim portability is addressed in section 271(c)(2)(B)(xi), and therefore the Commission is not authorized under the BOC checklist to eliminate or discount interim portability rates below levels that state commissions have already judged reasonable.[362] Similarly, BellSouth argues that Congress's endorsement of interim RCF and DID arrangements in the BOC checklist, and the 1996 Act's structure of requiring state-approved carrier negotiations for interconnection agreements, compel the conclusion that RCF and DID cost recovery issues be left to the states.[363]

b. Discussion

121. In light of our statutory mandate that local exchange carriers provide number portability through RCF, DID, or other comparable arrangements until a long-term number portability approach is implemented, we must adopt cost recovery principles for currently available number portability that satisfy the 1996 Act. We emphasize that the cost recovery principles set forth below will apply only until a long-term number portability method can be deployed. As we have indicated, deployment of long-term number portability should begin no later than October 1997, so currently available number portability arrangements, and the associated cost recovery mechanism, should be in place for a relatively short period.

122. It is also important to recognize that the costs of currently available number portability are incurred in a substantially different fashion than the costs of long-term number portability arrangements. First, the capability to provide number portability through currently available methods, such as RCF and DID, already exists in most of today's networks, and no additional network upgrades are necessary. In contrast, long-term, or database, number portability methods require significant network upgrades, including installation of number portability-specific switch software, implementation of SS7 and IN or AIN capability, and the construction of multiple number portability databases. Second, the costs of providing number portability in the immediate term are incurred solely by the carrier providing the forwarding service. Long-term number portability, in contrast, will require all carriers to incur costs associated with the installation of number portability-specific software and the construction of the number portability databases. Those costs will have to be apportioned in some fashion among all carriers. Finally, we note that, initially, the costs of providing currently available

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[361] See, e.g., Bell Atlantic Further Reply Comments at 7; GTE Further Reply Comments at 6-7; Pacific Bell Further Reply Comments at 8 n.16.

[362] Ameritech Further Reply Comments at 8.

[363] BellSouth Further Reply Comments at 8.

number portability will be incurred primarily by the incumbent LEC network because most customers will be forwarding numbers from the incumbents to the new entrants.

123. Parties have advanced a wide range of methods for recovering the costs of currently available number portability measures, including arrangements whereby neither carrier charges the other for provision of such measures and incremental, cost-based pricing schemes. In addition, several states have adopted different cost recovery mechanisms. For example, in Florida, carriers have negotiated appropriate rates for currently available measures. The Louisiana PSC has adopted a two-tiered approach to pricing of currently available measures. In the first instance, carriers are permitted to negotiate an appropriate rate. If the parties cannot agree upon a rate, the PSC will determine the appropriate rate that can be charged by the forwarding carrier based on cost studies filed by the carriers. These rates are not required to be set at long-run incremental costs (LRIC) or total service long-run incremental costs (TSLRIC), however.[364]

124. In addition, incumbents and new entrants have voluntarily negotiated a variety of cost recovery methods. Carriers in Rochester, New York, for example, are voluntarily using a formula that allocates the incremental costs of currently available number portability measures, through an annual surcharge assessed by the carrier from which the number is transferred. The charge assessed on each carrier is the product of the total number of forwarded minutes and the incremental per-minute costs of switching and transport, multiplied by the ratio of a particular carrier's forwarded telephone numbers relative to total working numbers in the area. In addition, Rochester Telephone has agreed not to charge competitors for the first $1 million of the cost of number portability.[365] The New York DPS has adopted this formula for the New York Metropolitan area as well.[366] Ameritech and MFS recently entered into an agreement for Ameritech's five-state region under which MFS will pay Ameritech $3 per line per month for interim measures. MFS plans to seek regulatory approval to allocate that cost under a formula that would require MFS to pay a portion of the $3 charge equal to the ratio of MFS's gross telecommunications service revenues, net of its payments to other carriers, to Ameritech's gross telecommunications revenues, net of payments to other carriers.[367]

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[364] Louisiana PSC Regulations for Competition in the Local Telecommunications Market, General Order, Docket No. U-20883, at section 801, Part D (Mar. 15, 1996).

