1   BEFORE THE
       FLORIDA PUBLIC SERVICE COMMISSION
2

3   -
                                          :
4   In the matter of: :   DOCKET NO. 981052-TP
                                          :
5   Petition by Telephone   :
       Company of Central Florida,   :
6   Inc. for resolution of items   :
       under dispute in resale   :
7   agreement with BellSouth   :
       Telecommunications, Inc.   :
8   :
       -
9

10   VOLUME 2
11
                  Pages 174 through 315
12

13

14   PROCEEDINGS: HEARING

15
       BEFORE: COMMISSIONER SUSAN F. CLARK
16   COMMISSIONER E. LEON JACOBS, JR.

17
       DATE: Friday, January 22, 1999
18

19   TIME: Commenced at 9:40 a.m.
                            Adjourned at 3:22 p.m.
20

21   PLACE: Betty Easley Conference Center
                            Room 148
22   4075 Esplanade Way
                            Tallahassee, Florida
23

24   REPORTED BY: MARY ALLEN NEEL, RPR

25   BUREAU OF REPORTING

       RECEIVED 1-28-99

1   APPEARANCES: As heretofore stated.

2

3

4   I N D E X

              WITNESSES - VOLUME 2
5
     NAME   PAGE
6
     ANDREA K. WELCH
7
             Continued Redirect Examination   178
8   By Ms. Kaufman

9   JERRY D. HENDRIX

13   SUSAN ARRINGTON

18   D. DAONNE CALDWELL

22

23

                     MISCELLANEOUS - VOLUME 2
24

EXHIBITS - VOLUME 2

1   P R O C E E D I N G S

2   (Hearing reconvened at 1:10 p.m.)

3   (Transcript continues in sequence from

4   Volume 1.)

5   COMMISSIONER CLARK: Let's reconvene the

6   hearing.

7   Ms. McKinney, you had an addendum to

8   Exhibit 1?

9   MS. McKINNEY: Yes, Commissioner. Both

10   parties have stipulated. I've handed each of the

11   parties a copy of the addendum, and it's to be

12   stipulated to Exhibit 1. The court reporter also has

13   a copy.

14   COMMISSIONER CLARK: And it is several

15   orders of the PSC. We'll just attach it as the second

16   page to Exhibit 1.

17   It does look like that we will need to

18   continue this hearing, and we think that probably the

19   best time to do it would be February 9th in the

20   morning, but we need to check with Commissioner

21   Jacobs' calendar and make sure that's available, but

22   that's our tentative plan.

23   And I think we were on redirect, and we

24   were trying to get this exhibit labeled; right?

25   MS. KAUFMAN: Yes, ma'am, and I apologize.

1   I've distributed a one-page exhibit, and I think it

2   was No. 10.

3   COMMISSIONER CLARK: Yes, that's what I

4   have.

5   MS. KAUFMAN: And I don't recall what you

6   said the short title --

7   COMMISSIONER CLARK: I think we called it a

8   log sheet on LENS ordering function.

9   (Exhibit 10 was marked for identification.)

10   - - - - -

11   ANDREA K. WELCH

12   continued her testimony under oath from Volume 1 as

13   follows:

14   CONTINUED REDIRECT EXAMINATION

15   BY MS. KAUFMAN:

16   Q   Ms. Welch, do you have what we've now

17   identified as Exhibit 10 in front of you?

18   A   Yes, I do.

19   Q   Okay. Can you walk us through and tell us

20   what this sheet has to do with the capabilities of

21   LENS?

22   A   Yes. This is the test that I referred to

23   earlier that was performed in December by one of our

24   customer service reps. After hearing some of the

25   testimony of the BellSouth folks, I did pull LENS back

out and take a look at the ordering capabilities of
LENS. This is a log that covers the time frame from
December the 15th of '98 until December the 23rd of
'98.

There were 21 orders processed using the
ordering function of LENS. Fourteen of those orders
did flow through. I do, however, want to point out
the fact that if you look over -- the third column in
from the left, it says service requested. I want to
point out the fact that most of what was processed
here was simply a disconnect. So even though we did
receive or achieve order flow-through on 14 of the
orders out of the 21, again, I want to point out the
fact that what we're talking about a disconnect, which
has got to be the easiest thing that could possibly be
submitted and processed.

I also want to point out the fact that in
spite of the fact that we achieved order flow-through,
that the number of days required to complete these
orders is very excessive. For example --

MS. WHITE: Excuse me. I'm going to object
to that again on the basis that the service interval
-- as far as I'm aware, the service interval is not an
issue in this case.

WITNESS WELCH: But if we're talking

1   about --

2   COMMISSIONER CLARK: Go ahead, Ms. Kaufman.

3   MS. KAUFMAN: Commissioner Clark, this

4   sheet deals with how LENS does or does not function.

5   Part and parcel of that is how long it takes to get

6   something accomplished, and that's what the column is

7   over to the right-hand side. I don't know how we can

8   be talking about OSS systems that are allegedly at

9   parity when it takes, you know, six days, for example,

10   to do a relatively simple function through LENS.

11   That's what this illustrates.

12   COMMISSIONER CLARK: I'll allow the

13   question.

14   BY MS. KAUFMAN:

15   Q   Ms. Welch, I think you were explaining the

16   significance of the days to completion.

17   A   I was going to ask everyone to look at the

18   third entry dated December the 16th, and it is for a

19   disconnect. This order did flow through, but it took

20   three business days to complete.

21   Now, clearly, per the BellSouth Service

22   Interval Guide, if you submit an order for a

23   disconnect by 3:00, it should be processed same day.

24   All of these orders were submitted before 3:00. That

25   disconnect took three business days.

1   Q   What about the --

2   COMMISSIONER CLARK: Let me just -- how do

3   we know that they were all done before 3:00? I note

4   some of them have times, but not all of them.

5   WITNESS WELCH: I simply know from sitting

6   with the customer service rep. I was involved with

7   the processing of these.

8   COMMISSIONER CLARK: Okay.

9   WITNESS WELCH: I was there.

10   Another example that I would point out is

11   the very first entry. This was a suspension of

12   service for nonpayment. It did not flow through.

13   Under comments, "Had to call and have FOC sent, never

14   flow through."

15   So the log shows a couple of things. It

16   does show, yes, we did pull LENS back out. Yes, we

17   did use it for ordering. The functions available

18   under LENS for ordering are very limited. We

19   processed 21 orders. We did have 14 flow through, but

20   they're disconnects. In conjunction with those

21   disconnects that did flow through, we received

22   completion anywhere from two to six days.

23   BY MS. KAUFMAN:

24   Q   Does the information that you --

25   COMMISSIONER CLARK: Let me just ask.

1   There are some that indicate the event occurred in one

2   day.

3   WITNESS WELCH: Yes, ma'am, there are.

4   COMMISSIONER CLARK: Okay.

5   BY MS. KAUFMAN:

6   Q   I was going to ask, Ms. Welch, does the

7   information that's portrayed on this log have anything

8   to do with your comments in regard to the functioning

9   of LENS for ordering?

10   A   Yes.

11   Q   And what does it show? In other words, how

12   does this chart relate to your comments that --

13   MS. WHITE: Excuse me. I'm going to

14   object. I thought that's what this whole redirect was

15   about, so I think we're either starting over or we're

16   going into a place that --

17   COMMISSIONER CLARK: Well, Ms. Kaufman, the

18   reason I allowed it was, I did think it had to do with

19   the functioning of LENS.

20   MS. KAUFMAN: I thought that's what I was

21   trying to ask her about.

22   COMMISSIONER CLARK: I thought that's what

23   you had asked her about.

24   MS. KAUFMAN: Okay. Well, if -- let me try

25   it this way then, so I can shorten this up.

1   BY MS. KAUFMAN:

2   Q   Does the information on this chart

3   illustrate why you have concerns about trying to use

4   LENS for ordering?

5   A   Yes, it does.

6   MS. KAUFMAN: Now I have another log that I

7   want to distribute that Ms. Welch discussed.

8   MS. WHITE: And I can either wait till now

9   or after it's distributed to object to this.

10   COMMISSIONER CLARK: Why don't you wait

11 until I have it so I can follow your objection.

12   MS. WHITE: Okay.

13   COMMISSIONER CLARK: Thank you. We will

14 mark it as Exhibit 11, and it's entitled "BellSouth

15 Tracking Log."

16   (Exhibit 11 was marked for identification.)

17   MS. WHITE: And the reason for my objection

18 is that in the Prehearing Order, Commissioner Clark,

19 you struck parts of Ms. Welch's testimony and her

20 exhibits. You specifically struck her Exhibit AKW-14,

21 and this BellSouth tracking log which has just been

22 entered as Exhibit 11 is AKW-14.

23   COMMISSIONER CLARK: Ms. Kaufman?

24   MS. WHITE: And it may be -- I think it

25 might be a different month, but --

1   MS. KAUFMAN: I was just trying to turn to

2   that to look.

3   I'll withdraw the exhibit.

4   COMMISSIONER CLARK: Okay. I'll tell you

5   what. We'll show it as withdrawn, so it's no longer

6   Exhibit 11, and that number will be available for the

7   next exhibit.

8   (Exhibit 11 withdrawn.)

9   BY MS. KAUFMAN:

10   Q   Ms. Welch, Ms. White asked you about how

11   TCCF submits their orders, and I think you said that

12   you fax your orders to the LCSC; is that correct?

13   A   That is correct.

14   Q   Why do you fax your orders instead of using

15   one of the OSS systems?

16   A   I think I've explained previously kind of

17   the history of TCCF and the OSS. We do not use EDI,

18   based on the recommendation from our account team.

19   TAG has not been implemented with any reseller.

20   That leaves LENS, and we have been using

21   LENS for preordering. And based on this log and our

22   test in December, we will be using it for ordering,

23   but it has very limited capabilities. So in essence,

24   that leaves us with no way to submit our orders other

25   than to fax them.

1   Q   Now, you mentioned in discussions with

2 Ms. White just now that your account team told you not

3 to implement EDI.   Can you tell us who told you that?

4   A   It was a combination of Wayne Carnes, Mike

5 Wilburn, and then a gentleman by the name of Jimmy

6 Patrick, who is not part of the account team.

7   Q   What explanation did they give for that

8 advice to you?

9   A   As is in my testimony, it was a

10 conversation in which they told me that EDI did not

11 process any complex orders, any orders in excess of

12 six lines, adds, moves, or changes, and that order

13 flow-through could not be accomplished, and they

14 recommended that I wait for TAG.

15   Q   Ms. White asked you some questions, and I

16 think Commissioner Clark might have also, about -- is

17 your position here that you want access to the OSS

18 that BellSouth's retail reps use, or do you have

19 another concern about the OSS that's made available?

20 What exactly is it that TCCF wants in terms of OSS

21 access?

22   A   We want access to OSS that provides

23 nondiscriminatory performance.   We want OSS that

24 perform in the same manner as the OSS that BellSouth's

25 reps use when they process their orders.

1   Q   I think Ms. White also asked you some

2 questions about whether you were willing to pay for

3 those sort of systems, and you responded no. Why is

4 it that TCCF isn't willing to pay for access to the

5 OSS systems?

6   A   I think both parties should pay for their

7 own interfaces, for the development of their own

8 interfaces, for their own electronic systems. TCCF

9 has had to pay for theirs. I think BellSouth should

10 have to pay for theirs. They are required to provide

11 nondiscriminatory access. I don't think the reseller

12 should have to pay for that.

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

14   COMMISSIONER CLARK: Exhibits?

15   MS. KAUFMAN: We would move Exhibit 9 --

16 excuse me, 8 and 10.

17   COMMISSIONER CLARK: Without objection

18 those exhibits are admitted.

19   (Exhibits 8 and 10 were received in

20 evidence.)

21   MS. WHITE: And BellSouth would move

22 Exhibit 9.

23   COMMISSIONER CLARK: That will be admitted

24 without objection.

25   (Exhibit 9 was received in evidence.)

1   COMMISSIONER CLARK: Thank you, Ms. Welch.

2   Ms. Keyer?

3   MS. KEYER: BellSouth would call Jerry

4   Hendrix as its first witness.

5   COMMISSIONER CLARK: Let me ask a question.

6   In the interest of not having some people come back,

7   have you -- are there some witnesses you don't have a

8   lot of questions for? For instance, Ms. Caldwell, do

9   you have a lot of questions for her?

10   MS. KAUFMAN: I would say I have less for

11   her than the other BellSouth witnesses, but it's more

12   than a couple of questions. I don't know if I'm

13   answering --

14   COMMISSIONER CLARK: Do you have any

15   questions for Ms. Caldwell?

16   MS. McKINNEY: No, but I do have some

17   exhibits that Staff plans on admitting.

18   MS. KAUFMAN: And I don't object to taking

19   Ms. Caldwell now.

20   COMMISSIONER CLARK: No, we'll take

21   Mr. Hendrix, but I just thought that there seemed to

22   me to be some witnesses that maybe there wouldn't be a

23   lot of cross examination on. But we'll go ahead.

24   I might ask BellSouth, if there's a witness

25   you need to get on the stand you think today, let us

1 today, would your answers be the same?

2   A   Yes.

3   MS. KEYER: I would like to have the

4 testimony inserted into the record as if read.

5   COMMISSIONER CLARK: It will be inserted

6 into the record as though read.

7 BY MS. KEYER:

8   Q   And along with your testimony, Mr. Hendrix,

9 did you prepare exhibits that were attached?

10   A   I have two exhibits attached, yes.

11   Q   And those were prepared by you or under

12 your direction and supervision?

13   A   Yes, they were.

14   Q   Are there any corrections or changes to

15 those exhibits?

16   A   No, there are not.

17   MS. KEYER: I would like to have the

18 exhibits attached to Mr. Hendrix's testimony marked

19 for identification.

20   COMMISSIONER CLARK: They will be marked as

21 Composite Exhibit 11.

22   MS. KEYER: And it's JDH-1 and 2.

23   COMMISSIONER CLARK: Thank you.

24   (Exhibit 11 was marked for identification.)

25

BELLSOUTH TELECOMMUNICATIONS, INC.

TESTIMONY OF JERRY HENDRIX

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 981052-TP

DECEMBER 3, 1998

1

2

3

4

5

6

7 Q. PLEASE STATE YOUR NAME AND COMPANY NAME AND ADDRESS.

8

9 A. My name is Jerry Hendrix. I am employed by BellSouth Telecommunications,

10 Inc. as Director - Interconnection Services Pricing. My business address is

11 675 West Peachtree Street, Atlanta, Georgia 30375.

12

13 Q. PLEASE SUMMARIZE YOUR BACKGROUND AND EXPERIENCE.

14

15 A. I graduated from Morehouse College in Atlanta, Georgia, in 1975, with a

16 Bachelor of Arts Degree. I began employment with Southern Bell in 1979, and

17 have held various positions in the Network Distribution Department before

18 joining the BellSouth Headquarters Regulatory organization in 1985. On

19 January 1, 1996, I moved to Interconnection Services Pricing in the

20 Interconnection Customer Business Unit, where I became responsible for the

21 pricing organization and ALEC negotiations.

22

23 Q. HAVE YOU TESTIFIED PREVIOUSLY?

24

25

1   A.   Yes. I have testified in proceedings before the Alabama, Florida, Georgia,

2   Kentucky, Louisiana, and Mississippi Public Service Commissions, the North

3   Carolina Public Utilities Commission, and the Tennessee Regulatory

4   Authority.

5

6   Q.   WHAT IS THE PURPOSE OF YOUR TESTIMONY?

7

8   A.   The purpose of my testimony is address the complaint issue in this docket and

9   to show that BellSouth provided TCCF with ESSX® Service in compliance

10   with the parties Resale Agreement for period not covered by settlements and

11   adjustments regarding ESSX.

