

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

**In Re: Investigation into Pricing
Unbundled Network Elements**

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DOCKET 990649B-TP

SURREBUTTAL TESTIMONY OF

LARRY RICHTER

ON BEHALF OF

VERIZON FLORIDA INC

SUBJECT: NONRECURRING COSTS

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SURREBUTTAL TESTIMONY OF LARRY RICHTER

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Larry Richter, and my business address is 600 Hidden Ridge, Irving, Texas, 75015.

Q. ARE YOU THE SAME LARRY RICHTER WHO FILED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I will respond to the Rebuttal Testimony of ALEC Coalition witness Sydney L. Morrison, filed on January 30, 2002. In particular, I will address Mr. Morrison's recommendation that Verizon Florida Inc.'s ("Verizon") proposed nonrecurring charges be drastically reduced. In effect, Mr. Morrison is asking the Florida Public Service Commission ("Commission") to accept his unsupported assertions over the informed judgment of Verizon personnel, who (over the course of many years) have been involved personally in the design and operation of a real-world telecommunications network and base their recommendations on detailed time and motion and work sampling studies, as well as input from subject matter experts ("SMEs") who perform the relevant functions. In short, Mr. Morrison's suggested changes to Verizon's nonrecurring cost ("NRC") Study ("Study") must be rejected as

1 incorrect, arbitrary and unsound.

2

3 **II. MR. MORRISON'S RECOMMENDATIONS ARE BASED ON A**
4 **LIMITED REVIEW OF A SUBSET OF NRCS AND LACK EMPIRICAL**
5 **SUPPORT**

6

7 **Q. HAS MR. MORRISON REVIEWED OR ANALYZED THE SYSTEMS**
8 **OR PROCESSES UPON WHICH VERIZON'S NRCS ARE BASED?**

9 A. No. Mr. Morrison's recommendations are based solely on his
10 admittedly cursory review of Verizon's NRC Study. (Morrison Direct at
11 7.) Mr. Morrison was only instructed to review a handful of the NRCS
12 in Verizon's Study. (Morrison Depo. at 42 (Morrison acknowledging
13 that he was only asked to review unbundled loop, unbundled port, and
14 enhanced extended links ("EELS").) While alleging that his analysis
15 was circumscribed by "limited time and resources" (Morrison Direct at
16 7), in fact, Mr. Morrison was unhampered by budgetary or other
17 constraints (Morrison Depo. at 43-44, 60.) Thus, it was purely his own
18 decision to conduct the limited analysis he did. (Morrison Depo. at 80.)
19 This inadequate review of a subset of Verizon's NRCS, is an
20 insufficient basis upon which to significantly reduce Verizon's NRCS,
21 as Mr. Morrison proposes, and stands in stark contrast to the in-depth
22 study and extensive surveys of numerous employees conducted by
23 Verizon. Indeed, Mr. Morrison admits that he did not conduct a single
24 survey, nor did he consult with anyone to validate the accuracy of the
25 work time estimates he proposes. (Morrison Depo. at 95-96.) This is

1 surprising given that Mr. Morrison has never personally observed any
2 of the activities corresponding to the values he was "adjusting" in
3 Verizon's NRC Study, (Morrison Depo. at 93-94), and has conducted
4 no empirical analysis of Verizon's operations to support the values he
5 advocates. (Morrison Depo. at 92.) Mr. Morrison's recommendations -
6 - based on nothing more than his unsubstantiated opinion and an
7 admittedly limited review -- must be rejected.

8

9 **Q. SHOULD THE COMMISSION GIVE ANY WEIGHT TO MR.**
10 **MORRISON'S RECOMMENDATIONS?**

11 A. No. Mr. Morrison attempts to justify his recommendations by stressing
12 his "30-plus" years of experience in the telecommunications field. His
13 experience, however, is completely divorced from the crux of an NRC
14 analysis -- the processing and provisioning of ALEC orders by an
15 Incumbent Local Exchange Carrier ("ILEC"), operating in the United
16 States, in a post-1996 Telecommunications Act ("1996 Act")
17 environment.

18

19 First, Mr. Morrison has no experience with regard to the current
20 manner in which local service requests ("LSRs") are commonly
21 provisioned. He has never worked in an ILEC service center or
22 business office. (Morrison Depo. at 8-9.) He has never personally
23 entered an LSR (Morrison Depo. at 93-94), nor has he (or anyone
24 under his supervision) ever provisioned an unbundled network
25 elements ("UNE") order. (Morrison Depo. at 36.) And, to the extent

1 Mr. Morrison has had any experience in studying or designing other
2 companies' ordering or provisioning systems, he asks the Commission
3 to trust his recollections of what he has "witnessed or encountered"
4 (Morrison Direct at 15) in those jobs, rather than any empirical
5 analyses or other objective proof.

6
7 Second, a large part of Mr. Morrison's experience relates to foreign
8 telecommunications networks, in which service orders are processed
9 and provisioned in different manners from those of domestic networks.
10 With respect to both of the foreign carriers for which he consulted, the
11 wireline business accounted for 10% or less of their entire operation,
12 (Morrison Depo. at 17-18, 26), and the volume of orders handled by
13 these foreign ALECs was miniscule in comparison with the amount of
14 orders processed by Verizon and other domestic ILECs. As Mr.
15 Morrison admitted, the amount of orders provisioned by the foreign
16 carriers was "relatively low." (Morrison Depo. at 33-34.) As a result,
17 the procedures followed and systems used by these foreign ALECs to
18 process and provision service orders is undoubtedly less complex than
19 those of domestic ILECs operating significantly larger networks and
20 provisioning considerably more orders. At bottom, Mr. Morrison asks
21 the Commission to accept that his experience consulting for two
22 ALECs abroad is somehow relevant to this proceeding; however, as
23 Mr. Morrison explained, the foreign countries in which he worked did
24 not have any "distinct requirements or anything that looked like the
25 1996 Telecommunications Act. What you had were agreements that

1 we came up with with our competitors as to how we would
2 interconnect.” (Morrison Depo. at 30.) This is a far cry from the
3 manner in which ILECs process and provision UNE orders in the U.S.
4 today.

5
6 Finally, Mr. Morrison has little, if any, relevant experience with respect
7 to the processing and provisioning of ALEC orders *by an ILEC*. While
8 Mr. Morrison states that he has processed orders for U.S. West, this
9 experience dates back to 1988 -- a little less than a decade before the
10 passage of the 1996 Act. (Morrison Depo. at 12.) In the end, this
11 Commission’s decision must be based on competent and substantial
12 evidence. Mr. Morrison has provided no such evidence -- the
13 Commission simply cannot accept his arbitrary revisions to Verizon’s
14 NRC Study.

15

16 **Q. HOW DO YOU RESPOND TO MR. MORRISON’S COMPLAINTS**
17 **THAT HE DID NOT HAVE A SUFFICIENT AMOUNT OF TIME TO**
18 **REVIEW THE MODEL?**

19 A. I am surprised by Mr. Morrison’s claim that he had only “limited time” to
20 review Verizon’s Study (Morrison Direct at 7), given that it was filed
21 nearly three months before Mr. Morrison filed his testimony, and,
22 during that time, Mr. Morrison was unhampered by budgetary or other
23 constraints. (Morrison Depo. at 43-44, 60.) Moreover, Mr. Morrison’s
24 alleged time constraints are at odds with his own testimony, in which
25 he states that he conducted an “in-depth” review of Verizon’s NRC

1 Study and “developed a very good sense” for the appropriateness of its
2 results. (Morrison Direct at 9.)

3

4 **Q. DO YOU AGREE WITH MR. MORRISON’S CLAIMS THAT**
5 **VERIZON’S NRC STUDY IS CUMBERSOME AND OVERLY**
6 **COMPLEX?**

7 A. No. Although Verizon’s NRC Study is comprehensive, it is far from
8 overly complex and cumbersome; to the contrary, it is well documented
9 and largely self-explanatory. Section 1 of the NRC Study explains how
10 the Study was completed, how to use it, how the worksheets fit
11 together, and how calculations were made. It includes a rate summary
12 of the NRCs developed in the Study. Section 1, at pages 1-2, also
13 describes the contents of each tabbed section of the Study to enable
14 the user to minimize search time for a specific item. In addition, there
15 are narratives at the beginning of the Ordering (Tab 2), Provisioning
16 (Tab 3), and Field Work (Tab 4) sections that describe the operating
17 process, cost components, and method of calculations within each
18 section.

19

20 Section 1, at pages 3-4, has a “Study Navigation” guide that explains
21 the hyperlinks, page-numbering scheme, and source and destination
22 columns. For example, each page in the Study has a source entry and
23 a destination entry for the calculations presented on that page. The
24 source entry shows the work sheet or note where the information
25 comes from. The destination entry shows where the calculations on

1 the page appear going forward in the Study. This system makes it
2 easy to follow a cost as it progresses through the Study to the
3 summary pages in Section 1.

4
5 Any comprehensive cost study necessarily includes a substantial
6 amount of information, but Verizon has deliberately designed its Study
7 to simplify the process of tracing the flow-through of costs. Mr.
8 Morrison never specifies why, exactly, he believes Verizon's NRC
9 Study is unduly complicated, and never once contacted Verizon for any
10 guidance or additional information to help him understand the Study.
11 Given these considerations, Mr. Morrison's criticisms of the Study ring
12 hollow.

13
14 **Q. DO YOU AGREE WITH MR. MORRISON'S CRITICISMS OF THE**
15 **HARD-CODED VALUES CONTAINED IN VERIZON'S NRC STUDY?**

16 A. No. As Mr. Morrison admits, the use of hard-coded values (i.e.,
17 manually entered values) is fairly common in a cost study. (Morrison
18 Direct at 14; Morrison Depo. at 76.) These hard-coded values, as Mr.
19 Morrison concedes, are not set in stone -- they are every bit as
20 adjustable as the other values contained in Verizon's NRC Study.
21 (Morrison Depo. at 76.) In fact, Mr. Morrison acknowledges that "some
22 of the hard-coded values *were the only things that I could effectively*
23 *change.*" (Morrison Depo. at 76 (emphasis added).) Nevertheless, Mr.
24 Morrison makes the specious claim that Verizon's hard-coded values
25 somehow hindered his analysis. Had Mr. Morrison been truly

1 interested in learning about the source of Verizon's hard-coded values,
2 he could have easily traveled to Dallas and reviewed Verizon's source
3 documentation. (Morrison Depo. at 78.) Mr. Morrison chose not to do
4 so -- a decision that was purely his own, and in no way dictated by the
5 restrictions of his employer or client. (Morrison Depo. at 79, 130.)

6
7 Moreover, Mr. Morrison's claim that Verizon failed to provide
8 references or cites to the hard-coded values is simply inaccurate.
9 (Morrison Direct at 13-14.) The source information can be found either
10 within the source column of the Study worksheets or, if all the values in
11 the column are from the same source, in the column header. Notes in
12 the Study identify whether a hard-coded value is derived from SME
13 input, work sampling study, or time and motion study.

14
15 **Q. MR. MORRISON COMPLAINS THAT HE WAS UNABLE TO**
16 **DOWNLOAD VERIZON'S NRC STUDY AND RETAIN THE LINKS.**
17 **(MORRISON DIRECT AT 25.) COULD HE HAVE EASILY**
18 **RETAINED THE LINKS?**

19 A. Yes. Mr. Morrison's criticisms seem to be based largely on his lack of
20 proficiency in downloading, manipulating, and analyzing cost models.
21 As is common in cost modeling, and with many software-based
22 applications, Verizon's NRC Study included a "Readme" file, which
23 explained in detail how to properly download Verizon's NRC Study to a
24 personal computer. (Morrison Depo. Ex. 2.) This file clearly explains
25 that, in order to maintain the features that allow the Study to be easily

1 navigated, the files contained on the CD-ROM must be downloaded
2 *directly* to the user's hard drive. However, Mr. Morrison (and
3 apparently his colleague Mr. Gose) disregarded this explicit instruction
4 and copied the files to a separate *folder* on their hard drive (Morrison
5 Depo. at 51), an error that effectively eliminated much of the Study's
6 user friendliness.