[365] NYNEX Ex Parte Filing, CC Docket No. 95-116, filed Mar. 22, 1996 (NYNEX March 22, 1996 Ex Parte Filing).

[366] NY PSC Order Clarifying March 8, 1995 Number Portability Order, Case No. 94-C-0095, at 3-4 & n.1 (issued and effective Mar. 8, 1995), submitted in NARUC April 17 Ex Parte Filing at vol. 1-A at 32.

[367] Interconnection Agreement under Sections 251 and 252 of the Telecommunications Act of 1996, dated as of May 17, 1996, by and between Ameritech Information Industry Services, a division of Ameritech Services, Inc. on behalf of Ameritech Illinois and MFS Intelenet of Illinois, Inc.; MFS White Paper Number

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125. Our cost recovery principles for currently available methods, of course, must comply with the statutory requirements of the 1996 Act. In addition, consistent with the pro-competitive objectives of the 1996 Act, we seek to create incentives for LECs, both incumbents and new entrants, to implement long-term number portability at the earliest possible date, since, as we have noted, long-term number portability is clearly preferable to existing number portability methods. The principles we adopt should also mitigate any anti-competitive effects that may arise if a carrier falsely inflates the cost of currently available number portability.

126. In our interconnection proceeding, we have sought comment on our tentative conclusion that the 1996 Act authorizes us to set pricing principles to ensure that rates for interconnection, unbundled network elements, and collocation are just, reasonable, and nondiscriminatory.[368] We need not, however, reach in this proceeding the issue of whether section 251 generally gives us authority over pricing for interconnection because the statute sets forth the standard for the recovery of number portability costs and grants the Commission the express authority to implement this standard. Specifically, section 251(e)(2) requires that the costs of "number portability be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission."[369] We therefore conclude that section 251(e)(2) gives us specific authority to prescribe pricing principles that ensure that the costs of number portability are allocated on a "competitively neutral" basis.

127. In exercising our authority under section 251(e)(2), we conclude that we should adopt guidelines that the states must follow in mandating cost recovery mechanisms for currently available number portability methods. To date, the state commissions have adopted different cost recovery methods. We seek to articulate general criteria that conform to the statutory requirements, but give the states some flexibility during this interim period to continue using a variety of approaches that are consistent with the statutory mandate. The states are also free, if they so choose, to require that tariffs for the provision of currently available number portability measures be filed by the carriers.

128. In establishing the standard for number portability cost recovery, section 251(e)(2) sets forth three specific elements, which we must interpret. First, we must determine the meaning of number portability "costs;" second, we must interpret the phrase "all telecommunications carriers;" and third, we must construe the meaning of the phrase "competitively neutral."

Portability Requirements of the Telecommunications Act of 1996, April 30, 1996 (MFS White Paper, 1996).

[368] Interconnection NPRM at ¶ 117.

[369] See 47 U.S.C. § 251(e)(2).

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129. The costs of currently available number portability are the incremental costs incurred by a LEC to transfer numbers initially and subsequently forward calls to new service providers using existing RCF, DID, or other comparable measures. According to the record, the costs of RCF differ depending on where the call originates in a carrier's network. Calls that originate on the switch from which a number has been forwarded (intraoffice calls) result in fewer costs than calls that originate from other switches (interoffice calls). This is because fewer transport and switching costs are incurred in the forwarding of an intraoffice call. The BOCs claim, for example, that there are essentially three costs incurred in the provision of RCF for an intraoffice call: (1) switching costs incurred by the original switch in determining that the number is no longer resident; (2) switching costs incurred in performing the RCF translation, which identifies the address of the receiving switch; and (3) switching costs incurred in redirecting the call from the original switch to the switch to which the number has been forwarded.[370] The BOCs further assert that the additional costs incurred for an interoffice call include: (1) the transport costs incurred in directing the call from the tandem or end office to the office from which the number was transferred and back to the tandem or end office; and (2) remote tandem or end office switching costs.[371] There is conflicting evidence in the record on whether these costs are incurred on a per-minute, per-call, or some fixed basis.[372] State commissions in some states have set cost-based rates for currently available number portability measures. In order to do so, states have used different methods of identifying costs, including LRIC, TSLRIC, and direct embedded cost studies. In California and Illinois, the state commissions set cost-based fixed monthly rates for RCF, while in New York and Maryland, the commissions set cost-based rates for minutes of use.[373] In addition, there is some evidence in the record that carriers incur some non-recurring costs in the provision of currently available methods of number portability.[374] Several states, such as California, Illinois, and Maryland, have

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[370] Ameritech Ex Parte Filing at 2, CC Docket No. 95-116, filed Feb. 20, 1996 (Ameritech February 20, 1996 Ex Parte Filing); Bell Atlantic Ex Parte Filing at 1 & 3, CC Docket No. 95-116, filed June 19, 1996 (Bell Atlantic June 19, 1996 Ex Parte Filing); BellSouth Ex Parte Filing, CC Docket No. 95-116, filed Mar. 21, 1996 (BellSouth March 21, 1996 Ex Parte Filing).

[371] Ameritech February 20, 1996 Ex Parte Filing at 2.

[372] See Ameritech Ex Parte Filing at 2-3, CC Docket No. 95-116, filed Mar. 26, 1996 (Ameritech March 26, 1996 Ex Parte Filing); NYNEX March 22, 1996 Ex Parte Filing.

[373] Bell Atlantic March 22, 1996 Ex Parte Filing at 2; NYNEX March 22, 1996 Ex Parte Filing at 1-2.

[374] See Ameritech March 26, 1996 Ex Parte Filing at 2; BellSouth March 21, 1996 Ex Parte Filing at 2; US West Ex Parte Filing at 6, CC Docket No. 95-116, filed June 19, 1996 (US West June 19, 1996 Ex Parte Filing).

permitted the carrier forwarding a number to recover such non-recurring costs as a one-time, non-recurring charge.[375]

130. Section 251(e)(2) of the Communications Act requires that the costs of providing number portability be borne by "all telecommunications carriers."[376] No party commented on the meaning of the term "all telecommunications carriers." Read literally, the statutory language "all telecommunications carriers" would appear to include any provider of telecommunications services. Section 3 of the Communications Act defines telecommunications services to mean "the offering of telecommunications for a fee directly to the public, or to such classes of users as to be effectively available directly to the public, regardless of facilities used."[377] Under this reading, states may require all telecommunications carriers -- including incumbent LECs, new LECs, CMRS providers, and IXCs -- to share the costs incurred in the provision of currently available number portability arrangements. As discussed in greater detail below, states may apportion the incremental costs of currently available measures among relevant carriers by using competitively neutral allocators, such as gross telecommunications revenues, number of lines, or number of active telephone numbers.

131. Section 251(e)(2) of the Act states that the costs of number portability are to be "borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission." We interpret "on a competitively neutral basis" to mean that the cost of number portability borne by each carrier does not affect significantly any carrier's ability to compete with other carriers for customers in the marketplace. Congress mandated the use of number portability so that customers could change carriers with as little difficulty as possible. Our interpretation of "borne . . . on a competitively neutral basis" reflects the belief that Congress's intent should not be thwarted by a cost recovery mechanism that makes it economically infeasible for some carriers to utilize number portability when competing for customers served by other carriers. Ordinarily the Commission follows cost causation principles, under which the purchaser of a service would be required to pay at least the incremental cost incurred in providing that service. With respect to number portability, Congress has directed that we depart from cost causation principles if necessary in order to adopt a "competitively neutral" standard, because number portability is a network function that is required for a carrier to compete with the carrier that is already serving a customer. Depending on the technology used, to price number portability on a cost causative basis could defeat the purpose for which it was mandated. We emphasize, however, that this statutory mandate

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[375] AT&T Ex Parte Presentation at 1, CC Docket No. 95-116 filed Mar. 13, 1996 (AT&T March 13, 1996, Ex Parte Filing).

[376] 47 U.S.C. § 251(e)(2).

[377] 47 U.S.C. § 153(44), (46).

constitutes a rare exception to the general principle, long recognized by the Commission, that the cost-causer should pay for the costs that he or she incurs.

132. Our interpretation suggests that a "competitively neutral" cost recovery mechanism should satisfy the following two criteria. First, a "competitively neutral" cost recovery mechanism should not give one service provider an appreciable, incremental cost advantage over another service provider, when competing for a specific subscriber. In other words, the recovery mechanism should not have a disparate effect on the incremental costs of competing carriers seeking to serve the same customer. The cost of number portability borne by a facilities-based new entrant that wins a customer away from an incumbent LEC is the payment that the new entrant must make to the incumbent LEC. The higher this payment, the higher the price the new entrant must charge to a customer to serve that customer profitably, which will put the new entrant at a competitive disadvantage.[378] We thus interpret our first criterion as meaning that the incremental payment made by a new entrant for winning a customer that ports his number cannot put the new entrant at an appreciable cost disadvantage relative to any other carrier that could serve that customer.

133. An example illustrates the application of this criteria. When a facilities-based carrier that competes against an incumbent LEC for a customer, the incumbent LEC incurs no cost of number portability if it retains the customer. If the facilities-based carrier wins the customer, an incremental cost of number portability is generated. The share of this incremental cost borne by the new entrant that wins the customer cannot be so high as to put it at an appreciable cost disadvantage relative to the cost the incumbent LEC would incur if it retained the customer. Thus, the incremental payment by the new entrant if it wins a customer would have to be close to zero, to approximate the incremental number portability cost borne by the incumbent LEC if it retains the customer.[379]

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[378] We recognize that the incumbent LEC and new entrant, when competing for a customer, will take into account not only the incremental cost of winning the customer, but also the incremental cost of losing a customer. The cost to an incumbent LEC of losing a customer who ports his or her number to a new entrant is the incremental cost of porting that number to the new entrant, less any payments made by the new entrant to the incumbent LEC. In theory, the higher the incremental costs of losing customers, the greater the incentive an incumbent LEC would have to offer a customer a low price to prevent a customer from porting his or her number, which would allow the incumbent LEC to avoid the number portability cost. For the interim period, however, we expect that the number of customers that will port their number will be small relative to the total number of customers an incumbent LEC serves. Since incumbent LECs offer local service on a tariffed basis to all customers, the incentive for an incumbent LEC to lower its price to all customers in order to avoid the cost of porting a small number of numbers will be small enough to be inconsequential in determining the incumbent LEC's price.

[379] Carriers taking unbundled elements or reselling services do not generate a cost of number portability. Thus, a low incremental payment by a facilities-based carrier is necessary in order not to disadvantage it relative to such resellers.

134. A couple of additional examples may further clarify and illustrate this criterion. On the one hand, a cost recovery mechanism that imposes the entire incremental cost of currently available number portability on a facilities-based new entrant would violate this criterion. This cost recovery mechanism would impose an incremental cost on a facilities-based entrant that neither the incumbent, nor an entrant that merely resold the incumbent's service, would have to bear, because neither the incumbent nor the reseller would have to use currently available number portability measures in order for the prospective customer to keep his or her existing number. On the other hand, a cost recovery mechanism that recovers the cost of currently available number portability through a uniform assessment on the revenues of all telecommunications carriers, less any charges paid to other carriers, would satisfy this criterion.[380] This approach does not disparately affect the incremental cost of winning a specific customer or group of customers, because a LEC with a small share of the market's revenue would pay a percentage of the incremental cost of number portability that will be small enough to have no appreciable affect on the new entrant's ability to compete for that customer.

135. The second criterion for a "competitively neutral" cost recovery mechanism is that it should not have a disparate effect on the ability of competing service providers to earn normal returns on their investment. If, for example, the total costs of currently available number portability are to be divided equally among four competing local exchange carriers, including both the incumbent LEC and three new entrants, within a specific service area, the new entrant's share of the cost may be so large, relative to its expected profits, that the entrant would decide not to enter the market. In contrast, recovering the costs of currently available number portability from all carriers based on each local exchange carrier's relative number of active telephone numbers would not violate this criterion, since the amount to be recovered from each carrier would increase with the carrier's size, measured in terms of active telephone numbers or some other measure of carrier size. In addition, allocating currently available number portability costs based on active telephone numbers results in approximately equal per-customer costs to each carrier. We also believe that assessing costs on a per-telephone number basis should give no carrier an advantage, relative to its competitors. An alternative mechanism that would also satisfy our competitive neutrality requirement would be to recover currently available number portability costs from all carriers, including local exchange, interexchange, and CMRS carriers, based on their relative number of presubscribed customers.