12

13   Q.   WHEN WAS THE RESALE AGREEMENT BETWEEN BELLSOUTH AND

14   TCCF SIGNED?

15

16   A.   TCCF's Resale Agreement with BellSouth, attached as Exhibit JDH-1, is dated

17   May 28, 1996. The original effective date of this agreement was June 1, 1996,

18   however, at the last minute, Mr. Norman "Kip" Ripper, President of TCCF,

19   requested that the agreement be dated May 28, 1996. BellSouth agreed to

20   strike through and initial the June 1, 1996, effective date and to make the

21   agreement effective May 28, 1996.

22

23   Q.   WHAT IS THE SIGNIFICANCE OF THIS DATE CHANGE?

24

25

1   A.   BellSouth's ESSX® Service was grandfathered two days after TCCF signed

2   the Resale Agreement. By making the effective date of the agreement May 28,

3   1996, TCCF was able to resell ESSX® Service to new customers for a two-day

4   period prior to it being grandfathered.

5

6   Q.   FOR WHAT DID THE RESALE AGREEMENT PROVIDE WITH REGARD

7   TO ESSX?

8

9   A.   Under the terms and conditions of the Resale Agreement, TCCF was able to

10   resell BellSouth's tariffed local exchange services, including Centrex type

11   services for the length or term of the Resale Agreement. Section III.A. of the

12   Resale Agreement specifically precluded TCCF from reselling grandfathered

13   services, promotional and trial retail service offerings, Lifeline and Linkup

14   services and contract services arrangements.

15

16   Q.   AT THE TIME THE PARTIES SIGNED THE RESALE AGREEMENT,

17   WAS ESSX® SERVICE A GRANDFATHERED SERVICE?

18

19   A.   No. ESSX® Service was not grandfathered until May 30, 1996, two days after

20   TCCF and BellSouth signed the resale agreement.

21

22   Q.   WHEN WAS BELLSOUTH'S ESSX® SERVICE GRANDFATHERED?

23

24   A.   As I previously noted, BellSouth's ESSX® Service was grandfathered on May

25   30, 1996, just two days after the effective date of TCCF's Resale Agreement

1   with BellSouth. On May 29, 1996, immediately after signing the Resale

2   Agreement with BellSouth, TCCF entered into a seventy-three month tariffed

3   pricing arrangement for BellSouth's ESSX® Service. This arrangement

4   allowed TCCF to receive a pricing benefit on the ESSX® Service, based on a

5   seventy-three month tariffing arrangement as opposed to the higher monthly

6   rates.

7

8   Q.   UNDER WHAT CONDITIONS WAS THE ESSX® SERVICE

9   GRANDFATHERED?

10

11   A.   BellSouth's ESSX® Service was grandfathered as a Type 4 service which

12   means that the "service, rates and charges for this service are not available for

13   new installations, moves, transfers of service or replacements of existing

14   service." Section A112.3 of BellSouth's General Subscriber Services Tariff,

15   which is attached as Exhibit JDH-2. The tariff further provides that ESSX

16   customers who purchased the service on a month-to-month basis may remain

17   on their current ESSX arrangement until the expiration date in the tariff, at

18   which time they will have to switch to either MultiServe® or MultiServe

19   Plus® Service, or subscribe to an alternative service. Those existing ESSX

20   customers, who are under a term pricing arrangements for ESSX® Service,

21   are allowed to remain on their ESSX arrangements for the duration of their

22   terms or until the expiration date in the tariff, whichever is longer. At that

23   time, they too will have to switch to either MultiServe®, or MultiServ Plus®

24   Service, or subscribe to an alternative service.

25

4

1 Q.   HOW DID THE GRANDFATHERING OF ESSX® SERVICE IMPACT

2   TCCF'S ABILITY TO RESELL ESSX® SERVICE UNDER ITS RESALE

3   AGREEMENT?

4

5 A.   Based on the effective date of May 28, 1996, of TCCF's Resale Agreement,

6   TCCF should have been able to resell BellSouth's ESSX® Service to new

7   customers for a two-day period, May 28 and May 29, 1996. On May 30, 1996,

8   BellSouth's ESSX® Service was grandfathered and thus not available for

9   resale to new customers. At that time, TCCF should have been notified that

10   reselling BellSouth's ESSX® Service would no longer be possible, but that it

11   would be able to maintain current ESSX customers on existing ESSX

12   arrangements pursuant to the terms of the tariff. Section III. A. of TCCF's

13   Resale Agreement clearly states that grandfathered services are not available

14   for purchase. TCCF should not have been allowed to resell ESSX® Service to

15   new customers after it became grandfathered.

16

17 Q. WHY DID BELLSOUTH ALLOW TCCF TO RESELL A

18   GRANDFATHERED SERVICE TO NEW CUSTOMERS?

19

20 A. It is my understanding that TCCF had been working with the BellSouth sales

21   team to implement several ESSX arrangements before it was known that the

22   service was to be grandfathered. Just prior to grandfathering the service, the

23   sales team together with TCCF thought that by entering into a seventy-three

24   month pricing arrangement for BellSouth's ESSX® Service, TCCF would be

25   able to resell the service to new customers for the two-year term of its Resale

1   Agreement. This Agreement would then allow TCCF to move forward with its

2   plans involving ESSX® Service once the service was grandfathered. The

3   seventy-three month pricing arrangement however, did not afford TCCF the

4   ability to resell a grandfathered service to new customers, and BellSouth

5   should never have allowed TCCF to resell its ESSX® Service once the service

6   was grandfathered. At that time, BellSouth should have notified TCCF that the

7   service was available for resale to existing customers only. Instead, BellSouth

8   did not raise this issue when the ESSX® Service was grandfathered, but

9   worked diligently with TCCF to get the ESSX® Service provisioned in the

10   unique way TCCF requested.

11

12 Q. WAS THERE ANY OTHER OCCURRENCE DURING THE TERM OF

13   TCCF'S RESALE AGREEMENT WITH BELLSOUTH THAT FURTHER

14   SUPPORTS THAT TCCF SHOULD NOT HAVE BEEN ALLOWED TO

15   RESELL ESSX® SERVICE TO NEW CUSTOMERS?

16

17 A. Yes. On December 31, 1996, in the AT&T/MCIm Arbitration proceeding,

18   Docket Nos. 960833-TP, 960846-TP, and 960916-TP, this Commission ruled

19   in Order No. PSC-96-1579-FOF-TP that grandfathered services should only be

20   available for resale to existing customers. At that time, BellSouth should

21   have notified TCCF that it was no longer allowed to resell BellSouth's ESSX®

22   Service to new customers. Instead, BellSouth again continued to work with

23   TCCF in an effort to provision ESSX® Service in the unique way TCCF

24   wanted it provisioned.

25

1 Q. DID BELLSOUTH INCUR PROBLEMS OR DIFFICULTIES IN TRYING

2 TO PROVISION THE ESSX® SERVICE PURSUANT TO TCCF'S

3 REQUEST?

4

5 A. BellSouth had no problems provisioning ESSX® Service pursuant to the tariff,

6 but because TCCF wanted BellSouth's ESSX® Service to provide various

7 features and functions that the service was not intended to provide, BellSouth

8 encountered some problems in provisioning the ESSX® Service as it was

9 requested by TCCF. TCCF's ESSX application required BellSouth to

10 terminate Primary Rate ISDNs (PRI) into the ESSX common block, something

11 that was not a common practice for BellSouth. Various departments within

12 BellSouth worked together to determine how this arrangement could be

13 implemented

14

15 Q. DID BELLSOUTH AND TCCF REACH A SETTLEMENT REGARDING

16 THESE PROBLEMS?

17

18 A. Yes, on April 25, 1997, BellSouth and TCCF entered into a

19 Confidential Full Release and Settlement of all claims TCCF may have had

20 against BellSouth up to and including March 25, 1997.

21

22 Q. DID BELLSOUTH MAKE ANY OTHER ADJUSTMENTS TO TCCF

23 RELATING TO THE PROVISIONING OF ESSX® SERVICE?

24

25

1 A. Yes. Further adjustments were made to TCCF in October, 1997 to compensate

2   TCCF for the delays and provisioning problems associated with the

3   implementation of TCCF's ESSX arrangements.

4

5 Q. HAS BELLSOUTH PROVIDED TCCF WITH ESSX® SERVICE IN

6   COMPLIANCE WITH THE PARTIES' RESALE AGREEMENT FOR

7   PERIODS OF TIME NOT COVERED BY SETTLEMENTS AND

8   ADJUSTMENTS MADE REGARDING ESSX® SERVICE?

9

10 A. Yes, with the caveat that BellSouth's obligation to provision the ESSX®

11   Service rightfully only existed for the two-day period prior to ESSX® Service

12   being grandfathered.

13

14   In fact, BellSouth has even compensated TCCF, through settlements and

15   adjustments, for provisioning problems it encountered in provisioning ESSX®

16   Service for TCCF's unique need when, in fact, BellSouth had no obligation at

17   all to provision this grandfathered service, since TCCF should never have been

18   allowed to resell it to new customers. BellSouth spent a great deal of money to

19   provision a service that should never have been provisioned in the first place.

20   Nevertheless, BellSouth has complied with the terms and conditions of

21   provisioning ESSX® Service for TCCF in accordance with the Resale

22   Agreement between BellSouth and TCCF dated May 28, 1996, for times not

23   covered by settlements and adjustments made by BellSouth regarding ESSX®

24   Service.

25

1 Q.   IF BELLSOUTH HAS NOT PROVIDED TCCF WITH ESSX® SERVICE IN

2   COMPLIANCE WITH THE PARTIES' RESALE AGREEMENT, WHAT

3   ACTION, IF ANY, SHOULD THE COMMISSION TAKE?

4

5 A.   BellSouth believes that no action is required by the Commission. TCCF

6   should never have had the ability to resell BellSouth's ESSX® Service, as a

7   grandfathered service, to new customers. Even though TCCF was permitted to

8   resell this grandfathered service for a two-year period, that does not mean that

9   TCCF should be allowed to continue violating its Resale Agreement as well as

10   the tariff that grandfathered BellSouth's ESSX® Service in May, 1996.

11   Neither should TCCF be allowed to ignore this Commission's Order regarding

12   the resale of grandfathered services.

13

14 Q.   WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?

15

16 A.   TCCF has received the pricing benefit associated with a seventy-three month

17   pricing arrangement for BellSouth's ESSX® Service, as well as the ability to

18   resell that grandfathered service to new customers for the past two years.

19   BellSouth has even compensated TCCF for problems associated with

20   provisioning this grandfathered service, which should not have been available

21   for resale to new customers. The parties' resale agreement, the tariff which

22   grandfathered ESSX® Service, as well as this Commission's Order No. PSC-

23   96-1579-FOF-TP, confirms that BellSouth's ESSX® Service is not available

24   for resale to new customers. The fact that TCCF was given the ability to resell

25   this service to new customers in error does not mean that the Commission

1   should continue to allow TCCF to violate the tariff and to ignore this

2   Commission's ruling with respect to the resale of grandfathered services.

3

4   Q.   DOES THIS CONCLUDE YOUR TESTIMONY?

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6   A.   Yes.

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1   BY MS. KEYER:

2   Q   Have you prepared a summary of your

3   testimony, Mr. Hendrix?

4   A   Yes, I do have a brief summary.

5   Q   Would you please give that to the

6   Commissioners?

7   A   Yes.   Thank you.

8   BellSouth has provisioned ESSX as required

9   by the resale agreement, and Telephone Company of

10   Central Florida has actually received the price

11   benefits associated with this agreement.   Telephone

12   Company of Central Florida has been compensated for

13   problems experienced in the provisioning of the

14   arrangement associated with this arbitration.

15   BellSouth erred in allowing Telephone

16   Company of Central Florida to resell a grandfathered

17   service beyond the agreement.   This violated orders,

18   as well as the tariff.   And as such, BellSouth should

19   not be required to make ESSX, which is a grandfathered

20   service, available in its new resale agreement.

21   That concludes my summary.

22   MS. KEYER: The witness is now available

23   for cross examination.

24   COMMISSIONER CLARK: Ms. Kaufman?

25   / / /

CROSS EXAMINATION

BY MS. KAUFMAN:

Q   Good afternoon, Mr. Hendrix.

A   Hello.

Q   Mr. Hendrix, turn to page 2 of your testimony, please, lines 16 to 21. And there you discuss the timing of the execution of the BellSouth and TCCF resale agreement; correct?

A   Yes, I do.

Q   There is no dispute between us that that agreement was effective on May 28, 1996, is there?

A   No, there is not.

Q   And it's true, isn't it, that BellSouth agreed to change the effective date from June 1 to May 28th?

A   As requested by Mr. Ripper, that is correct.

Q   And it's also true, isn't it, that when the agreement was executed, ESSX was not a grandfathered service?

A   On May 28th, that is correct.

Q   And it's also true, isn't it, Mr. Hendrix, that until your testimony, and I guess that of Ms. Arrington, was filed in this case, no one communicated ever to TCCF that it was BellSouth's

1   position that they were only entitled to sell ESSX for

2   two days?

3   A   That is true. And as I mentioned in my

4   summary, we erred in allowing that to happen. Our

5   customers that had ESSX services were required to

6   operate as filed in the tariff under the same

7   grandfather standards. There aren't any duplicate

8   standards. And we erred in not making Telephone

9   Company of Central Florida aware of that.

10   Q   And since the agreement with TCCF was

11   executed on May 26th, up until I guess your testimony

12   was filed, it's true, isn't it, that employees of

13   Bellsouth had a lot of conversations and written

14   correspondence with TCCF in regard to trying to

15   provision ESSX?

16   A   Oh, yes, I would agree.

17   Q   Mr. Scheye was the gentleman that executed

18   the resale agreement with TCCF; is that right?

19   A   That is correct. He signed it.

20   Q   It's true, isn't it, Mr. Hendrix, that you

21   were aware and Mr. Scheye was aware of TCCF's business

22   plan to resell ESSX?

23   A   Mr. Scheye was aware, and I became aware

24   through conversations with Mr. Scheye that Telephone

25   Company of Central Florida had plans to resell the

1   ESSX service. And that is the ESSX tariffed service

2   and not the unique arrangement, which is not a resold

3   item or resold service.

4   Q   Mr. Hendrix, you were here for the

5   testimony of Mr. Koller and Mr. Ripper, weren't you,

6   this morning?

7   A   Mostly, yes. I stepped out. I had a

8   nature call, so I stepped out.

9   Q   And would you agree with me that there's a

10 fair amount of disagreement in regard to what is

11 unique and/or nonstandard ESSX service?

12   A   As far as Mr. Ripper, yes, but not

13 Mr. Koller. I think Mr. Koller was very clear in what

14 he offered, stating that the arrangements that

15 Telephone Company of Central Florida asked for were

16 not standard tariff arrangements in the ESSX tariff.

17   So I think Mr. Ripper, not being the

18 technical subject matter on this issue, took issue.

19 But I think Mr. Koller was very clear that it was not

20 standard.

21   Q   Well, I'm sure the record will speak for

22 itself in regard to Mr. Koller's testimony. I did not

23 hear his testimony in that way.

24   Turn to page 7, please, of your testimony,

25 lines 5 through 13. You say BellSouth had no problems

1   provisioning BSSX service pursuant to the tariff, and

2   you go on to say that TCCF wanted something different,

3   as you just testified.

