

ORIGINAL

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January 15, 1998

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

RE: Docket No. 970882-FI

Dear Mrs. Bayo:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s Rebuttal Testimony of Jerry Hendrix. We ask that this be filed in the captioned matter.

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

Sincerely,

Gregory D. Artis
Gregory D. Artis (Pro)

Enclosures

ACK _____

AFA _____ cc: A. M. Lombardo

APR *Palduwell* R. G. Beatty

CAF 2 W. J. Ellenberg

CMU 2

CTR _____

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BELLSOUTH TELECOMMUNICATIONS, INC.
REBUTTAL TESTIMONY OF JERRY HENDRIX
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 970882-TI
JANUARY 15, 1998

Q. Please state your name and company name and address.

A. My name is Jerry Hendrix. I am employed by BellSouth Telecommunications, Inc. as Director - Interconnection Services Pricing. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. Please summarize your background and experience.

A. I graduated from Morehouse College in Atlanta, Georgia in 1975 with a Bachelor of Arts Degree. I began employment with Southern Bell in 1979 and have held various positions in the Network Distribution Department before joining the BellSouth Headquarters Regulatory organization in 1985. On January 1, 1996 my responsibilities moved to Interconnection Services Pricing in the Interconnection Customer Business Unit.

1 Q. Have you testified previously?

2

3 A. Yes. I have testified in proceedings before the
4 Alabama, Florida, Georgia, Kentucky, Louisiana,
5 Mississippi, South Carolina, and Tennessee Public
6 Service Commissions and the North Carolina Utilities
7 Commission.

8

9 Q. What is the purpose of your rebuttal testimony?

10

11 A. The purpose of my rebuttal testimony is to provide
12 BellSouth's position regarding the December 24, 1997
13 version of the FPSC proposed Slamming Rules and
14 address issues raised in the direct testimonies of
15 witnesses representing the PSC Staff, Offices of the
16 Attorney General and Public Counsel, AT&T, MCI and
17 Sprint.

18

19 Q. AT&T witness Watts' testimony (page 4, lines 1-4)
20 defines slamming as the "knowing, unauthorized
21 transfer of a customer's primary long distance
22 carrier". Would BellSouth agree with that definition?

23

24 A. BellSouth agrees with the spirit of Mr. Watts'
25 definition that slamming involves an affirmative,

1 conscious and willful action on the part of a
2 provider. BellSouth would also expand Mr. Watts'
3 definition to include a customer's local, local toll
4 and toll service provider. It is important that the
5 Commission recognize that a distinction should be made
6 between an affirmative, willful action and an
7 incidental or inadvertent action such as a household
8 dispute, buyer's remorse or unintentional error when
9 considering the application of fines and penalties as
10 a result of slamming.

11

12 Q. You are excluding unintentional mistakes from being
13 classified as slamming. Isn't the end result to the
14 customer the same as a slam, i.e., his provider has
15 been changed without his authorization?

16

17 A. Yes, the end result is an unauthorized change of a
18 customer's provider; however, in this case, the
19 customer has not granted authorization via deceptive
20 marketing practices. Further, once the error is
21 discovered, either by the customer or the company,
22 expedient action is taken to rectify the error and to
23 satisfy the customer. This is a very different
24 scenario from the experiences that were shared during
25 the recent workshops.

1

2 Q. MCI witness King's testimony (page 4, line 13 through
3 page 5, line 6) discusses the handling of PIC disputes
4 under the FCC authorized 'so-called "no-fault" PIC
5 dispute resolution' process. Ms. King claims that
6 instances of buyer's remorse or household disagreement
7 could be classified as slams. Is this possible?

8

9 A. Yes. Most of the largest carriers subscribe to the
10 Expedited PIC Switchback Service (EPSS), the "no-
11 fault" PIC dispute resolution process to which Ms.
12 King refers. This service is indeed designed for
13 swift handling of PIC disputes for local toll and/or
14 toll service. With this service no investigation is
15 conducted; however, if the customer specifically
16 requests an investigation, then the PIC dispute is no
17 longer treated within the rules of the EPSS service.
18 The dispute would then be classified as an
19 unauthorized PIC, an investigation would be conducted
20 with the appropriate carrier and the customer. With
21 the proposed rules, a PIC dispute from a customer
22 against any carrier that subscribes to EPSS for local
23 toll and/or toll service would be documented or
24 recorded as a slam. As previously stated, this could

1 include instances of buyer's remorse or household
2 disagreements or unintentional errors.