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[380] If a state adopts this cost recovery mechanism, we require that a state's calculation of gross revenues for IXCs should include only those revenues generated in the state in which the charges are being assessed, on both an interstate and intrastate basis. This ensures that a carrier's bill reflects the level of its activities in a particular state and will prevent a carrier's being charged several times on the same revenues. Cf. Assessment and Collection of Regulatory Fees for Fiscal Year 1995, Price Cap Treatment of Regulatory Fees Imposed by Section 9 of the Act, Report and Order, 10 FCC Rcd 13512, 13558-59 (1995) (adopting gross revenues less carrier charges for recovering regulatory fees).

136. We conclude that a variety of approaches currently in use today essentially comply with our competitive neutrality criteria. One example is the formula voluntarily being used by carriers in Rochester, NY, and adopted by the NY DPS in the New York metropolitan area.[381] Specifically, this mechanism allocates the incremental costs of currently available number portability measures, through an annual surcharge assessed by the incumbent LEC from which the number is transferred. This surcharge is based on each carrier's number of ported telephone numbers relative to the total number of active telephone numbers in the local service area.[382] Similarly, as noted above, a cost recovery mechanism that allocates number portability costs based on a carrier's number of active telephone numbers (or lines) relative to the total number of active telephone numbers (or lines) in a service area would also satisfy the two criteria for competitive neutrality. As noted above, MFS in Illinois plans to seek regulatory approval for a similar formula that would allocate the costs of currently available measures between it and Ameritech based on each carrier's gross telecommunications revenues net of charges to other carriers.[383] A third competitively neutral cost recovery mechanism would be to assess a uniform percentage assessment on a carrier's gross revenues less charges paid to other carriers.[384] Finally, we believe that a mechanism that requires each carrier to pay for its own costs of currently available number portability measures would also be permissible.

137. The cost recovery mechanisms described in the preceding paragraphs define payments made by new entrants to incumbent LECs for providing number portability. We recognize that incumbent LECs must make payments to new entrants if the incumbent LEC wins a customer of the new entrant that wants to port its number. To be competitively neutral, the incumbent LEC would have a reciprocal compensation arrangement with each new entrant. That is, the incumbent LEC would pay to the new

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[381] NYNEX March 22, 1996 Ex Parte Filing.

[382] The formula as filed in the NYNEX tariff is:

$$\frac{\textit{Total Ported Minutes} * (\textit{Switching} + \textit{Transport Costs})}{\textit{Total Working Telephone Numbers (TNs) Provided by the Telephone Company}} = \textit{Charge per Working TN}$$

$$\textit{Charge per Working TN} * \textit{Number of Ported TNs Used by the CLEC} = \textit{Charge per CLEC}$$

NYNEX March 22, 1996 Ex Parte Filing.

[383] The formula proposed by MFS is:

> $3 (Incremental Costs of Number Portability in Illinois) * Market share based on gross telecommunications revenues net of payments to other carriers.

MFS White Paper, 1996 at 6, 12.

[384] Cf. Assessment and Collection of Regulatory Fees for Fiscal Year 1995, Price Cap Treatment of Regulatory Fees Imposed by Section 9 of the Act, Report and Order, 10 FCC Rcd 13512, 13558-59 (1995) (adopting gross revenues less carrier charges for recovering regulatory fees).

entrant a rate for number portability that was equal to the rate that the new entrant pays the incumbent LEC.

138. In contrast, requiring the new entrants to bear all of the costs, measured on the basis of incremental costs of currently available number portability methods, would not comply with the statutory requirements of section 251(e)(2). Imposing the full incremental cost of number portability solely on new entrants would contravene the statutory mandate that all carriers share the cost of number portability. Moreover, as discussed above, incremental cost-based charges would not meet the first criterion for "competitive neutrality" because a new facilities-based carrier would be placed at an appreciable, incremental cost disadvantage relative to another service provider, when competing for the same customer. Rates for interim number portability would also not meet the second criterion if they approximate the retail price of local service. New entrants may effectively be precluded from entering the local exchange market if they are required to bear all the costs of currently available number portability measures.[385] Retail rates for call forwarding, to the extent they are set above incremental costs, would also not meet the principles of competitive neutrality for the same reasons that incremental cost-based rates would not. Finally, placing the full cost burden of number portability on new entrants would also deter customers of incumbent carriers from transferring to a new service provider to the extent that the entrant passes on the cost of currently available number portability, in the form of higher prices for customers. In addition, if incumbent LECs were not required to bear a portion of the incremental costs of currently available number portability measures, they would have an incentive to delay implementation of a long-term number portability method.

139. A carrier has a number of options for seeking relief if it believes that the pricing provisions for number portability offered by a LEC violate the statutory standard in section 251(e)(2), the rules we set forth in this order, or state-mandated cost recovery mechanisms. First, it may bring action against the carrier in federal district court pursuant to section 207 for damages or file a section 208 complaint against another carrier alleging a violation of the Act or the Commission's rules.[386] Alternatively, the carrier may file a request for declaratory ruling with the Commission, seeking our view on whether the statute and our rules have been properly applied.[387] Finally, carriers in many instances will be able to pursue existing avenues before their state commission if a dispute arises regarding recovery of currently available number portability costs.

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[385] See NYNEX March 22, 1996 Ex Parte Filing. NYNEX reports switching and transport costs of interim number portability of $0.01 per minute, and charges of $0.106 for a five minute local call during business hours, the period with the highest rates. The charge of $0.106 results from retail charges of $0.08 for the first three minutes and $0.013 per additional minute, as determined from its local tariffs on file with the NY PSC.

[386] See 47 U.S.C. § 252(e)(6).

[387] We will be initiating a proceeding to adopt expedited procedures regarding such complaints.

140. Finally, in response to questions concerning the appropriate treatment of terminating access charges in the interim number portability context, we conclude that the meet-point billing arrangements between neighboring incumbent LECs provide the appropriate model for the proper access billing arrangement for interim number portability. We decline to require that all of the terminating interstate access charges paid by IXCs on calls forwarded as a result of RCF or other comparable number portability measures be paid to the competing local service provider. On the other hand, we believe that to permit incumbent LECs to retain all terminating access charges would be equally inappropriate. Neither the forwarding carrier, nor the terminating carrier, provides all the facilities when a call is ported to the other carrier. Therefore, we direct forwarding carriers and terminating carriers to assess on IXCs charges for terminating access through meet-point billing arrangements. The overarching principle is that the carriers are to share in the access revenues received for a ported call. It is up to the carriers whether they each issue a bill for access on a ported call, or whether one of them issues a bill to the IXCs covering all of the transferred calls and shares the correct portion of the revenues with the other carriers involved. If the terminating carrier is unable to identify the particular IXC carrying a forwarded call for purposes of assessing access charges, the forwarding carrier shall provide the terminating carrier with the necessary information to permit the terminating carrier to issue a bill. This may include sharing percentage interstate usage (PIU) data and may require the terminating entity to issue a bill based on allocated interstate minutes per IXC as derived from data provided by the forwarding carrier.

G. Number Portability by CMRS Providers

1. Background

141. In our Notice, we sought comment and other information on the competitive significance of service provider portability for the development of competition between CMRS and wireline service providers.[388] We also sought comment on the current, and estimated future, demand of commercial mobile radio service customers for portable wireless telephone numbers when they change their service provider either to another CMRS provider or to a wireline service provider.[389] Finally, we sought comment on whether the burdens of implementing service provider portability (1) between CMRS carriers, and (2) between CMRS and wireline carriers are similar to the burdens of implementing service provider portability between wireline carriers.[390]

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[388] Notice, 10 FCC Rcd at 12359-60.

[389] Id.

[390] Id. at 12371.