7
8 Notwithstanding this error, there are Microsoft Excel functionalities that
9 allow the user to trace the derivation of the NRCs in Verizon's Study.
10 By turning off the "Edit in Cell" feature, Mr. Morrison could have double
11 clicked on a value to trace it back to its source. (Morrison Depo. at
12 59.) Alternatively, Mr. Morrison could have used Microsoft Excel's
13 audit features to trace the proposed values with equal ease and
14 accuracy. (Morrison Depo. at 58-59.)

15
16 **Q. MR. MORRISON ALSO STATES THAT HE WAS NOT ABLE TO**
17 **LOCATE APPENDIX TAB 1 FOR DETAILS OF THE WORK**
18 **SAMPLING STUDY. (MORRISON DIRECT AT 13.) IS HIS**
19 **CONFUSION JUSTIFIED?**

20 A. No. The navigation information in Section 1, page 3, of the Study
21 explains that Appendix locations are designated with an "A," followed
22 by a page number. So, Appendix Tab 1 appears as page A1 in the
23 Study. Again, it appears that Mr. Morrison's alleged difficulty with the
24 Study may have been caused by his failure to thoroughly review the
25 navigational aids and instructions.

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I. MR. MORRISON'S PROPOSED REDUCTIONS TO VERIZON'S NRCS ARE INAPPROPRIATE AND RESULTS-ORIENTED

Q. DO YOU AGREE WITH MR. MORRISON'S CLAIM THAT HE COULD TELL "SOMETHING IS WRONG" WITH VERIZON'S PROPOSED NRCS BY COMPARING THEM TO OTHERS ADOPTED AROUND THE COUNTRY? (MORRISON DIRECT AT 10.)

A. Mr. Morrison's claim is unfounded. What Mr. Morrison fails to recognize is that companies have different types of systems, which dictate the activities to be performed and the quality of the services offered. Thus, each company's costs will necessarily reflect the company-, state-, and area-specific operating conditions pursuant to which the carrier provides service. Even simple comparisons between similar-sounding features in different companies may not yield any useful results. Furthermore, as Verizon witness Dennis Trimble explains, it is not appropriate to set rates based on comparisons to Verizon's rates ordered in other states. (Trimble Surrebuttal at 7-8.)

In any event, this proceeding is intended to set nonrecurring charges for Verizon, based on Verizon's costs *in Florida*. The only permissible and feasible way to accomplish this is by reviewing Verizon's NRC Study for Florida -- the rates of other companies, here or in other states, for features that may or may not be comparable to those in Verizon's Florida Study are of no consequence.

1

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With this in mind, the absurdity of Mr. Morrison's comparison of Verizon's and BellSouth's charges to migrate an ALEC customer to the unbundled network element platform ("UNE-P") becomes obvious. (Morrison Direct at 10.) Moreover, Mr. Morrison is making the classic apples-to-oranges comparison. Mr. Morrison compares BellSouth's *electronic* service order rate of \$1.52, with Verizon's *manual* order rate of \$22.99, and perhaps does not realize that BellSouth's connection rate is for a 2-wire voice grade loop with 2-wire port, switch as-is, while Verizon's connection rate includes the loop, port, and shared transport.

11

12

Compounding these errors is Mr. Morrison's (and ALEC Coalition witness Dr. August Ankum's) erroneous assumption that Verizon's costs should not be any higher than BellSouth's because "Verizon is the largest ILEC in the United States." (Morrison Direct at 10; Ankum Direct at 12.) Mr. Morrison offers no basis for this assertion -- perhaps because there is none. As Verizon witness David Tucek explains, the cost characteristics of Verizon's local operations in Florida have not changed as a result of the Bell Atlantic/GTE merger. (Tucek Surrebuttal at 23.)

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Q. CAN YOU RESPOND TO MR. MORRISON'S CLAIM THAT VERIZON USES A "VERY INDIRECT METHOD" TO DETERMINE THE TIME SPENT ON EACH ORDER?

23

24

25

A. Yes. Mr. Morrison states that "[t]he key to any good NRC model is

1 accurate information on times required to perform activities,” because
2 the times will drive the costs that are the basis for the nonrecurring
3 charges. (Morrison Direct at 11.) He then criticizes Verizon for using
4 “a very indirect method for determining the minutes per order” and
5 offers an example of the calculations used to establish one particular
6 process.

7
8 As an initial matter, using an “indirect method” to determine work times
9 does not necessarily mean that the calculated work times, or their
10 associated costs, are wrong. Moreover, Verizon’s development of its
11 work times and related cost estimates is based on sound reasoning
12 and widely-accepted survey methodologies. The processing times for
13 service orders vary greatly depending on the type of service being
14 ordered. As such, determining the average time required to conduct
15 various activities does not lend itself to a random selection of orders or
16 service representatives. Instead, Verizon, with the assistance of Arthur
17 Andersen, used a work sampling method to develop a weighted
18 average for each specific activity based upon observations, taken in
19 15-minute intervals, of all the activities of National Order Referral/Entry
20 Center (“NOREC”) service representatives during a two-week period.

21
22 In addition to work sampling, Verizon gathered information on work
23 times through work sampling surveys, time and motion studies, and
24 input from SMEs performing relevant functions. These objective and
25 proven methods of measuring work times stand in stark contrast to Mr.

1 Morrison's unrecorded recollections of observations made at
2 unspecified times and locations during the last 30 plus years.

3

4 **Q. IS MR. MORRISON'S CONCERN ABOUT VERIZON'S USE OF AN**
5 **"INDIRECT PERCENTAGE" IN DEVELOPING ITS WORK TIMES**
6 **VALID? (MORRISON DIRECT AT 14-15.)**

7 A. No. Mr. Morrison fails to understand the nature and appropriateness
8 of Verizon's indirect percent. Verizon uses an indirect percent to
9 capture the costs associated with activities that normally occur in
10 connection with the provisioning of LSRs, but are simply not captured
11 by the specific activities listed in Verizon's work sampling survey -- the
12 reason being that a survey simply cannot capture the panoply of
13 activities that service representatives engage in during the course of a
14 day. For example, often times, when there is an error with an ALEC
15 service order, a representative must consult with a supervisor or call
16 the ALEC to remedy the discrepancy. Other times, a service
17 representative must devote additional time arranging for expedited
18 treatment of a given order. Resolving problems such as this and
19 handling special requests were not included in the work sampling
20 survey conducted by Verizon. All of these activities, along with many
21 others, are vital to the accurate and timely processing of service orders
22 and must be accounted for in any work time estimates. Verizon's
23 indirect percent is designed to do just that.

24

25 Moreover, Mr. Morrison's claim that Verizon's indirect percent has

1 been as much as 128% is incorrect. (Morrison Direct at 128.) The
2 highest indirect percent identified in Verizon's NRC Study is
3 substantially lower for the unbundled loop exchange basic order
4 processing. (This number is confidential; see Section A1, pg. 35, cell
5 J42.) By changing the number of observations for a given activity, Mr.
6 Morrison may have been able to derive an indirect percent of 128%.
7 His result, however, is meaningless.

8
9 Changing the observations on the worksheet, as Mr. Morrison has
10 done, also changes the Total Productive Direct Minutes, because the
11 Total Productive Direct Minutes are a product of the observations
12 multiplied by the 15-minute observation increment. When the Total
13 Productive Direct Time is lowered and the Indirect Time remains the
14 same, the percentage derived in the Indirect Percentage will be higher.
15 This is a prime example of why changing certain data on the
16 worksheets and not accounting for the change within the remaining,
17 related data will produce inappropriate results.

18

19 **Q. IS MR. MORRISON'S RECOMMENDED FLOW-THROUGH RATE**
20 **APPROPRIATE AND ACHIEVABLE?**

21 A. No. Mr. Morrison recommends a flow-through rate of 95%-98% and
22 claims that such efficiencies are somehow achievable. (Morrison
23 Direct at 15.) In fact, nothing could be further from the truth.

24

25

1 The primary reason for disruption of order flow-through is input errors,
2 and the chief source of input errors is the ALECs themselves.
3 Notwithstanding the "significant investment" ALECs may have made to
4 reduce errors and the associated transaction costs (Morrison Rebuttal
5 at 17), ALECs routinely submit LSRs with missing or incorrect
6 information. When this occurs -- despite the best efforts of the
7 National Market Center ("NMC") representatives, who endeavor to
8 remedy obvious problems and allow for immediate processing -- the
9 order will often not "flow through" Verizon's electronic gateway system
10 properly. Mr. Morrison's almost-perfect flow-through rate could only be
11 achieved if ALECs submitted error-free orders virtually all the time. In
12 the real world, this is simply not possible.

13
14 Estimating costs, as Mr. Morrison proposes, based on a flow-through
15 rate that is much higher than is actually achieved, eliminates any
16 incentive for the ALECs to provide more accurate LSRs for processing
17 and would deny Verizon proper cost recovery. By contrast, Verizon's
18 flow-through rate properly reflects actual experience and thus allows
19 Verizon to recover the costs incurred to process the type of error-prone
20 LSRs that are typically received. As the ALECs become more
21 proficient, the flow-through percentage will increase, thereby lowering
22 the cost of processing the LSRs. The percentage can be adjusted in
23 the NRC Study very easily. Moreover, Verizon's Study assumes a
24 15% productivity improvement in the processing of the LSRs.

25

1 In addition, a 100% mechanized system is impossible. As Mr.
2 Morrison admits, there are instances in which the automated
3 provisioning of UNE orders would not be cost effective. To use the
4 example cited by Mr. Morrison, when a group of UNE orders "are of
5 incredibly low volume" (i.e., are rarely purchased by ALECs), there is
6 no cost benefit to mechanizing. (Morrison Depo. at 85.) Mr. Morrison
7 also acknowledges that some service orders, such as DS-1s and DS-
8 3s, require design work (Morrison Depo. at 86), and in such cases, full
9 automation is precluded by the very nature of the service order.
10 Moreover, complex orders will never be able to flow through without
11 manual intervention, and editing software will never be able to account
12 for every conceivable variation of a service order -- even if it could
13 (which it cannot), the equipment would be cost prohibitive. Indeed,
14 even assuming Mr. Morrison's premise were true -- that full
15 mechanization was achievable and preferable -- he concedes that,
16 given the choices made by ALECs in submitting their service orders,
17 some labor (i.e., manual processes) will always be necessary.
18 (Morrison Depo. at 84.) Tellingly, Mr. Morrison cannot identify a single
19 ALEC that has attained 100% mechanization. (Morrison Depo. at 87.)

20

21 **Q. ARE MR. MORRISON'S CLAIMS REGARDING THE EXISTENCE OF**
22 **MORE EFFICIENT EQUIPMENT AND SYSTEMS CREDIBLE?**

23 A. No. Throughout his testimony, Mr. Morrison makes specious claims
24 about the existence of equipment and systems that are more efficient
25 and almost fully mechanized. Mr. Morrison's assertions, however, are

1 unfounded. Mr. Morrison was only able to identify one system, being
2 used by one company (SBC Communications), that he claims has
3 achieved 98%-99% flow-through (Morrison Depo. at 34). Mr. Morrison
4 was unable to provide any details as to the extent or geographic area
5 in which this system was being deployed. (Morrison Depo. at 34-35.)

6
7 Moreover, even if such systems were widely-available, which they are
8 not, Mr. Morrison fails to account for the additional costs that would be
9 incurred should an ILEC implement such facilities. (Morrison Depo. at
10 120-121.) Mr. Morrison cannot have it both ways -- he cannot tout the
11 benefits of efficient mechanized systems, yet fail to account for the
12 costs of implementing them.

13
14 **Q. DID MR. MORRISON CHANGE THE FLOW-THROUGH FACTOR IN**
15 **THE NRC MODEL?**

16 A. No. Mr. Morrison did not change the flow-through factor itself, but
17 rather changed the number of observed activities "as a proxy." In fact,
18 Mr. Morrison did not even attempt to change the flow-through factor,
19 though this was certainly an available option. (Morrison Depo. at 91.)

20
21 **Q. WERE MR. MORRISON'S RESULTS PRE-DETERMINED?**

22 A. Yes. In fact, Mr. Morrison admits as much. Mr. Morrison concedes
23 that he adjusted the number of observations contained in Verizon's
24 Study to arrive at a pre-determined work time, which *he alone believed*
25 to be appropriate for a particular task. (Morrison Depo. at 90.) Mr.

1 Morrison did not perform or rely upon any empirical analysis of an
2 ILEC's operations to support the work times he advocates. (Morrison
3 Depo. at 92.) Indeed, Mr. Morrison offers no documentation or other
4 support for his proposed flow-through rate (Morrison Depo. at 87-88),
5 other than to say that the work times are "in line what [he] had
6 witnessed or encountered in [his] experience." (Morrison Depo. at 91.)
7 In short, Mr. Morrison's adjustments are intended to generate pre-
8 determined results that conform to his experience alone. (Morrison
9 Depo. at 96.)

10

11 **Q. ARE THERE OTHER PROBLEMS ASSOCIATED WITH CHANGING**
12 **THE NUMBER OF OBSERVATIONS IN VERIZON'S NRC STUDY?**

13 A. Yes. Mr. Morrison's random, unsubstantiated changes destroy the
14 integrity of the Study data. The purpose of the observations is to
15 determine the necessary activities and associated work times for
16 processing the LSR. Verizon agrees with Mr. Morrison's observation
17 that the key to a good NRC cost study is accuracy and the integrity of
18 the work time information upon which it relies. As noted above, the
19 observations recorded in Verizon's NRC Study are derived from a
20 number of objective and reliable sources, including work sampling,
21 time and motion studies and input from SMEs. Reliance upon these
22 sources produced volumes of data, all of which is well documented
23 and available for review upon request, as Verizon explained in
24 responses to both ALEC Coalition and Commission Staff discovery.
25 As discussed previously, it was Mr. Morrison's decision not to avail

1 himself of this wealth of information. (Morrison Depo. at 79, 130.)

2

3 **Q. WHAT ARE THE CONSEQUENCES OF REDUCING THE NUMBER**
4 **OF OBSERVATIONS TO ACHIEVE A PRE-DETERMINED RESULT?**

5 A. Reducing the number of observations for one activity necessarily
6 affects a variety of other activities. By arbitrarily reducing the number
7 of observations for a given activity to achieve a pre-determined result,
8 Mr. Morrison has wittingly or unwittingly distorted the cost estimates for
9 a number of associated activities. The integrity of the entire work time
10 study is sacrificed in the process.

11

12 **Q. PLEASE COMMENT ON MR. MORRISON'S "REDUCTION**
13 **FACTOR."**

14 A. As I mentioned earlier, Mr. Morrison did not recalculate all of Verizon's
15 approximately 300 ordering and provisioning NRCs; he only analyzed
16 and recalculated the costs of the handful of NRCs he was directed to
17 evaluate. For the vast majority of NRCs, Mr. Morrison simply applies a
18 "reduction factor." (Morrison Direct at 8.) Specifically, Mr. Morrison
19 recommends reducing all of Verizon's ordering NRCs by 50% and
20 Verizon's provisioning activities by 33%. (Morrison Direct at 9.) There
21 is absolutely no data or analysis to support these reductions; they are
22 based solely on Mr. Morrison's purported "good sense of the inherent
23 magnitude by which the Verizon cost model overestimates actual,
24 forward-looking NRCs." (Morrison Direct at 9.) This "good sense,"
25 unsupported by objective, empirical analysis, is a wholly insufficient

1 basis upon which to reduce Verizon's NRC rates.

2

3 **Q. IS MR. MORRISON CORRECT THAT VERIZON'S WORK TIMES**
4 **ARE LARGELY UNSUBSTANTIATED? (MORRISON DIRECT AT 9.)**

5 A. No. Verizon has taken great care to ensure the information used in its
6 NRC Study is accurate and correctly reflects the activities performed to
7 provide the service requested. The time and motion and work
8 sampling studies conducted at the ordering centers are fully
9 documented and accurately capture the activities and work times
10 associated with processing and provisioning various types of orders.
11 Verizon's SMEs, likewise, provide reliable work time estimates, as they
12 are engaged in and intimately familiar with the relevant tasks. The fact
13 that Mr. Morrison never bothered to review the volumes of data
14 underlying the studies casts serious doubt on the sincerity of his
15 claims.

16

17 **IV. MR. MORRISON'S PROPOSED ADJUSTMENTS TO SPECIFIC**
18 **NRCS ARE ENTIRELY ARBITRARY AND DEMONSTRATE A**
19 **FUNDAMENTAL MISUNDERSTANDING OF THE MANNER IN**
20 **WHICH LSRS ARE PROCESSED AND PROVISIONED**

21 **Q. WHAT CHANGES DOES MR. MORRISON PROPOSE WITH**
22 **RESPECT TO ORDERING COSTS? (MORRISON DIRECT AT 18,**
23 **26, 32, 36.)**

24 A. Mr. Morrison proposes changes to the work times and costs
25 associated with the activities involved in establishing a new order,

1 establishing a disconnect order, pre-ordering, and record orders.

2

3 **Q. MR. MORRISON REDUCES THE DISCONNECT ORDER ENTRY**
4 **VALUE BASED ON HIS VIEW THAT THE DISCONNECT RECORD**
5 **IS GENERATED “WITH MINIMUM INPUT.” (MORRISON DIRECT**
6 **AT 30.) IS THAT CHANGE JUSTIFIED?**

7 A. No. Apparently, Mr. Morrison does not understand the manner in
8 which manual disconnect orders are processed. Mr. Morrison asserts
9 that customer information contained within Verizon’s secure integrated
10 gateway (“SIGS”) can be accessed to assist in the creation of a
11 disconnect order. (Morrison Direct at 30.) This is simply not true with
12 respect to orders sent manually. When an ALEC submits an order
13 manually, a Verizon representative must populate a variety of fields
14 within SIGS with information provided by the ALEC. As Mr. Morrison
15 acknowledged, SIGS is merely a “gateway” (Morrison Depo. at 114-
16 115), and as such, does not retain data concerning ALEC customers
17 which can be used to complete the disconnect order. Thus, contrary to
18 Mr. Morrison’s claims, there is a significant amount of input necessary
19 to complete a manually-submitted disconnect order.

20

21 Moreover, even if an ALEC could use its own database to populate the
22 disconnect request, if the LSR is transmitted manually, the Verizon
23 representative will still need to input the disconnect data manually into
24 SIGS. In such a case, use of the ALEC’s database to prepare the
25 disconnect LSR may have saved the ALEC time; however, by virtue of

1 the manual transmittal, Verizon would not realize the same processing
2 efficiencies.

3

4 **Q. DO YOU AGREE WITH MR. MORRISON'S CONTENTION THAT**
5 **THE COSTS ASSOCIATED WITH A DISCONNECT ORDER ARE**
6 **INAPPROPRIATELY INCLUDED IN THE "NEW" NRC**
7 **COMPONENT?**

8 A. No. Mr. Morrison's assertion that the costs of a disconnect order are
9 inappropriately included in the "New" NRC component is simply not
10 true. Although the activities performed to create a disconnect order
11 are not initiated until the ALEC requests a disconnect, the cost of
12 conducting the disconnect is properly included with the initial cost of
13 obtaining service. This is a widely-accepted practice among ILECs, as
14 collecting disconnect costs when service is terminated is often difficult,
15 and in some cases impossible.

16

17 **Q. MR. MORRISON SET THE PREORDERING OBSERVATION TO**
18 **ZERO BECAUSE HE COULD NOT SEE THE NEED FOR**
19 **"EXTENSIVE PREORDERING ACTIVITY." (MORRISON DIRECT AT**
20 **31.) PLEASE COMMENT ON THIS ALLEGATION.**

21 A. Preordering allows the ALEC to obtain information for the processing
22 of a LSR (e.g., telephone number and due date). (See Summary at
23 Section 1, pg. 20 and Ordering at Section 2, pgs. 4-5.) Typically, an
24 ALEC will fax a request to Verizon seeking the desired information and
25 Verizon representatives will manually enter the data into SIGS, which

1 then creates a temporary order in the National Order Collection Vehicle
2 (“NOCV”). Verizon then informs the ALEC of the order completion
3 data and a firm LSR is sent within 24 hours.

4
5 Mr. Morrison’s claim that Verizon’s preordering activities are not
6 adequately explained is untrue. Verizon’s NRC Study documentation
7 explains that the preordering function allows the ALEC to reserve a
8 telephone number or a service due date, verify an address as one in
9 Verizon’s territory, determine what services are available in the central
10 office, etc. (Section 1, page 20.) Had Mr. Morrison just read the
11 materials provided to him, his questions would have been answered.

12
13 Mr. Morrison’s claimed inability to understand why Verizon’s
14 preordering activities are necessary is hard to grasp (Morrison Direct at
15 31.) Mr. Morrison need look no further than his own clients to
16 understand why Verizon’s pre-ordering processes exist. Verizon’s
17 preordering activities are implemented at the ALECs’ request, for the
18 ALECs’ sole benefit. Perhaps Mr. Morrison “can think of no need for
19 such extensive preordering activity” (Morrison Direct at 31) because he
20 does not have any experience with the ordering processes of
21 companies obligated to provide UNEs to competitive carriers. The
22 ALECs Mr. Morrison helped establish in Malaysia and Switzerland had
23 no such requirements and the incumbents for which Mr. Morrison
24 worked in the U.S. were under no such obligation at the time he was
25 employed.

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Q. DO YOU AGREE WITH MR. MORRISON'S CONTENTION THAT ALL ORDER ENTRIES SHOULD BE INPUT IN A MANNER THAT AUTOMATICALLY POPULATES THE TRACKING PROCESS?

A. No. Mr. Morrison claims that the tracking mechanism should be automatically populated upon receipt and input of an LSR. (Morrison Direct at 19; Morrison Depo. at 90.) However, Mr. Morrison misunderstands the purpose and nature of the information that is put into the tracking system. The tracking system is designed to provide an ALEC with the order number and date, and thus does not contain all of the information contained within a LSR order. Moreover, to automate the function, as Mr. Morrison suggests, would require developing an interface between SIGS and the tracking system, which would not be cost effective given the low quantity of manual orders being processed and the limited amount of information input into the tracking system.

Q. DOES MR. MORRISON UNDERSTAND THE RECORD ORDER COMPONENT OF AN UNBUNDLED LOOP NRC?

A. No. Mr. Morrison claims that the record order component of an unbundled loop duplicates components already included in the new order component. (Morrison Direct at 22.) This is incorrect. Mr. Morrison does not understand that the activities required to create a record order are distinct from the activities required to create a new order. A record order is requested *after* service has been established.

1 It is used to change some portion of the information on the customer's
2 record (e.g., customer name, billing address, etc.), but not the service
3 facilities themselves. As such, a new LSR must be created and
4 processed just like a new order. This is not "duplicative of components
5 already accounted for in other stages of cost development" (Morrison
6 Direct at 22) -- this information is not known at the time a service order
7 is first created. Accordingly, as with a new order, to the extent ALECs
8 transmit their record orders manually, a Verizon representative will
9 need to input the information received into SIGS.

10

11 **Q. ARE MR. MORRISON'S REDUCTIONS TO VERIZON'S SERVICE**
12 **CONNECTION WORK TIMES JUSTIFIED? (MORRISON DIRECT AT**
13 **32-34, 38, 42.)**

14 A. No. Mr. Morrison's recommended work times for service connection
15 are wholly inadequate to complete the job being performed. Again, Mr.
16 Morrison has no support for his opinion -- only an unjustified assertion
17 that the Study's work times are somehow incorrect.

18

19 For example, Mr. Morrison's reduction in the work time associated with
20 provisioning an EEL is emblematic of his failure to appreciate the
21 processes necessary to provide the service at hand. For example, Mr.
22 Morrison completely disregards the functions performed by the span
23 technician, who is tasked with installing any repeater equipment in the
24 circuit -- equipment that could be in the central office, in the outside
25 plant facility or at the customer's premises. Mr. Morrison's description

1 of the work activities necessary to complete an EEL order ignores
2 these necessary activities.

3

4 **Q. MR. MORRISON REDUCES THE TIMES FOR ADVANCED**
5 **SERVICES REQUESTS (“ASRS”) FOR EELS. (MORRISON**
6 **DIRECT AT 40-42.) ARE THESE REDUCTIONS VALID?**

7 A. No. ASRs are very involved, multiple-page orders that require the
8 involvement of numerous Verizon provisioning departments. In
9 general, Mr. Morrison provides no support for his recommended work
10 times for ASRs. Indeed, he admits that he has no first-hand
11 experience in the service center or business office of a
12 telecommunications carrier (Morrison Depo. at 8-9), and has never
13 personally processed a UNE order. (Morrison Depo. at 36.)

14

15 In particular, Mr. Morrison challenges the time involved in verifying the
16 accuracy of an ASR. In doing so, Mr. Morrison ignores the complexity
17 of the orders -- many involve multiple circuits, while others require
18 certain types of equipment to be ordered and configurations of
19 equipment to be addressed. Even though an engineer will design the
20 circuit, the representative who takes and creates the order has to
21 precisely input all the particulars of the ALEC request. For these
22 reasons, quality checks are numerous.

23

24 Mr. Morrison also challenges the time involved in inputting a manually-
25 transmitted disconnect order. In fact, disconnect orders are often

1 rather complex. Many disconnect requests apply only to certain
2 services at a given location, while others apply only to a portion of the
3 circuits or equipment. In such instances, the existing records must be
4 removed from the system and replaced with new records that identify
5 the new service, circuit or equipment arrangement. Moreover, the
6 disconnect request may be for circuits at different locations, which may
7 interface with other carriers who will need to be apprised of the new
8 situation. Verizon's work times accurately reflect the complicated and
9 time-intensive nature of these essential activities. Mr. Morrison fails to
10 appreciate the complexities. Given these considerations, there is no
11 basis upon which the Commission can adopt Mr. Morrison's revised
12 work times.

13

14 **Q. DO YOU AGREE WITH MR. MORRISON'S CLAIMS REGARDING**
15 **THE RUNNING OF JUMPER CABLES AND THE DEPLOYMENT OF**
16 **COSMIC FRAMES? (MORRISON DIRECT AT 33, 38, 45.)**

17 **A.** No. Mr. Morrison's suggestion that jumper cables can be run very
18 quickly is dependent on the existence of a network in which COSMIC
19 frames, or other single-sided main distribution frame technology, are
20 widely deployed. (Morrison Depo. at 108-109.) In the real world,
21 however, this is not the case. In fact, the use of COSMIC frames is
22 very limited in Verizon's serving areas. As a result, and as Mr.
23 Morrison admits, the time to run a jumper "would be significant
24 multiples" of the time proposed by Mr. Morrison -- approximately a two
25 or threefold increase. (Morrison Depo. at 110.) Moreover, Mr.

1 Morrison makes no allowance for the additional costs associated with
2 the ubiquitous deployment of COSMIC frames, upon which his
3 recommendations depend.

4

5 **Q. DO YOU AGREE WITH MR. MORRISON'S SUGGESTION THAT**
6 **JUMPERS REMAIN IN PLACE FOLLOWING A DISCONNECT**
7 **ORDER?**

8 A. No. Mr. Morrison suggests that jumpers need not be removed on a
9 disconnect request. In a retail or resale mode that may be true, but not
10 with respect to UNEs. When unbundled ports or loops are requested
11 by ALECs, jumpers are typically run to blocks on the Main Distribution
12 Frame that is connected to the ALEC's equipment. When the ALEC
13 requests a disconnect, the jumper must be removed to free up the
14 ALEC's block, as well as the ILEC's loop or port. Freeing up this
15 jumper allows the ALEC to assign another customer to that position,
16 and from the ILEC's perspective the port or loop would be available for
17 assignment to a retail or other ALEC. As a result, jumpers can no
18 longer be left in place as was the custom in the 1960s or 1980s when
19 Mr. Morrison was a Bell employee.

20

21 **Q. DO YOU AGREE WITH MR. MORRISON'S CLAIM THAT THERE IS**
22 **A LINKING ERROR IN THE FIELDWORK PORTION OF THE**
23 **CALCULATION FOR INSTALLATION OF A BASIC UNBUNDLED**
24 **LOOP? (MORRISON DIRECT AT 34.)**

25 A. Yes. Mr. Morrison is correct that for the Unbundled Loop Basic and

1 Non-Digital there is an incorrect link. The work times for the fieldwork
2 are correct; however, when the appendix summary pages were
3 created the cells were linked incorrectly. Verizon is in the process of
4 correcting this inadvertent error. In any event, Mr. Morrison offers no
5 valid reason to depart from the times reported.

6 **Q. ARE MR. MORRISON'S REDUCTIONS TO THE FIELDWORK**
7 **ACTIVITIES APPROPRIATE?**

8 A. No. Mr. Morrison's reductions are based on nothing more than his
9 personal experience. In contrast, Verizon's work times for the
10 fieldwork portion of its Study, are based on the actual times collected
11 from Standard Time and Activity Reporting ("STAR"), which are used
12 by the field technicians to report their time and record their activities.
13 This system records the exact time required to complete an order
14 activity.

15
16 **Q. PLEASE COMMENT ON MR. MORRISON'S CHANGES IN THE**
17 **WORK TIMES FOR PROVISIONING OR ASSIGNING FACILITIES**
18 **FOR SERVICE REQUESTS. (MORRISON DIRECT AT 32-33, 38,**
19 **42.)**

20 A. Mr. Morrison ignores Verizon's studies and work sheets, which
21 accurately describe the activities necessary to provision or assign
22 facilities in connection with an ALEC service request. Once again, his
23 changes to the associated work times are based solely on some
24 arbitrary and uninformed sense of what the values should be.

25

1 **Q. MR. MORRISON SUGGESTS THAT VERIZON'S NRCS INCLUDE**
2 **NUMEROUS UNNECESSARY VERIFICATIONS FOR AN LSR.**
3 **(MORRISON DIRECT AT 20.) IS HE CORRECT?**

4 A. No. Mr. Morrison would have the Commission believe that human
5 error can be all but eliminated from the order processing system. This
6 is an unrealistic and unattainable goal. As Mr. Morrison concedes:

7 People really don't work this way. People work
8 like, I'm going to type this into the system, and
9 then they do, and then they don't turn around and
10 then come back and say, 'Now I'll check it and see
11 how accurate I really was on the initial input.'
12 They just don't do that. (Morrison Depo. at 102.)

13 Mr. Morrison is correct that trained personnel are less likely to make
14 mistakes; however, not even Mr. Morrison can claim that a trained
15 technician will not make any errors in the order input process.
16 (Morrison Depo. at 106.) As such, Verizon's verification activities will
17 always remain integral to the efficient and accurate operation of its
18 order processing and provisioning systems.

19
20 Even assuming that Verizon intended to increase the amount of orders
21 that are verified electronically, Mr. Morrison acknowledges that a
22 carrier is essentially at the mercy of its vendors should it wish to
23 upgrade its systems and achieve greater levels of electronic
24 verification. (Morrison Depo. at 97-98.) Admittedly, such upgrades
25 would take months and, not surprisingly, Mr. Morrison has not

1 accounted for the cost of such systems in his proposed changes.
2 (Morrison Depo. at 97-98.) The ease with which Mr. Morrison makes
3 his unsubstantiated claims certainly does not reflect the degree of
4 effort it would take to implement his recommendations.

5

6 **Q. DO YOU AGREE WITH MR. MORRISON THAT OFF-LINE**
7 **PROCESSING INVOLVES A HOST OF UNSUBSTANTIATED**
8 **ACTIVITIES? (MORRISON DIRECT AT 20–21.)**

9 A. No. The off-line processing group is responsible for handling the more
10 complicated and complex LSRs, as well tracking any special projects
11 (e.g., short-term tracking reports, late order reports, state projects,
12 miscellaneous disconnects, etc.), all of which are not typically part of
13 the LSR process. Some of the off-line activities were explained in
14 response to Staff discovery, and all of these activities are fully
15 documented and available for review. Mr. Morrison chose not to avail
16 himself of this opportunity.

17

18 **Q. MR. MORRISON ADVISES THE COMMISSION TO REJECT ALL OF**
19 **THE NATIONAL MARKET CENTER (“NMC”) COSTS. (MORRISON**
20 **DIRECT AT 23-24.) IS THIS RECOMMENDATION JUSTIFIED?**

21 A. No. This recommendation is based upon the absurd and untenable
22 assumption that both retail and wholesale orders should be processed
23 from a single processing center. Mr. Morrison obviously fails to
24 appreciate the critical differences between retail and wholesale order
25 processing. The wholesale product offerings to ALECs (e.g., loops,

1 ports, UNE-Ps, etc.) bear no resemblance to retail product offerings
2 (e.g., residential single-line service, etc.). Moreover, the wholesale
3 ordering process -- electronic gateway via SIGS or manual faxed order
4 -- is quite different from the retail ordering process -- direct call from
5 the end user to the Customer Contact Center. Given these
6 fundamental differences in products and services, and their associated
7 methods and procedures, it would not be practical efficient for a
8 service representative to handle both wholesale and retail orders.

9
10 Recognizing these important distinctions, Verizon established the
11 NMCs to work with the ALECs and process their orders. The NMC
12 service representatives are specially trained to be knowledgeable
13 about wholesale products and services and the processing of
14 wholesale orders. They are also supported by ALEC escalation teams
15 who are primarily responsible for resolving ALEC issues and problems.
16 Given that there are many more retail centers than NMCs, and that the
17 retail centers are organized on a region and/or product specific basis,
18 sending ALEC requests to the retail centers would increase the
19 number of handoffs in processing. Thus, Verizon's NMCs ensure a
20 much more efficient operation.

21
22 Contrary to Mr. Morrison's suggestion, it is not feasible or practical to
23 combine Verizon's retail and wholesale order processing into one
24 center. Indeed, Mr. Morrison was not aware of a single ILEC that
25 provisions its retail and wholesale orders out of the same facility.

1 (Morrison Depo. at 74.)

2

3 Even assuming Verizon's wholesale and retail ordering functions could
4 be combined into one center -- which they cannot -- it could only be
5 done at significant expense. Mr. Morrison makes no allowance for the
6 additional costs associated with merging the facilities and personnel of
7 the two types of order processing centers. For example, Mr. Morrison
8 admits that personnel training, center build-out and furnishing, and
9 staffing would all be necessary should Verizon combine its retail and
10 wholesale order processing systems. (Morrison Depo. at 72-73.)

11 However, nowhere in his analysis does Mr. Morrison account for the
12 additional costs associated with absorbing Verizon's wholesale
13 ordering process into its retail ordering process. (Morrison Depo. at
14 74-75.) As Mr. Morrison admits, his elimination of NMC is purely
15 conceptual, and the cost impacts he describes are correct only if one
16 assumes that the two types of ordering centers had been combined
17 from day one. (Morrison Depo. at 73-74.) Obviously, such
18 hypothetical musings are not legitimate support for a NRC cost study.

19

20 Moreover, Mr. Morrison's claim that Verizon's operation of separate
21 wholesale and retail ordering centers is somehow "discriminatory" is
22 absurd. (Morrison Direct at 24.) As Mr. Morrison was forced to
23 acknowledge, no state or federal regulatory commission, and no state
24 or federal court, has ever determined that the operation of separate
25 retail and wholesale service order processing centers is discriminatory.

1 (Morrison Depo. at 71-72.) Indeed, no state regulatory commission
2 has ever ordered that an ILEC's retail and wholesale ordering centers
3 be merged into one facility. (Morrison Depo. at 74.) Nor are there any
4 requirements, regulatory or otherwise, that would necessitate such an
5 outcome. (Morrison Depo. at 74.)

6

7 **Q. PLEASE SUMMARIZE YOUR TESTIMONY**

8 A. Mr. Morrison's revisions to Verizon's NRC Study are unjustified and
9 unsupported. Mr. Morrison's unsubstantiated opinions and results-
10 oriented adjustments are no substitute for Verizon's objective, well-
11 documented work time studies, analyses, and cost calculations. The
12 Commission should approve Verizon's NRC Study because it
13 accurately and reliably captures the costs that Verizon will incur when
14 processing and provisioning ALEC service orders.

15

16 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

17 A. Yes.

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