3

4 Q. What does BellSouth believe to be the motivation for
5 slamming a customer?

6

7 A. BellSouth believes that there is no motivation for the
8 instances of accidental human error or malfunctions in
9 data transmissions. It would be our hope that as we
10 work through the various checks and balances in the
11 process that there would be opportunity to catch these
12 types of errors before they affect the changing of a
13 customer's preferred carrier.

14

15 As to those instances of willful slamming, BellSouth
16 believes that when the financial incentive is removed
17 from slamming, there should be a drastic decrease in
18 occurrence. This, coupled with heavy financial
19 penalties levied by the Commission on offending
20 carriers would clearly negate any financial
21 incentives.

22

23 Q. Should the Commission adopt rules that eliminate the
24 opportunity for undue financial gain by any party
25 involved in the dispute?

1
2 A. Yes. The Commission should be diligent to introduce
3 rules that prevent any opportunity for financial gain
4 or fraud, either on the part of a provider or on the
5 part of a customer. This is warranted in that just as
6 there are unethical companies that would run scams on
7 customers that would include slamming and/or cramming,
8 there are like minded customers that would take
9 advantage of an opportunity for undue financial gain
10 if the rules allowed. As carriers should be held
11 accountable for willful, unlawful acts of slamming,
12 customers should be financially responsible for calls
13 that they place.

14

15

16 Q. To eliminate the opportunity for financial gain, what
17 changes would BellSouth suggest to proposed rule 25-
18 4.118(8)?

19

20 A. BellSouth's proposed changes will eliminate the
21 opportunity for undue financial gain by an
22 unauthorized provider while maintaining the customer's
23 financial responsibility for services received.
24 Further, BellSouth's proposed language will eliminate

1 the financial loss currently experienced by the
2 authorized provider.
3
4 BellSouth proposes the following changes to rule 25-
5 4.118(8):
6 ~~(8) (5)~~ Charges for unauthorized provider PIC changes
7 and all charges billed on behalf of the unauthorized
8 provider higher usage rates, if any, over the rates
9 ~~of the preferred company~~ shall be credited to the
10 authorized provider customer by the company IXC
11 responsible for the error within 45 days of
12 notification. Charges over the rates of the
13 customer's preferred company paid by the customer will
14 be credited to the customer by the authorized provider
15 within 45 days of notification. Upon notice from the
16 customer of an unauthorized provider PIC change, the
17 LEC shall change the customer back ~~to the prior IXC~~ or
18 to another company of the customer's choice. The
19 change must be made within 24 hours excepting
20 Saturday, Sunday, and holidays, in which case the
21 change shall be made by the end of the next business
22 day. ~~In the case where the customer disputes the~~
23 ~~billet or letter, the IXC appearing on the~~
24 ~~billet/letter will be responsible for any charges~~
25 ~~incurred to change the PIC of the customer.~~ The only

1 exception to this 24 hour rule would be large multi-
2 line business accounts that cannot be physically
3 changed back in 24 hours. In such cases, an expedited
4 schedule will be coordinated with the customer to
5 accomplish the switch back as quickly as possible.
6

7 Q. In Direct testimony, Public Counsel's witness Poucher
8 suggests that the Commission adopt a proposal to
9 prohibit local service providers from disconnecting
10 local service of customers for nonpayment of toll
11 charges. Does BellSouth oppose such a policy?
12

13 A. Yes. BellSouth opposes a policy that will prohibit
14 local service providers from disconnecting local
15 service when consumers, other than Lifeline
16 subscribers, fail to pay their toll charges. Such a
17 policy would negatively impact the Company by
18 increasing net bad debt and reducing the value of
19 BellSouth's Billing and Collection Services.
20

21 The net bad debt of interexchange carriers for whom
22 BellSouth performs billing services would increase
23 significantly. Actual estimates given by LEC and IXC
24 representatives have ranged between two and six times
25 the current debt percentage. Since the IXCs currently

1 purchasing Billing and Collection Services do so with
2 the expectations of uncollectibles no higher than the
3 present levels, a significant increase in bad debt
4 would also decrease the value of BellSouth's Billing
5 and Collections Services to the IXC's. Higher
6 uncollectibles for toll service and lowered revenue
7 for Billing and Collection Services could force
8 telecommunications providers to increase the price of
9 overall telecommunications services to paying
10 customers in order to recover these losses.

11
12 The long term result would be to transfer increases in
13 expense related to uncollectibles and bad debt to the
14 vast majority of consumers who pay their bills on
15 time. In other words, such a change in the rule will
16 benefit consumers who do not pay their bills and
17 penalize the majority who do.

18
19 A better alternative to Mr. Poucher's proposal is the
20 recently implemented Toll Credit Limit (TCL)
21 procedure. This allows a customer to retain local
22 service, including a free toll block, while satisfying
23 an unpaid toll balance through a payment arrangement.
24

1 Q. Mr. Poucher's testimony (page 8, lines 22-25) states
2 that there were numerous cases where the LECs have
3 threatened disconnection of local service in order to
4 collect charges due to a slamming carrier. By
5 eliminating the provision in the rules that would
6 credit the customer's account, will these situations
7 of threatening or actual disconnection of local
8 service continue?
9

10 A. No. The objective, as stated by Mr. Poucher, is to
11 disassociate the customer's regular telephone billing
12 from the disputed billing. BellSouth's current
13 Business Office procedures provide for this
14 disassociation in an appropriate manner. When a
15 customer calls the Business Office with a slamming
16 complaint, the service representative will change the
17 customer back to the customer's original carrier. The
18 service representative will also offer to freeze the
19 customer's PIC. The service representative will then
20 discuss with the customer what portion of the bill is
21 being disputed. The disputed amount will be noted on
22 the customer's account; collections activities and
23 late payment charges will not apply to this amount
24 until the dispute is resolved.
25

1 Q. What type of payment arrangements are made for the
2 customer given the dispute?

3

4 A. The customer is advised that the normal portion of his
5 bill should be paid. The disputed charges continue to
6 be listed on the customer's bill; however, the
7 customer is instructed to ignore payment of the
8 disputed amount that was agreed upon with the service
9 representative. The carrier will be notified of the
10 PIC dispute and the amount in question; the carrier
11 can then contact the customer to confirm the amount in
12 dispute. Once confirmed, the carrier will communicate
13 the disputed amount back to the BellSouth service
14 representative. BellSouth will adjust the customer's
15 account and recourse the amount back to the carrier.

16

17 Q. During this process, does BellSouth threaten to
18 disconnect the customer's local service for non-
19 payment of the disputed amount?

20

21 A. No. With BellSouth's procedure, local service should
22 never be disconnected or even threatened to be
23 disconnected as long as BellSouth is made aware that a
24 dispute exists.

25

1 Q. Mr. Poucher includes in his testimony (page 6, lines
2 9-10) an additional recommendation, that was not
3 incorporated into the rules, he suggests blocking the
4 customer's account from future billing from the
5 carrier that caused the slam. Does BellSouth have any
6 concerns over this proposal?

7

8 A. Yes. Although this recommendation was not
9 incorporated into the proposed rules, BellSouth has
10 concerns about such a proposal. First, BellSouth does
11 not have the capability today to block billing by a
12 specific provider to a particular customer. In
13 situations requiring this action, BellSouth currently
14 requests that the provider block the charges, a
15 request that they have been very cooperative in
16 handling.

17

18 Q. How does the provider accomplish this?

19

20 A. They accomplish this by including the customer's
21 telephone number on their "bad Automatic Number
22 Identification (ANI)" list. Inclusion on this list
23 prevents calls from being terminated to the carrier by
24 any dialing sequence and thus eliminates any billing.

25

1 Q. Are there other concerns?

2

3 A. BellSouth's other concern is that by blocking billing
4 without blocking traffic, the opportunity for consumer
5 fraud would be introduced. Customers could continue
6 to complete calls via casual dialing while blocking
7 providers from the ability to collect for those calls.

8

9 Q. Please describe what, if any, customer education
10 proposals that BellSouth supports regarding slamming.

11

12 A. BellSouth agrees with Mr. Poucher's proposal number
13 10 (testimony page 7 line 24 through page 8 line 1)
14 that states "...LECs and ALECs should be required to
15 publish annually a billing insert that explains a "PIC
16 freeze" and provides a customer with instructions on
17 how to obtain a 'PIC Freeze'". BellSouth also agrees
18 that the customer should receive educational
19 information regarding PIC freezes when they receive
20 their first bill.

21

22 Q. How will the information be presented on the
23 customer's first bill?

24

1 A. There is a For Your Information (FYI) section on the
2 customer's first bill that provides the customer with
3 important information about his new service. This
4 section would be the most appropriate place to include
5 information about the PIC freeze option. BellSouth
6 would also support public interest newspaper articles,
7 and public service announcements on TV/radio that
8 inform the public about slamming - what it is, what to
9 do/who to call if they suspect they have been slammed
10 and what to expect from the process.

11

12

13 Q. Does BellSouth support proposed rules 25-4.110(12) and
14 25-4.003(41)?

15

16 A. No. BellSouth could support proposed rules 25-
17 4.110(12) and 25-4.003(41) with a modification to
18 include the option of accepting a PIC freeze from the
19 customer directly over the phone. In situations where
20 a customer has been slammed, it would best serve the
21 customer to be able to switch them back to their
22 original carrier and immediately implement the PIC
23 freeze on the spot with the customer's authorization.
24 This is consistent with BellSouth's current policy.
25 Such immediate action prevents any delay that would

1 occur in mailing a form to the customer and awaiting
2 its return.

3

4 Q. Is BellSouth opposed to mailing forms to customers to
5 obtain authorization for PIC freezes?

6

7 A. Yes. BellSouth would prefer to function in a
8 paperless environment in the PIC freeze process;
9 however, if PIC freeze forms were to be part of the
10 process, we would require that the PIC Freeze form be
11 submitted by the customer rather than the provider.
12 This would ensure that the customer had truly
13 authorized a PIC freeze and that the provider was not
14 unilaterally initiating an anti-competitive action.

15

16 Q. Can BellSouth institute a PIC freeze for local
17 service, local toll and toll service today?

18

19 A. PIC Freeze capability is currently only available for
20 local toll and toll service providers and only against
21 the specific PIC or LPIC codes. In the systems that
22 are used to process change requests, it is these two
23 codes (PIC and LPIC) that are restricted from change.
24 Currently BellSouth does not have the ability to
25 freeze a provider change to a reseller of local toll

1 or toll service since the PIC and LPIC do not change.
2 Neither could BellSouth freeze a provider of local
3 service since the switches and support systems do not
4 yet include a code to designate the local service
5 preferred carrier.

6

7 Q. Proposed Rule 25-4.118(11) requires that the customer
8 be informed that a PIC freeze is available during
9 telemarketing and verification. Does BellSouth
10 support this proposed rule?

11

12 A. Yes.

13

14 Q. Does BellSouth support rules that prohibit deceptive
15 marketing practices?

16

17 A. Yes. BellSouth supports the proposed rule 25-
18 4.118(10) that disallows misleading or deceptive
19 references during telemarketing and verification.
20 BellSouth would also embrace an expanded rule such as
21 Mr. Poucher's proposal #5 (testimony page 7 lines 1-3)
22 that would generally forbid "the use of deceptive and
23 unfair trade practices by telecommunications companies
24 regulated by the Commission".

25

1 Q. Does BellSouth endorse the proposed rules 25-4.118
2 (1)-(7) (9), dealing with verification procedures?

3

4 A. Yes. These procedures allow the current verbal
5 verification of the customer to apply to inbound
6 customer calls or letters requesting provider changes.
7 BellSouth also accepts change requests from 3-way
8 calls with the provider, the customer and BellSouth
9 subject to verbal verification of the customer.

10

11 For changes submitted by a LP or IXC acting on behalf
12 of the customer, BellSouth currently performs
13 verification in compliance with these rules for over
14 90% of our outbound telemarketing sales. BellSouth
15 has found that operating within these rules is
16 effective and customer friendly and can easily expand
17 our procedures for 100% compliance. The FPSC staff
18 has minimized the burden on the industry by providing
19 choices to providers as to the method of verification
20 which best fits their operational environment.

21

22 Q. Proposed rule 25-4.118(12) states that upon completion
23 of the verification process used for outbound
24 telemarketing, the provider must send a letter
25 notifying the customer that it will be providing the

1 customer's service. Does BellSouth have any concerns
2 about this rule?

3

4 A. No. BellSouth currently sends a welcome letter to all
5 customers obtained through telemarketing upon
6 completion of the verification process. This letter
7 advises customers that their new provider is
8 BellSouth.

9

10 Q. Once the verification process is complete, the change
11 order for local toll and/or toll service provider is
12 created by the provider and passed to BellSouth. The
13 majority of these change orders are processed through
14 a mechanized system called "Customer Accounts Records
15 Exchange" into the internal provisioning systems.
16 What verification takes place on these mechanized
17 change orders received from carriers?

18

19 A. The CARE system has a combination of strict edits in
20 place that requires the carrier to send the correct
21 Bill Name or Billing Telephone Number/Customer Code
22 belonging to the Working Telephone Number (WTN) to be
23 changed. This is to ensure that the WTN submitted is
24 the correct one. CARE also has an indicator in the
25 CARE record "Name Edit By-Pass Indicator" that can be

1 populated by the carrier to specifically request that
2 all Name edits be by-passed. Having this capability
3 places the burden of a correct WTN on the carrier.

4
5 Mr. Poucher recommends that the LECs should be
6 required to reject orders when the correct last name,
7 address and telephone number of the customer is not
8 transmitted by the carrier (page 7 lines 16-20).

9 While this recommendation was not incorporated into
10 the currently proposed rules, the billing name and
11 telephone number verification portion of his
12 suggestion could be easily implemented for the
13 majority of orders processed through CARE for local
14 toll and toll provider changes.

15

16

17 Q. Do the proposed rules and procedures advantage
18 BellSouth in the carrier selection process?

19

20 A. No, BellSouth is not advantaged in any way. Mr.
21 Watts, in his testimony (page 10, lines 1-6), alleges
22 that the ILECs are no longer disinterested parties
23 regarding slamming regulations. He states further
24 that ILECs should not be advantaged in the carrier
25 selection process. By BellSouth's extensive

1 participation in this proceeding and associated
2 workshops, it is clear that BellSouth is an interested
3 party regarding slamming regulations, not only on its
4 own behalf as a local and local toll provider, but
5 more importantly on behalf of its customers.
6 BellSouth's Business Office representatives typically
7 receive the initial complaints. BellSouth continues
8 in this effort by helping the customer work through
9 the process, bearing much of the brunt of the emotion
10 that was expressed by witnesses in the numerous
11 workshops. As to being advantaged in the carrier
12 selection process in Florida, BellSouth would offer to
13 Mr. Watts that quite the opposite would be the
14 situation.

15

16 Q. How is BellSouth's situation different from what Mr.
17 Watts alleges?

18

19 A. BellSouth is under strict rules which prohibit the
20 company from marketing its intraLATA toll services.
21 These restrictions were imposed by the Commission in
22 1996. Since that time BellSouth has not had an
23 opportunity to present itself as a local toll provider
24 during inbound calls to its business offices.
25 Consequently, BellSouth has lost considerable market

1 share for local toll service. Given these
2 restrictions, and the fact that BellSouth is
3 prohibited from offering long distance services,
4 certainly BellSouth is not advantaged.

5

6 Q. Do you believe that the PIC change process can be
7 effectively administered by a neutral third party?

8

9 A. No. Because the majority of change orders are
10 mechanically processed from the carrier through our
11 support systems directly into the switch, the
12 management of this process flow is fairly
13 administered. Sprint's witness Buysse-Baker alleges
14 in her testimony (page 8, lines 24-25) that "ILECs
15 have already demonstrated a propensity to exploit the
16 slamming issue for their own competitive purpose" and
17 that because of this propensity, the PSC should
18 relieve the ILEC of their control of the PIC change
19 process.

20

21 Q. What is BellSouth's position regarding proposed rule
22 25-4.110(10)?

23

24 A. Proposed rule 25-4.110(10) specifies that after
25 January 1, 1998, all bills will display for the

1 presubscribed providers of local, local toll and toll
2 service the following information:
3 a) the name of the certificated company and its
4 certificate number;
5 b) the type of service provided (local, local toll or
6 toll); and
7 c) a toll free customer service number.
8 With appropriate billing program modifications and
9 with information provided by external sources,
10 BellSouth could comply with the requirements of the
11 proposed rule within character space limitations of
12 the bill. These modifications would represent a
13 significant project involving coordination with other
14 carriers, specific design requirements and
15 implementation which could not be accomplished without
16 significant lead time.
17
18 While BellSouth continues to believe that the
19 certificate number has little meaning to the customer,
20 we do appreciate that the certificate number will help
21 the Commission conduct investigations as pointed out
22 in PSC Staff witness Taylor's testimony (page 5, lines
23 16-17).
24

1 Q. Has BellSouth assessed the cost for making such
2 changes to its billing system?

3

4 A. Yes. BellSouth has provided cost information to
5 include the presubscribed carrier's information on the
6 bill which to BellSouth represents the carrier
7 associated with the PIC/LPIC code. The company does
8 not have knowledge of customer shifts between the
9 presubscribed carrier and their reseller customers.
10 In order to provide information on the customer's bill
11 as to the reseller carrier, that information will have
12 to come from external sources such as the underlying
13 carrier or the reseller.

14

15 Q. Witness Taylor alleges that BellSouth is somewhat
16 casual with its billing practices. How do you monitor
17 which carriers are allowed to participate?

18

19 A. BellSouth is not as casual about our billing and
20 collection services as Mr. Taylor has alleged in his
21 testimony that "... it would appear from the
22 complaints I have reviewed that no similar screening
23 takes place before access is granted by LECs to their
24 billing systems... Unfortunately, local telephone
25 companies may not even know who many of the companies

1 using their system are." (page 12, lines 21-24).
2 BellSouth maintains a database called the IXC Services
3 Authentication Table (ISAT) to prevent billing by
4 uncertified carriers. BellSouth will only bill
5 Florida intrastate charges if an IXC furnishes a copy
6 of its certification in Florida.

7

8 Q. Proposed rules 25-4.110(11)(a)(3), (12), (13) and (14)
9 were inserted into the December 24, 1997 revision of
10 the proposed rules. To your knowledge, was an
11 economic impact statement prepared on these proposed
12 rules in accordance with Florida PSC Rule 25-
13 22.014(1)(c) pursuant to Chapter 120.54 of the Florida
14 Statutes?

15

16 A. No. To my knowledge an economic impact statement was
17 not prepared on proposed rules 25-4.110(11)(a)(3),
18 (12), (13) and (14). These proposed rules were added
19 after the staff had issued its data request for the
20 economic analysis. An economic study needs to be
21 pursued for proposed rule 25-4.110(11)(a)(3), (12),
22 (13) and (14).

23

24 Q. Proposed rule 25-4.110(13) would require that the
25 customer must be given notice on the first or second

1 page of his next bill in conspicuous bold face type
2 when his provider of local, local toll, or toll
3 service has changed. Would the implementation of such
4 a rule be within the unilateral ability of BellSouth?
5

6 A. No, not in all cases. If the change involves local
7 service or local toll or toll service and the LPIC or
8 PIC code is changed, then BellSouth will have
9 information about this change and can include this
10 information on the customer's bill.
11

12 If the provider change involves local toll or toll
13 service and the LPIC or PIC code is not changed, then
14 BellSouth would have no knowledge of a provider
15 change. In order to fulfill the requirement of this
16 rule, industry-wide procedures would be required to
17 make that information available to BellSouth for
18 inclusion on the customer's bill. To my knowledge, no
19 such procedures exist today and it is my estimation
20 that the development of this information interface and
21 exchange would require significant coordination and
22 system development among all participants.
23

24 Q. What are BellSouth's comments concerning proposed rule
25 25-4.110(11)(a)(3)?

1

2 A. Proposed rule 25-4.110(11)(a)(3) deals with charges
3 for Pay Per Call and other non-regulated charges.

4 This proposed rule would require BellSouth to disclose
5 on each section of the bill containing Pay Per Call
6 service charges that the customers "can obtain a free
7 billing block option from the LEC to block all charges
8 from a third party. Bills submitted by third parties
9 with the subscriber's LEC-specific personal
10 identification number will validate the subscriber's
11 authorization of the charges and supersede the billing
12 block option. The subscriber is responsible for all
13 such charges." BellSouth could plan and execute the
14 inclusion of this disclosure statement on the
15 customer's bill; however, there are several
16 significant technical obstacles to offering this
17 option.

18

19 Q. What are the primary technical obstacles?

20

21 A. The Exchange Message Interface (EMI) record format,
22 the standard format managed by Bellcore for billing
23 toll charges in the United States, does not provide a
24 location for the IXCs to pass an end user Personal
25 Identification Number (PIN). Changes to the national

1 EMI format would be required to support this
2 information.

3

4 BellSouth's Message Processing system that associates
5 IXC messages with end user accounts does not contain
6 the end user PIN. Significant changes would be
7 required to make this information available.

8 Additional changes would be required to modify the
9 billing systems to use the PIN as part of the end user
10 account association process.

11

12 In today's environment BellSouth switches (end office
13 and Traffic Operator Position System (TOPS)) cannot
14 record PIN numbers entered by the customer. The
15 Automatic Message Accounting (AMA) recording that we
16 use to bill usage can include an "Alternate Billing
17 Number" but not the associated PIN. To enable
18 BellSouth to capture PINs in AMA recordings, the
19 switch vendors would have to make the changes in
20 signaling necessary to enter a PIN for other than
21 1+/0+ calls and enhance the AMA recording feature to
22 include recording of PINs.

23

24 Q. Please discuss the cost associated with implementation
25 of proposed rule 25-4.110(11)(a)(3).

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24

A. The cost of developing a data base to validate these PINs could be considerable, possibly equivalent to the LIDB development costs.

This proposal would increase the BellSouth processing cost of rejecting unbillables, and many would be rejected erroneously. For example, if an end user changed his PIN during the month, messages which were valid when originated would be rejected as invalid at the bill date. Unless a method of validating is developed, fraud is likely to increase since an IXC would not be able to verify a PIN given by an end user. End users could make numerous calls, and then change their PIN prior to his bill date to avoid paying for them.

The proposed solution depends on the transmittal of the caller's PIN to an Information Provider, who would then return that information to the ILEC for appropriate billing. This proposal contemplates delivery of this very proprietary information to classes of service providers who already are alleged to engage in unscrupulous behavior, including fraud.

1 This increased exposure to fraud could easily offset
2 any gains predicted to be won by the proposal.

3

4 Q. In light of these concerns, does BellSouth believe
5 that implementation of this rule is premature?

6

7 A. Yes. To my knowledge this solution has not received
8 the scrutiny by BellSouth or others in the industry
9 that would be required for successful implementation.

10

11 Q. Does BellSouth have any other recommendation that you
12 could propose to correct this problem?

13

14 A. No, unfortunately not. This is not a problem that can
15 be corrected solely by BellSouth or any other
16 provider. This is not the same type of problem that
17 is experienced with disputed toll calls wherein the
18 IXC can place the customer on a bad ANI list to block
19 calls from and billing to that customer. BellSouth
20 currently has 900/976 blocking services in place;
21 however, that does not address calls placed to 800
22 numbers that are forwarded on to 900 type service
23 providers and billed as direct dialed calls or other
24 dialing schemes that avoid dialing 900 numbers to
25 reach 900 service.

1

2 Q. Mr. Taylor in his testimony at page 12, line 3 through
3 page 13 line 3, alleges that BellSouth is remiss in
4 the screening and monitoring of billing contracts. Do
5 you have any comments about your procedures in this
6 area?

7

8 A. Yes. BellSouth has implemented and enforces certain
9 standards applicable to all services for which billing
10 is provided. These standards help to provide
11 customers with adequate information regarding charges
12 that appear on the billing statement. In particular,
13 BellSouth has taken steps within the past year to
14 intensify the scrutiny of the many new services
15 submitted for approval prior to any charges for these
16 services being included on the BellSouth bill. As
17 many as 100 such services are submitted to BellSouth
18 each month for approval. These new services are
19 generated by billing and collections contract
20 customers of BellSouth as well as the hundreds of
21 clients/service providers that submit their billing
22 through the various billing clearinghouses. BellSouth
23 requires that each request for approval of a new
24 service be accompanied by a layman's description of
25 the service, charge phrase(s) to be used on the bill,

1 marketing materials and scripts to be employed with
2 end user customers. Also included are verification
3 procedures to be used by the service provider to
4 assure that the purchaser of the new service is the
5 responsible party for the telephone to be billed.
6 BellSouth rejects approximately 25% of the proposals
7 submitted each month for failure to meet the criteria
8 described above.

9

10

11 Q. Does BellSouth have plans to implement other
12 safeguards in the future?

13

14 A. Yes. BellSouth plans to implement in mid-1998 a table
15 which will contain all charge phrases approved for use
16 on an end user's bill. Adoption of this measure will
17 result in approved charge phrases that inform the end
18 user by identifying the nature of the charge as
19 completely as possible with the characters available.
20 BellSouth will bill only for services whose charge
21 phrases have been approved and entered into the table
22 after the review process. Charge phrases not approved
23 will be rejected. Also, this approach enables
24 BellSouth to take targeted action to stop billing for
25 a specific charge phrase that was initially approved

1 but later determined, based on complaints or other
2 criteria, to be unacceptable. Today, without this
3 table, BellSouth only has the capability to cut off
4 all services for a service provider. While the
5 approved charge phrase table will not completely
6 eliminate the possibility for unauthorized charges,
7 BellSouth believes it will reduce the number
8 significantly.

9

10 BellSouth also plans to include in future billing and
11 collection contract negotiations (beginning 1Q98)
12 language giving BellSouth broader discretion to
13 suspend or terminate billing when unauthorized charges
14 are discovered. Additionally, BellSouth is
15 considering language requiring the service provider to
16 verify that the end user subscribing to the service to
17 be billed on BellSouth's bill is the responsible party
18 for the billing telephone number.

19

20 Finally, BellSouth will investigate end user
21 complaints of third-party billing practices and is
22 prepared to take whatever action is necessary, up to
23 and including contract termination, when these
24 complaints are found to be well grounded.

25

1 Q. One final area of questioning, proposed rules 25-
2 4.118(13) and (14) address requirements of handling a
3 customer complaint of an unauthorized provider. What
4 are your comments concerning these proposed rules?

5
6 A. Proposed rule 25-4.118(13) will require that the
7 customer be provided with a copy of the change
8 authorization with 15 days of request. BellSouth
9 supports this procedure.

10

11 Proposed rule 25-4.118(14) outlines minimum standards
12 for the customer services support for all providers.
13 BellSouth supports these standards which will resolve
14 a significant problem experienced by witnesses in the
15 workshops. BellSouth's current procedures are in
16 compliance with the proposed rule.

17

18 Q. Please summarize the proposed rules BellSouth supports
19 and the rules that BellSouth does not support.

20

21 A. BellSouth supports the following proposed rules:

22 25-4.003 (1) through (40)

23 (42) through (56)

24 25-4.110 (1) through (9)

25 (11) (a) (1), (2), (4), (5) and (6)

1 (11) (b) through (g)

2 25-4.118 (1) through (7)

3 (9) through (14)

4

5 **BellSouth does not support the following proposed**

6 **rules:**

7 25-4.003 (41)

8 25-4.110 (10)

9 (11) (a) (3)

10 (12)

11 (13)

12 25-4.118 (8)

13

14 **Q. Does this conclude your testimony?**

15

16 **A. Yes.**

17

18

19

20

**CERTIFICATE OF SERVICE
DOCKET NO. 970882-TI**

**I HEREBY CERTIFY that a true and correct copy of the foregoing was served
via U. S. Mail this 15th day of January, 1998 to the following:**

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