4   Putting aside our disagreement about what

5   is standard BSSX service and what isn't, you would

6   agree with me, though, wouldn't you, that BellSouth

7   had an obligation to provide to TCCF the service that

8   it was requesting?

9   A   Not totally, not the way the question is

10   answered -- asked, rather. And so my response would

11   be no, with this caveat: BellSouth had the obligation

12   to resell the service that was approved, which was an

13   approved tariff service, thereby allowing Telephone

14   Company of Central Florida to resell that service.

15   Q   So is it your position that BellSouth did

16   not have an obligation to provide to TCCF the service

17   that it was requesting?

18   A   BellSouth -- no, not totally, and that was

19   with the caveat that I just offered. BellSouth had

20   the obligation to provide the service as offered in

21   the tariff that was a grandfathered service after May

22   30th, and with the special arrangements and unique

23   features that were being asked for by Telephone

24   Company of Central Florida. Once we entered into an

25   agreement, we had an obligation, or I should say we

1 should have provisioned those nonstandard items,

2 services, features, as Telephone Company of Central

3 Florida had actually asked.

4 Q I think that was a long yes to my question,

5 so let me --

6 A I don't think so.

7 Q Okay. Well, do you recall when I took your

8 deposition? Was it last Friday or last Thursday,

9 whenever, last week?

10 A Yes.

11 Q Okay. And we went through this similar

12 discussion about what TCCF had requested. And on page

13 48, the question is -- this is me. "Well, let's see

14 if we can do it this way, the way we like to do it at

15 the Commission. You can answer yes or no, and then

16 you can explain as much as you want to, so let me ask

17 the question again."

18   And you say, "All right. The answer is?"

19   And I say, "Is it BellSouth's position?"

20   And your answer is on line 7, "Yes.

21 BellSouth had an obligation pursuant to the agreements

22 that were reached between the companies to offer the

23 unique arrangements that were being requested by the

24 Telephone Company of Central Florida."

25   Is that still your position today?

1   A   Yes. And what I'm stating is that, one,

2 the agreement only addresses the tariff. If you would

3 notice --

4   Q   Do you --

5   A   Excuse me.

6   Q   Go ahead. I'm sorry.

7   A   If you'll notice, there's nothing signed.

8 Nothing has been filed to amend the agreement. If in

9 fact there were agreements between Telephone Company

10 of Central Florida and BellSouth to provide the

11 nonstandard items, then we would have an obligation to

12 actually do so. And we erred, one, in allowing the

13 resale of grandfathered services beyond May 30th. And

14 number two, there was actually never an agreement

15 signed. But with us being customer focused, it was

16 our intent to try to work with the customer to roll

17 out the nonstandard features the customer was asking

18 for.

19   Q   And you had an obligation to do that,

20 didn't you, to provide the service that TCCF was

21 asking for?

22   A   From a technical standpoint, no, because

23 Telephone Company of Central Florida never signed

24 anything obligating us to do that. And that is the

25 answer that's on page 48 starting at line 7, stating

1 that we had an obligation to satisfy the agreements.

2 But after going back and looking through the records

3 -- and I think you may have pointed it out in my

4 depo. Nothing was actually signed. I may have erred

5 in saying that you pointed it out, but nothing was

6 actually signed.

7   Q   Well, when you say in this answer on page

8 48 starting at line 7, "Yes. BellSouth had an

9 obligation pursuant to the arrangements that were

10 reached between the companies to offer the unique

11 arrangements that were being requested by Telephone

12 Company of Central Florida," that's still your

13 position; correct?

14   A   Well, you read arrangements. That is --

15 "agreements" is the word.

16   Q   I'm sorry.

17   A   And if an agreement had been reached -- and

18 I had assumed in the depo that we actually reached

19 agreement on the nonstandard arrangements. But

20 nothing was actually signed.

21   Q   So you --

22   A   But what we did enter into agreement on

23 was the resale agreement effective as of May 28th,

24 1996.

25   Q   You're just confusing me, Mr. Hendrix. Is

1   your answer still the same as it was last week when

2   you gave me this response on page 48 at lines 7

3   through 11?

4   A   Yes.

5   Q   Are you changing your answer?

6   A   No, I'm not changing it.

7   Q   Do you have Mr. Ripper's testimony handy?

8   A   Yes, I do.

9   Q   If you would, take a look at ENR-2. And

10   this board is just a blowup of that letter.

11   A   I have it.

12   Q   Like I said, that behind you is just a blow

13   up.

14   The date of that letter is April 18, 1997;

15   correct?

16   A   That is correct.

17   Q   And you're the one that signed that letter

18   and sent it to Mr. Ripper?

19   A   Yes, I did.

20   Q   Can you read for us the second paragraph of

21   that letter?

22   A   "Pursuant to your letter of intent dated

23   May 29, 1996, and in compliance with the resale

24   agreement entered into between TCCB and BellSouth

25   effective May 28, 1996, BellSouth will honor your

1   request for additional ESSX lines."

2   Q   That's what you said to Mr. Ripper on April

3   18, 1997; correct?

4   A   That is correct.

5   Q   And that paragraph of that letter doesn't

6   say anything about a unique arrangement or nonstandard

7   ESSX or anything else. It just says, yeah, we're

8   going to honor the agreement for these lines; correct?

9   A   That's because the letter had nothing to do

10 with those. What the letter had to do with, or

11 addressed, rather, I flew down, Mr. French and I, to

12 meet with Mr. Ripper. He mentioned that he felt that

13 he had a market opportunity in a given office where he

14 would exceed the 201 station count. And this letter

15 was to let him know that we understood that. It did

16 not change the total number of stations that the

17 customer could order under ESSX. It did not change

18 the terms of the agreement, but was simply to

19 acknowledge, in an effort to work with the customer,

20 that we would accept his request for additional lines

21 in that given area.

22   So it had nothing to do with the unique

23 arrangements, unique features, or anything of that

24 nature. It was simply understanding his business plan

25 and trying to be accommodating.

1   Q   Right. And it doesn't say anything about

2 any sort of unique arrangements in there either, does

3 it?

4   A   Because it wasn't relevant to the purpose

5 for which we were meeting.

6   Q   You also talk in your testimony on page 8,

7 lines 1 through 3, that there was an additional

8 settlement in regard to the ESSX problems in October

9 of 1997; is that correct?

10   A   Yes, I did.

11   Q   And I think when I took your deposition,

12 you were referring to an October 7, 1997 letter from

13 Mr. Cathey to Mr. Ripper.

14   A   That is correct.

15   Q   And I don't know if you have Mr. Koller's

16 testimony, but that happens to be KEK-23 to his

17 testimony.

18   A   Okay. Do I need to look at it?

19   Q   I think you might want to pull it out.

20   A   And what is the exhibit number again?

21   Q   Twenty-three, I believe.

22   Have you got that, Mr. Hendrix?

23   A   Yes, I do.

24   Q   Okay. Is this the letter you had in mind

25 when you discussed on page 8 that there was some sort

1   of settlement in October 1997?

2   A   This is one of the letters. I think there

3   is a need to compare this letter with a previous

4   letter. I don't know if it's here. But using this

5   letter, looking at page 2 of 3, the entry about

6   one-third of the way down on the page, the primary

7   rate access, primary rate ISDN interface to utilize as

8   a tie line, and it's got a subnote, per 5ESS central

9   office, I believe on the other letter it had indicated

10   a charge of 21 point -- $21,200 for amps, and there

11   were 11 offices, which would equate to $233,000 that

12   we did not charge Telephone Company of Central Florida

13   for.

14   Q   Just so we're clear, is it your testimony

15   that this letter in conjunction with this other letter

16   represents some sort of settlement that TCCF agreed to

17   in regard to ESSX?

18   A   Well, the other letter highlights exactly

19   what the charges are. And what this letter does, as I

20   believe was indicated by Mr. Cathey in his depo that

21   you may have taken, is that it would indicate that we

22   waived the charges for the upgrades in those offices

23   as a means of trying to come to terms with Telephone

24   Company of Central Florida and put in the nonstandard

25   arrangement that they were asking for.

1   So the answer, in short, is yes.

2   Q   I was going to get back to my question,

3   Mr. Hendrix. You anticipated what I was going to ask

4   you next, and that is, it's your testimony here today

5   that this letter represents some sort of settlement

6   that was accepted by TCCF in regard to their

7   continuing ESSX problems?

8   A   Yes, it does.

9   Q   Will you turn to page 3 of the letter?

10   A   Yes, I'm there.

11   Q   And it's the third paragraph that starts,

12   "Please respond." And about midway down, it says,

13   "Once your acceptance is received, an amendment to the

14   interconnection agreement between BellSouth and

15   Telephone Company of Central Florida, TCCF, will be

16   provided to TCCF for execution of the requested

17   provisioning." I think you told us there never was an

18   amendment to the interconnection agreement; correct?

19   A   That's correct, and there was a really good

20   reason why. You know, there was a lot of concern in

21   BellSouth with the nonstandard arrangement if in fact

22   it would have been appropriate for an inter -- well,

23   let me put it another way. If a facility-based type

24   agreement would have been more appropriate as opposed

25   to a resale agreement.

1   And when you look at the true meaning of

2 resale, resale is reselling the services that have

3 already been approved in tariff, in a given state in

4 those tariffs. So we did not modify the resale, and

5 we attempted to use what is the bona fide request

6 process, and then found out that that's not even in

7 the resale agreement, because it's not changing an

8 existing service. So we did not amend the agreement.

9 Instead, we tried to work with the customer to get the

10 nonstandard service in.

11   Q   Mr. Hendrix, this is a pretty simply

12 question, yes or no. The letter says, once your

13 acceptance is received, we're going to do an amendment

14 to the resale agreement. And my question is, it's

15 true, isn't it, that there never was an amendment to

16 the resale agreement?

17   A   No, for the reasons that I cited.

18   Q   The next sentence in the same paragraph

19 says, "Also, TCCF and BellSouth will execute a full

20 release and settlement agreement for any damages

21 claimed for TCCF for delay in the implementation of

22 services ordered by TCCF." It's true also that there

23 never was a release and settlement executed; correct?

24   A   Not relative to this, but Telephone

25 Company of Central Florida did in fact -- they were

1   aware of us absorbing the cost to upgrade those 5 --

2   those 11 ESS offices to accommodate them.

3   Q   There never was a release and settlement

4   executed; correct?

5   A   Not to my knowledge.

6   Q   And I think you heard Mr. Koller this

7   morning that TCCF does not believe that it was their

8   responsibility to upgrade those offices; correct?

9   A   Which I think is ludicrous. I heard that,

10   but I think it's definitely wrong, because we were

11   being asked to put in special software that would

12   allow the ANI to be passed from the common block to

13   the carrier interface in these offices. This is not

14   standard software upgrades. So I beg to differ, and I

15   think it's sad that he would say that.

16   Q   Well, I understand that we disagree on

17   that, and you and I probably won't resolve that. I

18   just want the record to be clear that there never was

19   a settlement executed other than the original one in

20   March of 1997; correct?

21   A   There was nothing put on paper accepting

22   that; you are correct.

23   Q   And in fact, Mr. Ripper wrote back in

24   response to this letter to Mr. Cathey, didn't he, and

25   he took issue with a lot of the statements that were

1   made in this letter; is that correct?

2   A   I do not have that readily before me, if --

3   Q   Okay.   I've got one.

4   A   If in fact he did.

5   MS. KAUFMAN: Commissioner Clark, if I

6   could have an exhibit number for this, please.

7   COMMISSIONER CLARK: The next exhibit

8   number would be 12.   And it is a letter to Marcus

9   Cathey from Mr. Ripper dated October 10, 1997.

10   (Exhibit 12 was marked for identification.)

11   MS. KAUFMAN: And that was No. 12,

12   Commissioner?

13   COMMISSIONER CLARK: Yes.

14   BY MS. KAUFMAN:

15   Q   Mr. Hendrix, this is the letter I just

16   referred to in which Mr. Ripper responded to

17   Mr. Cathey's October 7th letter?

18   A   Yes, it is.

19   Q   And if you've had a moment to look it over,

20   you would agree with me that Mr. Ripper does not agree

21   with everything Mr. Cathey says in his October 7th

22   letter?

23   A   No, he did not, but he also agreed to pay

24   the $545, and he did not remit payment for the primary

25   rate ISDN interface, the tie lines, which were in a

1   previous letter at $21,200 each.

2   Q   And he didn't remit that payment because

3   he didn't view this as a settlement, and because TCCF

4   did not accept responsibility for those charges;

5   correct?

6   A   No, I do not agree with that.

7   Q   You think that TCCF had agreed to pay for

8   the upgrade of those offices?

9   A   I don't know what he viewed, but all I'm

10   saying is that I could not agree with the way you

11   asked the question.

12   Q   Well, TCCF did not agree to pay for the

13   upgrade of the 5ESS central office switches; correct?

14   A   To my knowledge, they did not agree to pay

15   for those, but the payment that was sent to BellSouth

16   was in the amount of $545. But a previous letter

17   outlined the amounts. If you would bear with me for a

18   moment.

19   Q   Sure. Take your time.

20   A   There was a September 12, 1997 letter to

21   Mr. Ripper. This is associated with the BFR. In that

22   letter --

23   Q   Excuse me, Mr. Hendrix. Is that letter

24   appended to somebody's testimony?

25   A   I believe it was part of the package of

1   documents you asked me to provide. Let me see if it's

2   in this stack. But it's dated September 12, 1997.

3   It is in the package.

4   Q   Okay. Just give me a second to turn to

5   it.

6   A   Okay. It's about halfway back in the

7   package. In fact, it is page 20 of 29.

8   Q   Oh, okay. I'm with you.

9   A   Okay. And this is referencing the BFR,

10   showing the payment of 21,000 -- I mean showing the

11   charge of $21,200 for each of the offices. Also --

12   Q   This --

13   A   Excuse me. Also, there was another letter

14   that was provided, which is an internal letter, where

15   it states that we would not charge Telephone Company

16   of Central Florida for these charges. That letter is

17   dated December 11th, 1997.

18   Q   Is that in your package too?

19   A   Let me see if it's in the package. I

20   honestly do not remember.

21   I do not see it in the package, but I'll be

22   more than happy to provide copies.

23   Q   I'm sure your counsel will ask you if she

24   thinks it's relevant.

25   Just so I can get the chronology right --

1   MS. KEYER: I think -- excuse me. I was

2   going to say I believe that may be in Mr. Wilburn's

3   late-fileds.

4   WITNESS HENDRIX: You're right.

5   BY MS. KAUFMAN:

6   Q   The September 12th letter you just

7   referenced from your late-fileds, we have that letter,

8   and then we have Mr. Cathey's letter of October 7th,

9   and then we have Mr. Ripper's response.

10   A   Yes. And then we have the December 11,

11   1997, where we agreed -- or we sent out a letter

12   indicating that we would not charge for those

13   upgrades.

14   Q   I understand you agreed you wouldn't

15   charge, but you would agree with me that TCCF never

16   said they were going to pay that, did they?

17   A   No. And I think I've previously agreed

18   that they did not pay it.

19   COMMISSIONER CLARK: Mr. Hendrix, I think

20   the question was, did they agree to pay it, whether or

21   not you charged it?

22   WITNESS HENDRIX: I do not know if in fact

23   they actually agreed to pay it. Mr. Cathey would

24   probably be better able to answer that.

25   COMMISSIONER CLARK: Okay.

BY MS. KAUFMAN:

Q   Mr. Hendrix, is MultiServ the product that now is replacing ESSX?

A   Yes.

Q   And I think when I took your deposition, you agreed that Mr. Ripper had generally been correct in his testimony when he described the MultiServ product?

A   To the standpoint -- yes, but to the standpoint that he has couched MultiServ as a bundled service, as Mr. Roller did, with ESSX being an unbundled service, and with MultiServ having about 400 USOCs and ESSX 1,800 USOCs, which is a more -- a movement to MultiServ is more focused, a more customer focused arrangement, I believe.

Q   I guess the point I'm trying to make is, you agree that he properly characterized what your MultiServ offering is?

A   I'm not sure that he did or not. I simply agree that based on my understanding of MultiServ, that it's more of a bundled package type offering, as opposed to the ESSX, which is more of an unbundled offering.

Q   Okay, Mr. Hendrix. In Mr. Ripper's direct testimony, he describes the MultiServ product, and you

1   agree that his description is accurate; correct?

2   MS. KEYER: Could you refer him to where

3   you're talking about? Maybe that will --

4   WITNESS HENDRIX: I think I agreed that --

5   MS. KEYER: -- help speed things along.

6   WITNESS HENDRIX: I think I agreed in

7   general terms that I would agree that it was a bundled

8   service, as opposed to ESSX being more of an unbundled

9   service, in general terms.

10   BY MS. KAUFMAN:

11   Q   Okay. Mr. Hendrix, this is on page 80 of

12   your deposition.

13   A   Yes.

14   Q   Beginning at line 12, the question is, "So

15   you don't disagree with Mr. Ripper's characterization

16   of the service?" And the prior question we had been

17   talking about Multiserv. And your --

18   MS. KEYER: Commissioner -- excuse me for

19   just a minute. I'm going to object to Ms. Kaufman

20   apparently trying to use the deposition to impeach the

21   witness when she hasn't referred him to the testimony

22   in the direct, or the page in the direct testimony

23   about which she's asking him to see if he's giving

24   anything different.

25   COMMISSIONER CLARK: Ms. Kaufman, your

1   original question was whether he agreed with the

2   definition in Mr. Ripper's direct testimony. Why

3   don't you tell him where that is in the direct

4   testimony so he can prepare himself to answer it.

5   BY MS. KAUFMAN:

6   Q   You have Mr. Ripper's direct testimony,

7   Mr. Hendrix. Page 11, beginning at line 13,

8   Mr. Ripper describes the differences between ESSX and

9   MultiServ, going over to the top of the next page.

10   A   Page 11 beginning at line 13?

11   Q   Yes.

12   A   Yes. Okay. I see where you're looking.

13   Q   Okay. So now we're straight on the

14   reference?

15   A   Yes, I am.

16   Q   And then I asked you in your deposition at

17   page 80, line 12, as I said, "So you don't disagree

18   with Mr. Ripper's characterization of the service?"

19   Answer, "I would say in general, I don't

20   know that I would disagree."

21   A   Which is the same answer I just gave.

22   Q   BellSouth, before the service was

23   grandfathered, it sold ESSX to its retail customers,

24   didn't it?

25   A   Yes, we did.

1   Q   And you still have customers in the retail

2   market that are on ESSX; correct?

3   A   I'm assuming that that is the case. I do

4   not deal with retail services, but those customers

5   that are still on ESSX would abide by the tariff, the

6   grandfathered tariff, and whatever the arrangements

7   are in the way the tariff was actually grandfathered.

8   MS. KAUFMAN: Commissioner Clark, I've got

9   another exhibit. I guess it would be 13.

10   COMMISSIONER CLARK: What's the title?

11   MS. KAUFMAN: ESSX tariff.

12   COMMISSIONER CLARK: Okay. That will be

13   labeled as Exhibit 13.

14   (Exhibit 13 was marked for identification.)

15   BY MS. KAUFMAN:

16   Q   Mr. Hendrix, this is a recent BellSouth

17   tariff filing; correct? Well, from December 15, 1998.

18   A   That is correct.

19   Q   Would you please read the second paragraph

20   that starts, "This filing"?

21   A   "This filing is being made to allow

22   existing month-to-month ESSX service subscribers and

23   term payment plan subscribers whose contracts expire

24   to keep their service indefinitely. Additional

25   verbiage will be added to allow BellSouth to convert

1 subscribers with expired contracts to the ESSX service

2 month-to-month rate at some future time, similar

3 verbiage as existed within the body of the ESSX

4 service tariff since its initial introduction."

5   Q   Thank you. So this recent tariff filing

6 with the Commission is going to allow your

7 month-to-month ESSX and term payment plan subscribers

8 whose contracts would expire to keep their service

9 indefinitely; correct?

10   A   That is correct. And I think the key here

11 is the word "existing," unlike with Mr. Ripper. I

12 believe Mr. Ripper stated that we are allowing

13 customers, new customers to order ESSX, and that

14 simply is not the case to my knowledge. But these are

15 customers that have existing ESSX arrangements, which

16 is not inconsistent with the way the tariff was

17 initially grandfathered.

18   Q   Do you know how many customers this

19 involves?

20   A   No, I do not.

21   Q   And -- strike that. I'm sorry.

22   The customers that will be covered by this

23 indefinite extension of their ESSX agreement, they

24 will not have to convert to MultiServ; correct?

25   A   No, as Mr. Ripper's customers that are

FLORIDA PUBLIC SERVICE COMMISSION

1   reselling ESSX will not have to move to MultiServ.

2   New customers are not being added, but as I mentioned,

3   existing customers, that's the key word here.

4   Q   I understand. And these existing

5   customers, according to your new tariff filing, can

6   stay on this tariff, as it says, indefinitely?

7   A   That's correct.

8   MS. KAUFMAN: That's all I have,

9   Commissioners.

10   COMMISSIONER CLARK: Staff.

11   CROSS EXAMINATION

12   BY MS. McKINNEY:

13   Q   Good afternoon, Mr. Hendrix.

14   A   How are you doing?

15   Q   All right.

16   Do you have your direct testimony with you?

17   A   Yes, I do.

18   Q   Could you turn to page 7, please, lines 9

19   through 11?

20   On those lines, you state that TCCF's

21   particular order for ESSX service required BellSouth

22   to terminate PRI into the ESSX common block, and that

23   doing this, quote, is not a common practice for

24   BellSouth.

25   A   Okay. I'm trying -- you said page 7?

1   Q   Yes, lines 9 through 11.

2   A   Okay. I was looking at somebody else's.

3   Q   I'm sorry.

4   A   I'm sorry.

5   Q   Go ahead and take your time and get your

6 testimony.

7   A   Yes, I'm there, and I see where you've

8 read.

9   Q   Could you tell us what you mean by this is

10 not a common practice?

11   A   Yes. Currently, as I understand it, for

12 our ESSX customers, for them to access their long

13 distance customers, we're looking at a single ESSX

14 customer that has a PIC carrier. We would simply make

15 translations in the common block arrangement that

16 would allow for those toll calls to be routed over to

17 the carrier.

18   The question that came up with the PRI

19 terminating into the common block was whether or not

20 the ARS, which is automatic routing of that call,

21 would actually be needed or required to offer this

22 nonstandard service.

23   So it wasn't a common practice. If in fact

24 it had been a common practice, the questions probably

25 would not have come up. We would have been able to

1   handle it.

2   And I've given you -- I've actually

3   exhausted my knowledge on that question.

4   Q   You mentioned one thing, and again, I'm not

5   technical, so please try to help me out. You

6   mentioned the common block. Was the provision of the

7   PRI into the ESSX common block available per the

8   provisions of the tariff for ESSX service?

9   A   I hazard to guess. You better not take me

10   down that path. I do not know.

11   Q   I just decided to try. You mentioned the

12   common block.

13   A   Okay.

14   Q   We earlier handed you a copy of your

15   deposition. Do you have that?

16   A   Yes, I have a copy.

17   MS. McKINNEY: Thank you. That's a copy of

18   the transcript of the deposition.

19   Commissioner Clark, Staff would like that

20   marked as an exhibit, please, for identification.

21   COMMISSIONER CLARK: I'm sorry. Say that

22   again.

23   MS. McKINNEY: Yes. The deposition of

24   Mr. Hendrix.

25   COMMISSIONER CLARK: The one you have

1   labeled as JDH-3?

2   MS. McKINNEY: Yes.

3   COMMISSIONER CLARK: All right. We'll make

4   that Exhibit 14.

5   (Exhibit 14 was marked for identification.)

6   MS. KAUFMAN: Could I just inquire,

7   Commissioner Clark. When we're attaching or

8   submitting these depositions, we're including the

9   late-filed exhibits with them as well?

10   MS. McKINNEY: On some of them.

11   MS. KAUFMAN: Okay. I just wanted the

12   record to be clear for the briefing.

13   MS. McKINNEY: Just a moment.

14   Just for the record, Ms. Kaufman,

15   Mr. Hendrix does not have a late-filed attached.

16   MS. KAUFMAN: But he did --

17   COMMISSIONER CLARK: We do need to be

18   clear. Are the depositions going to be with all the

19   exhibits attached, including the late-fileds?

20   MS. McKINNEY: Yes, Commissioner Clark.

21   COMMISSIONER CLARK: So that's the

22   understanding, that the depositions include the errata

23   sheets and all the exhibits, including late-filed

24   exhibits?

25   MS. WHITE: And I would say there's one

1   exception to that, and that's the late-filed

2   deposition exhibit -- one of the two late-filed

3   deposition exhibits of Ms. Welch that was identical to

4   AKW-14 and was stricken for that reason.

5   COMMISSIONER CLARK: All right. With that

6   exception, then.

7   MS. KAUFMAN: Well, Commissioner Clark,

8   BellSouth requested those logs, and they were provided

9   as late-filed exhibits to Ms. Welch's deposition. I

10   think we should have all the depositions and all the

11   late-filed exhibits.

12   COMMISSIONER CLARK: Well, Ms. Kaufman, if

13   I previously struck that exhibit, I'm not going to

14   allow it in now.

15   MS. KAUFMAN: I don't know that it is the

16   identical exhibit to AKW-12 or whatever it was.

17   COMMISSIONER CLARK: Well, if it's not, you

18   can look at it and suggest that it comes into the

19   record, and we'll deal with it at that time. But at

20   this point, all the depositions that are entered into

21   the record will include the exhibits and late-filed

22   exhibits and errata sheets, except for the exhibit

23   that was apparently the same as Ms. Welch's Exhibit 14

24   attached to her direct testimony. That will not

25   allowed in at this time.

1   Thanks.

2   MS. McKINNEY: Just one moment,

3   Commissioner.

4   COMMISSIONER CLARK: Okay.

5   MS. McKINNEY: Commissioner, I have no

6   further questions at this time.

7   COMMISSIONER CLARK: Commissioner Jacobs?

8   COMMISSIONER JACOBS: No.

9   COMMISSIONER CLARK: Redirect.

10   MS. KEYER: I have one question.

11   REDIRECT EXAMINATION

12   BY MS. KEYER:

13   Q   Mr. Hendrix, when Ms. Kaufman was asking

14   you about the extension of the grandfathered service,

15   ESSX, to existing customers --

16   A   Yes.

17   Q   Can TCCF take those customers from

18   BellSouth and resell ESSX service to them as existing

19   customers?

20   A   Yes.

21   MS. KEYER: That's all I have.

22   COMMISSIONER CLARK: Thank you.

23   COMMISSIONER JACOBS: I do have a question.

24   COMMISSIONER CLARK: Go ahead.

25   COMMISSIONER JACOBS: BellSouth customers,

1 would you know if any of them are being served off of

2 the other service? I'm sorry. I can't recall the

3 name of it.

4   WITNESS HENDRIX: The MultiServ offering?

5   COMMISSIONER JACOBS: Yes, right.

6   WITNESS HENDRIX: I'm certain that there

7 may be some, since it is a tariffed offering?

8   COMMISSIONER JACOBS: But because of this

9 tariff that you just got approved, most of yours are

10 going to be served from ESSX; is that correct?

11   WITNESS HENDRIX: No, I wouldn't make that

12 assumption. I think this is simply to allow customers

13 that are currently on ESSX that may be under a

14 month-to-month arrangement or even a contract

15 arrangement to keep the service, which is consistent

16 with the way it was grandfathered.

17   But I wouldn't say that you would have more

18 ESSX customers than MultiServ customers. I'm certain

19 there are some that may have moved from ESSX to

20 MultiServ, given their arrangement, and there are

21 others that have simply ordered MultiServ.

22   COMMISSIONER JACOBS: New customers, would

23 they be more likely -- are they going to have the

24 option of choosing one or the other, or would they

25 have to go to the MultiServ?

1   THE WITNESS: No. And that's a key point.

2   I think Mr. Ripper indicated earlier that new

3   customers -- or the inference was that the new

4   customers are buying ESSX service, and that's not the

5   case. That simply is not true. We abide by this

6   tariff, as we expect the resellers to abide by this

7   tariff. This grandfathered ESSX tariff is not for new

8   customers. It's for existing customers that are on

9   that arrangement. And this tariff filing that was

10   filed the latter part -- the middle part of last month

11   is simply to extend this period. But any new

12   customers, if they want a Centrex-based type product,

13   would have to go to our MultiServ offering.

14   COMMISSIONER CLARK: Thank you.

15   COMMISSIONER CLARK: Exhibits?

16   MS. MCKINNEY: Commissioner, I move 14 into

17   the record.

18   COMMISSIONER CLARK: Exhibit 14 will be

19   admitted without objection.

20   (Exhibit 14 was received in evidence.)

21   COMMISSIONER CLARK: BellSouth, Exhibit 11?

22   MS. KEYER: Yes, please. Exhibit 11 is the

23   exhibits to his direct testimony?

24   COMMISSIONER CLARK: Yes. They'll be --

25   MS. KAUFMAN: TCCF would move 12 and 13.

1   COMMISSIONER CLARK: All right. Eleven,

2   12, and 13 will be admitted in the record without

3   objection.

4   (Exhibits 11, 12, and 13 were received in

5   evidence.)

6   COMMISSIONER CLARK: Who's next?

7   Ms. Arrington?

8   MS. KEYER: BellSouth calls its next

9   witness, Susan Arrington.

10   COMMISSIONER CLARK: Mr. Hendrix is

11   excused. He has no rebuttal testimony; is that

12   correct?

13   MS. KEYER: That's correct.

14   - - - - -

15   SUSAN ARRINGTON

16   was called as a witness on behalf of BellSouth

17   Telecommunications, Inc. and, having been first duly

18   sworn, testified as follows:

19   DIRECT EXAMINATION

20   BY MS. KEYER:

21   Q   Would you please state your name and

22   address for the record?

23   A   My name is Susan Arrington.

24   Q   And by whom are you employed, Susan?

25   A   I work for BellSouth.

1   Q   And would you give your business address,

2   please?

3   A   My address is 675 West Peachtree Street,

4   Atlanta, Georgia 30375.

5   Q   Have you previously caused to be prepared

6   and prefiled in this case direct testimony consisting

7   of nine pages?

8   A   Yes, I have.

9   Q   Do you have any changes or additions or

10 corrections to that testimony?

11   A   I have one change.

12   Q   And what is that change?

13   A   On page 1, line 16, the date should be

14 1988.

15   Q   Do you have any other changes?

16   A   No.

17   Q   If I were to ask you the same questions

18 that were posed in your prefiled direct testimony,

19 with the exception of the one change, would your

20 answers to those questions be the same?

21   A   Yes, they would.

22   MS. KEYER: I would like to have

23 Ms. Arrington's testimony inserted into the record as

24 if read.

25   COMMISSIONER CLARK: It will be inserted in

1   the record as though read.

2   BY MS. KEYER:

3   Q   Did you have any exhibits associated with

4   your testimony?

5   A   Yes, I did.

6   Q   And those exhibits were prepared by you or

7   under your direction and supervision?

8   A   Yes, they were.

9   Q   Are there any changes or corrections to

10   those exhibits?

11   A   No, there are not.

12   MS. KEYER: I would like to have

13   Ms. Arrington's Exhibits SMA-1 and SMA-2 attached to

14   her testimony marked for identification.

15   COMMISSIONER CLARK: They will be marked as

16   Exhibit 15.

17   (Exhibit 15 was marked for identification.)

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1   BELLSOUTH TELECOMMUNICATIONS, INC.

2   TESTIMONY OF SUSAN ARRINGTON

3   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

4   DOCKET NO. 981052-TP

5   DECEMBER 3, 1998

6

7 Q.   PLEASE STATE YOUR NAME AND COMPANY NAME AND ADDRESS.

8

9 A.   My name is Susan Arrington. I am employed by BellSouth

10   Telecommunications, Inc. as a Manager in Interconnection Services - Pricing.

11   My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

12

13 Q.   PLEASE SUMMARIZE YOUR BACKGROUND AND EXPERIENCE.

14

15 A.   I graduated from the University of Georgia, Athens, Georgia, in 1986, with a

16   Bachelor of Arts Degree. I began employment with Southern Bell in 1986, in _1982_

17   the Southern Bell Legal Department. In August 1996, I joined the

18   Interconnection Services Pricing organization handling Alternative Local

19   Exchange Carrier ("ALEC") negotiations and resale issues.

20

21 Q.   HAVE YOU TESTIFIED PREVIOUSLY?

22

23 A.   No.

24

25 Q.   WHAT IS THE PURPOSE OF YOUR TESTIMONY?

1   A.   The purpose of my testimony is to address the arbitration issues in this docket. I

2   will explain to this Commission why BellSouth should be allowed to recover.

3   from the Telephone Company of Central Florida ("TCCF"), the non-recurring

4   and recurring costs incurred by BellSouth to provide Operational Support

5   Systems (OSS) to ALECs. I will also explain why BellSouth should not be

6   required to make its FSX® Service, which is a grandfathered service,

7   available for resale to new customers in TCCF's new resale agreement.

8

9   Q.   WHAT ARE OPERATIONAL SUPPORT SYSTEMS AND FOR WHAT

10   ARE THEY USED?

11

12   A.   Operational Support Systems are those systems and databases used to

13   provision telecommunications services required by ALECs for pre-ordering,

14   ordering, provisioning, maintenance and repair, and billing.

15

16   Q.   IS BELLSOUTH REQUIRED BY LAW TO PROVIDE OSS FOR USE BY

17   ALECS?

18

19   A.   Yes. Under Section 251 (C)(3) of the Telecommunications Act of 1996 (the

20   "Act"), BellSouth and other Incumbent Local Exchange Carriers (ILECs) are

21   required to develop non-discriminatory electronic interfaces for access to

22   BellSouth's OSS in order to remove barriers to competition.

23

24   Q.   HAS BELLSOUTH PROVIDED OSS FOR USE BY ALECS?

25

1 A.   Yes. BellSouth has developed and implemented the required non-

2   discriminatory electronic interfaces pursuant to the Act, and should be allowed

3   to recover its cost for developing, implementing and maintaining such systems

4   as well as to recover on-going order processing costs.

5

6 Q.   HAVE OTHER COMMISSIONS IN BELLSOUTH'S TERRITORY

7   ADDRESSED THE RECOVERY OF BELLSOUTH'S DEVELOPMENTAL

8   AND PROCESSING COSTS?

9

10 A.   Yes. Several of the Commissions in the other BellSouth states have agreed

11   that BellSouth is entitled to recover its cost of development of the electronic

12   interfaces and processing costs. The Commissions in Georgia Docket No.

13   7061-U, Kentucky Case No. 96-431, Mississippi Docket No. 97-AD-544 and

14   Louisiana Docket No. U-22022/22093 have ordered final OSS rates. The OSS

15   rates BellSouth proposed to TCCF during negotiations, shown in Exhibit

16   SMA-1, are comparable to the ordered rates in these other states.

17

18 Q.   SHOULD BELLSOUTH BE PERMITTED TO RECOVER FROM TCCF ITS

19   NONRECURRING AND RECURRING COSTS OF PROVIDING OSS FOR

20   USE BY ALECS?

21

22 A.   Yes. As this Commission recognized in its April 29, 1998, Order in Dockets

23   Nos. 960757-TP, 960833-TP and 960846-TP, "OSS costs, manual and

24   electronic, may be recoverable costs incurred by BellSouth." The Commission

25

7

1   encouraged the parties in the above-referenced dockets to negotiate rates for

2   the OSS functions.

3

4   Q.   HAS BELLSOUTH ATTEMPTED TO NEGOTIATE RATES FOR OSS

5   FUNCTIONS WITH TCCF?

6

7   A.   Yes. BellSouth proposed interim OSS rates to TCCF during negotiations. The

8   parties discussed the inclusion of these rates in the new resale agreement and

9   considered alternative language proposed by both parties. TCCF ultimately

10   rejected the inclusion of OSS rates in its agreement, and has submitted this as

11   an issue in this arbitration proceeding.

12

13   Q.   IF BELLSOUTH IS PERMITTED TO RECOVER ITS COSTS OF

14   PROVIDING OSS FOR USE BY ALECS, HOW SHOULD THE CHARGES

15   FOR SUCH USE BE DETERMINED?

16

17   A.   Charges for OSS should be based on BellSouth's cost studies which are

18   attached to Ms. Caldwell's Direct Testimony as Exhibit DDC-1.

19

20   Q.   WHAT LANGUAGE AND RATES REGARDING OSS SHOULD BE

21   INCLUDED?

22

23   A.   OSS language in the resale agreement between BellSouth and TCCF should be

24   negotiated between the parties following the Commission's ruling in this case.

25   The parties should negotiate language consistent with or reflective of this

4

1   Commission's order on this issue. BellSouth does not agree that the contract

2   language for OSS should be an issue to be decided by the Commission, but is

3   one that should be negotiated by the parties. Alternatively, BellSouth

4   proposes the following language should be included in the new resale

5   agreement between the parties:

6   All costs incurred by BellSouth to develop and implement operational

7   interfaces shall be recovered from Resellers who utilize these services.

8   The applicable rates for the Operational Support Systems (OSS) are set

9   forth in Exhibit A of this Agreement. Such rates include charges for

10   development and implementation, as well as for mechanized and

11   manual processing. Such rates will apply as of the effective date of this

12   Agreement.

13

14 Q. WHAT OSS RATES SHOULD BELLSOUTH BE PERMITTED TO

15   CHARGE?

16

17 A. BellSouth had originally proposed interim rates to TCCF pending BellSouth's

18   final OSS cost studies. Now that such studies have been finalized, the new

19   rates BellSouth would propose to TCCF are a mechanized order charge of

20      $6.78 per Local Service Request (LSR), and a manual service order charge of

21      $20.08 per LSR. Ms. Caldwell discusses these OSS cost studies attached as

22   Exhibit DDC-1 to her Direct Testimony.

23

24

25

1 Q.   YOU STATED YOU WILL ALSO ADDRESS THE ESSX ISSUE IN THIS

2   CASE. SHOULD BELLSOUTH'S ESSX® SERVICE BE MADE

3   AVAILABLE FOR RESALE IN TCCF'S NEW RESALE AGREEMENT?

4

5 A.   No. BellSouth's ESSX® Service is a grandfathered service and should not be

6   made available for resale to new customers in TCCF's new resale agreement

7   with BellSouth.

8

9 Q.   WHAT IS A GRANDFATHERED SERVICE?

10

11 A. A grandfathered service is a service that is no longer available for sale to, or

12   transfer between, end-users. New services are made available to replace the

13   existing service that has been grandfathered.

14

15   BellSouth's ESSX® Service was grandfathered as a Type 4 service, which

16   basically means that it is not available for new customers. In accordance with

17   the tariff grandfathering this service, current month-to-month subscribers of

18   BellSouth's ESSX® Service are able to maintain their existing ESSX

19   arrangements at their current rates until the expiration date in the tariff.

20   Subscribers, such as TCCF, under a tariffed pricing arrangement for

21   BellSouth's ESSX® Service, are able to maintain their existing ESSX

22   arrangements at the current rates for the remainder of their pricing arrangement

23   or until the expiration date in the tariff, if their pricing arrangements expire

24   before then. At that time, subscribers of this grandfathered service will have

25

1 to disconnect their ESSX® Service and either convert to a MultiServ® or

2 MultiServ Plus® Service, or subscribe to an alternative service.

3

4 Q. WHEN DID BELLSOUTH'S ESSX® SERVICE BECOME

5 GRANDFATHERED?

6

7 A. BellSouth filed a tariff, which became effective on May 30, 1996, that

8 grandfathered BellSouth's ESSX® Service. A copy of Section 112.3 of this

9 tariff is attached as Exhibit SMA-2.

10

11 Q. HAS THIS COMMISSION ADDRESSED GRANDFATHERED SERVICES

12 AND THEIR AVAILABILITY FOR RESALE TO NEW CUSTOMERS?

13

14 A. Yes. This Commission, in its Order dated December 31, 1996, (Order No.

15 PSC-96-1579-FOF-TP), in Docket Nos. 960833-TP, 960846-TP and 960916-

16 TP, found that grandfathered services are available for resale only to existing

17 customers.

18

19 Q. HOW DOES THE GRANDFATHERING OF ESSX® SERVICE AFFECT

20 TCCF IN THIS DOCKET?

21

22 A. The original Resale Agreement between BellSouth and TCCF was signed on

23 May 28, 1996. The term of the agreement was for a two-year period. Section

24 III. A. of the agreement specifically provided that "Notwithstanding the

25 foregoing, the following are not available for purchase: Grandfathered

7

1   services...." On May 29, 1996, TCCF requested a seventy-three month tariffed

2   pricing arrangement for BellSouth's ESSX® Service, just prior to the service

3   being grandfathered on May 30, 1996. BellSouth incorrectly permitted TCCF

4   to resell its ESSX® Service after the service had been grandfathered for the

5   two-year period of TCCF's Resale Agreement. TCCF should not have been

6   allowed to resell this grandfathered service to new customers after May 30,

7   1996, when the service was grandfathered. Pursuant to the tariff that

8   grandfathered ESSX® Service and TCCF's seventy-three month pricing

9   arrangement, TCCF's existing ESSX customers are able to maintain existing

10   ESSX arrangements until May 2002. However, TCCF may not resell this

11   grandfathered service to new customers.

12

13   If TCCF is allowed to continue offering this grandfathered service to new

14   customers in its new resale agreement, TCCF will be violating the

15   Commission-approved tariff that grandfathered ESSX® Service, and will in

16   essence make BellSouth's ESSX® Service available for resale to all ALECs,

17   thus revoking the grandfathered status of this service.

18

19 Q.   WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?

20

21   Yes. BellSouth has a right to recover the costs it incurs in developing and

22   implementing the electronic interfaces required by the Act. Furthermore, this

23   Commission has already stated that manual and electronic OSS costs may be

24   appropriate costs to be recovered by BellSouth. Therefore, BellSouth's

25   proposed OSS rates are appropriate.

1

2   With respect to the ESSX issue. ESSX® Service should not be made available

3   for resale to new customers by TCCF under its new resale agreement with

4   BellSouth.   This Commission approved the tariff that grandfathered

5   BellSouth's ESSX® Service as a Type 4 Service on May 30, 1996, making it

6   unavailable to new customers. This Commission has also held in an

7   arbitration proceeding that grandfathered services are only available for resale

8   to existing customers, not to new customers. Finally, TCCF's original resale

9   agreement precludes TCCF from reselling grandfathered services. Therefore.

10   BellSouth's ESSX® Service, a grandfathered service, is not available to TCCF

11   for resale to new customers, and should not be included in the new resale

12   agreement between BellSouth and TCCF.

13

14 Q.   DOES THIS CONCLUDE YOUR TESTIMONY?

15

16 A.   Yes.

17

18

19

20

21

22

23

24

25

BY MS. KEYER:

     Q   Ms. Arrington, have you prepared a summary of your testimony for today?

     A   Yes, I have.

     Q   Would you please give your summary to the Commissioners?

     A   Good afternoon, Commissioners. My testimony addresses the two arbitration issues raised by Telephone Company of Central Florida in this proceeding.

     The OSS rates and the resale of ESSX are a grandfathered service. The OSS rates proposed by BellSouth are appropriate rates to be included in TCCF's resale agreement.

     In its April 29, 1998 Order in the AT&T/MCI arbitration proceeding, this Commission recognized that there were certain OSS costs, both manual and electronic costs incurred by BellSouth, that may be recoverable costs, and they encouraged the parties in that proceeding to go negotiate appropriate OSS rates.

     Both the FCC and the Eighth Circuit Court consider operational support systems to be unbundled network elements. According to the Telecommunications Act, ILECs such as BellSouth are permitted to recover their costs associated with unbundled network

1   elements.

2   The OSS rates proposed by BellSouth are

3   based on cost studies and recover costs associated

4   with providing ALECs and TCCF access to the

5   operational support systems. The cost-based rates are

6   appropriate rates to be included in TCCF's resale

7   agreement.

8   With respect to the ESSX issue and whether

9   or not TCCF should be permitted to resell ESSX, a

10   grandfathered service, to new customers in its new

11   resale agreement, the answer is quite simply, no, it

12   should not be.

13   BellSouth's ESSX service was grandfathered

14   on May 30, 1996. The tariff grandfathering this

15   service was quite clear that the service was no longer

16   available to new customers. Furthermore, the FCC in

17   its First Report and Order found that a grandfathered

18   or a withdrawn service should only be made available

19   for resale to existing customers, and therefore is not

20   available for resale to new customers.

21   This Commission also issued an order in

22   December 1996 in which its decision regarding

23   grandfathered services mirrored that of the FCC.

24   Based upon the tariff that grandfathered

25   this service, the FCC's First Report and Order and

1   this Commission's order in December of '96, ESSX as a

2   grandfathered service is not available for resale to

3   new customers. Therefore, TCCP should not be

4   permitted to resell a grandfathered service to new

5   customers in its new resale agreement.

6   Thank you.

7   MS. KEYER: Ms. Arrington is available for

8   cross.

9   COMMISSIONER CLARK: Ms. Kaufman.

10   CROSS EXAMINATION

11   BY MS. KAUFMAN:

12   Q   Hello, Ms. Arrington.

13   A   Hello.

14   Q   In your direct testimony, at the top of

15   page 2, and I think you mentioned it in your summary

16   also, you say that you're going to address the issue

17   of why BellSouth should be allowed to recover their

18   recurring and nonrecurring costs for the OSS it

19   provides to ALECs; correct?

20   A   That's correct.

21   Q   Can you tell me specifically what OSS

22   systems you're referring to on page 2, line 5?

23   A   Those systems are the TAG and EDI systems,

24   and TAFI.

25   Q   So the three systems that you want to

1   recover for are EDI, TAG, and TAFI?

2   A   I believe.

3   Q   And if I understand your testimony, you

4   want to include in the TCCF resale agreement a charge

5   of $6.78 for each order processed electronically; is

6   that right?

7   A   That's correct.

8   Q   And a charge of $20.08 for each order

9   processed manually?

10   A   That's correct.

11   Q   That's $20.08 for each order, manual

12   order?

13   A   Per LSR, that's correct.

14   Q   Well, when you say LSR, that's an order;

15   correct?

16   A   We refer to them as local service requests,

17   LSRs.

18   Q   I just want to be sure we're talking about

19   the same thing.

20   And those charges are to recover the

21   development costs and the ongoing costs of the three

22   systems you named?

23   A   That's correct. There's development,

24   implementation, and processing costs.

25   Q   Do you know if TCCF uses, for example, EDI?

1   A   I understand from the testimony that they

2 do not.

3   Q   So they don't use that system, but

4 BellSouth would still expect them to pay part of the

5 cost of that system?

6   A   That system is available to them.

7   Q   I understand it's available.

8   COMMISSIONER CLARK: Is the answer yes?

9   WITNESS ARRINGTON: I'm sorry.

10   COMMISSIONER CLARK: The answer is yes,

11 because it's available to them?

12   WITNESS ARRINGTON: Could you repeat the

13 question?

14 BY MS. KAUFMAN:

15   Q   I asked you if you knew whether or not TCCF

16 uses EDI, and I think you said that you knew that they

17 did not.

18   A   It's available to them.

19   Q   Okay. Let me try again. The question is,

20 it's BellSouth's position that, for example, TCCF

21 should be paying for the cost of development and the

22 ongoing costs of EDI simply because it's available to

23 them, even if they don't use it?

24   A   Let me see how I can answer this.

25   Q   Yes or no would be good.

1   A   Yes, BellSouth is looking to recover its

2   costs associated with providing access to its

3   operational support systems. EDI is one of those

4   operational support systems.

5   Q   Okay. You did say yes at the beginning;

6   right?

7   A   Yes, I did.

8   Q   Okay. I just wanted to be clear.

9   Now, another system that you mentioned

10   that's included is the TAG system; correct?

11   A   That's correct.

12   Q   And it's true, isn't it, that there aren't

13   any resellers using TAG right now; correct?

14   A   That is true. They're in a testing mode.

15   Q   But you still want TCCF to begin paying for

16   that system, the development and the ongoing costs,

17   even though they're not using it now?

18   A   The OSS costs --

19   Q   I'm sorry. If you could, start with a yes

20   or no.

21   A   I apologize. No, and let me explain.

22   Q   No, you don't want them to pay for TAG?

23   Should I restate it for you?

24   A   Please do.

25   Q   Okay. Let me try. I think you agreed with

1   me that right now there aren't any resellers, TCCF or

2   any others, using TAG, but some are testing it. So my

3   question is, but nonetheless, you want to include a

4   charge and you want TCCF to pay a charge for the

5   development and use of that system even though they're

6   not using it now?

7   A   Yes, but let me explain. And Daonne

8   Caldwell is our cost witness, and she can explain how

9   the costs were developed.

10   We have included all the costs associated

11   with developing the operational support systems, and

12   we are attempting to recover those costs through an

13   OSS rate on a per LSR basis. It would cover all of

14   those systems.

15   Q   And TCCF will be paying for all of the

16   systems even if they don't use them all; correct?

17   A   That's correct, but they have access to all

18   of those systems.

19   COMMISSIONER JACOBS: You filed -- you

20   allocated those costs how?

21   WITNESS HENDRIX: That's a cost question

22   that would be better directed for Ms. Caldwell.

23   COMMISSIONER JACOBS: Ms. Caldwell. Okay.

24   BY MS. KAUFMAN:

25   Q   We talked some at your deposition, if

1   you'll recall, about the fact that Ms. Caldwell was

2   the cost witness and that she had performed the cost

3   studies. One thing we talked about was that when she

4   did her cost studies, she projected an order volume

5   for all nine of the BellSouth states; correct?

6   A   That's correct.

7   Q   And we discussed the fact that it's true,

8   isn't it, that if the order volume in reality is

9   higher than what Ms. Caldwell used in her cost

10 studies, the cost per order will be higher than it

11 should be; correct?

12   A   That is true.

13   Q   But BellSouth wants to charge the rates

14 that you have put into your testimony, and those rates

15 don't consider whether or not the projections will be

16 correct?

17   A   There were certain assumptions that had to

18 be made to do a cost study, and Ms. Caldwell made

19 those assumptions on a three-year cost recovery. If

20 it's determined that those assumptions were incorrect,

21 we would certainly renegotiate those rates with the

22 ALECs.

23   Q   Ms. Arrington, in your testimony at page 5,

24 lines 6 through 12, that is the language that you want

25 TCCF to agree to in their new resale direct, correct,

1   in regard to this issue of the OSS charge?

2   A   That's correct.

3   Q   And would you agree with me that that

4   language doesn't have anything in there about making

5   any sort of adjustment to those charges over the term

6   of the agreement?

7   A   That's correct.

8   Q   Would I be correct in assuming that since

9   BellSouth wants to charge for the development and use

10   of these systems that one assumption that underlies

11   that desire is that the systems work properly?

12   A   Yes.

13   Q   So that you would assume that when an

14   electronic system is used that the order flows through

15   the system appropriately to the end?

16   A   Yes.

17   Q   Ms. Arrington, have you had any involvement

18   whatsoever in developing these OSS interfaces that

19   Bell wants to charge for?

20   A   No, I have not. I am a negotiator.

21   Q   Have you ever used any of the interfaces?

22   A   I've not had the opportunity to use the

23   interfaces.

24   Q   Have you ever spoken to any resellers that

25   have tried to use any of the interfaces?

1   A I speak with a number of ALECs during

2 negotiations. That's prior to them actually signing

3 the agreement and implementing the agreement. So I've

4 not had the opportunity to talk with the ALECs on this

5 issue.

6   Q So you haven't discussed with any of the

7 ALECs their view of how these systems do or do not

8 function?

9   A No. I talk with the account teams, who

10 deal with the customers directly.

11   Q But you haven't talked to any of the ALECs?

12   A No, I have not.

13   Q And I think I asked you in your deposition,

14 you have never looked at or compared the flow-through

15 rates for any of these systems, have you?

16   A No. That's not in my area.

17   Q Now, on page 3, lines 1 through 2, that

18 first sentence there after the "yes," you say

19 BellSouth has developed and implemented the required

20 nondiscriminatory electronic interfaces pursuant to

21 the Act; correct?

22   A That's correct.

23   Q And you recall that I took your deposition

24 last week?

25   A Yes, I do.

1   Q   And you recall that you couldn't give me a

2 definition of what you meant by nondiscriminatory?

3   A   (No response.)

4   Q   Actually, I can refer you to that page. It

5 actually begins at the bottom of 29 to the top of page

6 30.

7   A   (Examining document.)

8   Q   This is your deposition? I just wanted to

9 be sure you were looking at the right document.

10   A   Yes.

11   Q   Okay. I asked you if you could define what

12 you meant by nondiscriminatory, and you said that you

13 didn't have a definition; correct?

14   A   That's correct. That's what I said.

15   Q   I want to talk for a couple of minutes

16 about the manual charge, the $20.08. That charge is

17 going to apply, am I correct, obviously, when an order

18 is submitted manually, when there is not an electronic

19 system to process it?

20   A   Yes.

21   Q   So when there is not an electronic system

22 available from Bellsouth, the resellers would be

23 expected to pay more than -- I'll do my math. More

24 than three times the electronic processing charge?

25   A   They would be expected to pay the manual

1 charge of just $20.08. BellSouth incurs the cost to

2 process that order manually.

3   Q   I understand. And the reason they incur

4 that cost to process it manually is because there is

5 not an electronic system in place that processes it;

6 correct?

7   A   In some cases there's not an electronic

8 interface in place.

9   Q   So when there's not an electronic interface

10 in place, BellSouth is expecting TCCP to pay more than

11 three times what your electronic charge is purported

12 to be?

13   A   The manual cost recovers the cost that

14 BellSouth incurs to process that order.

15   Q   Let's try one more time. Try to start with

16 a yes or no if you can.

17   I think you've agreed that when Bell

18 doesn't have an electronic system in place and the

19 order has to be processed manually, there will be this

20 manual processing charge?

21   A   Yes.

22   Q   And that charge is more than three times

23 what the electronic processing charge is; correct?

24   A   I don't have a calculator in front of me.

25 But I would like to explain that the manual charge

1   applies when an order is submitted manually.

2   Q   I understand.

3   A   Regardless of whether or not there's

4   another system available. It's when it's submitted

5   manually.

6   Q   I understand. But can we agree that there

7   are -- I was going to say lots. There are many kinds

8   of orders that cannot be submitted electronically

9   because there is not an electronic system that's

10   capable of processing that kind of an order?

11   A   I wouldn't agree that there are many. I

12   would say there are some.

13   Q   For example, some of the complex services

14   cannot be processed through an electronic system;

15   right?

16   A   That's correct. BellSouth doesn't process

17   its own complex orders electronically. They are

18   manually processed.

19   Q   So when there is an order submitted for

20   which there is no electronic system available, the

21   manual charge of $20.09 applies?

22   A   Yes.

23   COMMISSIONER JACOBS: I don't think it has

24   been in this docket, but I've heard on occasion that

25   some CLECs, because they don't want to go with LENS,

1   they choose to fax orders and those sorts of things.

2   If they do that, do they still have to pay that

3   charge?

4   WITNESS ARRINGTON: That would be a manual

5   charge, yes.

6   BY MS. KAUFMAN:

7   Q   Ms. Arrington, it's true, isn't it, that

8   under the current resale agreement, for example,

9   TCCF's current agreement, they already pay processing

10   charges, don't they?

11   A   I don't know what processing fees you're

12   talking about.

13   Q   You're not aware of them paying any

14   processing fees under their current agreement?

15   A   There are no processing fees listed in

16   their resale agreement that I know of.

17   MS. KEYER: Do you have a copy of the

18   agreement? Vicki, you want to show her?

19   MS. KAUFMAN: I believe it's attached to

20   Ms. Welch's testimony, if you have it.

21   COMMISSIONER CLARK: Ms. Kaufman, how much

22   more do you have?

23   MS. KAUFMAN: I have a bit, Commissioner.

24   COMMISSIONER CLARK: Pardon me?

25   MS. KAUFMAN: I have a bit more. I'm

1   sorry.

2   COMMISSIONER CLARK: We'll take a

3   five-minute break, and then we'll come back.

4   (Short recess.)

5   COMMISSIONER CLARK: Okay. Go ahead,

6   Mr. Kaufman.

7   BY MS. KAUFMAN:

8   Q   Ms. Arrington, before we broke, I think I

9   was asking you isn't it true that TCCF under their

10   current agreement pays what I call processing fees,

11   and we were just about to look at the current resale

12   agreement. Have you got a copy of that?

13   A   I do.

14   Q   Okay. I have the one attached to

15   Ms. Welch's testimony, and I'm looking at page 7 of

16   14. Are you there?

17   A   Yes, I'm there.

18   Q   Okay. And about a quarter of the way down,

19   you see it says nonrecurring charge, $19.41, each

20   residence or business line?

21   A   Yes, I see that.

22   Q   And then is that $34.19 for each public or

23   semipublic line?

24   A   Yes.

25   Q   Okay. TCCF pays those charges today,

1   doesn't it, under their current agreement?

2   A   Yes.   If they switch a customer without

3   that customer's authority, that's an unauthorized

4   switch change charge.

5   Q   And if they provide proof that it has been

6   an appropriate switch, do they get credited back with

7   that charge?

8   A   Yes.

9   Q   Do you -- I should have asked you this. Do

10   you have Ms. Welch's testimony there?

11   A   Yes, I do.

12   Q   Okay. Can you look at AKW-12?   I believe

13   it's just one page. It says across the top "BellSouth

14   Order Charges."

15   A   I have 11.

16   MS. KAUFMAN: It should be right after 11.

17   Let me -- I can show her mine.

18   WITNESS ARRINGTON: I'm sorry. I found

19   it.

20   BY MS. KAUFMAN:

21   Q   Ms. Welch prepared this. And essentially

22   what it is are various charges pulled out of the

23   resale agreement going down the left side of the

24   page.

25   Do you disagree that these are charges that

1   are -- these charges are charged to TCCF under their

2   current agreement?

3   A   I'm sorry. Did you say that these are in

4   -- these rates are in the resale agreement?

5   Q   These rates were pulled off their billing

6   that they received from --

7   A   But they're not actually in the resale

8   agreement?

9   Q   I believe you're correct.

10   A   These are tariffed rates that apply for --

11   they're service order charges that apply for new

12   services or changes to existing services. They come

13   out of the tariffs, and they apply to all ALECs and

14   BellSouth retail customers as well.

15   Q   I understand. But, for example, these are

16   charges for each of the various items that are listed

17   down the left side of Ms. Welch's chart; correct?

18   A   I would assume so. I don't have the

19   tariffs, so I can't compare the rates.

20   Q   Let's just take the first one, charge for

21   deregulated wiring installation/rearrangement of

22   exposed wiring and jack. There's a $70 charge for

23   that; correct?

24   A   That's what it says, yes.

25   Q   Now, in addition to these charges, you are

1   wanting to impose additional processing charges on

2   TCCF and the other ALECs; is that right?

3   A   The OSS rates that BellSouth has proposed

4   are different from these rates. As I said, these are

5   tariffed rates that apply to all ALECs and to

6   BellSouth's retail customers. They're tariffed

7   charges for ordering new services or making changes to

8   existing services. They're totally separate from the

9   OSS rates that BellSouth is proposing here today.

10   Q   I understand. They're separate rates, and

11   the OSS rates you want to charge are in addition to

12   these rates.

13   A   Yes.

14   Q   Okay. And you're not going to be charging

15   your retail customers those rates, are you?

16   A   The tariffed rates?

17   Q   No, ma'am, the OSS processing rates.

18   A   No, we do not charge our retail customers

19   the OSS rates. The OSS rates apply to the systems

20   that were developed for use by ALECs. BellSouth's

21   retail customers do not use those ALECs. But

22   BellSouth's customers also do not receive the resale

23   discount on their services that they purchase, whereas

24   an ALEC purchasing services, they do receive the

25   resale discount rate.

1   Q   Have you had an opportunity to review this

2   Exhibit AKW-12?

3   A   No, I have not.

4   Q   Would you have any reason to disagree that

5   the imposition of these -- I'm going to call them new

6   processing fees, or these OSS fees, are going to

7   increase the percentage of TCCF's bill anywhere from

8   8.4% to 4.5%? That's the bill that it pays BellSouth

9   every month.

10   A   I'm sorry. What charges are you talking

11 about?

12   Q   I'll call them the OSS charges, the $20 and

13 the $6.

14   A   These rates are based on the number of

15 orders that TCCF submits, so I don't know how many

16 orders they're going to submit to be able to tell what

17 type of an impact it would have.

18   Q   You don't have any reason to disagree with

19 Ms. Welch's analysis here that there will be an

20 increase of somewhere between 4-1/2 and 8-1/2% on the

21 bill they remit to BellSouth?

22   A   I have no reason to disagree, but I have no

23 knowledge of that.

24   Q   You would agree, I guess, that certainly

25 there's going to be an increase in what resellers pay

1   to Bellsouth if these charges go into effect?

2   A   Yes, there could be an increase.

3   Q   I want to switch for a minute to the ESSX

4   issue. As I understand your testimony, you take the

5   same position that Mr. Hendrix did that TCCF only

6   should have been permitted to resell ESSX for two

7   days, May 28th to May 30th, 1996; correct?

8   A   That's correct.

9   Q   Prior to the filing of your testimony in

10 this case, did you ever inform anybody at TCCF that

11 that was BellSouth's position?

12   A   No, I did not.

13   Q   And you agree that ESSX was grandfathered

14 -- I mean was not grandfathered when TCCF signed this

15 agreement on May 28th, 1996?

16   A   No, ESSX was not grandfathered when they

17 signed their agreement. However, it did become a

18 grandfathered service on May 30th, '96, two days after

19 they signed their agreement.

20   Q   Would you agree that if we assumed that

21 TCCF would have more ESSX lines in service if

22 BellSouth had appropriately provisioned them, it would

23 be true, wouldn't it, that even under your concept of

24 grandfathering, they would have more ESSX lines that

25 had been grandfathered?

1   A   Under the grandfathering term, TCCF is able

2 to keep their existing ESSX customers on the ESSX line

3 under our grandfathered service.

4   Q   Right. And I guess my question to you is,

5 if more customers had been appropriately provisioned,

6 in our view at any rate, then even under your concept

7 of grandfathering, TCCF would have more ESSX customers

8 on the ESSX service that would be eligible to remain

9 on it?

10   MS. KEYER: I'm going to object to that

11 question on the basis that that has not been

12 established. I think that's what we're here for, is

13 to determine whether or not BellSouth appropriately

14 provisioned ESSX. And Ms. Kaufman's question assumes

15 a fact that has not been established and that we are

16 here to determine.

17   MS. KAUFMAN: I can ask it in the form of a

18 hypothetical if that would relieve your objection.

19 BY MS. KAUFMAN:

20   Q   Ms. Arrington, I want --

21   MS. KEYER: Excuse me. That doesn't,

22 because your hypothetical does not assume facts that

23 are in this case, so I would not agree to a

24 hypothetical that does not state hypothetically facts

25 that are in this case.

1   MS. KAUFMAN: Commissioner Clark, I think

2   we've heard an abundance of testimony this morning

3   from the TCCF witnesses that is in evidence in this

4   case that in their view, ESSX was not appropriately

5   provisioned during the term of this agreement. So I

6   would ask Ms. Arrington, and I understand BellSouth

7   disagrees with that, to assume that for the purposes

8   of the question. I think that's --

9   COMMISSIONER CLARK: I'll allow the

10 question.

11   MS. KAUFMAN: -- entirely appropriate. I'm

12 sorry?

13   COMMISSIONER CLARK: I'll allow the

14 question.

15   WITNESS ARRINGTON: Will you restate it?

16   MS. KAUFMAN: Yes, I will try my best.

17 BY MS. KAUFMAN:

18   Q   I want you to assume that BellSouth did

19 not appropriately provision ESSX, and if they had

20 appropriately provisioned it, TCCF would have more

21 customers on ESSX now. Okay? Do you understand the

22 hypothetical?

23   A   Yes, I do.

24   Q   Okay. If that were the case, even under

25 the concept of grandfathering that you and Mr. Hendrix

1   have put forth before the Commission, they would have

2   more customers on that service, and they would be

3   eligible to remain on that service; correct?

4   A   Yes.

5   MS. KAUFMAN: That's all I have.

6   COMMISSIONER CLARK: Staff.

7   CROSS EXAMINATION

8   BY MS. McKINNEY:

9   Q   How are you doing, Ms. Arrington?

10   A   I'm fine, thank you.

11   Q   Ms. Arrington, earlier you stated that

12   BellSouth wanted to recover its costs for developing

13   the TAG, BDI, and TAFI interfaces; isn't that correct?

14   A   That's correct.

15   Q   Are these the only interfaces which

16   BellSouth seeks to recover its costs for?

17   A   I'm sorry. I think I omitted LENS. LENS

18   is another system.

19   Q   Thank you. Are LENS, EC Lite, LEO, LESOG,

20   BSOG, and ECTA additional systems which BellSouth

21   wants to recover for also?

22   A   I'm not aware of those.

23   Q   Do you know whether or not EC Lite was

24   developed for AT&T?

25   A   Yes, EC Lite was developed specifically

1 for AT&T.

2   Q   Ms. Arrington, are you aware of the number

3 of ALECs to date that use EC Lite for preordering and

4 ordering, or the approximate number?

5   A   You said EC Lite?

6   Q   Yes, ma'am.

7   A   EC Lite is specific to AT&T. And, no, I

8 don't know if anyone is using it.

9   Q   Do you know whether ALECs incur costs for

10 submitting manual orders to BellSouth?

11   A   Not today.

12   Q   Do you know whether manually filling out an

13 order takes more time to complete than submitting an

14 order electronically?

15   A   I would assume it would.

16   MS. McKINNEY: Earlier we handed you your

17 deposition, a copy of the document entitled Deposition

18 Transcript and attached late-fileds.

19   Commissioner Clark, Staff would move in

20 SMA-5 for identification.

21   COMMISSIONER CLARK: SMA-5, the deposition

22 and exhibits and the errata sheet, will be marked as

23 Exhibit 16.

24   (Exhibit 16 was marked for identification.)

25   MS. McKINNEY: Thank you. No further

1   questions at this time.

2   COMMISSIONER JACOBS: I'm intrigued. What

3   is it about the manual process that's more labor

4   intensive?

5   WITNESS ARRINGTON: For submitting the

6   order or working the order? For working the --

7   COMMISSIONER JACOBS: Well, what I -- and

8   don't let me put words into your mouth. But it's my

9   understanding in most instances when things are done

10   manually, the CLECs are faxing or calling in orders on

11   forms that have been preapproved by you, so you're

12   getting information in a format that you would expect

13   it. So I would assume it would be in the processing.

14   Is that correct?

15   WITNESS ARRINGTON: When we get an order

16   that has been faxed in, a manual order, our service

17   reps have to input that order into our system. So our

18   service reps have to process that order.

19   COMMISSIONER JACOBS: It doesn't go

20   directly to your -- I'm sorry. That was other

21   testimony, those two different groups.

22   So your organization for processing those

23   orders, would it be the same if it were electronic or

24   manual, or is it different?

25   WITNESS ARRINGTON: I'm sorry. Could you

1   repeat the question?

2   COMMISSIONER JACOBS: Is there any human

3   intervention when there's an electronic order?

4   WITNESS ARRINGTON: No. It's electronic.

5   It's submitted electronically, and it's worked

6   electronically.

7   COMMISSIONER JACOBS: Thank you.

8   COMMISSIONER CLARK: Redirect.

9   MS. KEYER: I have a couple of questions.

10   REDIRECT EXAMINATION

11   BY MS. KEYER:

12   Q   Ms. Arrington, Ms. Kaufman was asking you

13   about the OSS charges and what an ALEC would be

14   charged. The charges that BellSouth is proposing,

15   would the ALEC pay those charges only if they used the

16   systems?

17   A   Yes, that's correct. It's on a per LSR

18   basis, so when they submit the order, an LSR, they

19   would be charged an OSS rate, either electronic or

20   manual, depending on how they submitted the order.

21   Q   So they're not going to be charged that

22   regardless? It's just per local service request?

23   A   No. The charge is designed so that you pay

24   for what you use.

25   Q   Now, I believe Ms. Kaufman also asked you

1   about there being no language in the proposed language

2   about adjustments should BellSouth recover its costs

3   sooner than a three-year period.

4   A   That's correct.

5   Q   Is that something that BellSouth would be

6   willing to negotiate in terms of language or

7   appropriate language to be placed in there, in the

8   agreement?

9   A   Yes, we would certainly negotiate that.

10   Q   Ms. Kaufman also asked you about your

11   statement about the nondiscriminatory -- your

12   definition of nondiscriminatory and your not

13   particularly having one. Can you state what you based

14   your statement on in your direct testimony about the

15   nondiscriminatory systems? I believe that was on page

16   3, lines 1 and 2, of your testimony.

17   A   My statement regarding the

18   nondiscriminatory access that BellSouth has provided

19   to its operational support systems was based on

20   testimony from other BellSouth witnesses who deal more

21   directly with the operational support systems.

22   Q   And are those witnesses in this case?

23   A   Yes, they are.

24   Q   Now, I think Commissioner Jacobs asked you

25   this, but when you were talking about manual charges

1   and when an order is submitted manually, and I believe

2   Ms. Kaufman couched it in terms of if there was not an

3   electronic system available, would they be charged a

4   manual charge.

5   If an ALEC chose to process its orders

6   manually, the manual charge would apply in that

7   situation also; is that right?

8   A   Yes, it would.

9   MS. KEYER: I don't have any further

10   questions.

11   COMMISSIONER CLARK: Exhibits.

12   MS. KAUFMAN: Commissioner Clark, could I

13   ask one follow-up question?

14   COMMISSIONER CLARK: What is it,

15   Ms. Kaufman?

16   RECROSS EXAMINATION

17   BY MS. KAUFMAN:

18   Q   I wanted to follow up on something that

19   Ms. Keyer asked you.   She said that the electronic

20   charge only applies when the ALEC processes the order,

21   you know, sort of you get what you pay for.   She just

22   asked you that.   Do you recall that?

23   A   I'm not --

24   Q   She asked you if the ALEC only gets that $6

25   charge when they actually submit an order; correct?

1   A   That's correct. When they submit the order

2   electronically, they'll be charged the electronic OSS

3   charge, which is $6.78.

4   Q   All right. So if TCCP submits an order

5   using LENS and they don't use any of the other

6   systems, they're still going to get charged the $6.78

7   which is supposed to recover the cost of all the

8   systems; correct?

9   A   Yes, that's correct.

10   COMMISSIONER CLARK: Ms. Keyer, do you have

11 anything to follow up?

12   MS. KEYER: I just have one question to

13 follow up.

14   FURTHER REDIRECT EXAMINATION

15 BY MS. KEYER:

16   Q   Do you know, Ms. Arrington, if there are

17 any synergies or efficiencies that are accomplished by

18 developing all those systems together?

19   A   Could you repeat the question?

20   Q   Do you know if there are any efficiencies

21 gained by developing all of the systems together?

22 Ms. Kaufman asked you about a charge for, you know,

23 one system being -- regardless of which system you

24 use.

25   Do you know if there is some efficiency

1   gained by developing these systems together?

2   A   Yes, I believe there are some efficiencies,

3   and I think Mr. Pate could probably explain what

4   exactly those efficiencies are.

5   COMMISSIONER CLARK: Exhibits.

6   MS. KEYER: BellSouth moves 15, Exhibit 15.

7   COMMISSIONER CLARK: Exhibit 15 will be

8   admitted without objection, and Exhibit 16 is admitted

9   without objection.

10   (Exhibits 15 and 16 were received in

11   evidence.)

12   COMMISSIONER CLARK: You're excused until

13   your rebuttal.

14   And I understand we'll take Ms. Caldwell as

15   both direct and rebuttal.

16   MS. KEYER: That's correct.

17   COMMISSIONER CLARK: Ms. Keyer.

18   - - - - -

19   D. DAONNE CALDWELL

20   was called as a witness on behalf of BellSouth

21   Telecommunications, Inc. and, having been first duly

22   sworn, was examined and testified as follows:

23   DIRECT EXAMINATION

24   BY MS. KEYER:

25   Q   Would you state your name and address,

1 please?

2   A   My name is Doris Daonne Caldwell. My

3 business address is 675 West Peachtree Street N.E.,

4 Atlanta, Georgia 30375.

5   Q   And by whom are you employed,

6 Ms. Caldwell?

7   A   BellSouth Telecommunications, Inc.

8   Q   Have you previously caused to be prepared

9 and prefiled in this case direct testimony consisting

10 of six pages?

11   A   Yes, I have.

12   Q   Do you have any changes or corrections to

13 your testimony?

14   A   No, I do not.

15   Q   If I were to ask you the same questions

16 that were posed in your direct testimony, would your

17 answers be the same?

18   A   Yes, they would.

19   MS. KEYER: I would like to have

20 Ms. Caldwell's direct testimony inserted into the

21 record as if read.

22   COMMISSIONER CLARK: It will be inserted

23 in the record as though read.

24 BY MS. KEYER:

25   Q   Were there exhibits associated with your

1   direct testimony?

2   A   Yes, there were.

3   Q   And those exhibits were prepared by you or

4   under your direction and supervision?

5   A   Correct.

6   Q   Do you have any changes or corrections to

7   those exhibits?

8   A   I do not.

9   MS. KEYER: I would like to have Exhibits

10   DDC-1 and DDC-2 attached to Ms. Caldwell's testimony

11   marked for identification.

12   COMMISSIONER CLARK: They will be marked as

13   Exhibit 17.

14   (Exhibit 17 was marked for identification.)

15   BY MS. KEYER:

16   Q   Ms. Caldwell, have you also previously

17   caused to be prepared and prefiled in this case direct

18   testimony consisting of three pages -- I'm sorry,

19   rebuttal testimony consisting of three pages?

20   A   Yes.

21   Q   Do you have any changes or corrections to

22   that testimony?

23   A   I do not.

24   Q   If I were to ask you the same questions

25   that were posed in your prefiled rebuttal testimony,

1   would your answers be the same?

2   A   Yes, they would.

3   MS. KEYER: I would like to have the

4   rebuttal testimony of Ms. Caldwell inserted into the

5   record as if read.

6   COMMISSIONER CLARK: It will be inserted in

7   the record.

8   BY MS. KEYER:

9   Q   Were there any exhibits attached to your

10   rebuttal testimony?

11   A   No.

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1   BELLSOUTH TELECOMMUNICATIONS, INC.

2   DIRECT TESTIMONY OF D. DAONNE CALDWELL

3   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

4   DOCKET NO. 981052-TP

5   DECEMBER 3, 1998

6

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

8

9 A. My name is D. Daonne Caldwell. My business address is 675 W. Peachtree St.,

10   N.E., Atlanta, Georgia. I am a Director in the Finance Department of BellSouth

11   Telecommunications, Inc. (hereinafter referred to as "BellSouth" or "the

12   Company"). My area of responsibility relates to economic costs.

13

14 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR EDUCATIONAL

15   BACKGROUND AND WORK EXPERIENCE.

16

17 A. I attended the University of Mississippi, graduating with a Master of Science

18   Degree in mathematics. I have attended numerous Bell Communications

19   Research, Inc. (Bellcore) courses and outside seminars relating to service cost

20   studies and economic principles.

21

22   My initial employment was with South Central Bell in 1976 in the Tupelo,

23   Mississippi, Engineering Department where I was responsible for Outside Plant

24   Planning. In 1983, I transferred to BellSouth Services, Inc. in Birmingham,

25   Alabama, and was responsible for the Centralized Results System Database. I

-1-

1   moved to the Pricing and Economics Department in 1984 where I developed

2   methodology for service cost studies until 1986 when I accepted a rotational

3   assignment with Bellcore. While at Bellcore, I was responsible for development

4   and instruction of the Service Cost Studies Curriculum including courses such as

5   "Concepts of Service Cost Studies", "Network Service Costs", "Nonrecurring

6   Costs", and "Cost Studies for New Technologies". In 1990, I returned to

7   BellSouth and was appointed to a position in the cost organization, which is now a

8   part of the Finance Department, with the responsibility of managing the

9   development of cost studies for transport facilities, both loop and interoffice. My

10   current responsibilities encompass witnessing in cost-related dockets, cost

11   methodology development, cost study filing coordination, and interfacing with

12   regulatory organizations.

13

14   **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15

16   A. The purpose of my testimony is to present the cost study results for the

17   development and implementation of the Operational Support Systems (OSS)

18   Electronic Interfaces as well as cost study results for both electronic and manual

19   order processing. Additionally, I describe the cost methodology used in these

20   studies. The study results are filed with this testimony as Exhibit DDC-1 and

21   DDC-2. Exhibit DDC-1 provides an overview to the study process, including

22   service descriptions, cost element descriptions, models, study technique, specific

23   study assumptions, and a list of acronyms. Exhibit DDC-2 contains the study

24   results and the input files to the TELRIC Calculator©.

1

2 Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE OSS

3 ELECTRONIC INTERFACES AND ORDER PROCESSING COST

4 ELEMENTS.

5

6 A. The OSS Electronic Interfaces are the systems BellSouth developed specifically to

7 provide Alternative Local Exchange Carriers (ALECs) with the ability to transmit

8 a local service request (LSR) electronically. These interfaces allow the ALEC to

9 mechanically access BellSouth's existing order processing systems. Both resale

10 and unbundled network element (UNE) LSRs can be transmitted via the interfaces.

11

12 The OSS Electronic Interfaces – Development and Implementation cost element

13 includes the labor costs for the systems development and software costs.

14

15 LSR processing falls into two categories, electronic and manual. The electronic

16 processing reflects the ongoing cost associated with the OSS Electronic Interfaces

17 and the Local Service Center (LCSC) labor required to handle a LSR which falls

18 out, i.e., a LSR that does not pass through the interfaces completely. Manual order

19 processing is the cost BellSouth incurs to handle a LSR manually. In the manual

20 process, a BellSouth LCSC service representative interfaces with the ALEC

21 directly, not using the OSS Electronic Interfaces.

22

23 Q. WHAT TYPES OF COSTS ARE REFLECTED IN THE COST STUDIES?

24

25 A. The cost studies reflect both recurring and nonrecurring costs. Recurring costs

1 include both capital and non-capital costs. Capital costs are associated with the

2 purchase of an item of plant, i.e., an investment. They consist of depreciation, cost

3 of money, and income tax. Non-capital recurring costs are expenses associated

4 with the use of an investment. These operating expenses consist of plant-specific

5 expenses, such as maintenance, ad valorem taxes and gross receipts taxes. The

6 Electronic Interface studies include other recurring expenses such as ongoing

7 application software maintenance and labor to support the ongoing operations of

8 providing this service.

9

10 Nonrecurring costs include one-time costs for the development and

11 implementation of the systems. They include labor costs for systems planning,

12 design, programming, testing, and implementation, in addition to software

13 expenses. Additionally, LCSC labor for manually handling the LSR for both

14 fallout and manual ordering is included in the ongoing nonrecurring costs.

15

16 Q. WHAT COST METHODOLOGY IS USED IN THE COST STUDIES?

17

18 A. The cost studies are based on the cost study methodology accepted by this

19 Commission in Order No. PSC-98-0604-FOF-TP in Docket Nos. 960757-TP,

20 960833-TP and 960846-TP dated April 29, 1998. This Order established rates for

21 numerous UNEs, ranging from 2-Wire Analog Loop Distribution to Physical

22 Collocation. On page 12 of the Order, the Commission ordered rates that "cover

23 BellSouth's Total System (Service) Long-run Incremental Costs (TSLRIC) and

24 provide some contribution toward joint and common costs."

25

1 Q. PLEASE PROVIDE SOME BACKGROUND TO ORDER NUMBER PSC-

2   98-0604-FOF-TP.

3

4 A. On November 13,1997, BellSouth filed cost studies in support of prices for UNEs

5   for which the Commission had previously established interim rates. The studies

6   were filed electronically with complete documentation. With these studies,

7   BellSouth introduced a new cost model, the TELRIC Calculator©. The TELRIC

8   Calculator© converts material prices and labor work times to cost. The

9   Commission accepted the TELRIC Calculator© as a viable model. However, the

10   Commission did make adjustments to the inputs filed by BellSouth.

11

12 Q. ARE THE ADJUSTMENTS TO BELSOUTH'S INPUTS ORDERED BY

13   THE COMMISSION IN ORDER NO. PSC-98-0604-FOF-TP

14   INCORPORATED IN THE COST STUDY RESULTS FILED IN EXHIBIT

15   DDC-1?

16

17 A. Yes. The input adjustments, which are relevant to the cost elements in this

18   proceeding, are included. The cost studies that supported the results in Exhibit

19   DDC-1 include the Commission-ordered cost of money, depreciation lives, tax

20   factors, and shared and common factors.

21

22 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

23

24 A. The cost studies that support the results filed in this proceeding determine the total

25   service long run incremental costs plus shared and common costs specific to

-5-

1   Florida for the development of the OSS Electronic Interfaces and ongoing

2   electronic and manual order processing. The costs were developed using the basic

3   study methodology previously approved by this Commission.

4

5 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

6

7 A. Yes.

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1   BELLSOUTH TELECOMMUNICATIONS, INC.

2   REBUTTAL TESTIMONY OF D. DAONNE CALDWELL

3   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

4   DOCKET NO. 981052-TP

5   DECEMBER 21, 1998

6

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

8

9   A. My name is D. Daonne Caldwell. My business address is 675 W. Peachtree St.,

10   N.E., Atlanta, Georgia. I am a Director in the Finance Department of BellSouth

11   Telecommunications, Inc. (hereinafter referred to as "BellSouth" or "the

12   Company"). My area of responsibility relates to economic costs.

13

14   Q. ARE YOU THE SAME D. DAONNE CALDWELL WHO FILED DIRECT

15   TESTIMONY IN THIS DOCKET?

16

17   A. Yes.

18

19   Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

20

21   A. The purpose of my testimony is to respond to several issues contained in the direct

22   testimony of Andrea Welch filed on behalf of the Telephone Company of Central

23   Florida (TCCF).

24

25   Q. ON PAGE 16 OF HER TESTIMONY, MS. WELCH POSES THE

-1-

1   QUESTION, "WHAT IS THE FORMULA FOR RECOVERY?" CAN YOU

2   EXPLAIN HOW THE COSTS WERE DEVELOPED FOR RECOVERY?

3

4   A. Yes. First, let me explain that a "formula for recovery" is only an issue with the

5   Electronic Interface elements because some components of the cost are not volume

6   sensitive with respect to the number of orders processed. However, the cost

7   associated with the Manual Processing element is developed on a "per local

8   service request (LSR)" basis and thus, is applied per LSR.

9

10   Attached to the direct testimony I filed on December 3, 1998, was an exhibit,

11   DDC-1, that described the process and assumptions underlying the cost study. On

12   page 4 under the Electronic Interfaces heading, I state "the resulting total labor

13   hours, investments and other expenses are divided by the projected cumulative

14   number of local service requests." On page 5 of that same document I state that

15   the "cost is valid from 1999 through 2001 for the Electronic Interface elements."

16   Ms. Welch's question can be answered using these two pieces of information. The

17   total cost for the element is divided by the 1999-2001 demand. The vintage of the

18   cost differs since costs also occurred prior to orders being placed. For the

19   Electronic Interface – Development & Implementation element, the costs

20   appropriately include costs incurred in the 1996-1998 time frame because

21   development will necessarily occur prior to deployment. Also, for the Electronic

22   Interface – Ongoing Processing element, equipment had to be purchased prior to

23   the deployment. The costs associated with investments made in 1996 -1998 have

24   been included. Let me point out that the depreciation life of computer equipment is

25   4.4 years. Thus, equipment placed in 1998-2001 has capital costs extending

1   beyond the study period. Additionally, BellSouth incurs on-going operating

2   expenses beyond the year 2001 for all equipment placed.

3

4   The demand reflects orders from all Alternative Local Exchange Carriers

5   (ALECs), not just TCCF. Additionally, both resale and Unbundled Network

6   Element (UNE) orders have been considered in the forecast provided by

7   BellSouth's Interconnection organization.

8

9   Q. MS. WELCH ALSO QUESTIONS THE INCLUSION OF

10   DEVELOPMENTAL COSTS IN THE RECOVERY. CAN YOU

11   COMMENT?

12

13   A. Yes, in part. I can only address the cost issues in this docket. BellSouth witness,

14   Ms. Arrington, discusses rate structure and pricing issues. However, I can state

15   that the costs were developed in a manner that segments the Electronic Interface

16   between costs associated with Development & Implementation and those

17   associated with Ongoing Processing. This bifurcation of costs can be seen on

18   Exhibit DDC-2 to my direct testimony. The Development & Implementation cost

19   per LSR is $2.46 and the Ongoing Processing cost per LSR is $4.32.

20

21   Q. DOES THIS CONCLUDE YOUR TESTIMONY?

22

23   A. Yes.

24

25

BY MS. KEYER:

    Q   Have you prepared a summary of your direct and rebuttal testimonies for today?

    A   Yes, I have.

    Q   Would you like to give that summary?

    A   Yes.

    Good afternoon. The purpose of my direct testimony is to present the cost study results for the development and implementation of the operational support systems, the OSS electronic interfaces, as well as the cost study results for both electronic and manual order processing. The costs are representative for both resale and unbundled network elements.

    There are three cost elements. The OSS electronic interface per LSR, and that represents the development and implementation, the value is $2.46. The OSS electronic interface per LSR ongoing processing is $4.32. Now, when you add those two elements together, you get the $6.78, because we only charge one rate, which is a combined OSS electronic interface development and implementation, and then the ongoing processing. The last element is a manual processing per LSR, and that's the $20.08.

    Let me just briefly explain what's included in each one of these elements. If you look at the

1   electronic interface development and implementation,

2   that includes things like the determination of what

3   the project requires, how many interfaces, what those

4   interfaces are, and how you're going to program them,

5   are you going to use consultants, internal, et cetera,

6   what exactly do the CLECs need, and above all, do they

7   meet the standards for the entire industry.

8   Also, we have the program development.

9   That would be the actual programmers doing the writing

10   of the programs, for new programs and then any

11   enhancements to existing programs that would have to

12   be done. We also have the computer software that is

13   mainly seen in right-to-use fees that we pay to

14   vendors.

15   The next element is the ongoing processing

16   associated with these interfaces. And basically what

17   you have there is the capital investment associated

18   with the hardware for the computers, and we express

19   that in terms of depreciation, income tax, et cetera.

20   We also have the maintenance of that hardware, as well

21   as any maintenance on the computer programs, the

22   software that is actually generated, because those

23   would be ongoing costs.

24   And then finally, you have in that element

25   the LCSC, the BellSouth representative that would

1 handle any fallout from our system. And that brings

2 me to the last element, which is the manual

3 processing, and that simply is the labor that is

4 required in the LCSC by the BellSouth person to handle

5 the manual order.

6 The costs were developed using BellSouth's

7 TELRIC Calculator. The Calculator converts your

8 material prices and labor work times to cost. This

9 Calculator is the same application that was accepted

10 by this Commission with their input adjustments in

11 Order PSC-980604-FOP-TP.

12 The adjustments impact the following inputs

13 for the studies we have in this hearing: First of

14 all, the cost of money. We use the Commission-ordered

15 9.9% cost of capital. We used the depreciation lives

16 and net salvages ordered by the Commission. The one

17 that's used here is the computer one, and it's 4.4

18 years. We also used Florida-specific state factors,

19 and then we used the adjustments to the shared and

20 common costs that the Commission had ordered.

21 And really concerning the shared and common

22 costs, the way we handled that is, after the order was

23 released, the Florida Staff provided to us, to

24 BellSouth a copy of the shared and common model with

25 their modifications, so we just included that in our

1   run this time. So it would include all the

2   adjustments that had been ordered.

3   Now moving to my rebuttal testimony,

4   basically I only addressed one issue. That was the

5   cost recovery issue raised by Ms. Welch. And really

6   all I did was just point out how the costs were

7   developed, not really recovery, but what is in my

8   cost.

9   First of all, the cost for the development

10   of the electronic interfaces are included in the cost

11   study. These costs are direct costs of the interfaces

12   themselves. They are costs BellSouth would not incur

13   if the interfaces had not been developed.

14   Next, the total costs associated with the

15   electronic interfaces, such as development and

16   implementation and the ongoing costs, are developed

17   using, as I stated above, the Florida-specific factors

18   for cost of money, depreciation, et cetera.

19   However, the underlying investments and

20   work times used in the study are for the BellSouth

21   region, and those investments are divided by the total

22   forecast of LSRs for the entire region from 1999 to

23   2001.

24   You may wonder why we developed regional

25   inputs and LSR counts. Well, the answer is simple.

1   The interfaces were developed for all nine states.

2   There is nothing in the design or implementation

3   unique to Florida. Also, an LSR that originates in

4   Florida from the ALEC will actually use the system

5   that's located in either Alabama or Birmingham.

6   Therefore, it makes sense to develop the underlying

7   investments, expenses, and work times on a regional

8   basis.

9   Finally, the LSR demand is for three years,

10   and there's only three years of ongoing costs that are

11   included in the study.

12   In closing, the costs BellSouth developed

13   for this proceeding are the costs BellSouth has

14   incurred already or will incur over the next three

15   years for these electronic interfaces. An appropriate

16   amount of BellSouth LCSC labor is included that

17   handles the fallout only, and BellSouth used the model

18   the Commission had previously accepted and used the

19   Commission's adjustments on inputs to that model.

20   Thank you.

21   MS. KEYER: Ms. Caldwell is available for

22   cross.

23   COMMISSIONER CLARK: Ms. Kaufman?

24   COMMISSIONER JACOBS: I have a question

25   real quick. When you develop your LSR counts, are

1   those historical or actual or projected?

2   WITNESS CALDWELL: We used the historical

3   to get a starting point, but the forecast that's used

4   in the study is forecasted over a three-year period.

5   So they begin with 1999 going forward.

6   COMMISSIONER JACOBS: You look at the --

7   you projected the audience of CLECs you're going to be

8   dealing with and what their average would be?

9   WITNESS CALDWELL: I think the answer to

10   that is yes, we looked at the CLECs that we have

11   today, and then also there's a projection in there for

12   CLECs that will be come on board in the future and be

13   using these systems.

14   COMMISSIONER JACOBS: Thank you.

15   CROSS EXAMINATION

16   BY MS. KAUFMAN:

17   Q   Good afternoon, Ms. Caldwell.

18   A   Good afternoon.

19   Q   If I understand your testimony, you are

20   sponsoring a cost study which purports to figure out

21   the electronic cost of processing an order and the

22   manual cost of processing an order, both development

23   of the systems and the ongoing costs; is that right?

24   A   That is correct.

25   Q   And the costs you've arrived at are the

1 $20.08 for manual and $6.78 for an electronic order;

2 correct?

3   A   Correct.

4   Q   And I think you mentioned in your summary

5 that these are regionwide numbers for all nine states?

6   A   That is correct.

7   Q   Can you tell us exactly which systems it is

8 that you want to recover the costs for?

9   A   Yes. And I would like to refer to my

10 testimony so I won't miss any.

11   Q   Sure.

12   A   In Exhibit DDC-1, page 3 of 9, in the first

13 paragraph, all the systems are listed.

14   Q   Go ahead. I didn't mean to interrupt you.

15   A   The systems are EDI, LENS, TAG, LEO, LESOG,

16 BSOG, TAFI, and ECTA.

17   Q   So is that nine systems? No, it's eight

18 systems; correct?

19   A   It should be eight.

20   Q   I counted ALEC when I was counting the

21 acronyms. And those are the eight systems that are

22 included in your cost study?

23   A   Yes, they are.

24   Q   Did you just hear Ms. Arrington testify?

25   A   Yes, I did.

1 Q And I thought that she said that BellSouth

2 was only trying to recover for EDI, LENS, TAG, and

3 TAFI.

4 A Yes, I heard Ms. Arrington say that. I'm

5 not really sure how she was thinking about those

6 systems. But all of these systems are interfaces that

7 BellSouth has developed for the electronic interfaces.

8 Q So there's just a difference or discrepancy

9 between you and Ms. