

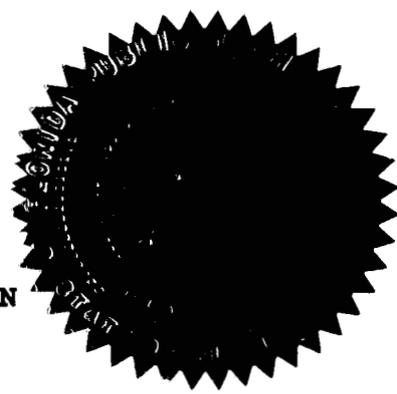
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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of  Investigation into temporary local telephone number portability solution to implement competition in local exchange telephone markets.	: : : : : : : : : : :	DOCKET NO. 950737-TP
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FIRST DAY - MORNING SESSION  
 VOLUME 1  
 Pages 1 through 198

PROCEEDINGS:	HEARING
BEFORE:	CHAIRMAN SUSAN F. CLARK COMMISSIONER J. TERRY DEASON COMMISSIONER JULIA L. JOHNSON COMMISSIONER DIANE K. KIESLING COMMISSIONER JOE GARCIA
DATE:	Friday, October 20, 1995
TIME:	Commenced at 9:00 a.m.
PLACE:	Betty Easley Conference Center Hearing Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	JOY KELLY, CSR, RPR Chief, Bureau of Reporting Official Commission Reporter

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25 **Telephone and Telegraph Company.**

1 **APPEARANCES CONTINUED:**

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16 **Digital Media Partners.**

17 **MONICA BARONE** and **TRACY HATCH**, Florida  
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1           **MS. WEISKE:** Sue Weiske for Time Warner  
2 AxS of Florida and Digital Media Partners, 160  
3 Inverness Drive West, Englewood, Colorado 80112.

4           **MR. MELSON:** Richard Melson, Hopping Green  
5 Sams & Smith, P.A. P. O. Box 6526, Tallahassee, on  
6 behalf of MCI Metro Access Transmission Services, Inc.

7           **MR. TYE:** Michael W. Tye, 106 East College  
8 Avenue, Suite 1410, Tallahassee, Florida, appearing on  
9 behalf of AT&T Communications of the Southern States,  
10 Inc. Also appearing with me is Robin D. Dunson of the  
11 AT&T Legal Department in Atlanta.

12           **MS. WILSON:** Laura Wilson, 310 North  
13 Monroe Street, Tallahassee, Florida 32301, appearing  
14 on behalf of the Florida Cable Telecommunications  
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16           **MR. RINDLER:** Richard Rindler of the law  
17 firm Swidler and Berlin, 3000 K Street Northwest,  
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19 Fiber Systems of Florida, Inc.

20           **MR. SELF:** Floyd Self and Norman Horton of  
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25           **MS. GREEN:** Angela Green, 125 South

1 Gadsden Street, Suite 200, Tallahassee, Florida 32301,  
2 appearing on behalf of the Florida Public  
3 Telecommunications Association.

4 **MS. RULE:** Marsha Rule, law firm Wiggins  
5 and Villacorta, 501 East Tennessee Street, Tallahassee  
6 32301. Also entering appearance for Patrick Wiggins  
7 on behalf of Intermedia and BellSouth Mobility, Inc.

8 **MR. BOYD:** I'm Everett Boyd of the Ervin  
9 Varn law firm, 305 South Gadsden Street, Tallahassee  
10 32301. I'm appearing on behalf of Sprint  
11 Communications Company, Limited Partnership.

12 **MS. BARONE:** Monica M. Barone and Tracy  
13 Hatch, Gerald L. Gunter Building, 2540 Shumard Oak  
14 Boulevard, Tallahassee, Florida 32399-0850, appearing  
15 on behalf of Commission Staff.

16 **CHAIRMAN CLARK:** Thank you. Are there any  
17 preliminary matters?

18 **MR. RINDLER:** Yes, Madam Chairman, I have  
19 one.

20 Mr. Devine is not going to be able to be  
21 with us today. I've spoke with Staff and counsel for  
22 all of the parties yesterday as to whether they would  
23 be prepared to stipulate the testimony into the  
24 record. I got agreement from everybody, and I,  
25 therefore, would move that Mr. Devine's direct

1 testimony of 28 pages, dated September 1, 1995, be  
2 identified as an exhibit, or entered into the record.

3           It has attached to it three documents, which  
4 I would ask be marked as a composite exhibit.

5           **CHAIRMAN CLARK:** Okay.

6           **MR. RINDLER:** There is also rebuttal  
7 testimony dated September 29th, of 7 pages.

8           **CHAIRMAN CLARK:** All right. Mr. Rindler,  
9 the prefiled direct testimony of Mr. Timothy Devine,  
10 and the prefiled rebuttal testimony of Mr. Timothy  
11 Devine, will be inserted in the record as though read  
12 by stipulation of the parties. Cross examination of  
13 him is waived.

14           And there are attachments to his direct  
15 testimony; is that correct? Are they labeled?

16           **MR. RINDLER:** They were labeled Exhibit A  
17 and Exhibit B. The three documents are a letter from  
18 Group EFO Limited.

19           **CHAIRMAN CLARK:** Exhibit A and Exhibit B  
20 attached to Mr. Devine's prefiled direct testimony  
21 will be marked as Exhibit 1, and it will be admitted  
22 into the record without objection. Okay?

23           **MR. RINDLER:** Thank you.

24           **CHAIRMAN CLARK:** Thank you.

25           **MS. BARONE:** Madam Chairman, Staff would

1 also like to stipulate Mr. Devine's deposition which  
2 is labled TTD-2 and errata sheet you have to have and  
3 answers to Staff's First Set Of interrogatories, TTD-3  
4 into the record.

5           **CHAIRMAN CLARK:** Okay. TTD-2 will be  
6 labeled as Exhibit 2, and it will be admitted in the  
7 record without objection. And TTD-3 will be labeled  
8 as Exhibit 3 and it will be admitted in the record  
9 without objection.

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DIRECT TESTIMONY OF TIMOTHY T. DEVINE  
ON BEHALF OF  
METROPOLITAN FIBER SYSTEMS OF FLORIDA, INC.  
Docket No. 950737-TP

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

2       **A.**   My name is Timothy T. Devine.  My business address  
3           is Metropolitan Fiber Systems of Florida, Inc.  
4           ("MFS"), 250 Williams St., Atlanta, Georgia  30303.

5       **Q.   WHAT IS YOUR POSITION WITH MFS?**

6       **A.**   I am the Senior Director of External and Regulatory  
7           Affairs for the Southern Region for MFS  
8           Communications Company, Inc., the indirect parent  
9           company of Metropolitan Fiber Systems of Florida.

10                I will collectively refer to MFSCC and its  
11                subsidiaries as "MFS."

12       **Q.   WHAT ARE YOUR RESPONSIBILITIES IN THAT POSITION?**

13       **A.**   I am responsible for the regulatory oversight of  
14           commission dockets and other regulatory matters and  
15           serve as MFS's representative to various members of  
16           the industry.  I am also responsible for  
17           coordinating co-carrier discussions with Local  
18           Exchange Carriers within the Southern Region.

19       **Q.   PLEASE DESCRIBE YOUR PREVIOUS PROFESSIONAL  
20           EXPERIENCE AND EDUCATIONAL BACKGROUND.**

21       **A.**   I have a B.S. in Political Science from Arizona  
22           State University and an M.A. in Telecommunications  
23           Policy from George Washington University.  I began  
24           work in the telecommunications industry in April

Direct Testimony of Timothy T. Devine  
MFS Communications Company, Inc.  
September 1, 1995  
Page 2

1           1982 as a sales representative for packet switching  
2           services for Graphnet, Inc., one of the first value-  
3           added common carriers in the United States. From  
4           1983 until 1987, I was employed at Sprint  
5           Communications Co., in sales, as a tariff analyst,  
6           as a product manager, and as Manager of Product and  
7           Market Analysis. During 1988, I worked at Contel  
8           Corporation, a local exchange carrier, in its  
9           telephone operations group, as the Manager of  
10          Network Marketing. I have been working for MFS and  
11          its affiliates since January 1989. During this time  
12          period, I have worked in product marketing and  
13          development, corporate planning, regulatory support,  
14          and regulatory affairs. Most recently, from August  
15          1994 until August 1995, I have been representing MFS  
16          on regulatory matters before the New York,  
17          Massachusetts, and Connecticut state commissions and  
18          was responsible for the MFS Interim Co-Carrier  
19          Agreements with NYNEX in New York and Massachusetts,  
20          as well as the execution of a co-carrier Joint  
21          Stipulation in Connecticut.

Direct Testimony of Timothy T. Devine  
MFS Communications Company, Inc.  
September 1, 1995  
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1       **Q.     PLEASE DESCRIBE THE OPERATIONS OF MFS COMMUNICATIONS**  
2       **COMPANY, INC. AND ITS SUBSIDIARIES**

3       **A.**   MFS Communications Company, Inc. ("MFSCC") is a  
4       diversified telecommunications holding company with  
5       operations throughout the country, as well as in  
6       Europe. MFS Telecom, Inc., an MFSCC subsidiary,  
7       through its operating affiliates, is the largest  
8       competitive access provider in the United States.  
9       MFS Telecom, Inc.'s subsidiaries, including  
10      MFS/McCourt, Inc., provide non-switched, dedicated  
11      private line and special access services.

12               MFS Intelenet, Inc. ("MFSI") is another wholly  
13      owned subsidiary of MFSCC. It causes operating  
14      subsidiaries to be incorporated on a state-by-state  
15      basis. MFSI's operating subsidiaries collectively  
16      are authorized to provide switched interexchange  
17      telecommunications services in 48 states and have  
18      applications to offer such service pending in the  
19      remaining states. Where so authorized, MFSI's  
20      operating subsidiaries offer end users a single  
21      source for local and long distance telecommuni-  
22      cations services with quality and pricing levels  
23      comparable to those achieved by larger

Direct Testimony of Timothy T. Devine  
MFS Communications Company, Inc.  
September 1, 1995  
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1           communications users. Apart from Florida, MFSI  
2           subsidiaries have been authorized to provide  
3           competitive local exchange service in seven states.  
4           Since July 1993, MFS Intelenet of New York, Inc. has  
5           offered local exchange services in competition with  
6           New York Telephone Company. MFS Intelenet of  
7           Maryland, Inc. was authorized to provide local  
8           exchange services in competition with Bell Atlantic-  
9           Maryland, Inc. in April 1994 and recently has  
10          commenced operations. On June 22, 1994, MFS  
11          Intelenet of Washington, Inc. was authorized to  
12          provide local exchange services in competition with  
13          US West Communications, Inc. On July 20, 1994, MFS  
14          Intelenet of Illinois, Inc. was certificated to  
15          provide local exchange services in competition with  
16          Illinois Bell Telephone Company and Central  
17          Telephone Company of Illinois. MFS Intelenet of  
18          Ohio was certificated to provide competitive local  
19          exchange service in competition with Ohio Bell on  
20          August 3, 1995. MFS Intelenet of Michigan, on May  
21          9, 1995, was certificated to provide competitive  
22          local exchange service in competition with  
23          Ameritech-Michigan. MFS Intelenet of Connecticut

Direct Testimony of Timothy T. Devine  
MFS Communications Company, Inc.  
September 1, 1995  
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1           was dedicated to provide local exchange service in  
2           competition with Southern New England Telephone  
3           Company on June 28, 1995. Finally, MFS Intelenet of  
4           Massachusetts was certificated on March 9, 1994 to  
5           operate as a reseller of both interexchange and  
6           local exchange services in the Boston Metropolitan  
7           Area in competition with New England Telephone.

8           **Q.   HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS**  
9           **COMMISSION?**

10          **A.**   Yes. On August 14, 1995, I filed direct testimony  
11          in the universal service docket (docket no. 950696-  
12          TP).

13          **Q.   ARE ANY OF THE PARTIES UPON WHOSE BEHALF YOU ARE**  
14          **TESTIFYING CURRENTLY CERTIFICATED TO PROVIDE SERVICE**  
15          **IN FLORIDA?**

16          **A.**   Yes. Metropolitan Fiber Systems of Florida, Inc.  
17          was certificated as an Alternative Access Vendor  
18          ("AAV") on February 24, 1993. By letter dated July  
19          5, 1995, Metropolitan Fiber Systems of Florida  
20          notified the Commission of its intent to provide  
21          switched local exchange service in Florida.

Direct Testimony of Timothy T. Devine  
MFS Communications Company, Inc.  
September 1, 1995  
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1           **I.     PURPOSE AND SUMMARY**

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

4           **A.**    To set forth MFS's position on issues concerning the  
5           implementation of temporary local telephone number  
6           portability solutions in Florida. Temporary local  
7           telephone number portability arrangements must be  
8           available to all ALECs and LECs on an economically  
9           viable basis if local exchange competition is to  
10          develop in Florida. Any temporary local number  
11          portability arrangement that arbitrarily assigns all  
12          the costs of the arrangements to ALECs and their  
13          customers is guaranteed to stifle the development of  
14          local exchange competition in Florida. In order to  
15          encourage the development of local exchange  
16          competition in Florida, therefore, the Commission  
17          should adopt a temporary solution that spreads the  
18          costs evenly across the entire subscriber base,  
19          thereby distributing the costs of portability across  
20          all those who will reap the substantial benefits of  
21          competition. This is the approach taken in  
22          virtually every state that has adopted a temporary  
23          number portability solution.

Direct Testimony of Timothy T. Devine  
MFS Communications Company, Inc.  
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1       **Q.    WHAT STATUTORY REQUIREMENTS HAS THE FLORIDA**  
2       **LEGISLATURE IMPLEMENTED WITH RESPECT TO TEMPORARY**  
3       **NUMBER PORTABILITY?**

4       **A.**    The Florida Legislature recently passed S.B. 1554  
5       which opens the Florida local exchange market to  
6       competition.  As an integral aspect of this policy,  
7       Chapter 364.16(4), Florida Statutes, requires the  
8       Commission to have a temporary service provider  
9       number portability mechanism in place on January 1,  
10      1996.  The statute also requires industry  
11      participants to form a number portability standards  
12      group to develop the appropriate costs, parameters,  
13      and standards for number portability, a group that  
14      was formed on July 26, 1995.  The group includes  
15      representatives of potential local exchange  
16      competitors in Florida, including MFS, and is tasked  
17      to negotiate a temporary number portability  
18      solution.

19      **Q.    HAS THE GROUP SUCCEEDED IN NEGOTIATING A**  
20      **COMPREHENSIVE NUMBER PORTABILITY SOLUTION?**

21      **A.**    No.  The parties have agreed to a Stipulation  
22      addressing certain fundamental aspects of a  
23      solutions, such as the basic technical alternatives

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1           that must be offered. The parties have not,  
2           however, been able to reach agreement on how the  
3           cost of temporary number portability should be met.

4           **Q. WHAT WAS AGREED UPON IN THE STIPULATION?**

5           **A.** The parties agreed that Chapter 364.16(4), Florida  
6           Statutes, requires a service provider temporary  
7           number portability solution that will allow an end  
8           user at a given location to change service from a  
9           local exchange company ("LEC") to an alternative  
10          local exchange company ("ALEC") and vice versa. The  
11          parties also agreed that two forms of service  
12          provider number portability should be made available  
13          on January 1, 1996: Remote Call Forwarding and  
14          Flexible or Flex DID. I will discuss these two  
15          temporary number portability methods at greater  
16          length later in my testimony. The parties also  
17          agreed that they will use their best efforts to  
18          ensure the successful integration of relevant ALEC  
19          information into the existing 911/E911 systems. The  
20          Stipulation did not reach the critical issue of how  
21          the cost of temporary number portability will be  
22          funded.

23          **Q. ON WHAT ISSUES WILL YOU FOCUS YOUR TESTIMONY?**

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1       **A.** Pursuant to the recent Order Modifying Procedural  
2       Schedule issued on August 28 in this docket, I will  
3       focus on Issues 3 (advantages and disadvantages of  
4       solutions), 4 (costs associated with providing each  
5       solution), 5 (how costs should be recovered), and 8  
6       (whether the docket should be closed).

7       **Q. IS SOME FORM OF LOCAL NUMBER PORTABILITY ESSENTIAL?**

8       **A.** Yes. Both MFS' customer surveys and its actual  
9       experience in New York conclusively demonstrate that  
10      customers are extremely reluctant to change  
11      telephone carriers if it means they will also be  
12      required to change telephone numbers. MFS has  
13      conducted two series of surveys of potential  
14      customers in New York that provide overwhelming  
15      evidence of the significance of number portability  
16      to customers considering switching to a competitive  
17      provider. Surveys dated October 10, 1994 and April  
18      6, 1995 attached as Exhibit A. In the 1994 Survey,  
19      92% of customers surveyed said they would not  
20      consider MFS Intelenet services without number  
21      portability. In the 1995 survey, 98% of customers  
22      said number portability was "very important" to  
23      them. (The other 2% said number portability was at

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1           least "somewhat important.") MFS has not seen in  
2           Florida or elsewhere any market survey or other  
3           evidence suggesting that number portability is not  
4           critically important to customers.

5           Telephone subscribers act as if they own their  
6           telephone numbers and are extremely reluctant to  
7           change numbers unless absolutely necessary. This is  
8           particularly true for businesses whose economic  
9           well-being is tied to having a recognizable,  
10          consistent phone number where they can be reached by  
11          their customers on an ongoing basis. Many  
12          businesses invest heavily in a given phone number in  
13          the form of advertising, stationery and business  
14          cards showing the telephone number. Changing phone  
15          numbers therefore imposes not only substantial  
16          inconvenience, but also the expense of reprinting  
17          these written materials, as well as sending mailings  
18          to customers and vendors notifying them of the new  
19          number and the possibility of lost calls. This  
20          entails direct expenses for printing and mailing,  
21          and also diverts employee time from more productive  
22          activities.

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1                   In addition, long term investment in  
2                   advertising a phone number that must later be  
3                   changed can never be recovered. Even a business  
4                   that might consider changing phone numbers once  
5                   would be even more reluctant to change numbers  
6                   again. Competition cannot thrive in an environment  
7                   characterized by this level of customer inertia, and  
8                   even the MLECs will benefit in the long run from a  
9                   system that would permit a customer to not only  
10                  switch providers freely, but to switch back as well.

11                  This issue is particularly sensitive for the  
12                  generally underserved market of small business  
13                  customers, typically those having 5 to 35 lines.  
14                  These customers make up the economic backbone of  
15                  Florida, yet have generally received the worst  
16                  service and paid the highest prices of any class of  
17                  telephone users. They are also the customers to  
18                  whom, as a general matter, the ability to retain  
19                  existing telephone numbers is of the most critical  
20                  importance. These customers do not have sufficient  
21                  traffic volume to justify splitting their business  
22                  between two carriers, and they have often invested  
23                  substantial amounts of money in advertising and

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1           publicizing their telephone numbers. In some lines  
2           of business, incoming telephone calls are virtually  
3           the only source of sales. The lack of a cost-  
4           effective method to allow customers to retain their  
5           telephone numbers would harm small businesses more  
6           than any other class of customer. Because number  
7           portability has been identified by customers as a  
8           critical customer need, the Commission must  
9           accommodate this need on both an interim and long-  
10          term basis if it expects to establish a competitive  
11          market.

12       **Q. HAVE OTHER STATES RECOGNIZED THE SIGNIFICANCE OF**  
13       **NUMBER PORTABILITY?**

14       **A.** Every state that is implementing local exchange  
15       competition is considering some form of interim  
16       number portability. The New York Public Service  
17       Commission recently issued an Order concluding that  
18       "[n]umber portability will be essential to the  
19       transition to a competitive local exchange market."  
20       *Proceeding on Motion of the Commission to Examine*  
21       *Issues Related to the Continued Provision of*  
22       *Universal Service and to Develop a Framework for the*  
23       *Transition to Competition in the Local Exchange*

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1           *Market*, Case 94-C-0095. (Exhibit B hereto at 3).  
2           The Commission ordered NYNEX and Rochester Telephone  
3           Corporation to provide interim number portability,  
4           including a broadbased sharing of costs I will  
5           describe later in my testimony. The New York  
6           Commission only required that this one option be  
7           made available, but also encouraged carriers to  
8           explore alternative solutions. All certificated  
9           local exchange companies, including competitive  
10          providers, were required to provide interim number  
11          portability.

12                 The Illinois Commerce Commission ("ICC") has  
13          required that a variety of interim number  
14          portability services be tariffed. *Illinois Bell*  
15          *Telephone Company, Proposed introduction of a trial*  
16          *of Ameritech's Customers First Plan in Illinois,*  
17          Docket Nos. 94-0096 et al., Order (Ill. Comm.  
18          Comm'n, April 7, 1995). Specifically, the ICC  
19          required that Remote Call Forwarding, Enhanced  
20          Remote Call Forwarding, DID Trunks, and FX Service  
21          be made available to competitors "at cost-based  
22          rates with only a reasonable level of contribution."

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1           *Id.* at 110. (The Commission added that "we intend  
2           to scrutinize the tariffs to ensure this." *Id.*)

3           In the MFS Intelenet of Maryland ("MFSI-MD")  
4           certification proceeding, the Maryland Public  
5           Service Commission required Bell Atlantic-Maryland  
6           ("BA-MD") to make available a tariffed Flex DID  
7           number portability solution, a solution that MFSI-MD  
8           supported at the time but no longer endorses. Under  
9           this system, MFSI-MD subscribes to BA-MD DID trunks  
10          for the receipt of incoming calls to numbers that  
11          its customers desired to retain. The service is  
12          identical to BA-MD's existing DID offerings, but any  
13          single telephone number that a customer desires to  
14          switch to MFSI-MD can be designated as a DID number  
15          (the BA-MD DID tariff only permits DID numbers to be  
16          assigned in consecutive groups of 20 numbers).

17       **Q. WILL LOCAL EXCHANGE COMPETITION TAKE PLACE WITHOUT**  
18       **INTERIM NUMBER PORTABILITY?**

19       **A.** Not to any significant extent because, as  
20       demonstrated by the MFS surveys, few if any  
21       customers will purchase service from competitive  
22       local providers if they cannot retain their  
23       telephone number. As other states have concluded,

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1           postponing interim number portability is tantamount  
2           to postponing the introduction of local competition.

3       **Q.   HOW SHOULD LOCAL NUMBER PORTABILITY BE IMPLEMENTED?**

4       **A.**   The Commission should consider both interim and  
5           permanent solutions to this issue.  While permanent  
6           number portability arrangements are necessary to  
7           eliminate the inequities imposed on new entrants by  
8           temporary arrangements, MFS will focus in this  
9           testimony on temporary solutions.  MFS applauds the  
10          Legislature's determination that temporary number  
11          portability should be in place by January 1, 1996.  
12          MFS proposes that the Commission should require the  
13          MLECs to offer temporary local number portability  
14          services using at least the currently available Co-  
15          Carrier Call Forwarding method.  Although there may  
16          be other technical alternatives to Co-Carrier Call  
17          Forwarding, Metropolitan Fiber Systems of Florida,  
18          Inc. ("MFS") will focus on this solution to the  
19          extent that it is the method preferred by MFS.

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1       **Q.    BASED ON MFS' EXPERIENCE IN NEW YORK, DO YOU BELIEVE**  
2       **THAT WORKABLE INTERIM NUMBER PORTABILITY**  
3       **ARRANGEMENTS CAN BE IMPLEMENTED AT THIS TIME?**

4       **A.    Yes.  MFS has successfully completed trials of its**  
5       preferred interim solution, Co-Carrier Call  
6       Forwarding ("CCF"), a remote call forwarding-based  
7       solution, in New York, (with both NYNEX and  
8       Rochester Telephone) and I would like to take this  
9       opportunity to describe this experience.  The New  
10      York Public Service Commission and Pacific Bell have  
11      also endorsed CCF as the best interim solution.  The  
12      MFSI/NYNEX interim Agreements in New York and  
13      Massachusetts also provide for CCF as an interim  
14      solution.

15      **Q.    BRIEFLY, HOW DOES CO-CARRIER CALL FORWARDING WORK?**

16      **A.    CCF works within the constraints of the existing**  
17      numbering system, under which numbers must be  
18      associated with a specific LEC central office.  
19      Under the CCF approach as it is presently used in  
20      New York, MFS Intelenet assigns a new telephone  
21      number in its own NXX code corresponding to each  
22      NYNEX telephone number that it will retain.  NYNEX  
23      then forwards calls from the old telephone number to

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1           the new number over the same trunks used for co-  
2           carrier traffic exchange. The advantage of CCF is  
3           that inefficient trunk groups between the new  
4           entrant's switch and the incumbent's end offices can  
5           be eliminated. Forwarded calls can be routed  
6           through the tandem switch over common trunk groups.  
7           Signaling can be either in-band or out-of-band SS7.  
8           The Automatic Number Identification ("ANI") that is  
9           out-pulsed when the customer places a call is the  
10          new number which is transparent to the customer.  
11          The MLEC will update its Line Identification  
12          Database ("LIDB") listings for redirected telephone  
13          numbers and cancel MLEC calling cards associated  
14          with such numbers.

15       **Q.   WHAT ARE SOME OF THE DISADVANTAGES OF CCF?**

16       **A.**   Unfortunately, CCF and other interim number  
17          portability solutions require that all calls be  
18          routed to the MLEC switch before they can be  
19          forwarded to MFS, a process that results in  
20          additional transmission and switching expense and  
21          call set-up time. It also appears that BLV/I and  
22          some CLASS features are not available when utilizing  
23          CCF.

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1       **Q.    IS CCF STILL THE BEST INTERIM SOLUTION IN YOUR VIEW**  
2       **DESPITE THESE DEFICIENCIES?**

3       **A.    Yes.**

4       **Q.    WHAT ARE THE ADVANTAGES OF CCF THAT MAKE IT THE BEST**  
5       **INTERIM SOLUTION?**

6       **A.    Although CCF is not technically optimal, as cited**  
7       above, the several state commissions, LECs, and MFSI  
8       have agreed that CCF is the best interim solution  
9       available. CCF provides the critical function of  
10      permitting end users to change local service  
11      providers while retaining their existing telephone  
12      number, with virtually no impact to the incumbent  
13      LEC's customer base and network. Like any interim  
14      system, CCF is not perfect, and while a better  
15      interim solution may come about, it is in MFS's view  
16      the best currently available interim solution.

17      **Q.    ON BALANCE, DO THE BENEFITS OF INTERIM NUMBER**  
18      **PORTABILITY OUTWEIGH THE LIMITED COSTS?**

19      **A.    Yes. The costs are very limited. MFS has clearly**  
20      demonstrated that number portability at a reasonable  
21      price is essential to the development of  
22      competition, because customers simply may not be  
23      inclined to subscribe to ALEC services if they

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1           cannot retain their current phone numbers. Florida  
2           can ill afford to put local competition on hold  
3           while other states forge ahead with interim number  
4           portability solutions. The State will lose  
5           infrastructure investment to other states, and  
6           significant economic development dollars to New  
7           York, Illinois, Washington, Michigan, Ohio,  
8           Connecticut, Pennsylvania, Maryland and other states  
9           that are rapidly adopting competitive local markets.  
10          Florida must also compete with neighboring Southern  
11          states, as competition is rapidly sweeping  
12          throughout the South: Georgia, North Carolina,  
13          Tennessee, Kentucky, and Virginia, among others, are  
14          currently addressing local competition issues in  
15          proceedings similar to this one. Delay would also  
16          be inconsistent with the Commission's and the  
17          Legislature's commitment to implementing  
18          competition.

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1       **Q.    DO YOU BELIEVE THAT FLEX DID SHOULD ALSO BE**  
2       **AVAILABLE IF OTHER PARTIES REQUEST IT?**

3       **A.**    Yes.  MFS believes that all technically and  
4       economically feasible alternatives should be  
5       available if there is demand for them.  MFS is only  
6       focusing its testimony on the CCF solution because  
7       it is the Company's preferred method.

8       **Q.    ON WHAT TERMS SHOULD CO-CARRIER NUMBER FORWARDING BE**  
9       **MADE AVAILABLE BY MLECS?**

10      **A.**    The Commission should establish the basic terms  
11      under which CCF will be made available to all  
12      carriers.  Any number retention option should be  
13      offered on terms that do not interfere with other  
14      co-carrier arrangements, such as reciprocal  
15      compensation and meet point billing tandem  
16      subtending arrangements.  Number retention options  
17      will also be of limited utility if they impose  
18      financial penalties on either competing carriers or  
19      consumers.

20      **Q.    WHAT IS MFS' POSITION ON THE FUNDING OF INTERIM**  
21      **NUMBER PORTABILITY?**

22      **A.**    Additional costs that result from the provision of  
23      interim number portability arrangements, such as the

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1           potential cost of double switching calls initially  
2           routed to MLEC end offices, should be recovered from  
3           the general body of all ratepayers on a non-  
4           discriminatory basis. This burden should be spread  
5           evenly throughout the rate base because all  
6           telecommunications users benefit from the existence  
7           of a seamless public switched network with the  
8           capability of providing number portability.

9           The Commission, as a matter of public policy,  
10          has found that competition would be beneficial for  
11          all telephone customers in Florida -- not just for  
12          competitive providers or their customers. The  
13          burden of funding the interim number portability  
14          solutions necessary for that competition to develop  
15          must therefore be shared by all who benefit from  
16          that competition -- all Florida telephone users.  
17          Again, other states that have addressed this issue,  
18          such as New York and Michigan, have established  
19          mechanisms that would spread the funding of number  
20          portability evenly.

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1       **Q.    WHAT MECHANISM DO YOU PROPOSE TO FUND INTERIM NUMBER**  
2       **PORTABILITY?**

3       **A.**    MFS recommends a mechanism based on that recently  
4       adopted in New York State and ordered by the New  
5       York Public Service Commission in its Order of March  
6       8, 1995, the Rochester Telephone Open Market Plan.  
7       *Case 94-C-0095, Competition 2 Proceeding, Order*  
8       *Requiring Interim Number Portability Directing a*  
9       *Study of the Feasibility of a Trial of True Number*  
10       *Portability and Directing Further Collaboration,*  
11       (N.Y.P.S.C., March 8, 1995).  See copy attached as  
12       Exhibit B hereto.  No charge would be imposed on the  
13       number forwarded, but an annual surcharge on all  
14       MLEC-assigned numbers would be assessed based upon  
15       the product of total minutes of calls forwarded and  
16       incremental costs of switching.  (For Rochester, the  
17       incremental cost of switching is approximately 0.5¢-  
18       0.6¢).  For example, if MFS were retaining 500  
19       BellSouth numbers in a geographic area comprising  
20       20,000 numbers, then MFS should be assessed  
21       500/20000 or 2.5 percent of the BellSouth costs  
22       associated with interim number portability in that  
23       area.

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1                   Interim number portability funding, however,  
2                   should not be confused with compensation mechanisms:  
3                   interim number portability is a technical solution  
4                   to a key obstacle to implementing competition, but  
5                   it is not a mechanism to redistribute compensation  
6                   between providers. New entrants and their end-users  
7                   should therefore not pay a disproportionate share of  
8                   the burden of providing interim number portability.  
9                   Switched access and local compensation should apply  
10                  regardless of whether a call is completed using  
11                  interim number portability. MFS believes that this  
12                  is the only approach consistent with the  
13                  Commission's goal of introducing competition in the  
14                  local exchange market.

15           **Q.    WOULD THE MLECS STIPULATE TO THE PRINCIPLE THAT**  
16           **ACCESS CHARGES AND LOCAL COMPENSATION MUST BE PASSED**  
17           **THROUGH TO THE CUSTOMER'S CARRIER WHEN INTERIM**  
18           **NUMBER PORTABILITY ARRANGEMENTS ARE IMPLEMENTED?**

19           **A.**    No. The MLECs would not agree to this principle in  
20           the Stipulation.

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1       **Q.    WHICH CARRIER SHOULD COLLECT THE CHARGES FOR**  
2       **TERMINATION OF TRAFFIC ON ITS NETWORK WHEN A CALL IS**  
3       **RECEIVED VIA NUMBER RETENTION?**

4       **A.**   Only if the customers' carrier collects these  
5       revenues will competition be stimulated by interim  
6       number portability. Allowing the incumbent LEC to  
7       retain toll access charges for calls terminated to a  
8       retained number belonging to a customer of another  
9       carrier would have three adverse consequences.  
10      First, it would reward the incumbent LEC for the  
11      lack of true local number portability, and therefore  
12      provide a financial incentive to delay true number  
13      portability for as long as possible. Second, it  
14      would help reinforce the incumbent LEC bottleneck on  
15      termination of interexchange traffic, and thereby  
16      stifle potential competition in this market. Third,  
17      it would impede local exchange competition by  
18      preventing new entrants from competing for one  
19      significant component of the revenues associated  
20      with that service, namely toll access charges.

21               MFS does not subscribe to the LEC conventional  
22      wisdom that access charges "subsidize" local  
23      exchange service, since there is no evidence that

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1           the forward-looking economic cost of the basic local  
2           exchange service exceeds its price as a general  
3           matter (aside from special circumstances such as  
4           Lifeline, where a subsidy may exist). Nonetheless,  
5           access charges clearly provide a significant source  
6           of revenue -- along with subscriber access charges,  
7           local flat-rate or usage charges, intraLATA toll  
8           charges, vertical feature charges, and perhaps  
9           others -- that justify the total cost of  
10          constructing and operating a local exchange network,  
11          including shared and common costs. It is  
12          unrealistic to expect new entrants to make the  
13          substantial capital investment required to construct  
14          and operate competitive networks if they will not  
15          have the opportunity to compete for all of the  
16          services provided by the LECs and all of the  
17          revenues generated by those services. As long as  
18          true local number portability does not exist, the  
19          new entrants' opportunity to compete for access  
20          revenue would be severely restricted if they had to  
21          forfeit access charges in order to use interim  
22          number portability arrangements.

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1       **Q.     SHOULD COMPENSATION ARRANGEMENTS FOR THE EXCHANGE OF**  
2           **LOCAL OR TOLL TRAFFIC BETWEEN LECS VARY DEPENDING ON**  
3           **WHETHER INTERIM NUMBER PORTABILITY WAS IN PLACE ON A**  
4           **GIVEN CALL?**

5       **A.**    No.   Temporary number portability is a technical  
6           arrangement that will permit competition to take  
7           root in Florida.   The purpose of temporary number  
8           portability is to permit new entrants to market  
9           their services to customers by permitting customers  
10          to retain their phone numbers when switching to a  
11          new provider.   Because it is necessary to bring to  
12          the public the benefits of competition at this time,  
13          temporary number portability benefits all callers,  
14          and has absolutely nothing to do with compensation.  
15          These issues should not be mixed, and compensation  
16          should not vary depending on whether temporary  
17          number portability is in place or not.

18       **Q.     WHAT COMPENSATION ARRANGEMENT SHOULD APPLY TO**  
19           **REDIRECTED CALLS UNDER TEMPORARY NUMBER PORTABILITY?**

20       **A.**    The four major LECS (Southern Bell, General  
21           Telephone, Sprint Centel, and Sprint United)  
22           ("MLECs") should compensate the new entrant as if  
23           the traffic had been terminated directly to the new

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1 entrant's network, except that certain transport  
2 elements should not be paid to the new entrant to  
3 the extent that the MLECs will be transporting the  
4 call on their own networks. Thus, for LATA-wide  
5 calls originating on the MLEC networks and  
6 terminating on the new entrant's network, the  
7 effective inter-carrier compensation structure at  
8 the time the call is placed should apply. Traffic  
9 from IXCs forwarded to the new entrant via the  
10 temporary number portability service should be  
11 compensated by the MLECs at the appropriate  
12 intraLATA, interLATA-intrastate, or interstate  
13 terminating access rate less those transport  
14 elements corresponding to the use of the MLECs  
15 network to complete the call. In other words, MLECs  
16 should receive entrance fees, tandem switching, and  
17 part of the tandem transport charges. The new  
18 entrant should receive local switching, residual  
19 interconnection charge, Carrier Common Line charges,  
20 and part of the transport charge. (The pro-rata  
21 billing share to be remitted to the new entrant  
22 should be identical to the rates and rate levels as  
23 non-temporary number portability calls.) The MLECs

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1           will bill and collect from the interexchange carrier  
2           and remit the appropriate portion to the new  
3           entrant.

4           **Q.    SHOULD THIS DOCKET BE CLOSED IMMEDIATELY AFTER THE**  
5           **PROPOSED SCHEDULE CONCLUDES?**

6           **A.**    No.  Even if there is agreement or a Commission  
7           solution to the question of temporary number  
8           portability, the experience of MFS in New York in  
9           other states suggests that there will additional  
10          problems in implementation.  These could include,  
11          for example, differences of interpretation of the  
12          requirements, or unanticipated technical issues.  
13          Moreover, additional temporary solutions could arise  
14          that were not contemplated at this time.  Given the  
15          market dominance of the MLECs, the Commission should  
16          keep this docket open as a vehicle to address these  
17          issues.

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

19          **A.**    Yes.

REBUTTAL TESTIMONY OF TIMOTHY T. DEVINE  
ON BEHALF OF  
METROPOLITAN FIBER SYSTEMS OF FLORIDA, INC.  
Docket No. 950737-TP

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Timothy T. Devine. My business address  
3 is Metropolitan Fiber Systems of Florida, Inc.  
4 ("MFS"), 250 Williams St., Atlanta, Georgia 30303.

5 Q. ARE YOU THE SAME TIMOTHY DEVINE WHO PREVIOUSLY FILED  
6 TESTIMONY IN THIS PROCEEDING?

7 A. Yes.

8 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

9 A. To respond to the positions of other parties  
10 regarding those issues that have not been stipulated  
11 to by the parties. (Issues 1, 2, 6, and 7 have in  
12 fact been stipulated to by the parties.) In  
13 particular, I will emphasize the need to ensure that  
14 any temporary number portability solution is funded  
15 by per-line per-month charges which are, as MCI has  
16 stated in its Direct Testimony, set at the  
17 incremental direct cost to the LEC of providing such  
18 service to ALECs, with no contribution.

19 Q. HAS THE NUMBER PORTABILITY TASK FORCE GROUP  
20 SUCCEEDED IN NEGOTIATING A COMPREHENSIVE NUMBER  
21 PORTABILITY SOLUTION?

22 A. No. The parties have agreed to a Stipulation  
23 addressing certain fundamental aspects of a  
24 solutions, such as the basic technical alternatives

Rebuttal Testimony of Timothy T. Devine  
MFS Communications Company, Inc.  
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1           that must be offered. The parties have not,  
2           however, been able to reach agreement on, among  
3           other issues, the critical issue of how the cost of  
4           temporary number portability should be funded.

5       **Q.   WHAT ISSUES REMAIN TO BE RESOLVED IN THIS DOCKET?**

6       **A.**   Issues 3 (advantages and disadvantages of  
7           solutions), 4 (costs associated with providing each  
8           solution), 5 (how costs should be recovered), and 8  
9           (whether the docket should be closed).

10      **Q.   IS THERE A CONSENSUS AMONG THE PARTIES THAT, DESPITE**  
11           **CERTAIN DEFICIENCIES, REMOTE CALL FORWARDING IS THE**  
12           **BEST TEMPORARY SOLUTION?**

13      **A.**   Yes. Although some parties also advocate Flex DID  
14           as a temporary solution, the general consensus that,  
15           although deficient in a number of technical and  
16           operational aspects, Remote Call Forwarding ("RCF"),  
17           which is currently tariffed by LECs, is the best  
18           temporary solution.

19      **Q.   WHAT IS THE CRUX OF THE DISPUTE IN THIS DOCKET?**

20      **A.**   The crux of the dispute is what costs should be  
21           considered in analyzing the cost of RCF and how  
22           should those costs be recovered.

Rebuttal Testimony of Timothy T. Devine  
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1       **Q.    HAVE BELLSOUTH AND GTE INCLUDED CERTAIN COSTS IN ITS**  
2       **CALCULATION OF RCF COSTS THAT SHOULD NOT BE**  
3       **INCLUDED?**

4       **A.    Yes.    The Commission should critically review all**  
5       costs claimed to be incurred by LECs in provisioning  
6       RCF for ALECs.    For example, BellSouth's costs  
7       associated with service implementation appear to  
8       involve mere data input and should therefore be  
9       closely scrutinized.    Kolb Testimony at 4-5.  
10      Central office and interoffice networking costs (*id.*  
11      at 5) must also be scrutinized to ensure that they  
12      do not include costs that would otherwise be  
13      incurred to provide currently tariffed RCF service.  
14      ALECs should have access to all cost studies and  
15      workpapers to permit them to analyze this  
16      information.

17      **Q.    SHOULD RCF RATES RECOVER CONTRIBUTION TO SHARED**  
18      **COSTS AS RECOMMENDED BY LECS?**

19      **A.    No.    This recommendation (Kolb Testimony at 6;**  
20      Menard Testimony at 6; Poag Testimony at 4) would  
21      require ALECs to subsidize their much larger LEC  
22      competitors.    As I have explained in testimony in  
23      the related interconnection and universal service

Rebuttal Testimony of Timothy T. Devine  
MFS Communications Company, Inc.  
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1 docket, ALECs should not be required to pay  
2 contribution to LECs. ALECs should not be  
3 responsible for paying the overhead costs of their  
4 monopolist competitors. This runs contrary to basic  
5 principles of competition and will merely serve to  
6 lock in current inefficiencies of the LEC network.  
7 To the extent that RCF is a bottleneck facility  
8 provided by a monopolist to its competitors,  
9 contribution is entirely inappropriate.

10 **Q. WHAT IS YOUR VIEW OF THE PROPOSAL OF MCI IN ITS**  
11 **DIRECT TESTIMONY REGARDING THE PER LINE PER MONTH**  
12 **CHARGE FOR RCF?**

13 **A.** MCI has proposed that the per line per month charge  
14 be set at the incremental direct cost to the LEC of  
15 providing RCF. Price Testimony at 13. I agree that  
16 this is the appropriate basis for such a per line  
17 per month charge.

18 As I stated in my direct testimony, MFS surveys  
19 in New York conclusively demonstrate that customers  
20 are extremely reluctant to change telephone carriers  
21 if they will also be required to change telephone  
22 numbers. MFS has conducted two series of surveys of  
23 potential customers in New York that provide

Rebuttal Testimony of Timothy T. Devine  
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1           overwhelming evidence of the significance of number  
2           portability to customers considering switching to a  
3           competitive provider. Moreover, MFS has not seen in  
4           Florida or elsewhere any market survey or other  
5           evidence suggesting that number portability is not  
6           critically important to customers.

7           Telephone customers, and particularly business  
8           customers that have advertising, marketing, and  
9           goodwill investments in their phone numbers, are  
10          extremely reluctant to change numbers unless  
11          absolutely necessary. This issue is particularly  
12          sensitive for the generally underserved market of  
13          small business customers, typically those having 5  
14          to 35 lines. Number portability is therefore a  
15          basic prerequisite for the development of local  
16          competition prescribed by the Legislature.

17       **Q. DO YOU AGREE WITH MCI THAT THE CRITICAL NATURE OF**  
18       **NUMBER PORTABILITY HAS AN IMPACT ON THE APPROPRIATE**  
19       **BASIS FOR PRICING RCF?**

20       **A.** Yes. As discussed by Mr. Price (at 12-13), RCF is  
21       currently priced as a premium service by LECs.  
22       However, because number portability has been proven  
23       in market surveys to be essential to local

Rebuttal Testimony of Timothy T. Devine  
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1 competition, the Commission must establish a price  
2 for RCF that reflects incremental direct cost to the  
3 LEC.

4 In this sense, temporary number portability is  
5 not comparable to premium services, such as many  
6 CLASS services (e.g., Caller I.D.), that individual  
7 customers choose to purchase to further their  
8 personal needs. Number portability is an integral  
9 part of a legislatively mandated plan to introduce  
10 competition into the local exchange market. To  
11 charge contribution to those pioneering customers  
12 that first use ALEC services, or those carriers that  
13 first provide such service, would be blatantly  
14 anticompetitive and would contravene the intent of  
15 the Legislature.

16 **Q. HOW DO YOU RESPOND TO PROPOSALS THAT THIS DOCKET BE**  
17 **CLOSED IMMEDIATELY AFTER THE PROPOSED SCHEDULE**  
18 **CONCLUDES?**

19 **A.** MFS still opposes closing the docket, although it  
20 may not be far from agreement with BellSouth which  
21 states that a new docket should be opened to  
22 continue the work of monitoring temporary number  
23 portability solutions. Closing one docket and

Rebuttal Testimony of Timothy T. Devine  
MFS Communications Company, Inc.  
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1 opening another for the same purpose does not appear  
2 to MFS to be a sensible approach to ensuring that  
3 implementation problems are efficiently and  
4 effectively addressed by the Commission. MFS, based  
5 on its experience in other states anticipates such  
6 implementation problems and therefore believes that,  
7 as with all other co-carrier issues, the Commission,  
8 after initially setting the rules, should remain  
9 fully engaged in the process to ensure the  
10 fulfillment of the legislative mandate. Experience  
11 shows that, as competition takes root, LECs will  
12 retain market dominance for some time to come. The  
13 Commission should therefore keep this docket open to  
14 ensure that implementation occurs according to the  
15 intent of the Commission.

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

17 **A. Yes.**

1 (Exhibit Nos. 1, 2 and 3 marked for  
2 identification and received in evidence.)

3 **MS. BARONE:** Madam Chairman, Staff would  
4 like to stipulate the depositions and errata sheets of  
5 F. Ben Poag and Frank R. Kolb into the record, if the  
6 parties do not object. Those are labeled FRK-1 and  
7 FBP-1.

8 **MR. WAHLEN:** Monica, the errata sheet that  
9 is attached to Mr. Poag's deposition is the errata  
10 sheet in the other docket. There were no changes to  
11 Mr. Poag's testimony as reflected in his deposition in  
12 this docket. I'm sorry I didn't get with you about  
13 that sooner.

14 **CHAIRMAN CLARK:** Ms. Barone, I'm not sure,  
15 FBP-1 is without the errata sheet. You want that  
16 stipulated into the record. And what else?

17 **MS. BARONE:** FRK-1. That's the deposition  
18 of Frank R. Kolb. Those should be the top two  
19 exhibits in front of you.

20 **CHAIRMAN CLARK:** Did you say FRK-1 has an  
21 errata sheet attached? Okay.

22 **MS. BARONE:** Yes, it does.

23 **CHAIRMAN CLARK:** All right. FBP-1 will be  
24 labeled as Exhibit 4. And will be stipulated into the  
25 record.

1           **MS. BARONE:** Yes, ma'am.

2           **CHAIRMAN CLARK:** Without objection. And  
3 FRK-1 with the errata sheet will likewise be  
4 stipulated into the record without objection.

5                   (Exhibit Nos. 4 and 5 marked for  
6 identification and received in evidence.)

7           **MS. BARONE:** Madam Chairman, the parties  
8 have been provided with Staff's exhibits STIP-1,  
9 STIP-2, STIP-3 and STIP-4. If the parties do not  
10 object, we'd like to stipulate these exhibits into the  
11 record as well.

12           **COMMISSIONER DEASON:** Is there any  
13 objections to stipulating these exhibits into the  
14 record? Okay. STIP-1 will be labeled as Exhibit 6,  
15 and it will be admitted in the record by stipulation.  
16 STIP-2 will be labeled as Exhibit 7 and it will be  
17 stipulated into the record, and STIP --

18           **MR. MELSON:** Chairman Clark, on STIP-2  
19 which is a summary listing of advantages and  
20 disadvantages that's been taken from the testimony, I  
21 have not had a chance to review that in detail. I  
22 don't have any objection to it, but to the extent that  
23 a particular witness was to list another disadvantage,  
24 I just wanted to be clear that we're not -- by  
25 stipulating to this exhibit, we're not indicating that

1 this is necessarily an exhaustive list of all of the  
2 advantages and disadvantages. That's for  
3 clarification, though, rather than objection.

4 **CHAIRMAN CLARK:** Okay. With that  
5 understanding it will be stipulated into the record.  
6 STIP-3 will be Exhibit No. 8 and it will be admitted  
7 into the record by stipulation, and STIP-4 will be  
8 labeled Exhibit 9 and it will be admitted in the  
9 record by stipulation.

10 (Exhibit Nos. 6, 7, 8 and 9 marked for  
11 identification and received in evidence.)

12 **MS. BARONE:** Finally, Madam Chairman,  
13 Staff requests that the Commission take official  
14 recognition PSC-95-1214-AS-TP, issued October 3, '95  
15 which incorporates the stipulation executed by the  
16 parties in this docket.

17 **CHAIRMAN CLARK:** We will officially  
18 recognize that order.

19 **MS. RULE:** Repeat the order number.

20 **MS. BARONE:** PSC-95-1214-AS-TP.

21 That's all we have.

22 **CHAIRMAN CLARK:** Thank you. Do any of the  
23 parties have any preliminary matters? Okay.

24 At this time I'd like everyone who is to  
25 provide testimony in this docket to stand and raise

1 their right hand.

2 (Witnesses collectively sworn.)

3 **MS. WHITE:** BellSouth calls Frank Kolb to  
4 the stand.

5 - - - - -

6 **FRANK R KOLB**

7 was called as a witness on behalf of BellSouth  
8 Telecommunications, Inc. and, having been duly sworn,  
9 testified as follows:

10 **DIRECT EXAMINATION**

11 **BY MS. WHITE:**

12 Q Would you please state your name and  
13 business address for the record?

14 A My name is Frank R. Kolb, Jr. My business  
15 address is 3535 Colonnade Parkway, Birmingham, Alabama  
16 35243.

17 Q By whom are you employed?

18 A BellSouth Telecommunications.

19 Q And in what capacity?

20 A I'm a director in the economic analysis  
21 planning organization.

22 Q Did you file direct testimony in this docket  
23 consisting of 8 pages?

24 A Yes, I did.

25 Q Do you have any changes or additions to your

1 testimony?

2 A No, I don't.

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

6 A Yes, they would.

7 MS. WHITE: I'd request that the testimony  
8 be inserted into the record as though read.

9 CHAIRMAN CLARK: The prefiled direct  
10 testimony of Mr. Frank Kolb is inserted in the record  
11 as though read.

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1                   **BELLSOUTH TELECOMMUNICATIONS, INC.**  
2                   **DIRECT TESTIMONY OF FRANK R. KOLB, JR.**  
3                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**  
4                   **DOCKET NO. 950737-TP**  
5                   **SEPTEMBER 1, 1995**

6  
7                   **FLORIDA TEMPORARY NUMBER PORTABILITY**

8  
9 Q. Please state your name, business address and  
10 occupation.

11  
12 A. My name is Frank R. Kolb, Jr. My business address  
13 is 3535 Colonnade Parkway, Birmingham, Alabama. I  
14 am a Director in the Economic Cost organization of  
15 BellSouth Telecommunications, Inc. My area of  
16 responsibility is Economic Analysis Planning.

17  
18 Q. Please state your educational background.

19  
20 A. I received a Bachelor of Science degree in  
21 Electrical Engineering from Louisiana State  
22 University and am a Registered Professional  
23 Engineer. I have approximately twenty years  
24 experience in coordinating the development of  
25 economic models for application in

1 telecommunications cost for pricing studies and in  
2 general costing of telecommunications resources.

3

4 Q. What is the purpose of your testimony?

5

6 A. The purpose of my testimony is to address issues 3,  
7 4, 5, and 8 concerning the Remote Call Forwarding  
8 (RCF) solution for temporary number portability.

9

10 Q. What are the advantages and disadvantages  
11 associated with the RCF temporary number  
12 portability arrangement stipulated to by the  
13 parties that will be available by January 1, 1996?  
14 (Issue #3)

15

16 A. The number portability standards group stipulated  
17 to the availability of RCF on January 1, 1996. The  
18 following are the significant advantages and  
19 disadvantages of the RCF alternative:

20

21 Advantages:

22

23 RCF will be provisioned using existing translation  
24 routines and can be delivered directly from an end  
25 office to the ALEC. RCF is also a known and well

1 understood offering generally available.

2

3 Disadvantages:

4

5 Two directory numbers are required for each  
6 portable number arrangement using RCF. Remote Call  
7 Forwarded calls would not allow for full CLASS  
8 feature transparency, and a potential call set-up  
9 additional delay of .5 to 5 seconds is possible  
10 depending upon the network configuration and  
11 signaling protocols. The engineered capability of  
12 a given switch may pose a problem in regard to the  
13 number of call forwarded calls the switch can  
14 handle at a given time. Finally, certain call flow  
15 scenarios would require additional trunking.

16

17 Q. What costs have been identified for the RCF  
18 temporary number portability solution? (Issue #4)

19

20 A. Three major categories of Long Run Incremental Cost  
21 (LRIC) have been identified:

22

23 (1) Service implementation

24

25 (2) Central office equipment and software

1

2 (3) Interoffice networking

3

4 Q. What uncertainties exist relative to the costs for  
5 the RCF arrangement for temporary number  
6 portability?

7

8 A. Various methods and procedures have yet to be  
9 defined (e.g., demand, ALEC billing, handling calls  
10 to E911, etc.). The costs were developed based on  
11 a uniform distribution of demand across BST's  
12 network. Further, the costs assume that RCF is an  
13 interim solution and will not be utilized for the  
14 long term.

15

16 Q. Please describe the costs associated with service  
17 implementation.

18

19 A. Service orders are written by a service  
20 representative who takes the order from the  
21 customer (ALEC). The orders then flow through the  
22 various mechanized systems to the departments  
23 involved in establishing the service. Upon receipt  
24 of the order, the Network department must perform  
25 translations in the central office to forward the

1 affected calls to the ALEC's central office.

2

3 Q. Please describe the central office costs.

4

5 A. The central office requirements include software,  
6 use of the processor and dedicated equipment.  
7 Specific software is required to obtain the feature  
8 functionality from the processor. Processor memory  
9 is used to store information which correlates the  
10 BellSouth and ALEC telephone numbers. Processor  
11 time is consumed when calls are received which  
12 require forwarding to the ALEC office. Also,  
13 dedicated line terminating equipment is required  
14 for forwarding numbers.

15

16 Q. Please describe the interoffice networking costs.

17

18 A. Forwarded calls are routed through additional local  
19 interoffice trunking facilities in order to reach  
20 the ALEC's central office. Costs incurred in the  
21 local interoffice network include trunk  
22 terminations, transport facilities, and signaling  
23 functions.

24

25 Q. What are BST's best cost estimates of the remote

1 call forwarding solution for temporary number  
2 portability?

3

4 A. The non-recurring costs have been estimated to be  
5 \$24.84 and the recurring monthly costs have been  
6 estimated to be \$1.11.

7

8 Q. What is the appropriate method to recover the costs  
9 associated with the temporary number portability  
10 solution? (Issue #5)

11

12 A. BellSouth believes that the long run incremental  
13 costs of the RCF arrangement for temporary number  
14 portability should be recovered directly from the  
15 carriers or customers who make use of these  
16 arrangements. The prices established for the RCF  
17 arrangement for temporary number portability  
18 solutions should be LEC specific. The above long  
19 run incremental cost should be used to establish a  
20 price floor, however, it should be noted that the  
21 long run incremental cost does not include  
22 contribution to the shared and common cost.

23

24 Q. How should the appropriate price for the RCF  
25 arrangement for temporary number portability be

1 determined?

2

3 A. The Florida Statute provides that "The prices and  
4 rates shall not be below cost." Section 364.16(4).

5 This same portion of the Statute provides that  
6 "[i]f the parties are unable to successfully  
7 negotiate the prices, terms and conditions of a  
8 temporary number portability solution, the  
9 Commission shall establish a temporary number  
10 portability solution by no later than January 1,  
11 1996." This clearly means that, in the first  
12 instance, the parties should be allowed to  
13 negotiate the price. These negotiations are  
14 underway and only if these negotiations are not  
15 successful, will the Florida Public Service  
16 Commission be required to set the price.

17

18 Q. Should this docket remain open ? (Issue #8)

19

20 A. No. While BellSouth supports a continuing effort  
21 by the number portability standards group to  
22 investigate and develop the appropriate costs,  
23 parameters, and standards for a permanent number  
24 portability solution, a new docket should be opened  
25 for this purpose.

1

2 Q. Does this conclude your testimony?

3

4 A. Yes, it does.

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1 Q (By Ms. White) Would you please summarize  
2 your testimony?

3 A Yes.

4 Good morning. The purpose of my testimony  
5 is to address Issues 3, 4, 5 and 8 associated with the  
6 remote call forwarding solution for service provider  
7 temporary number portability. The RCF temporary  
8 number portability arrangement will be available  
9 January 1st, 1996.

10 Issue 3 addresses advantages and  
11 disadvantages associated with the RCF alternative.  
12 The advantages include RCF will be provisioned using  
13 existing translation routines and can be delivered  
14 directly from an end office to the ALEC. And two, RCF  
15 is also a well-known and understood offering generally  
16 available.

17 The disadvantages are, first, two directory  
18 numbers are required for each arrangement. Two, RCF  
19 calls would not allow for full CLASS feature  
20 transparency. Three, there is potential for call  
21 setup delays of .525 seconds for the engineered  
22 capacity of a given switch may pose a problem in  
23 regard to the number of call forwarded calls the  
24 switch can handle at a given time. And five, certain  
25 call flow scenarios would require additional trunking.

1            Responding to Issue 4, there are three  
2 major categories of long run incremental costs which  
3 have been identified for the RCF temporary number  
4 portability solution.

5            These are first, service implementation  
6 costs which include costs associated with service  
7 order processing, mechanized order flow to involve  
8 departments and network translations in the central  
9 office. Two, the central office cost, which includes  
10 software requirements which include processor usage  
11 and also line terminating equipment. And three the  
12 cost incurred for interoffice networking.

13           The associated nonrecurring costs have been  
14 estimated at \$24.84, and the recurring monthly costs  
15 have been estimated to be \$1.11.

16           In responding to Issue 5, BellSouth believes  
17 that the long run incremental cost of the RCF  
18 arrangement for temporary number portability should be  
19 recovered directly from carriers or customers who make  
20 use of these arrangements. The prices established  
21 should be LEC-specific. The long run incremental cost  
22 should be used to establish a price floor. However,  
23 it should be noted that the LRIC does not include  
24 contribution to the shared and common cost. The  
25 parties should be allowed to negotiate the price in

1 accordance with the Florida Statute. These  
2 negotiations are underway and only if unsuccessful  
3 will the Florida Public Service Commission be required  
4 to set the price.

5           Lastly, in answering Issue 8, this docket  
6 should not remain open, and the docket -- a docket  
7 should be opened for the purpose of investigating and  
8 developing the appropriate cost parameters and  
9 standards for a permanent number portability solution.

10           This concludes my summary. Thank you.

11           **MS. WHITE:** Thank you, Mr. Kolb. The  
12 witness is now available for cross examination.

13           **CHAIRMAN CLARK:** Ms. Caswell.

14                           **CROSS EXAMINATION**

15           **BY MS. CASWELL:**

16           Q     Mr. Kolb, I just have a couple of questions.  
17 I'm with GTE Florida.

18                     Has BellSouth reached a decision as to what  
19 price should be charged for remote call forwarding for  
20 temporary number portability?

21           A     Yes. Many of you may have seen the Teleport  
22 Communications Group stipulation that we've signed;  
23 indicates there we've -- by negotiating an entire  
24 package now have come up with a \$1.50 per number  
25 ported, which would include one path, and then

1 75 cents per additional path, with a \$25 service  
2 connection charge.

3 Now, that agreement, that package that was  
4 put together, was with the clear understanding that we  
5 would have support from Teleport in establishing an  
6 universal service mechanism of some sort. Now, if not  
7 for this package and all those things, particularly  
8 the last one that was in there, then we would think  
9 that the price should be more in the range of \$2 and  
10 maybe higher. And that in particular would say that  
11 if we did that, we would still -- I'm understanding  
12 that we would still be, say, the second lowest known  
13 in the country at this time.

14 MS. CASWELL: Thank you, Mr. Kolb. That's  
15 all I have.

16 MR. WAHLEN: No questions.

17 CHAIRMAN CLARK: Ms. Weiske.

18 CROSS EXAMINATION

19 BY MS. WEISKE:

20 Q My name is Sue Weiske and I'm here  
21 representing Time Warner. I'd like to take a few  
22 moments without going into the numbers and talk to you  
23 a little bit about the method you used to calculate  
24 your costs for remote call forwarding. Particularly  
25 I'm going to ask you some questions about Workpaper

1 30. Do you have that?

2 MR. MELSON: Chairman Clark.

3 CHAIRMAN CLARK: Mr. Melson.

4 MR. MELSON: I believe Workpaper 30 is  
5 included in a package of confidential exhibits the  
6 Staff intends to offer later. It might help the  
7 Commissioners follow the examination if you had those  
8 in front of you now.

9 CHAIRMAN CLARK: Thank you. Are we going  
10 to be talking about confidential information?

11 MS. WEISKE: No, Your Honor. I think I  
12 can do this without getting into actual numbers but  
13 just go through the mechanics.

14 CHAIRMAN CLARK: Great.

15 MS. WEISKE: May I proceed?

16 CHAIRMAN CLARK: Yes.

17 Q (By Ms. Weiske) Mr. Kolb, if I understand  
18 Workpaper 30, you have put together what you believe  
19 is the appropriate nonrecurring cost on an incremental  
20 basis; is that fair?

21 A Yes.

22 Q And, in fact, at the top part of that page  
23 you have a listed an initial installation charge in  
24 terms of labor and an initial -- not an initial,  
25 excuse me, and a disconnect charge in terms of labor

1 effort; is that true?

2 A Yes.

3 CHAIRMAN CLARK: Ms. Weiske, can you  
4 direct us to where Workpaper 30 is?

5 MS. BARONE: Page 12.

6 MS. WEISKE: I've pulled mine out of  
7 order, Your Honor.

8 Q Is it possible, Mr. Kolb, that a service  
9 representative taking an order would take an order  
10 something bundled with remote call forwarding? In  
11 other words, if I'm a customer and I'm calling in to  
12 BellSouth or another LEC, isn't it possible that I  
13 would be ordering more than remote call forwarding at  
14 the same time? Meaning I might be ordering bundled  
15 speed dialing, call waiting and some other service?

16 A My understanding is yes, there are certain  
17 installation charges that would apply over and above  
18 the service order processing costs that I have  
19 indicated here.

20 Q No. What I'm getting at, Mr. Kolb, is that  
21 the amount of time you have representing labor there,  
22 actually that customer service representative could be  
23 taking an inquiry from a customer that would go well  
24 beyond ordering or disconnecting remote call  
25 forwarding. Isn't that true?

1           A     That is correct.

2           Q     And the service order processing expense  
3 amount, what does that represent there?

4           A     Okay. This is for business customers. This  
5 would assume that a business customer had called in  
6 and they had looked at any number of line activities  
7 and features, so this would include a host of things  
8 that could be done on that same order.

9           Q     Am I misunderstanding aspects of the  
10 deposition that was taken by Staff where you indicated  
11 that you were still developing, as a company, your  
12 service order processes?

13          A     No. We are developing -- this one that we  
14 have used here was our best estimate associated with  
15 business customers, the kind of time that it would  
16 take to discuss all aspects of a business order. And  
17 at this point in time my understanding is that those  
18 processes are going to be very similar to what is used  
19 today for the interexchange carriers. So this was a  
20 proxy. We had to really use a proxy here.

21          Q     You're using a surrogate but haven't yet  
22 determined exactly what your process would be?

23          A     That's exactly right.

24          Q     I was slightly confused by a statement in  
25 your deposition where you have said "We have used as a

1 surrogate for that our service connection for a  
2 secondary service order," And then you continued to  
3 say "This would be the service rep, some controller  
4 and other types of costs." I'm at Page 22.

5 **MS. WHITE:** Thank you.

6 Q (By Ms. Weiske) Lines 1 through 5. My  
7 understanding of an incremental cost study is that  
8 controller costs would not be part of the increment  
9 looked at in terms of the cost. Did you mean  
10 something different there when you stated some  
11 controller and other types of costs?

12 A Yes. Basically what you would have, when we  
13 say controller costs, this would be computer costs and  
14 other things that are associated setting up the  
15 billing itself.

16 Q So you were talking about the function of  
17 billing there?

18 A Right.

19 Q Are there any other types of costs that you  
20 had in mind there at Line 5 of your deposition on  
21 Page 22?

22 A I think the most prominent ones were the  
23 service rep, which is the dominating cost, and the  
24 controller.

25 Q Do you believe that land and buildings,

1 Mr. Kolb, is an appropriate part of switching costs in  
2 an incremental cost study?

3 A Yes. You have building additions, you have  
4 improvements in the building, and basically what we've  
5 tried to do in these studies is to identify for a  
6 central office -- incidently, these numbers are  
7 developed specifically for central offices. In  
8 looking at the additional equipment we might have in  
9 the office, and we would see how much land and  
10 buildings is being added over a period of time. So it  
11 would be, as we would view that, if we look at the  
12 additional land and buildings and that relationship to  
13 the additional planned equipment going in, then we  
14 think we have the incremental land and buildings  
15 associated with incremental investments.

16 Q Well, I confess, Mr. Kolb, I'm as confused  
17 as the Staff attorney in the deposition on this  
18 matter, and I'd like to talk to you a little bit about  
19 it.

20 If you have a particular central office and  
21 you have not reached capacity for the land or the  
22 building, and you're looking at an interim approach,  
23 like remote call forwarding, let's say for the sake of  
24 this discussion over the next year, how would there be  
25 an incremental cost associated with land and building

1 if you haven't reached capacity associated with an  
2 interim solution like that or a interim approach like  
3 that?

4       A     Of course, if we knew exactly where these  
5 places are going to be we might be able to come up  
6 with some sort of an estimate like that. But not  
7 knowing that -- and I think we've indicated also we've  
8 tried to use something here assuming uniform  
9 distribution throughout the network, and we will have  
10 ongoing activities in the buildings and it's not as if  
11 I'm building a new building. You know, you have  
12 capacity but there are other building costs as well.

13       Q     What other building costs would you have in  
14 mind that would be associated specifically with remote  
15 call forwarding and an incremental cost study?

16       A     It wouldn't -- in this case, in remote call  
17 forwarding, not necessarily. What you would have is  
18 associated with putting equipment in.

19               For example, remote call forwarding uses  
20 equipment for terminating the lines. Well, the same  
21 equipment is used for terminating any line. If I've  
22 got additional demands in a office, I would add this  
23 equipment. So as we go along, I'm adding equipment  
24 and in some cases every couple of years we're coming  
25 in and adding additional equipment.

1 Q Would the additional equipment that you're  
2 referring to there, wouldn't that be additional  
3 equipment needed to offer other services?

4 A Oh, yes. Yes.

5 Q Not to offer specifically remote call  
6 forwarding?

7 A Right. When we put the equipment in it has  
8 multiple purposes. However, what happens is, as we  
9 would view this, this is an opportunity cost. In  
10 other words, I could use this equipment for remote  
11 call forwarding. I can also use it for something  
12 else. But the fact is, I have assigned it for use  
13 with remote call forwarding. So in that case, while  
14 the equipment is put in and could be essentially  
15 assigned to any number of services, in this instance  
16 it is, indeed, assigned to remote call forwarding.

17 Q Do you believe that opportunity costs is  
18 part of the economic definition for TSLRIC?

19 A I'm not a full-time expert on TSLRIC. My  
20 understanding is that it does embrace an opportunity  
21 cost concept, certainly.

22 Q Could you be specific about what aspect of  
23 the definition of TSLRIC in your mind embraces an  
24 opportunity cost?

25 A Well, obviously, it includes opportunity

1 cost of capital associated with the facilities. It  
2 also embraces a concept of saying if I did away with  
3 the service and I had reuse for the equipment, then,  
4 in fact, I would have -- that would be an opportunity  
5 cost. In other words, if I did away with the service  
6 and I have demand for that equipment elsewhere, that  
7 is an opportunity cost.

8 Q Do you know currently how many customers are  
9 buying remote call forwarding out of the tariff from  
10 BellSouth?

11 A No, ma'am, I don't.

12 Q Do you know how many of those central  
13 offices that BellSouth has that are currently serving  
14 those customers in terms of the service?

15 A Actual offices, number of offices, no, I'm  
16 sorry.

17 Q Do you know what percentage of the land and  
18 buildings that are currently in place are currently  
19 associated with that service being offered that  
20 customers currently take?

21 A Specifically, no.

22 Q Would you take a look for a moment, please,  
23 at Workpaper 40, Lines 7 through 14.

24 MS. WEISKE: That's also, Your Honor, part  
25 of the package that Staff has as Mr. Kolb's

1 deposition.

2 Q (By Ms. Weiske) If I understand how you  
3 calculated the monthly usage costs for trunking,  
4 you're taking the calling patterns for business, a  
5 number of calls times the setup call, the cost of the  
6 setup per call, plus the duration of minutes of the  
7 calls, times the cost of the duration per minute. Is  
8 that a fair representation of what you attempt to do  
9 on Line 12 for monthly trunking costs for 1-FB?

10 A Yes, that sounds reasonable.

11 Q Then you use that same method on Lines 24  
12 and 25 for your monthly trunking costs for PBX,  
13 Megalink and Lightgates NAR; is that fair?

14 A Yes, ma'am.

15 Q Did you include CENTREX costs in this  
16 formula?

17 A No, we did not include the CENTREX costs.  
18 We have gone back since the Staff asked that in a  
19 deposition and the answer comes out the same.

20 Q And I think you also said in that  
21 deposition, without giving away the results of the  
22 proprietary numbers, that when you did a similar study  
23 for residential the results were within a penny?

24 A Yes.

25 Q Yet the formula uses, for business, at

1 least, on Workpaper 40, as we have just gone through,  
2 the number of calls, the cost of the call times the  
3 number of minutes or the duration of the call.

4 Is it your understanding that residential  
5 use and business use as to the number of calls and the  
6 duration per minute -- and the cost -- excuse me, let  
7 me try this again.

8 Is it your understanding that residential  
9 usage in terms of the number of calls is similar to  
10 business, meaning customers have approximately the  
11 same number of calls per month?

12 A Now, I don't know -- you actually have a mix  
13 because you may have a different number of calls but  
14 long with duration on one, so you could have different  
15 costs that results just purely from those  
16 characteristics.

17 Q And you've anticipated my next question.  
18 Isn't it also the case that business use in terms of  
19 the duration varies between business and residential?

20 A Say your question again, I'm sorry.

21 Q That the duration of the calls for a  
22 business user is not usually identical to the duration  
23 of a call for a residential user?

24 A That's correct.

25 Q But you still don't think it's odd that your

1 results for trunking costs came within a penny of each  
2 other for residential and business use?

3 A No, ma'am.

4 Q Why is that?

5 A As I indicated, you may have greater or  
6 fewer calls to Bis versus Res. Let's say residence  
7 has fewer calls but they have longer duration, so,  
8 therefore, you may have a different pattern, calling  
9 pattern, but you could come up with basically the same  
10 cost.

11 Q Could you explain to me what a right-to-use  
12 fee means related to a 5ESS switch?

13 A Yes. A right-to-use fee we pay to AT&T.  
14 When the line is installed, in other words,  
15 a line that uses certain features is installed, then  
16 you have a right-to-use fee that we are charged.

17 Q Is that right-to-use fee associated with a  
18 particular type of software or with the entire switch?

19 A It is associated with certain features or  
20 feature packages.

21 Q And can feature packages of a particular  
22 switch offer more than a function like remote call  
23 forwarding?

24 A Yes, it can.

25 Q Does the right -- I'm sorry, were you done?

1           A     Yeah, I was going to say -- but independent  
2 of which features we're using we pay the same amount  
3 of dollars.

4           Q     So, for example, if the right-to-use fee is  
5 associated with a package that has ten functions in it  
6 and a customer only buys one of those ten functions,  
7 you would still pay the entire right-to-use fee?

8           A     For this -- in this particular situation, it  
9 would. In other situations it would not. It would be  
10 a shared cost among those functions.

11          Q     Does the costs that you've put forth on the  
12 right-to-use fee related to the 5ESS switch account  
13 for the fact that there might be shared use on the  
14 services from that switch?

15          A     Are we talking about the right-to-use now or  
16 the switch itself?

17          Q     The right to use first.

18          A     The right-to-use. No, because this would be  
19 a one-for-one purchase. In other words, with this  
20 particular line, if it can only use this feature, then  
21 it would be the full \$5. On the other hand, if I have  
22 lines, other lines out there, which I could put this  
23 package on that I could get multiple use, then if that  
24 is possible, then we would consider that a shared cost  
25 among those features.

1           Q     How did you do the calculation for the  
2 melded percentage on Workpaper 30 on the right-to-use  
3 fee? Did you actually take the number of 5ESS  
4 switches, the actual number in place, and use that  
5 percentage, and then use the actual number in place of  
6 the DMS 100?

7           A     My understanding is we had used the mix that  
8 is out there today of the 5E's and DMS.

9           Q     But again you said that the right-to-use fee  
10 number at the bottom of the page for Workpaper 30, the  
11 last line on that page, is only specific to the right  
12 to use for remote call forwarding? I'm on Workpaper  
13 30, your last line, Page 1 of 1, the amount on the  
14 bottom of that page.

15          A     Yes. For remote call forwarding.

16          Q     I'm sorry, I didn't hear your answer.

17          A     Yes, it is for remote call forwarding.

18          Q     Only?

19          A     As it relate to this service. I guess what  
20 I'm saying is, I'm not aware of what other features  
21 that might be put on in remote call forwarding. My  
22 understanding is that with remote calling forwarding  
23 there would not be other features ordered from us on  
24 that. If it was, then obviously this has paid for it.

25          Q     But remote call forwarding is being offered

1 and purchased today by customers. Is that fair?

2 A Yes.

3 Q And are those customers somehow implicit in  
4 that rate paying a right-to-use fee for that service?

5 A I haven't really studied the other study to  
6 see exactly how they handle the right to use on that  
7 one.

8 Q So you don't know here today whether the  
9 rates in place already account for a right-to-use fee  
10 specific to this service?

11 A I'm not familiar with the other study, the  
12 remote call forwarding study that was done. Not in  
13 any detail.

14 **CHAIRMAN CLARK:** Mr. Kolb, can I ask you a  
15 question along those lines?

16 **WITNESS KOLB:** Yes, ma'am.

17 **CHAIRMAN CLARK:** If I have remote call  
18 forwarding as an individual, I think I heard you say  
19 that there would be a right-to-use fee percentage or  
20 cost that would be included in what I'm charged?

21 **WITNESS KOLB:** I guess I was saying I'm  
22 not familiar with the existing right-to-use study that  
23 was done. But, nevertheless, if you had the  
24 right-to-use fee, you have the package for that, and  
25 you had many other features associated with it, I

1 think we would have to recognize that as a shared cost  
2 in that instance.

3           **CHAIRMAN CLARK:** Why do I, personally, as  
4 a customer, have to use other features to be charged a  
5 percentage of the right-to-use fee rather than the  
6 whole percentage, or the whole amount. Let me give  
7 you example and I may not be understanding this.

8           Suppose I have call waiting, call forwarding  
9 and I forget what the other one is, speed dial. When  
10 I'm charged for that -- assuming they are all the same  
11 software package and it has a right-to-use fee, is  
12 that right-to-use fee allocated to those three  
13 services? Say it's one package. Would you allocate  
14 33% to each one of those services I'm getting?

15           **WITNESS KOLB:** No, ma'am. I don't think  
16 we would allocate it if we knew that that line that we  
17 had was going to have all those features, and we would  
18 want to identify that as a shared cost -- in other  
19 words, as a shared cost.

20           The concern here, though, is that I'm not  
21 sure what other features would be required other than  
22 remote call forwarding for these lines that are going  
23 to be used for this temporary solution.

24           **CHAIRMAN CLARK:** Let me ask my question a  
25 different way. Why do I have to take all of those

1 features to only be charged a percentage of a  
2 right-to-use fee if those other features can be used  
3 by other customers? Say somebody just wants call  
4 waiting.

5 **WITNESS KOLB:** Right.

6 **CHAIRMAN CLARK:** Why don't you figure out  
7 your total cost for the right-to-use fee, and then you  
8 allocate it to each type of service, regardless how  
9 much a person takes?

10 **WITNESS KOLB:** If you did that it would be  
11 somewhat arbitrary because you're going to have some  
12 takers and some not-takers.

13 **CHAIRMAN CLARK:** You would forecast who is  
14 going to take what and then you would allocate it  
15 accordingly. So that if I just took remote call  
16 forwarding, I wouldn't pay the full right-to-use fee,  
17 I'd only pay part of that.

18 **WITNESS KOLB:** Or if you had the  
19 contributions, let's say, for all features. Let's say  
20 I have the right-to-use fee as a package, and,  
21 therefore, it is a shared cost among all of those  
22 products and services. If I did the analysis, what I  
23 would do is I would look at the demand for all of the  
24 different features that I had. Then I would take that  
25 demand times the incremental cost. I would compare

1 the prices -- in other words, price over the  
2 incremental cost, and then I would get the  
3 contributions from that, and then I would make sure  
4 that that combination of contributions covered this  
5 shared cost.

6 **CHAIRMAN CLARK:** You don't do that now?

7 **WITNESS KOLB:** My understanding is that  
8 they do attempt to do that, yes.

9 **CHAIRMAN CLARK:** I guess what I understand  
10 from the way you answered Ms. Weiske, is that you  
11 don't do that for this particular service.

12 **WITNESS KOLB:** For this particular  
13 service. I was not aware of any other features that  
14 this service would have beyond that.

15 **CHAIRMAN CLARK:** Okay.

16 **MS. WEISKE:** May I continue?

17 **CHAIRMAN CLARK:** Uh-huh.

18 Q (By Ms. Weiske) Mr. Kolb, would you look,  
19 please, at Page 6 of your direct testimony?

20 You say, starting at Line 12, that  
21 "BellSouth believes that the long run incremental  
22 costs for the RCF arrangement for temporary number  
23 portability should be recovered directly from the  
24 carriers or customers who make use of these  
25 arrangements."

1           If I'm a customer of BellSouth and I want to  
2 call Ms. Butler, who has become a customer of Time  
3 Warner, and I don't know if she has the same phone  
4 number or not. And I dial the number that she had  
5 when she was a customer of BellSouth with me. And  
6 she, as a customer of Time Warner, has now had that  
7 number ported. Would that call get completed?

8           A     I'm sorry.

9           Q     If Time Warner has remote call forwarding,  
10 we were both yesterday customers of BellSouth and  
11 today I'm still a customer of BellSouth but she's a  
12 customer of Time Warner, and I pick up the phone and I  
13 call her number from yesterday. If Time Warner has  
14 purchased remote call forwarding from you, would that  
15 call get completed? The number is ported. Wouldn't  
16 that call complete to her?

17          A     I would think so.

18          Q     And isn't that a benefit to me as a  
19 BellSouth customer because I can pick up the phone  
20 today and call her in the same way that I called her  
21 yesterday?

22          A     I would think that, obviously, there's some  
23 benefit there.

24          Q     And, in fact, let's broaden it and let's say  
25 there's 25 of us, I have an extended family and we all

1 live in Tallahassee, Florida. And I want to call all  
2 of them about a reunion. And I get on the phone today  
3 and half of them are Bell South customers and half of  
4 them are Time Warner customers. If those numbers are  
5 being ported, I can pick up and dial every one of  
6 those customers using the number I used yesterday.  
7 Isn't that fair?

8 A Yes.

9 Q And so all of those customers, both the  
10 current BellSouth customers and the Time Warner  
11 customers, benefit from that. Isn't that true?

12 A Yes.

13 Q So wouldn't it be fair to allocate those  
14 costs across the entire customer base, not simply the  
15 customers for the new entrant? Given what we have  
16 just discussed?

17 A That would be a policy question as to  
18 whether that should be done that way. I guess it  
19 depends on how you would view it.

20 We would say well, the the cost causer --  
21 first you would look at who caused the cost. And then  
22 if there were other policy considerations, then they  
23 would be taken into account.

24 Q But certainly the entire customer base of  
25 the description I just gave you benefits from those

1 numbers being ported through remote call forwarding;  
2 is that fair?

3 A Yes. I would think also there's some who  
4 may not get any benefit from that. That's the reason  
5 I'm saying that's a policy kind of decision that would  
6 have to be made.

7 Q Well, let's just say for the sake of this  
8 discussion that's not only these 25 or 20 customers  
9 that used to be BellSouth customers yesterday, today  
10 let's say that four of them are now with MFS and six  
11 are now with MCI Metro, and since I represent Time  
12 Warner, ten of them are now with Time Warner. And we  
13 all pick up the phone because we're all planning a  
14 college reunion. Wouldn't, again, if each of the new  
15 entrants have purchased remote call forwarding from  
16 BellSouth -- and we're just in BellSouth's territory  
17 for this discussion -- wouldn't every one of those  
18 customers benefit from that ported number?

19 MS. WHITE: I'm going to object to the  
20 extent that I believe the stipulation reached by the  
21 parties in this docket states that the price charged  
22 for remote call forwarding offered by an alternative  
23 LEC, local exchange company, will mirror the price  
24 charged by the local exchange company. So it's a  
25 two-way street and I think that's covered in the

1 stipulation.

2           **MS. WEISKE:** I don't quite understand the  
3 objection to the question, Your Honor. What I'm  
4 getting at is I believe both Mr. Devine for MFS and  
5 Mr. Price for MCI Metro proposed that the costs  
6 associated with remote call forwarding be spread  
7 across the entire customer base. Mr. Kolb has said,  
8 on Page 6 of his testimony, that should be limited to  
9 the new carriers or new carriers' customers. So I  
10 think the question is relevant and does go beyond the  
11 stipulation.

12           **CHAIRMAN CLARK:** Go ahead, Ms. Weiske.

13           Q     (By Ms. Weiske) Do you remember the  
14 question, Mr. Kolb?

15           A     Yes.

16           Q     Could you answer it for me, please? Do all  
17 the customers --

18           **COMMISSIONER GARCIA:** I don't remember the  
19 question. Could you ask it again?

20           **MS. WEISKE:** I'd be happy to, Commissioner  
21 Garcia.

22           Q     In the situation where we now have customers  
23 that yesterday were with BellSouth and today a portion  
24 are with MCI Metro, MFS and Time Warner, and I want to  
25 pick up the phone and call each one of those

1 customers, don't all of those customers benefit by  
2 being able to receive that call?

3 A In that particular instance, yes. But I  
4 think, going back to the question in the stipulation,  
5 where we're saying that the ALECs would call, charge  
6 us, we would charge them.

7 Now, once those charges -- that charging  
8 process is done, then it would be a matter of policy  
9 as to how those charges were paid for. So I guess I'm  
10 questioning as to whether -- based on the stipulation  
11 it says here's how the money gets back and forth.  
12 Now, how that gets back to the customer, I don't think  
13 is covered in the stipulation.

14 Q I'm not sure if you're saying you would have  
15 a objection to that kind of cost recovery or you would  
16 not have a objection to that kind of cost recovery?

17 A I would have to say that that's a policy  
18 decision that someone would have to make. That's a  
19 business decision as well.

20 Q Thank you. That's all I have, Mr. Kolb.

21 **CHAIRMAN CLARK:** Mr. Melson.

22

23

24

25



1 proposing is not only including a contribution that  
2 was inherent at \$1.50, but is including a much higher  
3 contribution than your current --

4 A Right. Under the assumption we would not in  
5 that particular example have funds from the universal  
6 access mechanism. So we'd have to look elsewhere to  
7 get these dollars.

8 Q All right. Now, let me turn to follow up on  
9 a couple of questions that Ms. Weiske asked you.

10 Are buildings and land a shared cost?

11 A Buildings and land, as we would see them on  
12 a long run, okay, looking at the long run, and long  
13 run could mean many things to many people, I'll grant  
14 you that. But, nevertheless, I would say as we expand  
15 equipment, add equipment, add frames, bays and so  
16 forth in central offices, and this is what we're  
17 talking about, that eventually we're going to have  
18 additional building costs. And the building cost that  
19 we've identified that we're looking at is specifically  
20 associated with those offices, and would be associated  
21 with activity, equipment activity, in that particular  
22 building.

23 Q I understood that from your earlier answer  
24 but I don't think that answered my question. Are  
25 those shared costs?

1           A     In this particular situation what we're  
2 saying is that in the long run those costs would be  
3 variable. And they are not fixed as you would  
4 normally think of as shared cost.

5           Q     I guess I'm not asking are the costs fixed  
6 or variable. I'm asking are they shared costs?

7           A     In other words, all of the services, yes.  
8 Even as you would have a processor in a central office  
9 you could say that's shared, but it has limited  
10 capacity and, hence, the need for their inclusion.

11          Q     Now, let me ask you another question. Every  
12 time you offer remote call forwarding for local number  
13 portability purposes, the customer associated with  
14 that line is going to be a person who was formerly a  
15 customer of Southern Bell; is that correct?

16          A     Yes.

17          Q     So that customer won't be occupying any more  
18 equipment space in the central office afterwards when  
19 you're providing only remote call forwarding than he  
20 was beforehand when you were providing the full range  
21 of services; is that correct?

22          A     That's correct.

23          Q     So the remote call forwarding is not --  
24 well, strike that.

25          A     Let me clarify something here, also. The

1 fact is that, yes, they will have the same equipment,  
2 they will be in the same space. But the fact is, that  
3 as long as we have reuse capability for that  
4 particular equipment, then it would still be an  
5 incremental cost associated with remote call  
6 forwarding.

7 Q Wouldn't it be equally fair to look at that  
8 as an incremental cost associated with the new  
9 customers who move into Southern Bell's territory and  
10 place additional demand on your system?

11 A No. Because what you would have -- I can  
12 use this resource either for the remote call forwarded  
13 customer or the new customer.

14 COMMISSIONER CLARK: Mr. Melson, did that  
15 make sense to you? (Laughter)

16 MR. MELSON: Not a lot.

17 WITNESS KOLB: Yes, ma'am.

18 CHAIRMAN CLARK: I guess what I didn't  
19 understand what I thought he was getting at the fact  
20 that you were assigning some costs with respect to  
21 that --

22 WITNESS KOLB: Right.

23 CHAIRMAN CLARK: -- remote call forwarding  
24 to the ALEC.

25 WITNESS KOLB: Right.

1           **CHAIRMAN CLARK:** Or whoever orders it.

2           **WITNESS KOLB:** Right. And my comment was  
3 that these costs are not sunk because we --

4           **CHAIRMAN CLARK:** These costs are not what?

5           **WITNESS KOLB:** These costs are not sunk.  
6 And these units that we have could be used for  
7 satisfying new customer growth. And if it did, we  
8 would not have to go out and buy new equipment for new  
9 customer growth; hence, the opportunity cost  
10 associated with remote call forwarding.

11           **CHAIRMAN CLARK:** Okay.

12           Q        (By Mr. Melson) Let me move, for a moment,  
13 to the right-to-use fee that you discussed with  
14 Ms. Weiske.

15                    Assume I'm a customer of Southern Bell today  
16 and I'm buying speed calling and two or three other  
17 features. Is it correct that Southern Bell has  
18 already paid the right-to-use fee for this feature  
19 package associated with my usage with my line?

20           A        Maybe. In those instances, in this  
21 particular case, that has already been paid for, we  
22 have not included those costs. So in the one  
23 situation I think we've included the cost, and this  
24 depends on the feature packages which -- and I know  
25 this has got to be confusing if you get into the

1 contracts -- the feature packages can be offered on an  
2 office basis, it can be offered on a line basis. In  
3 some cases there's a choice. So from that standpoint.  
4 However, if we included, and this would be a subcost,  
5 incidently, we would not have included had we already  
6 paid the right-to-use for an office, that would not be  
7 in this study. We would look at those offices being  
8 equipped in the future.

9 Q So you're saying you've got some offices  
10 today that are not equipped for remote call  
11 forwarding.

12 A There's one I'm thinking -- we do have one  
13 that has not been equipped, yes. Don't ask me what it  
14 is.

15 Q Is there a rate of return inherent in your  
16 cost calculations?

17 A Yes, there is. There's an opportunity cost  
18 of capital. We're doing a forward-looking study, and,  
19 therefore, we consider the forward-looking cost of  
20 capital, and we would do this in all of our studies.

21 Q And what cost of capital did you use?

22 A In this particular situation, it's in the  
23 cost study itself. I think it's 13.2. 13.2%.

24 Q And that's an overall cost so the return on  
25 equity implicit in that would be higher than the 13.2?

1           A     Yes.  It's 60/40 debt ratio.

2           **CHAIRMAN CLARK:**  Did you indicate the cost  
3 of equity in that 13 --

4           **WITNESS KOLB:**  Yes, ma'am.  I think I have  
5 that.  (Pause)  It's 16%.

6           **CHAIRMAN CLARK:**  Why did you use 16%?

7           **WITNESS KOLB:**  We get these numbers from  
8 our Treasury Department and they would look at this,  
9 and, obviously, I'm not a cost of capital witness.  
10 But, nevertheless, they do their analyses and they  
11 look into the future and say, "Okay.  Here's what the  
12 cost of our debt will be.  Here's what the cost of  
13 equity is."

14           **CHAIRMAN CLARK:**  Thank you.

15           Q     (By Mr. Melson)  Do you know whether that  
16 16% return on equity was your forecast of what you  
17 might earn in a price regulation environment?

18           A     I would assume if we have this and we're  
19 told to use these numbers, that there's a whole host  
20 of things that are considered in there and this surely  
21 would be one of them.

22           Q     On Page 3 of your testimony, at Line 7, you  
23 indicate that forwarded calls would not allow for full  
24 CLASS feature transparency.  What are CLASS features?

25           A     Yes, sir.  There's one feature that I know

1 of which is repeat dialing that would not work.

2 Q Okay. What are CLASS features generally?

3 A Oh, excuse me. We refer to them as  
4 TouchStar features, and these features would be  
5 your -- let's say repeat dialing, call return, that  
6 sort of thing. They're in the phone book. Right in  
7 the front pages of the phone book you'll see some of  
8 them.

9 Q Is caller identification a CLASS feature?

10 A I don't recall that that's referred to as a  
11 CLASS feature. It's a stand-alone.

12 Q On Page 4 of your testimony, at Lines 12  
13 through 14, you say that your costs assume that RCF as  
14 an interim solution will not be utilized for the long  
15 term.

16 A Yes.

17 Q What effect does that assumption have on the  
18 way you approach the cost study?

19 A Well, among other things, within our central  
20 office costing, for example, we've assumed that our  
21 processes will not exhaust in many of the offices at  
22 this time. We have certain other aspects of it. I  
23 don't know the details, but, nevertheless, that would  
24 be the type of thing we're talking about.

25 Q What did you use as the estimated interim

1 period that remote call forwarding would be in effect?

2 A I don't have a specific number, and I wish I  
3 did, but -- in everything that I've read so far  
4 there's a lot of iffyness out there with manufacturers  
5 saying one thing, or trying to -- you know, different  
6 things going on out there, so I really don't know.

7 MR. MELSON: All right. Thank you

8 Mr. Kolb.

9 CHAIRMAN CLARK: Mr. Tye.

10 MR. TYE: Thank you, Madam Chairman.

11 CROSS EXAMINATION

12 BY MR. TYE:

13 Q Mr. Kolb, my name is Mike Tye and I  
14 represent AT&T. How are you doing this morning?

15 A How are you doing, Mike.

16 Q Mr. Kolb, on Page 6 of your testimony, Lines  
17 4 through 6, you discuss your estimated cost of  
18 providing number portability -- or excuse me, remote  
19 call forwarding; is that correct?

20 A Yes.

21 Q And these are long run costs?

22 A Yes.

23 Q Long run incremental costs?

24 A Obviously the nonrecurring costs are  
25 basically current dollars, yes.

1 Q And am I correct in understanding that in a  
2 long run incremental cost study you still have -- you  
3 include a cost of capital?

4 A Yes.

5 Q And so that cost of capital gives you the  
6 money to pay the interest on the debt that supports  
7 your investment providing that service and it also  
8 provides a return to the equity investor?

9 A Yes.

10 Q And did I understand correctly that Mr.  
11 Melson -- that your study included a 16% return on  
12 equity?

13 A Yes.

14 Q And is that the return on equity that  
15 Southern Bell is authorized by this Commission to  
16 earn?

17 A No, I don't know what the equity return is.  
18 In this case here we're looking in the future and  
19 trying to decide what our capital requirements are  
20 going to be.

21 Q Now, you made reference to an agreement that  
22 Southern Bell has reached with Teleport with respect  
23 to this issue, among other things; is that correct?

24 A Yes, sir.

25 Q Have you reviewed that agreement?

1 A Not entirely.

2 Q Do you know what is in that agreement?

3 A I know portions of it. I looked at somewhat  
4 the number portability, which that's what I was  
5 interested in, and the prices that were there.

6 Q Does the agreement also deal with  
7 interconnection rates?

8 A I scanned it. I think that it does.  
9 Subject to check, I think that it does.

10 Q Does the agreement also deal with universal  
11 service funding?

12 A My recollection is that what I indicated a  
13 while ago, that in the agreement that Teleport has  
14 agreed to support us in establishing a universal  
15 service mechanism, our position on that.

16 Q Is it your understanding that the -- with  
17 respect to the interconnection rate, that Teleport  
18 would pay an interconnection rate of around a penny a  
19 minute under this agreement?

20 A That I don't know.

21 Q Is it your understanding that with respect  
22 to the universal service fund that Teleport would not  
23 have to pay into the universal service fund for a  
24 period of two years as a condition of this agreement?

25 A I think I may have read that. I was going

1 through it pretty quick. I saw it yesterday, I'll  
2 tell you.

3 Q So you have not reviewed this agreement in  
4 its entirety, and you've really just looked at the  
5 portions of the agreement that have to do with number  
6 portability; is that correct?

7 A Yes, sir, that's the docket; that's our  
8 concern here.

9 Q Now, with respect to number portability,  
10 this agreement requires a nonrecurring charge of \$25?

11 A Yes, sir, up to \$25 I think it says.

12 Q Up to \$25?

13 A I believe that's right.

14 Q What does "up to" mean?

15 A I don't know. I wasn't in that part.

16 Q The \$25 would, in fact, cover the costs that  
17 you have estimated on Page 6 of your testimony for  
18 nonrecurring?

19 A Yes.

20 Q And is it also your understanding that this  
21 agreement requires a charge of \$1.50 a month for the  
22 first line?

23 A Yes.

24 Q And that would more than cover the costs  
25 that you've shown on Page 6 of your testimony, would

1 it not?

2 A Yes.

3 Q Now, when Ms. Caswell asked you about this  
4 agreement, you indicated that these rates would be  
5 available to any ALEC who wanted to sign the same type  
6 of an agreement that Teleport signed, but absent that,  
7 the rate should be \$2 a month; is that correct?

8 A Yes.

9 Q Now, does that \$2 a month appear anywhere in  
10 your prefiled testimony?

11 A No, it does not.

12 Q When did you come up with the \$2 a month?

13 A I got the number yesterday.

14 Q Who gave you the number?

15 A Mr. Lombardo, Southern Bell.

16 Q And how did Mr. Lombardo come up with that  
17 number?

18 A You'd have to ask Mr. Lombardo that.

19 Q Okay. Maybe we'll get a chance to do that.  
20 Would you agree with me that the \$2 a month is well in  
21 excess of the \$1.11 that you show on Page 6, Line 6 of  
22 your testimony?

23 A Yes, sir. I say well excess; it's above it.

24 Q So essentially what you're telling ALECs is  
25 you bind to this agreement which we have that has to

1 do with interconnection and number portability and  
2 universal service, and you can get this service for  
3 \$1.50 a month, or if we have to tariff it, you're  
4 going to have to pay \$2 a month; is that correct?

5 **MS. WHITE:** I object.

6 **WITNESS KOLB:** I don't think I'm saying --

7 **MS. WHITE:** -- I believe the witness has  
8 answered that question several times already.

9 **MR. TYE:** I don't believe I've asked that  
10 one yet, but --

11 **MS. WHITE:** The witness has answered that  
12 question from several of the parties already. He's  
13 explained that the --

14 **CHAIRMAN CLARK:** Ms. White, we'll let him  
15 answer. If he has I'm not sure I caught it, so go  
16 ahead, Mr. Tye.

17 Q (By Mr. Tye) So what you're telling ALECs  
18 then, Mr. Kolb, is that you can bind to this agreement  
19 which Teleport bought into which has to do with  
20 interconnection, number portability and universal  
21 service, and you can get this service for \$1.50 a  
22 month, or if we have to tariff it, you're going to  
23 have to pay \$2 a month; is that correct?

24 A I can't really say that. I guess what I am  
25 saying is that we have an agreement with TCG that

1 we're willing to negotiate these things. But if  
2 there's no opportunity for negotiations for puts and  
3 takes, that we would think it's reasonable for \$2 and  
4 maybe even above \$2, and if you look around the  
5 nation, that number is still, would be the second  
6 lowest that we know of in the nation today.

7 Q And it's your testimony that the \$2 is  
8 reasonable because Mr. Lombardo gave you that number;  
9 is that correct?

10 A Based on the assumption that, yes, we would  
11 be second, say second lowest still with that number.

12 Q Do you know what GTE's proposal is, sir?

13 A Yes, sir.

14 Q Isn't it \$1.25 a month?

15 A I believe that it is.

16 Q And, in fact, that's less than the number  
17 you've even negotiated with Teleport, is it not?

18 A Yes.

19 Q Is GTE that much more efficient than  
20 Southern Bell?

21 A I can't answer that question.

22 Q Are their costs that much lower than yours?

23 A I can't answer that question. I guess GTE  
24 has their own circumstances and we have ours.

25 Q Thank you, sir.

1           MR. TYE: I have no further questions.

2           CHAIRMAN CLARK: Ms. Wilson.

3                           **CROSS EXAMINATION**

4 BY MS. WILSON:

5           Q     Good morning, Mr. Kolb. I'm Laura Wilson.

6 I represent the Cable Association.

7           A     Hello.

8           Q     I just have a couple of questions for you.

9                     With respect to the nonrecurring costs that  
10 I guess you have listed here on Page 6 of your  
11 testimony, I was wondering, would BellSouth charge a  
12 nonrecurring price on a per order basis?

13          A     You could have nonrecurring in a  
14 nonrecurring or you can amortize it within the  
15 recurring. So if it's a one-time cost, if you will,  
16 then you can say, "I can recover it here, I can  
17 recover it there." It's like buying a house.

18          Q     Okay. I guess what I'm trying to get at is  
19 that nonrecurring cost, would that be assessed on each  
20 line that was requested for number portability?

21          A     It's a nonrecurring charge --

22          Q     Okay.

23          A     -- would be. Not necessarily the  
24 nonrecurring cost.

25          Q     Okay. The nonrecurring charge would be per

1 line.

2 A As -- currently, as we have it described,  
3 and we were talking about this contract before, or the  
4 stipulation with TCG, that one would say that for a  
5 given customer, end user, you can order as many lines  
6 as you want to and that order is \$25.

7 Q Okay. Let me just clarify because I don't  
8 think I'm understanding. Isn't your proposal in this  
9 docket, didn't you just testify that the price, the  
10 nonrecurring price would be per line? Isn't that your  
11 testimony in this docket?

12 A No. The nonrecurring, the \$25 we were  
13 talking about, is per end user. And then if you had  
14 an end user out there with 25 lines it would be \$25,  
15 or one line it will be \$25.

16 Q Okay.

17 A Very much like our secondary service order  
18 charge today, is when we do the analysis that you've  
19 seen here, basically we have times that, we've  
20 estimated for one up to maybe a hundred different  
21 lines, and so, therefore, you have a melding of that,  
22 so this is an average here for that.

23 Q And under the stipulation that BellSouth and  
24 Teleport have reached, the nonrecurring charge would  
25 be per order; is that correct?

1           A     The nonrecurring charge would be per order  
2 for an end user. So if I had five end users, there  
3 would be five service order charges. If I had one end  
4 user, and they had hundred lines, then that would be  
5 one service order charge.

6           Q     Okay. And I just wanted to ask you, now  
7 you've reached this stipulation with Teleport. Is  
8 Teleport a party to this proceeding, Mr. Kolb?

9           A     I think that's a legal question. By virtue  
10 of the stipulation I would say --

11                   **CHAIRMAN CLARK:** Mr. Kolb, it's okay to  
12 say, "I don't know."

13                   **WITNESS KOLB:** I don't know. Thank you,  
14 ma'am. (Laughter)

15           Q     (By Ms. Wilson) Would you agree, subject to  
16 check, that Teleport is not a party to this  
17 proceeding. Subject to check.

18           A     Subject to check, with some good authority.

19           Q     Isn't it true that, in fact, Teleport is not  
20 a party to this proceeding because Teleport does not  
21 intend to use remote call forwarding?

22           A     I'm totally unaware of that.

23           Q     Okay. Thank you.

24                   **MS. WILSON:** I have no further questions.

25                   **CHAIRMAN CLARK:** Mr. Rindler.

1 MR. RINDLER: Thank you.

2

3

**CROSS EXAMINATION**

4 BY MR. RINDLER:

5 Q Mr. Kolb, I'm Richard Rindler representing  
6 Metropolitan Fiber Systems of Florida, Inc. I just  
7 have a couple of questions to follow up on.

8 A Yes, sir.

9 Q In your testimony you indicate that on  
10 Page 7, Lines 11 through 16, that, as I read, the  
11 Commission ought not set a price because the statute  
12 provides for negotiations. Is that what you're saying  
13 there?

14 A Which line, sir?

15 Q 11 through 16?

16 A On Page 7.

17 Q Yes.

18 A That's my understanding, yes, sir.

19 Q Is that still BellSouth's position?

20 A Yes.

21 Q Are negotiations still underway?

22 A I don't have anything I can tell you who is  
23 talking to whom right now, but my understanding was  
24 that is going on.

25 Q Following up on the question Ms. Wilson

1 asked, what if you have an end user customer who  
2 orders a hundred lines to start with this week, and  
3 then orders a hundred lines next week?

4 A It's a different order.

5 Q You tell me?

6 A A hundred order this week, a hundred next  
7 week; two orders, \$25 and \$25.

8 Q So it's per order regardless of how many  
9 lines are in it?

10 A Right. That's my understanding.

11 Q You also talked about the demand for  
12 additional add-on services, verticle services, that  
13 occur in the normal remote call forwarding situation.  
14 End user customer of Southern Bell today, do you know  
15 what the mix of services are that they get?

16 A No, sir, I do not.

17 Q If they get -- is the price that they pay  
18 set on some calculation based on forcasted demand for  
19 the other services?

20 A That I can't tell you. I don't know. I  
21 wasn't involved in the other study.

22 Q Do you know why whatever the demand is for  
23 verticle services on presently forwarded lines it  
24 would be different with respect to ported numbers for  
25 ALECs?

1           A     Could you rephrase your question?

2           Q     Yes.  Is there any reason you know why a  
3 customer obtaining remote call forwarding from an ALEC  
4 would purchase a different set of services than your  
5 existing customers?

6           A     No, I don't.

7           Q     Does BellSouth have electronic ordering?

8           A     Electronic ordering.  We have mechanized  
9 processes whereby our service orders, say a service  
10 representative would type into a terminal and this goes  
11 somewhere else which goes somewhere else which sets up  
12 a billing, yes, sir.

13          Q     Do you have a system whereby, in fact, an  
14 end user customer can provide the order form  
15 electronically?

16          A     I haven't looked at this in a while.  My  
17 understanding is that we have some options right now  
18 that the customer goes on the phone and places their  
19 own orders for certain things.

20          Q     I'm sorry.  I didn't understand that.

21          A     My understanding is -- and I haven't looked  
22 at this in a while -- but my understanding is that  
23 there are certain features, certain orders that you  
24 can place right from the phone itself.  You don't need  
25 the service rep in that case.

1 Q Is remote call forwarding one of those  
2 services?

3 A I don't know.

4 Q If it were one of those services or you had  
5 the capacity to do that, would that change your cost  
6 for the service end of the equation?

7 A Well, my understanding is that the ALECs  
8 will actually be the ones who are placing the orders  
9 for remote call forwarding for their end users. And I  
10 don't know of a process whereby a person would  
11 purchase that themselves. You see what I'm saying?  
12 In other words, it would all be through the ALEC.

13 Q And, therefore, it can't be electronic, is  
14 that what you're saying?

15 A No, sir. What I'm saying is we can have a  
16 mechanized process with the ALECs, but I'm not aware  
17 that an end user would be that process.

18 Q My question is if you had an electronic  
19 process.

20 A Right.

21 Q Would your cost estimate change in your  
22 incremental cost study?

23 A Yes. If we knew what that mix was.

24 Q Would it, in fact, be lower?

25 A I would think that it would. You're trading

1 some capital, maybe some capital, for labor. I simply  
2 haven't studied that.

3 Q Are you familiar with E911 service?

4 A Yes, sir.

5 Q Do all customers use E911?

6 A When you say "all, "all" and "every," I get  
7 a little jumpy here, but predominantly --

8 Q How about every?

9 A Yeah. They have access to it, yes.

10 Q No, that wasn't my question. My question  
11 was do they use it?

12 A 911. I don't know how many people use it.

13 Q All of them? Have you used it?

14 A I have never dialed 911, no.

15 Q So there are some customers that have not?

16 A Right.

17 Q Do they pay for it?

18 A Yes. Depending on the agreements with the  
19 different municipalities and others. You're getting a  
20 little out of my area, but --

21 Q Because it's available they pay for it?

22 A Like I say, I'm not familiar with all of the  
23 background as to why 911 is treated the way it is  
24 today.

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

1 questions at this time, thanks.

2 CHAIRMAN CLARK: Mr. Self.

3 MR. SELF: Thank you, Chairman Clark.

4 CROSS EXAMINATION

5 BY MR. SELF:

6 Q Mr. Kolb, I'm Floyd Self representing McCaw  
7 Communications. I just have three areas that I want  
8 to ask you about.

9 The first one I hope is a simple question.  
10 At Page 6 of your direct testimony you identify the  
11 nonrecurring cost and the monthly cost. In the cost  
12 study there's also a cost that has been identified for  
13 the additional path. Is that ultimate cost also  
14 confidential?

15 A Yes, I would think so.

16 Q Okay. The second area I'd like to ask you  
17 about is to kind of follow up on some of the prior  
18 questions regarding the service ordering function  
19 that's going to be going on.

20 When a request comes into BellSouth to port  
21 a number for an ALEC, will this information be shared  
22 with anyone else within BellSouth?

23 A I really can't answer the question. I say I  
24 really can't answer that particular question. If it  
25 comes in, it is processed. My understanding is we'll

1 have a special group that will actually handle these  
2 orders when they come in, and that particular group  
3 basically would handle, you know, all of the  
4 discussions about what is being done. But as far as  
5 where that information goes, where it resides, the  
6 databases, I don't know.

7 Q I wasn't asking that so much as whether the  
8 information would be shared with anyone in what I  
9 would call the BellSouth marketing organization.

10 A I can't answer that question.

11 Q What type of turnaround can an ALEC expect  
12 with respect to number portability, porting a number,  
13 that request?

14 A As far as the time? How long does it take  
15 to process an order?

16 Q Yes.

17 A I really can't tell you.

18 Q Do you know if it's BellSouth's intent to  
19 require something like a letter of authorization with  
20 respect to ported number requests?

21 A I don't recall seeing that. I don't.

22 Q Okay. The last thing I'd like to ask you  
23 about is to follow up on some prior questions.

24 I believe it's been established that your  
25 recommendation for a price level for remote call

1 forwarding is dependent upon the Commission's decision  
2 in the universal service docket; is that correct?

3 A I can't say it's dependent upon the  
4 Commission's decision. As I indicated earlier, I've  
5 seen this stipulation just a day to look at it.

6 My understanding is that the intent there is  
7 that -- with the stipulation -- that we would have the  
8 support; they would give us support for that.

9 Q Okay.

10 A Beyond that you're getting beyond me.

11 Q Well, but I believe you said that if the  
12 Commission did not grant the company's request in the  
13 universal service docket, that the price for the  
14 number portability for remote call forwarding might be  
15 as high as \$2 or maybe even more; is that correct?

16 A If we had no other mechanism to handle that,  
17 yes.

18 Q Okay. Now, would you agree with me that the  
19 Commission is determining in a separate docket the  
20 appropriate interim universal service mechanism and  
21 such funding, if any, that should be established?

22 A Yes, sir.

23 Q Now, isn't it true that whatever decision  
24 the Commission makes in the universal service docket  
25 will be that which the Commission determines is

1 appropriate for universal service?

2 A I should hope so.

3 Q So then it's your testimony here that if  
4 Southern Bell finds itself dissatisfied with the  
5 Commission's universal service docket decision, that  
6 in the number portability docket you want a higher  
7 price for remote call forwarding to make up for what  
8 the Commission determined you should not have in the  
9 universal service docket?

10 A I can't really state that because what we're  
11 looking at is an entire package of negotiations here.  
12 And I guess I really can't say that.

13 MR. SELF: Okay. Thank you. That was all  
14 I had.

15 CHAIRMAN CLARK: Are there any parties in  
16 the audience that need to cross examine this witness?  
17 Staff.

18 CROSS EXAMINATION

19 BY MS. BARONE:

20 Q Good morning, Mr. Kolb. Do you have Staff's  
21 Composit Exhibit FRK-2 before you?

22 A FRK what now?

23 Q Dash 2?

24 A Yes.

25 Q Have you had an opportunity to review the

1 content of that exhibit?

2 A No, I haven't.

3 Q Would you do that at this moment?

4 A This is your Staff's First Set of  
5 Interrogatories.

6 Q Southern Bell's Responses to Staff's First  
7 Set of Interrogatories, yes. It's a composite  
8 exhibit.

9 A Okay.

10 Q Were the contents of that exhibit prepared  
11 by you or under your supervision? Or do you know who  
12 prepared them?

13 A Well, down at the bottom of each of them it  
14 says who did them.

15 Q Do you know those persons?

16 A Mr. Varner, Mr. Culpepper I know.

17 Q Are the contents true and correct to the  
18 best of your knowledge and belief?

19 A Obviously, the one I signed off on I would  
20 think that's the case. The others, I really can't  
21 say.

22 MS. WHITE: BellSouth would stipulate.

23 MS. BARONE: Thank you.

24 Madam Chairman, Staff requests that  
25 Composite Exhibit FRK-2 be marked for identification.

1           **CHAIRMAN CLARK:** It will be marked as  
2 Exhibit 10.

3           (Exhibit No. 10 marked for identification.)

4           Q     (By Ms. Barone) Mr. Kolb, Staff is  
5 providing you -- it's Confidential Exhibit CON-1,  
6 which is Southern Bell's confidential response to  
7 Staff's First Request for Production of Documents,  
8 Item 1. Would you take a moment to review that,  
9 please?

10          A     Okay.

11          Q     Were the contents prepared by you or under  
12 your supervision?

13          A     I had reviewed the contents based on my  
14 background, and that I have looked at them and feel  
15 comfortable with the work that's done there, yes.

16          Q     So they are true and correct to the best of  
17 your knowledge and belief?

18          A     To the best of my knowledge, yes.

19               **MS. BARONE:** Madam Chairman, Staff  
20 requests that CON-1 be marked for identification.

21               **CHAIRMAN CLARK:** It will be marked as  
22 Exhibit 11.

23               **MR. SELF:** Chairman Clark, just for the  
24 record --

25               **CHAIRMAN CLARK:** Mr. Self.

1           **MR. SELF:** -- is this the cost study that  
2 Southern Bell submitted?

3           **MS. WHITE:** Yes, it is, I believe.

4           **MR. SELF:** Thank you.

5           (Exhibit No. 11 marked for identification.)

6           Q     (By Ms. Barone) Mr. Kolb, Staff has  
7 provided you with a diagram showing the use of RCF and  
8 providing temporary number portability. Would you  
9 refer to that and explain briefly how RCF will work to  
10 provide temporary number portability?

11           **CHAIRMAN CLARK:** Ms. Barone, where are  
12 you?

13           **MS. BARONE:** That's previously marked  
14 STIP-3.

15           Q     Do you have that?

16           A     Yes, ma'am.

17           **CHAIRMAN CLARK:** Which is marked as  
18 Exhibit 8.

19           **MS. BARONE:** Exhibit 8. Yes, ma'am.

20           A     Okay. What is it now?

21           Q     I'd like you to briefly describe how RCF  
22 will work to provide temporary number portability.

23           A     Okay. As I would understand the diagram,  
24 and I haven't had time to really read it, but  
25 basically it appears that you have a customer over

1 here on the left who is dialing a 991444 number, and  
2 the ALEC number to which it translates is a 6661200,  
3 am I reading that right?

4 Q Right, correct.

5 A So, therefore, the customer dials that  
6 Office B, essentially is the directory number office,  
7 and then there are several alternative paths for that  
8 to get to the ALEC customer. And one of those paths  
9 would be essentially as it shows here. Let's say  
10 today would be a LEC-owned facility straight to the  
11 customer, that would be our loop. That's going from  
12 Office B to your bottom number here. The second one  
13 says that it would go over to the ALEC network and  
14 then down to the customer number portability. And the  
15 third one appears to go to a LEC access tandem somehow  
16 and then back to the LEC network, back to the  
17 customer.

18 Q So do you agree with this diagram and how  
19 RCF works? Would you say this is an accurate  
20 portrayal?

21 A I believe it is. I'm a little confused  
22 about the LEC access tandem. I think I would have to  
23 assume there's a call coming in somewhere else into  
24 the LEC access tandem, then that would come down here  
25 to Office B, to the ALEC network, down to the

1 customer. So when we put the LEC access tandem in  
2 there and the LEC network, it kind of confused me a  
3 little bit, but basically I would say it's accurate,  
4 yes. It's a possible combination.

5 And when they were studying this somebody  
6 told me there were 66 combinations. And I said well,  
7 try to show me a couple of them, anyway. But this  
8 possibly is some of those combinations.

9 Q Doesn't Southern Bell's response to Staff's  
10 First Set of Interrogatories, Item 3(b), coincide with  
11 this diagram? It's on Page 4 of --

12 A Yes. I'm -- yes, excuse me. I'm looking at  
13 Page 4 and it basically coincides with it. Let's see  
14 you have that -- yes. If you make the assumption in  
15 this case that the access tandem is there, the  
16 confusion factor is that I have a separate link on  
17 your diagram, which could also be true, which goes  
18 from LEC Office D up to the ALEC network. And I don't  
19 know that that's shown on my diagram. I say "mine,"  
20 whomever drew this.

21 Q Aren't there two ways to provide remote call  
22 forwarding, through the access tandem and more direct  
23 trunking?

24 A That's correct, yes.

25 Q I'd like to direct your attention to your

1 direct testimony, Page 3, Line 11, where you identify  
2 disadvantages of RCF.

3           You state that a given switch may pose a  
4 problem in regard to the number of call forwarded  
5 calls a switch can handle at a given time. Can you  
6 explain this disadvantage in more detail, please?

7           A     Well, if we had a large customer, or groups  
8 of customers, or individual customers, entire  
9 subdivisions or whatever, that we only had one switch,  
10 the call came through the one switch, then there's  
11 additional translations required in there, some  
12 special activity, and so you're going to have to have  
13 some additional capacity in some areas of the switch  
14 and I'm not qualified to address those. But some  
15 areas of the switch that could become overloaded.

16           Q     Can you tell me how many call forwarded  
17 calls can be handled before a problem will occur?

18           A     No, ma'am.

19           Q     On Page 4, Line 8, of your direct testimony  
20 you state that various methods and procedures have yet  
21 to be defined. Could you identify all of these  
22 methods and procedures that need to be developed?

23           A     I we've addressed some of those as we have  
24 had discussions here. First of all, the billing  
25 itself, I understand that's been taken care of. For

1 example, in billing, I think, in January, there's  
2 supposed to be a manual process in place for billing.  
3 And that by February, sometime in February, there's  
4 supposed to be a mechanized process for handling that.  
5 Service order -- I have an "etcetera" down here, but  
6 service order process, I understand that's pretty well  
7 firmed up in terms of the groups that will handle that  
8 and how they will process those orders. E911, or 911,  
9 we've discussed that a little bit already and we're  
10 committed as the stipulation says to have it in place  
11 January 1st, 1996.

12 Q So you believe these methods and procedures  
13 need to be developed prior to January 1, 1996?

14 A Yes, ma'am. What I'm saying is I think they  
15 have been in large part done now.

16 Q On Page 6 of your direct testimony,  
17 beginning on Line 12, you explain what you believe to  
18 be the appropriate method to recover the costs  
19 associated with the provision of temporary number  
20 portability solution.

21 Can you briefly explain your understanding  
22 of the recovery mechanism outlined in the stipulation  
23 approved by the Commission? Isn't it true --

24 A The stipulation itself basically says that  
25 ALECs will charge us, or we'll charge them, for the

1 remote call forwarding. As far as the price level, I  
2 don't recall anything on that. I think that the  
3 legislative bill simply says you'll not price below  
4 cost.

5 Q Isn't it true ALECs will be charged a price  
6 for each ported number?

7 A Yes.

8 Q Does the stipulation recovery mechanism  
9 address both the recurring and nonrecurring costs for  
10 the provision of temporary number portability  
11 solution?

12 A I don't recall that it says nonrecurring and  
13 recurring. I do recall there's something about a  
14 monthly cost in there.

15 Q How do you believe the Commission should  
16 recover these costs?

17 A The Commission should recover the cost.

18 Q How do you believe the Commission should  
19 address recovering these costs?

20 A Well, basically we've maintained that we  
21 think we should be able to continue to negotiate the  
22 prices. And if the Commission had to set the price,  
23 then there's probably any number of alternative ways  
24 of doing that.

25 Q Do you believe that a LEC will charge an

1 ALEC a recurring price per ported number and a  
2 nonrecurring price per service order?

3 A That a LEC will charge an ALEC.

4 Q A recurring price per ported number and  
5 nonrecurring price per service order?

6 A Yes, and vice versa. Yeah.

7 Q Are you familiar with MF Witness Devine's  
8 direct testimony?

9 A I've read through some of it. I don't have  
10 a large recollection of it.

11 Q Can you give me your understanding of the  
12 cost recovery mechanism that he supports?

13 A Boy, we've had so many of these things.  
14 Everybody has an opinion.

15 Q He stated the Commission should adopt a  
16 temporary solution that spreads the cost across the  
17 entire subscriber base, thereby distributing the cost  
18 of portability --

19 A Yes.

20 Q Okay. Do you believe that was what the  
21 stipulation contemplated?

22 A I don't believe it was. I think the  
23 addressing of this was simply to say that we would  
24 charge the ALECs and the ALECs would charge the LECs.  
25 And then beyond that, I don't know that that's

1 addressed.

2 Q Exhibit 7 is a compilation of advantages and  
3 disadvantages of remote call forwarding. I'd like to  
4 ask you -- and that's in Exhibit 7 previously marked  
5 as STIP-2.

6 A Yes, ma'am.

7 Q Do you have a copy of that before you?

8 A Yes, ma'am, I do.

9 Q Are there any advantages or disadvantages  
10 that you disagree with? (Pause)

11 A I guess I'm not fully understanding No. 3.  
12 And No. 4, I don't know that it'll have virtually no  
13 impact on the incumbent LECs base or network. I guess  
14 I lost something in the term "translation" here on  
15 Item 5 that says "only one translation per path is  
16 required." That's a technical thing that I wouldn't  
17 know about.

18 Q Are there any more advantages or  
19 disadvantages that you think need to be added to the  
20 list?

21 A Let's see. (Pause)

22 **COMMISSIONER DEASON:** Ms. Barone, while  
23 he's contemplating that question, are these questions  
24 you're going to be asking to all witnesses today  
25 concerning this exhibit?

1 MS. BARONE: Yes.

2 COMMISSIONER DEASON: Perhaps it would be  
3 best to put all witnesses on notice that question is  
4 coming so that you can be prepared to answer it. And  
5 if you're a witness and you're not in the room,  
6 perhaps your attorney can hear this and can advise  
7 their witness to anticipate these questions. Just to  
8 save time.

9 WITNESS KOLB: I'm not sure that the  
10 automatic recall and the automatic call back -- I'm  
11 not familiar with that particular Item 12. But beyond  
12 those, I can't see anything right now.

13 Q (By Ms. Barone) Mr. Kolb, I'd like to ask  
14 you some questions about nonrecurring costs.

15 You state in your testimony that Southern  
16 Bell's nonrecurring costs for RCF have been estimated  
17 to be \$24.84; is that correct?

18 A Yes.

19 Q How did you arrive at that figure?

20 A Okay. That was Workpaper -- what is it --  
21 30 in the cost study. And that was basically taking  
22 the service order cost around 18.41. We had taken the  
23 translation cost and then we added to that the  
24 right-to-use fees.

25 Q So basically you took the nonrecurring

1 business secondary service order calls from your last  
2 case and added some expected functions to it?

3 A Right.

4 Q The business SSO cost is around \$18; is that  
5 correct?

6 A I'm sorry?

7 Q The business secondary service order cost is  
8 around \$18?

9 A Yes, 18.41.

10 Q What about residence?

11 A Residence is lower. I think it's in the  
12 neighborhood of \$9 or so. I don't have that with he.

13 Q Your costs are based solely on the \$18  
14 business secondary service order cost and not the \$9  
15 residence cost; is that correct?

16 A That's correct.

17 Q Why didn't you propose separate residence  
18 and business rates for the nonrecurring charge as  
19 Ms. Menard presented in her testimony, or average  
20 residence and business costs?

21 A Our understanding was that within the time  
22 of the temporary number portability, and it's supposed  
23 to be temporary the next couple of years, that the  
24 primary drive for this would be business customers.  
25 That's where most of the profit margins are. So we

1 anticipated that the big would be -- would, in fact,  
2 be the business.

3 Q Do you think that all of the RCF activity  
4 will be on business and that no residence will  
5 convert?

6 A I guess what we were thinking is in the  
7 first couple of years it will be dominated by  
8 business. Surely there's got to be somebody out  
9 there. I'm not sure how big this is with them. I  
10 think it would have more value to the business just  
11 primarily because if you've got your cards made up,  
12 you don't have to change your telephone numbers. You  
13 have some other expenses out there that you'll incur  
14 by virtue of having to change your telephone number.  
15 The residence customers may not be as critical in all  
16 cases.

17 Q Were the actual functions used in the RCF  
18 cost study directly attributable to RCF, or did you  
19 have to make some assumptions as to what you'll  
20 actually be doing?

21 A What we'll actually be doing. The  
22 equipment, the costing itself, was based on the  
23 expectations associated with a RCF customer.

24 Q So your nonrecurring cost study isn't based  
25 on actual experience, is it?

1           A     Well, obviously -- and we discussed that, I  
2 think, a couple of times, that they're developing a  
3 process now whereby the process will work and we'll  
4 have those orders processed.

5           Q     You provided a cost study in this docket,  
6 correct?

7           A     Yes, ma'am.

8           Q     It was an incremental cost study; is that  
9 correct?

10          A     Yes.

11          Q     I'd like to follow up on some questions  
12 Mr. Melson had for you. Did you include a cost for  
13 land in your study?

14          A     Yes, we did.

15          Q     Did you include a cost for buildings in your  
16 study?

17          A     Yes, we did.

18          Q     And did you include a cost for electricity  
19 in your study?

20          A     Yes. We have a common equipment factor, we  
21 refer to it as miscellaneous common equipment factor.  
22 And about 70% of that factor is associated with an  
23 analysis of the electricity, if you will,  
24 requirements, batteries rectifiers, and all of those  
25 exciting things, that you would have to provide

1 current to equipment going in.

2 Q Other witnesses have stated that these are  
3 shared costs. Do you believe these are shared costs?

4 A These costs could be called common or  
5 shared. The processor is shared, for example. But  
6 it's not something we would leave out of the study.  
7 What we would say is that these resources have  
8 limitations and they can exhaust. To the extent they  
9 can be exhausted by expanding a service, then there's  
10 an incremental cost associated with them uniquely,  
11 directly identified with a service.

12 Q Thank you, Mr. Kolb.

13 MS. BARONE: That's all I have.

14 CHAIRMAN CLARK: Commissioners? Redirect.

15 MS. WHITE: Thank you.

16 **REDIRECT EXAMINATION**

17 BY MS. WHITE:

18 Q Mr. Kolb, the number portability service  
19 that's going to be provided at the request of the  
20 ALEC, is it not, and not the end user?

21 A Yes. My understanding.

22 Q If an ALEC orders remote call forwarding  
23 from BellSouth to implement number portability,  
24 wouldn't the end user customer have to order their  
25 call waiting, call forwarding, speed dialing and so on

1 from that ALEC?

2 A Yes, ma'am.

3 Q If there's an universal service mechanism  
4 that allows BellSouth to receive universal service  
5 support, does an internal subsidy need to be included  
6 in the price of remote call forwarding for number  
7 portability?

8 A I would think not.

9 Q And is that, at least in part, the reason  
10 for the difference in the \$1.50 rate given to the  
11 Teleport and your suggestion that separately the  
12 charge might be at least \$2 a month?

13 A That's my understanding.

14 Q Now, in a hypothetical that Ms. Weiske gave  
15 you, I believe you told her that the BellSouth  
16 customer placing a call to an ALEC customer would  
17 benefit from remote call forwarding?

18 A Yes.

19 Q And would you think that the ALEC would  
20 benefit from that as well?

21 A Oh, certainly.

22 Q And would the ALEC's customer benefit?

23 A Sure.

24 Q There were several questions asked about the  
25 right-to-use. Now, right-to-use fee, is that assessed

1 to BellSouth per switch?

2 A Some are and some are not.

3 Q Okay. What about the 5ESS switch?

4 A 5E is on a per line basis.

5 Q How many lines are in a 5ESS?

6 A It varies.

7 Q Okay.

8 A But it would be on a per line -- in other  
9 words, the charge itself is on a per line basis.

10 Q Okay. And in -- is the right-to-use fee  
11 divided by the number of lines contained in the 5E?

12 A No. It's an one-for-one match. In other  
13 words, every time we would add a line and say we've  
14 got this package, bought this package. It goes on  
15 that line. They send us a bill for whatever the  
16 charge is.

17 MS. WHITE: Thank you. I have nothing  
18 further.

19 CHAIRMAN CLARK: There's no exhibits for  
20 Mr. Kolb.

21 MS. BARONE: Staff moves 10 and 11.

22 CHAIRMAN CLARK: Okay. Without objection  
23 exhibits 10 and 11 are moved. Mr. Kolb. You may be  
24 excused. We'll take a break until 11:00.

25 (Witness Kolb excused.)

1 (Exhibit Nos. 10 and 11 received in  
2 evidence.)

3 (Brief recess.)

4 - - - - -

5 **CHAIRMAN CLARK:** Reconvene the hearing.

6 Ms. Caswell.

7 **MS. CASWELL:** GTE calls Bev Menard.

8 - - - - -

9 **BEVERLY Y. MENARD**

10 was called as a witness on behalf of GTE Florida  
11 Incorporated and, having been duly sworn, testified as  
12 follows:

13 **DIRECT EXAMINATION**

14 **BY MS. CASWELL:**

15 Q Please state your name and business address.

16 A Beverly Y. Menard. My business address is  
17 One Tampa City Center, Tampa, Florida 33601.

18 Q By whom are you employed and in in the  
19 capacity?

20 A I'm employed by GTE Florida Incorporated and  
21 my current position is Regional Director, Regulatory  
22 and Industry Affairs.

23 Q Did you submit direct testimony in this  
24 docket?

25 A Yes, I did.

1 Q Do you have any changes to that testimony?

2 A Yes, I do.

3 Q Would you tell us what those are, please?

4 A On Page 3, Line 24, we're changing the \$1.10  
5 to 75 cents. On Page 4, Line 17, we're changing the  
6 \$3.30 to \$2.25, and changing the \$1.10 to 75 cents.

7 Q Are those all of the changes?

8 A Yes, they are.

9 MS. CASWELL: Madam Chairman, I'd ask at  
10 this time that Ms. Menard's testimony be inserted in  
11 the record as though read.

12 CHAIRMAN CLARK: The prefiled direct  
13 testimony of Ms. Bev Menard will be inserted into the  
14 record as though read.

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**GTE FLORIDA INCORPORATED**  
**TESTIMONY OF BEVERLY Y. MENARD**  
**DOCKET NO. 950737-TP**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION WITH GTE FLORIDA INCORPORATED (GTEFL).**

**A.** My name is Beverly Y. Menard. My business address is One Tampa City Center, Tampa, Florida 33601-0110. My current position is Regional Director - Regulatory and Industry Affairs.

**Q. WILL YOU BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE?**

**A.** I joined GTEFL in February 1969. I was employed in the Business Relations Department from 1969 to 1978, holding various positions of increasing responsibility, primarily in the area of cost separations studies. I graduated from the University of South Florida in June of 1973 receiving a Bachelor of Arts Degree in Business Administration with an Accounting Major. Subsequently, I received a Master of Accountancy Degree in December of 1977 from the University of South Florida. In March of 1978, I became Settlements Planning Administrator with GTE Service Corporation. In January of 1981, I was named Manager-Division of Revenues with GTE Service Corporation, where I was responsible for the administration of the GTE division of revenues procedures and the negotiation of settlement matters with AT&T. In November of

1           1981, I became Business Relations Director with GTEFL. In that  
2           capacity, I was responsible for the preparation of separations  
3           studies and connecting company matters. Effective February  
4           1987, I became Revenue Planning Director. In this capacity, I  
5           was responsible for revenue, capital recovery and regulatory  
6           issues. On October 1, 1988, I became Area Director - Regulatory  
7           and Industry Affairs. In that capacity, I was responsible for  
8           regulatory filings, positions and industry affairs in eight southern  
9           states plus Florida. In August 1991, I became Regional Director  
10          - Regulatory and Industry Affairs for Florida. I am responsible for  
11          regulatory filings, positions and industry affairs issues in Florida.

12

13          **Q.    HAVE YOU EVER TESTIFIED BEFORE THE FLORIDA PUBLIC**  
14          **SERVICE COMMISSION?**

15          A.    Yes. I have testified before this Commission on numerous  
16          occasions.

17

18          **Q.    WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
19          **DOCKET?**

20          A.    The purpose of my testimony is to present GTEFL's proposed  
21          prices for remote call forwarding (RCF) which will be used by the  
22          Alternative Local Exchange Companies (ALECs) as an interim  
23          number portability solution.

24

25          **Q.    DOES YOUR TESTIMONY ADDRESS THE ADVANTAGES AND**

1           **DISADVANTAGES OF REMOTE CALL FORWARDING AND**  
2           **WHETHER THIS SERVICE SHOULD BE OFFERED AS AN INTERIM**  
3           **NUMBER PORTABILITY SOLUTION?**

4           A.    No. The parties to this docket reached a stipulation that Remote  
5           Call Forwarding would be the interim number portability  
6           mechanism which would be offered to certified ALECs effective  
7           January 1, 1996.

8

9           **Q.    DOES GTEFL CURRENTLY HAVE TARIFFED PRICES FOR REMOTE**  
10           **CALL FORWARDING?**

11          A.    Yes, it does. The monthly recurring rate is \$16.00 for each  
12          number and also includes usage charges for all calls made to the  
13          remote call forwarded number.

14

15          **Q.    IS GTEFL PROPOSING TO CHARGE THE SAME TARIFFED PRICES**  
16          **TO ALECs FOR REMOTE CALL FORWARDING?**

17          A.    No.

18

19          **Q.    WHAT IS GTEFL'S PROPOSAL FOR MONTHLY RECURRING**  
20          **RATES FOR REMOTE CALL FORWARDING PROVIDED FOR**  
21          **INTERIM NUMBER PORTABILITY?**

22          A.    GTEFL proposes to charge \$1.25 per month per line ported with  
23          no usage charges. For multi-line hunt groups, GTEFL will charge  
24          an additional <sup>75</sup>~~\$1.10~~ per month for each additional path in the  
25          switch.

1 Q. MRS. MENARD, CAN YOU EXPLAIN WHY YOU HAVE  
2 ADDITIONAL CHARGES FOR PATHS IN A MULTI-LINE HUNT  
3 GROUP?

4 A. Yes. Since I am not an engineer, I will use an example to explain  
5 GTEFL's position. If an ALEC says that they want remote call  
6 forwarding for a given line number, we will set the call forwarding  
7 parameter (REM value) in the switch to one which will only allow  
8 one call to the line number at a time.

9  
10 Assume a business customer has a twenty line hunt group.  
11 Further assume that the business customer gets four simultaneous  
12 calls. With the REM value in the switch set to one, three of the  
13 calls will get a busy signal. If the customer does not want this to  
14 occur, they can request that the REM value be set to four to allow  
15 four simultaneous calls at the same time. In this instance, the  
16 charge to the ALEC would be \$1.25 for the line number which is  
17 ported plus <sup>#2.25 :15</sup> ~~\$3.30~~ (~~\$1.10~~ x 3) for the additional three paths in the  
18 switch.

19  
20 Q. IS GTEFL SAYING THAT THE REM VALUE HAS TO BE SET AT  
21 THE SAME NUMBER AS THE NUMBER OF LINES IN THE MULTI-  
22 LINE HUNT GROUP?

23 A. No. The number of additional paths to be ordered by the ALEC  
24 for a given customer will be dependent on the traffic  
25 characteristics for that individual customer.

1 Q. WOULD GTEFL EVER REQUIRE AN ALEC TO ORDER ADDITIONAL  
2 PATHS?

3 A. Yes, if the ALEC does not order sufficient paths. The comparable  
4 tariff language from our RCF tariff is "RCF is provided on the  
5 condition that the subscriber subscribe to sufficient RCF features  
6 and facilities to adequately handle calls to the RCF subscriber  
7 without interfering with or impairing any services offered by the  
8 Telephone Company." GTEFL would expect the same conditions  
9 to apply to Remote Call Forwarding for ALECs for interim number  
10 portability.

11

12 Q. DOES GTEFL PROPOSE ANY NONRECURRING CHARGES FOR  
13 REMOTE CALL FORWARDING?

14 A. Yes. The proposed order charges will be \$11.00 for residence  
15 orders and \$14.00 for business orders. These service charges are  
16 per order for an end user customer rather than being based on the  
17 number of paths that might be ordered in a given service order.

18

19 Q. DOES GTEFL CHARGE THESE SAME NONRECURRING CHARGES  
20 TO ANY OTHER CUSTOMERS?

21 A. Yes. These are GTEFL's rates for Network Access Change charge  
22 (shown in Section A4.7 of GTEFL's General Services Tariff).  
23 These are the same rates which GTEFL charges Enhanced Service  
24 Providers (ESPs) when ESP services are added or rearranged on an  
25 existing line.

1 Q. ARE THERE ANY OTHER CONDITIONS WHICH WOULD APPLY  
2 WHEN AN ALEC ORDERS REMOTE CALL FORWARDING FOR  
3 INTERIM NUMBER PORTABILITY?

4 A. Yes. The forwarded-to number would be fixed at the time the  
5 service order was written and could not be changed by the  
6 customer except via a new service order. The service order  
7 received from the ALEC would contain a letter of authorization  
8 from the end user customer. In addition, to insure there is no  
9 arbitrage, end user customers would not be allowed to receive the  
10 remote call forwarding rate charged to ALECs and Remote Call  
11 Forwarding to another RCF number is not permitted.

12

13 Q. SHOULD THE RATES CHARGED TO ALECS FOR REMOTE CALL  
14 FORWARDING ONLY COVER INCREMENTAL COSTS?

15 A. No. The rates must cover direct costs and make some  
16 contribution to shared costs.

17

18 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

19 A. Yes, it does.

20

21

22

23

24

25

1 Q (By Ms. Caswell) Could you please summarise  
2 your testimony for us?

3 A GTE Florida currently has a tariffed  
4 offering for remote call forwarding which has a  
5 recurring rate of \$16 for each number, and also  
6 includes usage charges for all calls made to the  
7 remote call forwarded number.

8 GTE has developed rates for ALECs to use for  
9 remote call forwarding for interim number portability.  
10 GTE's proposed recurring rates are \$1.25 for each  
11 number ported, with 75 cents per path for any  
12 additional paths ordered for a number.

13 The proposed nonrecurring charges are \$11  
14 for residence orders and \$14 for business orders.  
15 These service charges are per order for an end user  
16 customer rather than being based on the number of  
17 paths that might be ordered in a given service order.

18 These nonrecurring charges are the same  
19 rates which GTE charges enhanced service providers,  
20 ESPs, when ESP services are added or rearranged on an  
21 existing line. The rates charged for remote call  
22 forwarding must cover direct costs and make some  
23 contribution to shared cost.

24 **MS. CASWELL:** Thank you. Ms. Menard is  
25 available for cross examination.

1                   **CHAIRMAN CLARK:** Ms. White.

2                   **CROSS EXAMINATION**

3 **BY MS. WHITE:**

4           Q     Are you aware that the Staff and Time Warner  
5 have suggested a price of 1 per ported number, 50  
6 cents each additional path and a nonrecurring charge  
7 of \$10 per order?

8           A     Yes, I am.

9           Q     Do you agree with that price?

10          A     No, I do not.

11          Q     Can you tell me why?

12          A     Of course, for one thing, in GTE's case the  
13 \$1 does not cover our cost, and my concern is that  
14 those rates don't make a contribution to shared cost.

15                   The other thing would be on the  
16 nonrecurring. In my case, we have comparable  
17 features, and our call forwarding services that we  
18 provide to ESPs, I know of no reason why I should  
19 charge differently for that service and this service  
20 when they are comparable type features. And I think  
21 the rates should cover cost and provide some  
22 contribution.

23          Q     What's the rate for that -- or what is the  
24 rate charged for that nonrecurring?

25          A     It's \$11 for residence and \$14 for business.

1           Q     You said in your testimony that the rates  
2 for remote call forwarding for number portability  
3 should make some contribution to shared cost. Why is  
4 that so?

5           A     For a number of reasons. For one thing, if  
6 I were to price all my rates at long run incremental  
7 cost, I would go out of business. But in addition,  
8 with this being a new environment and all, number one,  
9 what we've tried to do is, for instance, like in my  
10 cost study for remote call forwarding, we did the  
11 study specifically for interim number portability and  
12 it does not include all the cost for remote call  
13 forwarding. So what I'm proposing on my price is some  
14 contribution to help cover some of those shared costs.

15          Q     And one last question. If an ALEC orders  
16 remote call forwarding for temporary number  
17 portability, is that line that they order that on  
18 available for reassignment to another customer?

19          A     No, it is not.

20               **MS. WHITE:** Thank you.

21               **CHAIRMAN CLARK:** I'm sorry, say that  
22 again?

23               **MS. WHITE:** If an ALEC orders remote call  
24 forwarding or number portability on a line, is that  
25 line available for reassignment?

1           **CHAIRMAN CLARK:** I thought you said  
2 unavailable and you said no, it is. It's not  
3 available.

4           **WITNESS MENARD:** It is not available.

5           **CHAIRMAN CLARK:** Okay. Thank you. Was  
6 that all, Ms. White?

7           **MS. WHITE:** That's all. Thank you.

8           **CHAIRMAN CLARK:** Mr. Wahlen.

9           **MR. WAHLEN:** No questions.

10          **CHAIRMAN CLARK:** Ms. Weiske.

11          **MS. WEISKE:** Thank you, Your Honor.

12                           **CROSS EXAMINATION**

13   **BY MS. WEISKE:**

14           Q     I'm sorry, Ms. Menard, I didn't just  
15 understand the last exchange you had with BellSouth.  
16 You said what related to the number being available  
17 for reassignment?

18           A     If an ALEC orders remote call forwarding  
19 temporary number portability on a given line that line  
20 ties up the line in the switch, and I cannot use that  
21 line for another customer.

22           Q     Because it's being used as one of the two  
23 paths for the ALEC customer?

24           A     And you're tying up the line card in the  
25 switch.

1 Q I'm sorry?

2 A Tying up the line card in the switch.

3 Q If this Commission were to decide to use  
4 incremental cost as its basis for setting the price  
5 for remote call forwarding for GTE, those numbers  
6 would not be the numbers you just proposed on Page 3  
7 of your testimony, would they?

8 A That is correct.

9 Q And, in fact, those numbers as you just  
10 indicated do include some shared costs or common  
11 costs; is that correct?

12 A That's correct.

13 Q And so I apologize, I don't have a page  
14 number on this, but I'm looking at GTE Florida Remote  
15 Call Forwarding Cost Study, DMS and 5E, and at the  
16 bottom of that page you have a number for total cost  
17 for the first line and then a total cost for the  
18 additional line.

19 A That, for the Commissioners, is in BYM-2,  
20 Page 5.

21 Q My understanding, Ms. Menard, is that these  
22 numbers are not proprietary?

23 A That's correct. The total cost for the  
24 first line is \$1.11 and the cost for additional lines  
25 is 50 cents.

1 Q And so your understanding of the use of the  
2 term TSLRIC, that would be the TSLRIC for the first  
3 line for remote call forwarding, \$1.11.

4 A That's correct.

5 Q And the 50 cents would be the TSLRIC for the  
6 additional line?

7 A That's correct.

8 MS. WEISKE: That's all I have, thank you.

9 CHAIRMAN CLARK: Mr. Melson.

10 CROSS EXAMINATION

11 BY MR. MELSON:

12 Q Ms. Menard, Rick Melson representing MCI.  
13 What return on equity did you use in your  
14 preparation of your cost study?

15 A 12.2%, which is our authorized rate of  
16 return on equity.

17 Q And I notice that your -- the page  
18 Ms. Weiske was just referring to, Page 5 of BYM-2,  
19 shows a cost study for DMS and 5E switches. It does  
20 not include the GTD-5 switch; is that correct?

21 A That's correct.

22 Q Why is that?

23 A Two reasons. One is when I look upon what  
24 we're doing in a LRIC cost study it is forward-looking  
25 and is for the switches that I would put in place

1 today if I were to put in new switches. And if I were  
2 to put in new switches today it would be the 5E and  
3 the DMS. The other reason is, I was trying to have a  
4 low price because if I include the cost of the GTD-5  
5 the \$1.11 goes to \$4.65.

6 Q I think it's eminently reasonable to exclude  
7 them. (Laughter)

8 A But that's also one of the reasons why I'm  
9 not willing to offer the price at \$1.11 because I need  
10 to recover the cost of offering it from the GTD-5.

11 Q And, finally, you changed your proposal this  
12 morning on the pricing of additional paths from \$1.10  
13 to 75 cents; is that correct?

14 A That's correct.

15 Q And that's not a number you got from  
16 Mr. Lombardo.

17 A No, it is not a number. And I called the  
18 parties that I have been negotiating with before I  
19 ever saw that stipulation and gave them that number.

20 **MR. MELSON:** Thank you.

21 **CHAIRMAN CLARK:** Ms. Dunson.

22 **CROSS EXAMINATION**

23 **BY MS. DUNSON:**

24 Q Hi, Ms. Menard. I'm Robin Dunson from AT&T.  
25 In your direct testimony you state that the

1 rates for remote call forwarding should cover both  
2 direct costs and shared costs. What types of costs  
3 are you referring to as shared cost?

4 A In this particular instance some of the  
5 shared cost I would be talking about are, for  
6 instance, in the DMS switch, it requires an one-time  
7 right-to-use fee to put in remote call forwarding.  
8 Our cost study does not include any of those costs.  
9 It would include costs for billing and collection. It  
10 would include costs for the directory listing, and  
11 none of those costs are in our cost study.

12 Q Approximately what percentage of your  
13 residential customers purchase services such as call  
14 waiting that will require an ALEC to pay to GTE an  
15 additional 75 cents per month for two ports for those  
16 customers who enable the ALEC to provide the same  
17 services to those customers as they are currently  
18 receiving today?

19 A My recollection, the last number I've seen  
20 on call waiting, is about 33%. Of course, the other  
21 option the customer has is to take a number change and  
22 then you don't have to order any paths.

23 Q But approximately 33% of your customers  
24 order additional services that were required to path?

25 A Approximately 33% of my have customers order

1 call waiting.

2 Q Okay.

3 A Because the rest of the features, I don't  
4 know of other features that would require two paths.

5 Q Okay. The rates that you have proposed of  
6 \$1.25 per month, 75 cent for an additional port, and  
7 the nonrecurring charges, I assume these rates contain  
8 a margin above cost?

9 A Slight, yes.

10 Q Okay.

11 MR. DUNBAR: That's it.

12 CHAIRMAN CLARK: Ms. Wilson.

13 CROSS EXAMINATION

14 BY MS. WILSON:

15 Q Good morning, Ms. Menard, I'm Laura Wilson  
16 representing the Cable Association. I just have a  
17 couple of questions for you.

18 When an ALEC places an order for remote call  
19 forwarding, will that information be shared with any  
20 other departments within GTE other than the service  
21 order people?

22 A Not to my knowledge.

23 Q Okay. So to your knowledge it would not --  
24 that information would not be shared with the  
25 marketing department within GTE?

1           A     That is my understanding.

2           Q     Okay.  And what is the expected turnaround  
3 for service order processing?

4           A     I do not know at this point.

5           Q     Okay.  Do you know whether letters of agency  
6 will be required from the ALEC in order to fulfill a  
7 service order for remote call forwarding?

8           A     To me there are a variety of ways that can  
9 be handled.  Our existing tariff for enhanced service  
10 providers talks about the letter of agency.  I mean  
11 the main reason for that is to help discourage  
12 slamming.

13                     One way that it can happen is that we have a  
14 letter of agreement with the ALEC, that they authorize  
15 that any changes they give us are authorized by the  
16 customer.  If it turns out the customer did not  
17 authorize it, the ALEC would pay the charges to  
18 connect the customer back to us.

19           Q     Okay.  And that would be an expeditious way  
20 of handling the matter, right?

21           A     That is correct.

22           Q     Okay.

23           A     We just feel there needs to be something  
24 that the ALEC has taken responsibility that they are  
25 not charging customers unscrupulously.

1 Q Okay. And it's GTE's position in this  
2 docket, is it not, that upon conclusion of this  
3 hearing that the docket should be closed?

4 A Yes.

5 Q Okay. Would GTE agree to participate in  
6 meetings of the Number Portability Standards Group  
7 that's been established thus far as needed for  
8 addressing and resolving any problems associated with  
9 implementing remote call forwarding on a going-forward  
10 basis?

11 A Yes, we would. Especially since I'm a  
12 member of that group.

13 Q The prices that you listed here, the  
14 proposed order charges you've listed here on Page 5 of  
15 your testimony at Lines 14 and 15, do those charges  
16 include any marketing costs?

17 A No. They also don't include -- the cost  
18 study -- we did not do new cost studies for this  
19 because as Mr. Kolb testified, we don't know exactly  
20 how we're going to fully process the orders. But we  
21 looked at what we charge for call forwarding for the  
22 ESPs, those cost studies offer what I would call a  
23 secondary service order charge and they do not include  
24 any of the switch cost to do the translations for  
25 remote call forwarding.

1           Q     Would you agree that the length of time it  
2 takes for a service order to be processed could affect  
3 an ALEC customer satisfaction with the ALECs service?

4           A     Yes.

5           Q     Thank you.

6           **MS. WILSON:** That's all the questions I  
7 have. Thanks.

8           **CHAIRMAN CLARK:** Mr. Rindler.

9                           **CROSS EXAMINATION**

10          **BY MR. RINDLER:**

11           Q     Good morning, Mr. Menard. I represent  
12 Metropolitan Fiber Systems of Florida, Inc. I just  
13 have one question.

14                    Back to Page 5 that Ms. Wilson was just  
15 pointing you to, the same Lines 14 through 17, where  
16 you have the proposed audit charges of \$11 and \$14?

17           A     Yes, sir.

18           Q     I may have just missed this: Why is there a  
19 difference between the two?

20           A     Those are existing network access change  
21 rates, nonrecurring rates in our tariffs. The same  
22 rates that I charge an enhanced service provider for  
23 call forwarding, which is a similar type service.  
24 Those are the existing rates, based on the fact that  
25 different representatives -- service representatives

1 handle residence and business orders.

2 Q I'm sorry. Are you saying that the \$3  
3 difference is because you have a different service  
4 representative?

5 A And the different time it takes to process.  
6 Normally a business order takes more time to process  
7 than a residence order.

8 Q Are either of those done electronically at  
9 this time?

10 A Not to my knowledge.

11 Q Does GTE have the capacity to do that?

12 A I don't know.

13 Q Is that the only cost difference that you  
14 know of?

15 A Just the salary of the people involved and  
16 the time to process the orders.

17 Q That's the only difference between the  
18 business and the residence?

19 A Yes, sir.

20 MR. RINDLER: I don't have any further  
21 questions. Thank you.

22 CHAIRMAN CLARK: Mr. Self.

23 MR. SELF: Thank you, Chairman Clark.

24

25

**CROSS EXAMINATION**1  
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**BY MR. SELF:**

Q I just have one question simply because I didn't understand what was said earlier.

With respect to the question about the line not being available for reuse, is it the line, the telephone number, the pair of wires to the house; what do you mean by line?

A Okay, Number one, is the telephone number, because, of course, the telephone number can't be reused. It's also -- its line card in the switch is being tied up and I cannot use it for another customer.

Q Okay. So if the customer decided that they wanted to -- if they switched and they were taking service from an ALEC and they decided they wanted a second line to the house, you'd have to put a new card in the switch, but the pair of wires to the house for example, that could be reused, right?

A Yes, it could be reused.

**MR. SELF:** Okay. Thank you.

**CHAIRMAN CLARK:** Anyone in the audience have any questions, anyone who is a party? Staff.



1           A       That's correct.

2           Q       Do you know what the advantages and  
3 disadvantages of using RCF to provide temporary number  
4 portability are?

5           A       I know some of them and I think they are  
6 outlined in Exhibit No. 7.

7           Q       Yes. If you will take a look at Exhibit 7,  
8 I'd like to find out if there are any advantages or  
9 disadvantages that you disagree with.

10          A       One concern I had in reading Advantage 3, I  
11 would assume when they're talking about the  
12 elimination of efficient trunk groups, I would assume  
13 that's talking about relative to the use of flexible  
14 DID service, but I wasn't certain.

15                   I mean, my only concern, when you just look  
16 at 4, the way it is worded, and one of the concerns I  
17 have on using remote call forwarding for interim  
18 number portability is going to be -- my understanding  
19 what we're proposing with this solution is I can be at  
20 my house, currently I'm a GTE customer, and if heresy  
21 were to occur I could decide to go to Time Warner,  
22 another ALEC, but then I'd be able to keep my  
23 telephone number.

24                   One of the concerns, though, that I think it  
25 should not be used for is I'm going to move and move

1 across town where I would have to have a telephone  
2 number, so instead I go over to Time Warner, say,  
3 "Take my number." And so I get to keep my number even  
4 though I really moved across town. And to me the  
5 service should not be able to be used for that. It  
6 should strictly be when I stay at the same location.  
7 So that was part of my concern with the way 4 was  
8 worded.

9           **CHAIRMAN CLARK:** Why not, Ms. Menard? Do  
10 you allow customers to keep their phone number if they  
11 move to another part of town if it's within the same  
12 exchange?

13           **WITNESS MENARD:** If they want to pay for  
14 it. They pay extra charges because it requires extra  
15 facilities for us to do that.

16           **COMMISSIONER GARCIA:** Even if they are in  
17 the same exchange?

18           **WITNESS MENARD:** Well, it depends on what  
19 you're talking about same exchange. For me, virtually  
20 all my exchanges have multiple central offices that  
21 have different numbers assigned for each central  
22 office.

23           **CHAIRMAN CLARK:** Let me ask you this: If  
24 that does not cause you to incur any more costs, if  
25 it's a customer of the ALEC, shouldn't it be up to the

1 ALEC as to whether they can keep it or not?

2           **WITNESS MENARD:** But then I'm doing extra  
3 transport for that cost that I'm not being recovered  
4 the cost for.

5           **CHAIRMAN CLARK:** So you will always have  
6 cost because if they would move to another number you  
7 wouldn't have to port the number.

8           **WITNESS MENARD:** That's correct, for one  
9 thing.

10           **CHAIRMAN CLARK:** Okay.

11           **WITNESS MENARD:** As far as disadvantages,  
12 it's a technical thing, I didn't know what No. 9,  
13 "customer movers" were, but I assumes that's moves.

14           13 I don't fully agree with because in our  
15 case, in GTE's case we have E911 and we have  
16 discovered how it can work. I agree with the part  
17 that says it will require some training, but our  
18 understanding is it fully can be handled on the PSAPS  
19 that we have in our territory.

20           **Q** Are there any more advantages or  
21 disadvantages that you think need to be added to these  
22 lists?

23           **A** In the time I had to look at this, I could  
24 not think of any.

25           **Q** Can you briefly explain your understanding

1 of the recovery mechanism outlined in the stipulation?

2 A Yes. I thought when we were signing the  
3 stipulation that we were agreeing that, for instance,  
4 the prices that I've got on Page 3, Line 22 through  
5 24, would be the type of prices we were stipulating to  
6 in the agreement, where there would be a charge per  
7 number ported. That I would charge the ALEC,  
8 likewise, once they go in service; if a customer comes  
9 back, they would charge me the same rates.

10 Q Does the stipulation recovery mechanism  
11 address both the recurring and nonrecurring cost for  
12 the provision of the temporary number portability?

13 A At the time we drafted the stipulation it  
14 only specifically addresses the recurring rate.

15 Q How do you believe the Commission should  
16 recover these costs, the nonrecurring costs?

17 A By adopting our position in this docket.

18 Q How do you believe the Commission should  
19 recover recurring costs?

20 A As we are adopting our position in this  
21 docket.

22 Q Are you familiar with MFS Witness Devine's  
23 direct testimony?

24 A I read it.

25 Q Can you give me your understanding of the

1 cost recovery mechanism that he supports?

2 A I didn't fully understand it, but I assumed,  
3 theoretically, and it may not be a correct assumption,  
4 that what we would do is instead of me charging the  
5 \$1.25 and the 75 cents, I'd add up all of my costs  
6 that it cost me, and then my customers would pay for  
7 most of the cost.

8 Q You stated the Commission should adopt a  
9 temporary solution that spreads the cost evenly across  
10 the entire subscriber base, thereby distributing the  
11 cost of portability across all those who will reap the  
12 substantial benefits of the competition. Do you  
13 believe this testimony is consistent with the  
14 stipulation?

15 A No.

16 Q On Page 6, Line 6, of your direct testimony  
17 you state that "The service order received from the  
18 ALECs would contain a letter of authorization from the  
19 end user customer." Does GTE Florida require IXCs to  
20 provide the authorization when a customer changes long  
21 distance carriers?

22 A That would be part of what I had discussed  
23 earlier, I think it was with Ms. Wilson or one of the  
24 other attorneys, that actually what we may have is a  
25 letter of agreement with the carriers where they agree

1 that they have the letter of authorization, and if the  
2 customer disagrees that they don't have it, they pay  
3 the charges to connect the customer back. So it does  
4 not mean that you physically have to send the letter  
5 of authorization to us.

6 Q Are there any procedures or methods that  
7 need to be in place prior to January 1, 1996, such as  
8 service orders, handling E911 information?

9 A Yes. Those type procedures have to be in  
10 place and we're working to have them in place January  
11 1, 1996.

12 Q Are there any others beside those two that I  
13 mentioned?

14 A I'm not aware of any because remote call  
15 forwarding is a service we already provision today so  
16 we already have those type procedures in place.

17 Q Ms. Menard, you provided call support for  
18 your proposed rates in this docket; is that correct?

19 A That's correct.

20 Q You proposed a separate nonrecurring charge  
21 for residence and business; is that correct?

22 A That's correct.

23 Q Why did you do that?

24 A As I testified earlier, part of the reason  
25 is that's the same rates and the way we charge

1 enhanced service providers for providing call  
2 forwarding features in our existing tariffs.

3 Q You state your projected nonrecurring costs  
4 will be \$7.45 for residences and \$12.35 for  
5 businesses; is that correct?

6 A Those cost studies are for a secondary-type  
7 service charge. And as I said earlier, these cost  
8 studies don't include the cost for doing the  
9 translations and the CO.

10 Q I believe you mentioned this earlier but I  
11 just want to clarify. GTE didn't use practical  
12 experience when conducting this cost study, did it?

13 A Did not use what?

14 Q Practical experience when conducting this  
15 cost study?

16 A I don't understand the question.

17 Q You haven't had any experience with  
18 providing RCF for a temporary number portability  
19 solution have you?

20 A No, but we have been providing remote call  
21 forwarding since 1983.

22 Q Please provide your understanding of the  
23 process used to determine the nonrecurring charge.

24 A Under normal cases, if we had done a special  
25 cost study for this docket, what is done is we

1 document the process, all of the steps that the order  
2 goes through, do interviews, time studies and go  
3 through and price-out all of the steps that the order  
4 goes through, who touches it, how long they touch it,  
5 what their hourly rate is, and come up with a cost.

6 Q And you haven't done that for temporary  
7 number portability, have you?

8 A No, we have not, because the process isn't  
9 in place for me to study.

10 Q If you wanted to do a study, how long do you  
11 think it would take to get the practical experience?

12 A I would say we'd want the service to be in  
13 for at least six months to a year before I could do a  
14 study on it.

15 Q On Page 2 of Exhibit 13, Line 5, a  
16 S-O-R-C-E-S system cost is listed. Would you please  
17 explain this cost?

18 A What that is, is the processing time. The  
19 SORCES is our service order system and that's the  
20 processing time for processing the order in the  
21 system.

22 MS. BARONE: Thank you. That's all I  
23 have.

24 CHAIRMAN CLARK: Commissioners? Redirect?

25 MS. CASWELL: I have just a few questions

1 on redirect.

2 **CROSS EXAMINATION**

3 **BY MS. CASWELL:**

4 Q Ms. Menard, I believe Mr. Melson asked you  
5 why the GTD-5 wasn't included in your cost study. And  
6 you said that if it had been included, the price of  
7 the remote call forwarding would have gone up to  
8 \$4.65.

9 Can you tell us what percentage of GTE's  
10 access lines are currently served by the GTD-5 switch?

11 A Approximately 75%.

12 Q Given the stipulation in this docket  
13 designated remote call forwarding as interim  
14 portability solution, do you believe there's any  
15 reason for the Commission to rule on the issue of the  
16 advantages and disadvantages of that solution?

17 A No, I do not.

18 Q I believe you stated in reponse to a  
19 question asked by Staff that Mr. Devine's cost  
20 recovery method, which would spread the RCF cost  
21 across the whole subscriber base, was inconsistent  
22 with the stipulation entered in this docket. Could  
23 you tell us a little bit about why that cost recovery  
24 mechanism would be inconsistent with the stipulation?

25 A Certainly. If you look at Order

1 No. PSC-95-1214-AS-TP, Attachment A, Page 3, it says  
2 "The recurring price for remote call forwarding will  
3 be on a per line per month basis, and will be uniform  
4 throughout an individual LEC's existing service  
5 territory." And, therefore, that's why we proposed  
6 the prices we did in this docket to conform to that  
7 stipulation.

8 **MS. CASWELL:** I have nothing further.  
9 Thank you.

10 **CHAIRMAN CLARK:** Exhibits.

11 **MS. BARONE:** Staff moves 12 and 13.

12 **CHAIRMAN CLARK:** 12 and 13 are entered  
13 into the record without objection. You may be  
14 excused, Ms. Menard. Mr. Poag.

15 (Witness Menard excused.)

16 (Exhibit Nos. 12 and 13 received in  
17 evidence.)

18 **F. BEN POAG**

19 was called as a witness on behalf of United Telephone  
20 Company of Florida and, having been duly sworn,  
21 testified as follows:

22 **DIRECT EXAMINATION**

23 **BY MR. WAHLEN:**

24 Q Would you please state your name and  
25 business address?

1           A     My name is Ben Poag. My business address is  
2 Box 165000, Altamonte Springs, Florida 32716-5000.

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

6           A     Yes, sir.

7           Q     Do you have any changes or corrections?

8           A     No, sir.

9           Q     If I were to ask you the questions contained  
10 in your prepared direct testimony today, would your  
11 answers be the same as those reflected therein?

12          A     Yes, sir.

13               **MR. WAHLEN:** Chairman Clark, we would  
14 request Mr. Poag's testimony be inserted into the  
15 record as though read.

16               **CHAIRMAN CLARK:** Mr. Poag's prefiled  
17 direct testimony will be inserted in the record as  
18 though read.

19          Q     (By Mr. Wahlen) Mr. Poag, did you have any  
20 exhibits attached to your testimony?

21          A     No.

22

23

24

25

UNITED TELEPHONE COMPANY  
OF FLORIDA  
CENTRAL TELEPHONE COMPANY  
OF FLORIDA  
DOCKET NO. 950737-TP  
FILED: September 1, 1995

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

PREPARED DIRECT TESTIMONY

OF

F. BEN POAG

1  
2  
3  
4  
5  
6 Q. Please state your name, business address and title.

7  
8 A. My name is F. Ben Poag. I am employed as Director-Tariff  
9 and Regulatory Management for United Telephone Company of  
10 Florida. My business mailing address is Post Office Box  
11 165000, Altamonte Springs, Florida 32716-5000.

12  
13 Q. What is your business experience and education?

14  
15 A. I have over 30 years experience in the telecommunications  
16 industry. I started my career with Southern Bell, where  
17 I held positions in Marketing, Engineering, Training,  
18 Rates and Tariffs, Public Relations, and Regulatory. In  
19 May 1985, I assumed a position with United Telephone  
20 Company of Florida as Director-Revenue Planning and  
21 Services Pricing. I held the position until February  
22 1988, at which time I was appointed to the position of  
23 Director-Tariffs and Regulatory. In January 1990, the  
24 pricing and tariffs organizations were combined and I was  
25 appointed Director-Revenue Planning and Regulatory. In

1 June 1993, in conjunction with a restructuring, I have  
2 assumed new responsibilities and title. In my current  
3 position, I am responsible for costing, tariffs and  
4 regulatory matters. I am a graduate of Georgia State  
5 University with a Bachelor's Degree in Business.  
6

7 Q. On whose behalf are you testifying?  
8

9 A. I am testifying for United Telephone Company of Florida  
10 and Central Telephone Company of Florida.  
11

12 Q. What is the purpose of your testimony?  
13

14 A. The purpose of my testimony is to address the issues  
15 remaining for resolution now that the parties have  
16 stipulated and agreed on a temporary number portability  
17 mechanism. More specifically, the purpose of my  
18 testimony is to provide Sprint United/Centel's proposed  
19 pricing methodology for Remote Call Forwarding ("RCF")  
20 service when used for temporary number portability and to  
21 explain why prices for that service must exceed  
22 incremental costs.  
23

24 Q. How does RCF service provide temporary number  
25 portability?

1     **A.**    The purpose of temporary number portability is to allow  
2            an existing customer of a LEC, or in time an ALEC, to  
3            subscribe to the service of a competing local exchange  
4            carrier and retain his, her or its existing telephone  
5            number.

6  
7            The customer who is changing local service carriers would  
8            actually be assigned a new telephone number from the new  
9            local service provider.  However, calls to the existing  
10           telephone number of the former carrier are reswitched to  
11           the customer by the former carrier's switch to the new  
12           carrier's switch.  By using RCF, a customer can retain  
13           his/her same listing in the telephone directory and does  
14           not need to notify potential callers of the change.  
15           Importantly, the customer remains at the same physical  
16           premises, but changes local exchange companies.  The  
17           customer, however, will have two telephone numbers,  
18           although the customer may elect not to publicize the new  
19           telephone number.  Conversely, the customer may elect to  
20           publicize the new telephone number and over time  
21           eliminate the original telephone number.

22  
23     **Q.**    What rate elements does United/Centel propose for the use  
24            of RCF service for temporary number portability?

25

1     **A.**   Sprint United/Centel proposes that a recurring monthly  
2           rate be established for the telephone number and first  
3           path.     A second recurring monthly rate for each  
4           additional path associated with the same telephone number  
5           should also be established.   In addition, a nonrecurring  
6           service ordering charge would be applicable to cover the  
7           cost associated with establishing the service.   Sprint  
8           United/Centel would pay these same rates and charges  
9           where an ALEC provides the service for Sprint  
10          United/Centel.

11

12     **Q.**   Should these rates cover their incremental costs?

13

14     **A.**   Yes, the rates should exceed the direct incremental costs  
15          and provide additional margin to cover shared costs.

16

17     **Q.**   What are examples of shared costs which are not included  
18          in the incremental or average cost of RCF service?

19

20     **A.**   Examples include the operating system software, billing,  
21          collections and common overhead expenses.   Allocating  
22          postage, associated with billing for example, only to the  
23          service would result in a substantial percentage increase  
24          in the cost.

25

1 Q. Please explain the logic of why the rates need to cover  
2 shared costs?

3

4 A. Any telecommunications firm that is only covering  
5 incremental cost would soon be out of business. This can  
6 be explained with the following hypothetical price/cost  
7 relationship analogy.

8

9 Assume in the airline business that the incremental cost  
10 of the next passenger to fill a vacant seat is the  
11 capacity cost of the seat, the paper for the ticket, a  
12 little extra fuel, and the peanuts and beverage; an  
13 incremental cost of say, \$40.00. If this incremental  
14 cost was the price charged for all passengers, it becomes  
15 obvious very quickly that the airline could not cover its  
16 expenses. In fact, just to cover the expenses of the  
17 flight, the total prices paid by all passengers would  
18 have to equal the costs of the flight. However, even at  
19 this revenue level there would still be many other shared  
20 costs that would need to be recovered for the airline to  
21 be financially viable.

22

23 Q. What are examples of the shared costs?

24

25 A. Such costs would include ticket counters, the

1 reservations system, the baggage handling system, airport  
2 terminal fees and legal and executive management  
3 resources. These costs must also be covered in the  
4 overall revenues for the airline to be financially  
5 viable.

6  
7 Q. How does this relate to pricing telephone services?

8  
9 A. The point is that the revenues of individual services  
10 must, in aggregate, must cover all the costs of the firm.  
11 In many cases the price for individual services will be  
12 substantially above its incremental cost in order to  
13 recover all the costs of the business. In the airline  
14 example, again, assuming the incremental cost of the  
15 additional passenger was \$40.00, the price for the one  
16 way ticket would be substantially above the incremental  
17 cost, e.g., \$200 or more.

18  
19 There are many similar cost/pricing relationships for  
20 telephone services. Examples include access charges,  
21 intraLATA toll and custom calling features; all of these  
22 services have prices which are multiples of the cost of  
23 the individual services.

24  
25 Even more directly related to the price/cost issue for

1 RCF in this docket is the now existing tariffed rate for  
2 Remote Call Forwarding service. The current tariffed  
3 rate for United is \$17.60, substantially above the cost  
4 of that service.

5

6 Q. How are you proposing that this Commission develop rates  
7 for RCF service used for temporary number portability?

8

9 A. Assuming the parties cannot agree among themselves as to  
10 appropriate rates and the Commission is required to act,  
11 my recommendation is that the price be set sufficiently  
12 above incremental cost to ensure all direct costs are  
13 recovered and that the price provides some margin to  
14 cover the shared costs of providing the service.

15

16 Q. Does that conclude your prepared direct testimony?

17

18 A. Yes, it does.

19

20 jjw\utd\poag.por

1 Q (By Mr. Wahlen) Do you have a summary of  
2 your testimony?

3 A Yes, sir.

4 Q Would you please give it.

5 A Yes, sir. For Sprint United the Commission  
6 should approve a recurring monthly rate for telephone  
7 number portability of \$1.25 monthly recurring for the  
8 feature in the first path.

9 For any additional paths, it should be a  
10 50-cent monthly recurring rate associated with that.

11 A nonrecurring service order charge of \$10 should  
12 apply.

13 The prices that I have just recommended, the  
14 recurring prices, exceed their incremental cost, and  
15 they are set sufficiently above the incremental cost  
16 to provide some contribution to joint and shared cost.

17 Examples of some of the costs that are  
18 shared are the operating system software, billing,  
19 collections, common overhead expenses, and account  
20 maintenance. Additionally, another shared cost that  
21 was not included was postage because we weren't sure  
22 exactly how we were going to be billing the ALECs for  
23 this type of service; didn't know how large a number  
24 that would be.

25 There are many cost pricing relationships

1 for telephone services that reflect the need for  
2 prices to exceed the incremental cost. Examples  
3 include access charges, intraLATA toll, custom calling  
4 features. All of these services have prices which are  
5 many multiples of price over cost for these individual  
6 services.

7 In our business, if you were to price our  
8 services just on the economic definition of  
9 incremental cost, you would probably reduce the total  
10 revenues of the company by 50% to 60% because of the  
11 fact that so many of the costs are shared and so many  
12 of the costs are common costs.

13 That concludes my summary.

14 **MR. WAHLEN:** Mr. Poag is available for  
15 cross examination.

16 **CHAIRMAN CLARK:** Mr. Carver.

17 **MR. CARVER:** Thank you.

18 **CROSS EXAMINATION**

19 **BY MR. CARVER:**

20 Q Good morning, Mr. Poag.

21 A Good morning.

22 Q I just have one question. Time Warner has  
23 proposed a price of \$1 per ported number for two paths  
24 and 50 cents per additional path. From United's  
25 perspective, are those prices appropriate?

1           A     No, sir.

2           Q     Could you explain why, please?

3           A     Repeat what they proposed again.  It was \$1  
4 for --

5           Q     \$1 per ported number with two paths and 50  
6 cents per additional path.

7           A     Okay.  In our case, just to give you an  
8 example, in addition to doing the incremental cost, I  
9 also did an average cost methodology, and the average  
10 cost methodology exceeds \$1.  It's \$1.03, and that  
11 would not include any contribution to the shared and  
12 joint costs that I've just talked about.

13                     And I think a really good example that,  
14 hopefully, will help clarify this is the one that  
15 Chairman Clark asked earlier, and that was if she had  
16 had three custom calling features, how would those  
17 costs be allocated?  But if I can, let me address it  
18 from that perspective.  For simplicity I'll just use  
19 two.

20                     If you have two custom calling features, and  
21 they, for example, are call forwarding and call  
22 waiting, because neither one of those features  
23 individually drives the purchase of that software, it  
24 becomes a shared cost.  And when I do a total service  
25 long run incremental cost study, I do not include any

1 of that software cost in the cost study. So by  
2 economic definition of what is a total service long  
3 run incremental cost, those types of shared cost are  
4 excluded. The economists then recommend that in order  
5 to cover those costs, you must price your services  
6 above the incremental cost.

7 I'm not an economist, as you know, but I've  
8 read Emmerson, I've read Michaelson, and I can  
9 provide, you know, specifically cites from those  
10 gentlemen.

11 MR. CARVER: Thank you, that's all I have.

12 CHAIRMAN CLARK: Ms. Caswell.

13 MS. CASWELL: No questions.

14 CHAIRMAN CLARK: Ms. Weiske.

15 MS. WEISKE: Thank you.

16 CROSS EXAMINATION

17 BY MS. WEISKE:

18 Q Good morning, Mr. Poag. I'm Sue Weiske.

19 I'm here representing Time Warner.

20 A Good morning.

21 Q That last set of questions, you indicated  
22 that by definition total service long run incremental  
23 cost does not include shared and common cost; is that  
24 correct?

25 A That's correct.

1 Q And if you look at your proprietary numbers  
2 dealing with the total service long run incremental  
3 cost, for the first call path as well as the  
4 additional call path, as you revised them on October  
5 2nd?

6 A Yes.

7 Q Wouldn't Time Warner's proposal through  
8 Mr. Engleman cover those costs?

9 A What was Mr. Engleman's proposal?

10 Q As you were just discussing with BellSouth  
11 it's \$1 for the first two paths.

12 A What's the question again?

13 Q Does that proposal recover total service  
14 long run incremental cost?

15 A Yes, it would cover, as I explained, total  
16 service long run incremental cost, but it would not  
17 cover or provide any contribution to shared cost.

18 Q Right. But by definition TSLRIC does not  
19 included shared cost, does it?

20 A That's correct.

21 Q Mr. Poag, you mentioned Mr. Emmerson, whom  
22 I've also read, on behalf of BellSouth, and some other  
23 regional Bell operating companies. Have you read  
24 other economists as to TSLRIC or recovery of costs  
25 that represent parties like MCI or AT&T?

1 A I've probably read many of them, yes.

2 Q Have you, by chance, read Dr. Nina Cornell?

3 A I've read testimony of Dr. Cornell.

4 Q Have you read her testimony related to  
5 whether TSLRIC is an appropriate floor for prices in  
6 encouraging competition?

7 A I probably have. I don't recall  
8 specifically what that would be or what circumstances  
9 it would be, but, you know, if you've got a witness  
10 that wants to address that then --

11 Q So you don't know her position as an  
12 economist as to the recovery of shared and common  
13 costs in setting prices?

14 A I do not recall today what that is.

15 MS. WEISKE: Thank you. That's all I  
16 have.

17 CHAIRMAN CLARK: Mr. Melson.

18 MR. MELSON: No questions.

19 CHAIRMAN CLARK: Mr. Tye.

20 MR. TYE: Just a couple, Madam Chairman.

21 CROSS EXAMINATION

22 BY MR. TYE:

23 Q Good morning, Mr. Poag.

24 A Good morning.

25 Q Mr. Poag, you do do long run incremental

1 cost studies, do you not?

2 A I'm sorry, repeat it.

3 Q You have done long run incremental cost  
4 studies on service, have you not?

5 A Yes, sir.

6 Q You do long run incremental cost studies on  
7 other services, do you not?

8 A Yes, sir.

9 Q You do advocate the use of long run  
10 incremental costs a price floor for the pricing of  
11 competitive services, do you not?

12 A I don't personally advocate it as a price  
13 floor for competitive services. It is the price floor  
14 for a cross-subsidy test. And in my mind, my personal  
15 advocacy is that that is all that you use that for,  
16 for the cross-subsidy test that you have to make, but  
17 I do not advocate it as a pricing floor.

18 Q So the only reason you do these studies is  
19 to determine whether or not there's a cross-subsidy;  
20 is that your testimony?

21 A That and because we get told to make them.

22 Q Well, who told you to make them in this  
23 case, Mr. Poag?

24 A We were asked to provide them in discovery.

25 Q Excuse me, Mr. Poag. Is it your testimony

1 you went out and did a long run incremental cost study  
2 simply because somebody sent you a discovery request  
3 and asked you to do it?

4 A In this particular case, yes.

5 Q Okay. And you would not have done one  
6 otherwise?

7 A I'm not saying I wouldn't have done one  
8 otherwise. We do a study generally anytime we put  
9 together a business case to offer a new product or  
10 service. The difference is is the timing. You do it  
11 when you do the study and how the results will come  
12 out.

13 Q So when you offer a new product or service,  
14 you do a long run incremental cost study; is that  
15 correct?

16 A Yes, sir.

17 Q Now, is it your testimony that the only  
18 reason you do that study is to test for  
19 cross-subsidies?

20 A Well, and to be sure that you are going to  
21 make a profit.

22 Q Okay. Do you have any services that you're  
23 providing today that are priced at long run  
24 incremental cost?

25 A Repeat it, please.

1           Q     Do you have any services that you're  
2 providing today in the competitive market that are  
3 priced at long run incremental cost?

4           A     I haven't done a study of every service that  
5 we've got out there. But based on my experience, I  
6 would say that there's probably not any that are  
7 priced at incremental cost. That the vast majority of  
8 them are far in excess of the incremental cost.

9                     A good analogy I provided in my testimony  
10 was the fact that the remote call forwarding feature  
11 that we have out there today is priced at \$17.60, and  
12 the incremental cost for that feature is as provided  
13 in my testimony, or discovery.

14          Q     Do you sell CENTREX service, Mr. Poag?

15          A     Yes, sir.

16          Q     Do you sell CENTREX service pursuant to  
17 contracts from time to time?

18          A     Yes, sir.

19          Q     Are any of those contracts priced at long  
20 run incremental cost?

21          A     No, sir.

22          Q     Do you sell private line services pursuant  
23 to contract?

24          A     I'm hesitating on the "pursuant to  
25 contract." I think we have some special cases where we

1 have sold it on a special assembly or a contract  
2 service arrangement basis.

3 Q In each of these services that you sell  
4 pursuant to contract, isn't it a fact that long run  
5 incremental cost provides the price floor below which  
6 you cannot go to sell that service pursuant to  
7 contract?

8 A Correct. Because it would be  
9 cross-subsidizing to do so.

10 MR. TYE: Thank you, sir. I have no  
11 further questions.

12 CHAIRMAN CLARK: Ms. Wilson.

13 CROSS EXAMINATION

14 BY MS. WILSON:

15 Q Good morning, Mr. Poag.

16 A Good morning.

17 Q I have just a few questions for you.

18 Wouldn't you agree that the new law  
19 recognizes that temporary number portability is an  
20 important component of local exchange competition?

21 A Yes, sir.

22 Q And a minute ago you, I believe, said in  
23 response to Mr. Tye's questions, that there are many  
24 of the services out there that your company provides  
25 that are priced above long run incremental cost; is

1 that correct?

2 A Correct.

3 Q But are any of these -- let me rephrase  
4 that, excuse me.

5 Is it your understanding of the new law that  
6 this Commission is directed to promote local exchange  
7 competition?

8 A I'm not sure -- I think that --

9 MR. WAHLEN: If Ms. Wilson is asking  
10 Mr. Poag to explain the new statute, I think the  
11 statute speaks for itself and Mr. Poag is not a  
12 lawyer.

13 MS. WILSON: Okay. Let me rephrase the  
14 question.

15 Q (By Ms. Wilson) Have you reviewed the new  
16 law?

17 A Yes.

18 Q Okay. Would you agree with me that in the  
19 legislative intent provisions, that based upon your  
20 own reading of the statute that the Commission is  
21 directed to promote competition?

22 MR. WAHLEN: Same objection.

23 MS. WILSON: Okay.

24 CHAIRMAN CLARK: Ms. Wilson, I don't know  
25 why we need to know that from this witness. I think

1 it probably is in the legislative --

2 MS. WILSON: Okay. I have no further  
3 questions.

4 CHAIRMAN CLARK: I've seen it somewhere.

5 MS. WILSON: I have no further questions.

6 CHAIRMAN CLARK: Mr. Rindler.

7 CROSS EXAMINATION

8 BY MR. RINDLER:

9 Q Good morning, Mr. Poag. I'm Rich Rindler  
10 representing Metropolitan Fiber Systems of Florida,  
11 Inc. I think I just have one or two questions.

12 How long have you been with Sprint?  
13 Centel/Sprint United?

14 A Ten years.

15 Q Is Sprint Centel and Sprint United in  
16 Florida particularly more efficient than either  
17 Southern Bell or GTE?

18 A I don't have the information to answer that  
19 question.

20 MR. RINDLER: Thank you, I have no further  
21 questions.

22 CHAIRMAN CLARK: Mr. Self.

23 MR. SELF: None.

24 CHAIRMAN CLARK: No parties in the  
25 audience? Okay. Ms. Barone.

**CROSS EXAMINATION**1  
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**BY MS. BARONE:**

Q Good morning. Mr. Poag, do you have Staff's exhibit FBP-2 in front of you?

A Yes.

Q Staff is providing Staff's exhibit CON-2 as well at this time. Would you take a look at that, please?

A Yes.

Q Were the contents of those exhibits prepared by you or under your supervision?

A Yes.

Q Are they true and correct to the best of your knowledge and belief?

A Yes.

**MS. BARONE:** Madam Chairman, Staff requests that FBP-2 and CON-2 be marked for identification.

**CHAIRMAN CLARK:** FBP-2 will be Exhibit 14, and CON-2 will be marked as Exhibit 15.

(Exhibit Nos. 14 and 15 marked for identification.)

Q (By Ms. Barone) Mr. Poag, you're representing both United and Centel in this proceeding; is that correct?

1           A     Yes, ma'am.

2           Q     And United and Centel are both wholly owned  
3 by Sprint, correct?

4           A     Yes, ma'am.

5           Q     And the majority of Sprint's interests are  
6 still in the long distance market; is that correct?

7           A     I believe that's correct, yes.

8           Q     Do you know if Sprint has any plans to apply  
9 for an ALEC certificate in Florida?

10          A     If Sprint has plans to file for --

11          Q     An ALEC certificate?

12          A     The Sprint Corporation?

13          Q     Yes. If you don't know, do you believe it's  
14 probable that Sprint will apply for one?

15          A     I'm really -- you know, when? Are we  
16 talking about next week, two years from now, five  
17 years from now? I would say that at some point in  
18 time most likely they will apply for an ALEC position,  
19 but I don't have any direct knowledge of that.

20          Q     Why do you think they would apply for one?

21          A     I think it's the nature of the competition  
22 in the future, that you're going to -- or the nature  
23 of the industry in the future. I think that most  
24 likely probably all of the companies will, at some  
25 point in time, apply for ALEC certification. I think

1 that as the market evolves there are going to be  
2 situations, for example, where just outside of my  
3 boundary there is a very strong economic reason to go  
4 out and serve a particular customer or to provide them  
5 a particular service.

6 Q So is it safe to conclude then that Sprint  
7 has interests on both sides of local competition  
8 issues, including number portability?

9 A Yes.

10 Q Do you believe Sprint's corporate position  
11 on these issues tries to balance its interests in  
12 local exchange companies with its interest in long  
13 distance and possible future ALECs businesses?

14 A Yes.

15 Q I'd like to turn your attention to Page 4,  
16 Line 1, of your direct testimony, where you discuss a  
17 proposed recovery mechanism for the costs of providing  
18 temporary number portability. It appears that you  
19 propose to charge a recurring monthly rate for the  
20 telephone number and first path, a recurring rate for  
21 each additional path and a recurring service order  
22 charge. Is this correct?

23 A A nonrecurring service order charge,  
24 correct. With that change.

25 Q Thank you. To whom do you believe these

1 recurring and nonrecurring rates will be charged to?

2 A Who do I believe they will be charged to?

3 My expectation is that the alternative local  
4 exchange provider will be the one that orders the  
5 service and will be charged for the service. And they  
6 would order it on behalf of their new customer.

7 Q Do you believe the intent of the stipulation  
8 approved by the Commission was to charge ALECs for  
9 costs associated with providing temporary number  
10 portability?

11 A I'm going to -- I'm kind of like Mr. Cresse,  
12 I'm just not hearing real well, so could you speak  
13 just a little bit louder.

14 Q Sure. Do you believe the intent of the  
15 stipulation approved by the Commission was to charge  
16 ALECs for costs associated with providing temporary  
17 number portability?

18 A If you're saying that the intent of the  
19 stipulation was that they would charge just for the  
20 cost? Then that would not be my understanding of it.

21 And then the second question that I would  
22 suggest to you is there are different methods of  
23 developing what the costs are. And if there were a  
24 recommendation that it be based on costs, then you  
25 would probably have six different cost studies.

1           Q     My question is, do you think the intent of  
2 the stipulation was to charge the ALECs and not spread  
3 the cost of temporary number portability across the  
4 entire subscriber base?

5           A     Correct.

6           Q     In your opinion does the stipulation  
7 recovery mechanism address both the recurring and  
8 nonrecurring cost for the provision of temporary  
9 number portability solution?

10          A     I haven't read that stipulation in a while  
11 and I don't recall.

12          Q     Mr. Poag, if you would look at Exhibit 7,  
13 which is the compilation of advantages and  
14 disadvantages of RCF, please, and I'd like to ask you  
15 if there are any advantages or disadvantages that you  
16 disagree with?

17          A     I guess I'd like to see some modifications  
18 to the disadvantages, and I'll explain those.

19                   And while I think, for all practical  
20 purposes, I don't know what the relevancy of these  
21 advantages and disadvantages are in this particular  
22 docket, I just, to keep the record separate, I think  
23 that some changes are appropriate.

24                   One No. 1, it says two directory numbers.  
25 They do not have to both be directory numbers. They

1 don't both have to be listed in the telephone  
2 directory. It could be two numbers rather or two  
3 telephone numbers but you don't need to say  
4 "directory".

5           No. 2 and No. 12, are the same. No. 2  
6 generically speaks about class features. No. 12  
7 specifically identifies what two of those features  
8 are. So that's redundant. I would suggest that you  
9 eliminate No. 2. And while we're on 12, I don't agree  
10 that automatic call back doesn't work. It's call  
11 return and that does work with CLASS features. I have  
12 had it tested. And so that's erroneous to say that  
13 doesn't work.

14           Going back to No. 3, I have had network  
15 tests made. In fact, I can provide you specific  
16 information on that. But the actual delay for most  
17 calls is insignificant when you test calls using  
18 direct dial or direct to the number versus through the  
19 RCF.

20           Q     Mr. Poag, you said most delays are  
21 insignificant. What do you mean by that?

22           A     Let me read you some specific numbers. With  
23 multifrequency signalling, we made test calls from our  
24 Leesburg to our Lady Lake exchange, and as an example,  
25 the first test call resulted in a 3.6 second setup for

1 a direct dial call, and 4 seconds for a remote call  
2 forwarded call.

3           The next call there was no delay. They were  
4 both 4 seconds. The next call, the actual direct call  
5 was 4.4-tenths of a second versus 4 for the remote  
6 call forward, so you just got a sampling situation  
7 there.

8           The fourth call was 4 seconds for both. The  
9 fifth call was 4.2 for the direct dial versus some  
10 shorter time when using remote call forwarding in 4  
11 seconds.

12           I have similar tests using SS7 signalling.  
13 And the variance where it occurs in most cases is  
14 two-tenths of a second. And in some cases the actual  
15 remote call forward setup time is shorter than the  
16 direct. And that, again, is just that you'll hit  
17 different paths in the network itself. But when you  
18 look at the actual testing of the calls, the amount of  
19 the differences for all practical purposes is not  
20 significant.

21           The one exception to that general statement  
22 regarding local calling is that when we tested long  
23 distance calls, there were -- there was a two-second  
24 delay between direct and remote call forwarding. So  
25 in that situation for some reason going through the

1 toll network there did appear to be a two-second  
2 delay.

3           We've got an advertising program that we've  
4 got approximately 250 customers using call forwarding,  
5 and they are very happy with the service and they are  
6 not identifying any delay problems with the service.

7           With regard to No. 4, I don't disagree with  
8 the statement. There is a limitation on the switch.  
9 I believe it's 99 calls on the DMS 100. There is a  
10 way to get around that but I don't argue with leaving  
11 that in.

12           No. 5 and No. 8 are the same, appear to be  
13 the same to me. They both address additional trunking  
14 and extras trunks, so you don't need them both.

15           No. 6 and No. 11 are essentially the same.  
16 One of them addresses the fact that it goes to the LEC  
17 switch and the other addresses the fact that the  
18 access charge revenues follow.

19           No. 7 is not a disadvantage. It says the  
20 actual network number is not known to customers. All  
21 you have to do is tell them, and then the ALEC can  
22 certainly do that.

23           No. 13, I don't recall specifically who, but  
24 at one of the workshops we had one of the 911  
25 agencies, or public safety agencies come in and

1 indicate that they didn't see any problems, I don't  
2 believe, with the way they would be handling number  
3 portability in those types of calls. Thank you.

4 Q Mr. Poag, in regards to Disadvantage 7, is  
5 there any way to advertise the network numbers in the  
6 directory?

7 A I'm sorry. Repeat that, please?

8 Q Is there any way to advertise the network  
9 numbers in a directory?

10 A Are you talking about the number that the  
11 ALEC customer would have that the number would be  
12 ported, RCF 2.

13 Q Yes.

14 A Is there a way to advertise it in the  
15 directory?

16 Q Yes.

17 A Absolutely.

18 Q I have one other question. Does caller ID  
19 work with RCF?

20 A Let's talk about whether it's an originating  
21 call or terminating call because yes, it does work in  
22 one case, and in the other case it can be made to  
23 work. And let me explain that.

24 If I originate a call from Office A and it  
25 goes to Office B, which is the -- call it the ported

1 number or the RCF number, and it's then rerouted to a  
2 terminating ALEC telephone, then my originating  
3 telephone number, assuming everybody is on the SS7  
4 network, will be -- and the customer subscribes to  
5 caller ID service, will be displayed at the ALEC  
6 customer's premises employment. So in that situation  
7 Caller ID does work.

8 Q Have you tested this?

9 A Yes. I have a letter showing the results of  
10 that, if you'd like to have it.

11 CHAIRMAN CLARK: But it doesn't work the  
12 other way? If you're a customer from an ALEC, you  
13 dial up. That person receiving your call will not  
14 see -- what number will he see?

15 WITNESS POAG: You're absolutely correct,  
16 Chairman Clark, that is true. When the ALEC customer  
17 originates a call, and this is the 911 type of an  
18 issue -- when they originate the call from the ALEC  
19 switch to another party, then their originating  
20 equipment number, or telephone number, will display at  
21 the terminating location. Now, not the RCF number.

22 Now, I don't know whether -- but in my mind  
23 that's the way CLASS features are supposed to work. I  
24 mean, that's what CLASS is.

25 Now, if the ALEC were to do a translation in

1 the switch, and I don't know about their equipment,  
2 you know, they could go into their switch and they  
3 could, say, put the software in so that when it  
4 originated a call, that it would translate the number,  
5 or send out a different number. I don't know whether  
6 that capability exists or not.

7 But I guess the point I'm making is that if  
8 there's a technical solution to that, and there may  
9 be, then that they should have the resources and the  
10 capability to investigate that and attempt to fix it.

11 **CHAIRMAN CLARK:** If they can translate it  
12 there, then why do we need remote call forwarding?

13 **WITNESS POAG:** That's for originating, not  
14 for incoming; that would be outgoing. Outgoing from  
15 their customer, not incoming from other customers.

16 Q (By Ms. Barone) Mr. Poag, does that type of  
17 translation exist in your switches?

18 A I do not know.

19 Q Do you have any more comments about  
20 disadvantages or advantages?

21 A No.

22 Q Are there any more advantages or  
23 disadvantages that you'd like to add to this list?

24 A No.

25 Q Has United/Centel established a rate for

1 temporary number portability?

2 A Yes.

3 Q What is that rate?

4 A For the initial feature and first path,  
5 \$1.25. For the additional path, 50 cents. And then a  
6 nonrecurring charge for setting up the service or for  
7 making additions to the service would be \$10. And  
8 just for clarification, we did not do a cost study  
9 because we don't at this point in time know what that  
10 process is going to be. And we have -- it's  
11 essentially -- it's basically what we charge today --  
12 not exactly, I rounded -- for a secondary service  
13 order charge in Centel and in United.

14 Q Mr. Poag, are there any procedures or  
15 methods that need to be in place prior to January 1,  
16 1996, such as service orders, handling E911  
17 information?

18 A Yes.

19 Q Are there any more that you can identify  
20 other than those two?

21 A Well, there would be, you know, many  
22 procedures that would need to be put in place. You'd  
23 have to have all of your optional procedures for  
24 interconnecting the company's different outside plant  
25 facilities and switches once you get into that

1 environment, to handling trouble reports. There will  
2 be issues with regard to compensation for the various  
3 types of calls over the network. But there is a  
4 tremendous number of issues, and I know we are working  
5 with the one company that has applied for service with  
6 us on those issues today.

7 Q On Page 4, Line 14, of your direct testimony  
8 you state that shared costs were not included in your  
9 incremental cost for the recurring portion of RCF; is  
10 that correct?

11 A I'm sorry, where are you?

12 Q Page 4, Line 14.

13 A And repeat the question.

14 Q You state that shared costs were not  
15 included in your incremental cost for the recurring  
16 portion of RCF; is that correct?

17 A Yes.

18 Q Could you explain your idea of shared costs  
19 for the Commission, please?

20 A Shared costs are those costs which provide  
21 for -- excuse me, let me back up a minute.

22 There are two types of shared costs, okay.  
23 There are essentially common costs and common costs  
24 would be those shared costs that virtually all of the  
25 products and services and operations of the business

1 create and are shared throughout. And they are  
2 generally referred to as the common cost and sometimes  
3 overhead. But in addition to that, you will have  
4 product-specific shared cost. And I think the analogy  
5 that I used earlier with Chairman Clark regarding the  
6 software, when we buy software from the manufacturer  
7 to provide custom calling features, some pieces of  
8 software will provide for multiple features. Some  
9 pieces of software or some software packages will only  
10 provide for one feature.

11 In the case of -- giving you an example, in  
12 the case of the DMS 100 switch, the Northern Telcom  
13 switch, when we buy the remote call forwarding  
14 software there, that feature is the only feature that  
15 is provided with that software package.

16 I don't know exactly how it is provided in  
17 the AT&T 5E switch, but in our cost study, we did not  
18 have that as a direct cost, so my assumption there is  
19 that it's a shared cost.

20 When earlier, the analogy I gave was, if it  
21 provides two features -- if the software provides two  
22 features, then that software is not directly  
23 attributable to a single feature and it is not  
24 included by the economic definition, in the total  
25 service long run incremental cost.

1           Q     So items like electricity, land, buildings  
2 rights of way and administrative costs would be shared  
3 and not part of an incremental study; is that correct?

4           A     It would depend -- I think it would  
5 depend -- you'd have to look at what you're trying to  
6 cost out and you would have to look at the time frame  
7 in which you're trying to cost it out.  If you're  
8 looking at a totally new product or service, and you  
9 take what they call a "scorched earth" approach to it,  
10 which basically says you start from ground zero, put  
11 in conduit, and you have to put in telephone poles,  
12 and you have to put in buildings -- in that type of a  
13 scenario, when you're looking at a total start-up  
14 operation, again, depending on the length of the study  
15 you may, in fact, include some of those as direct  
16 costs.  But I can't sit here and make a generic  
17 conclusion about which ones should or which ones  
18 should not, not knowing all of the other parameters of  
19 the study.

20           **MS. BARONE:**  Thank you, Mr. Poag.  That's  
21 all I have.

22           **CHAIRMAN CLARK:**  Commissioners?  Redirect?

23           **MR. WAHLEN:**  No redirect.

24           **CHAIRMAN CLARK:**  Exhibits.

25           **MS. BARONE:**  Staff moves 14 a 15.

1           **CHAIRMAN CLARK:** They are entered into the  
2 record without objection.

3           (Exhibit Nos. 14 and 15 received in  
4 evidence.)

5           **CHAIRMAN CLARK:** Thank you, Mr. Poag. You  
6 may be excused.

7           We're going to take a break for lunch until  
8 1:15. I should tell you it's my intention to finish  
9 this today, and I think we can afford to take a hour  
10 for lunch. Thank you.

11           (Witness Poag excused.)

12           (Thereupon, lunch recess was taken at 12:10  
13 p.m.)

14                                   - - - - -

15           (Transcript follows in sequence in Volume  
16 2.)

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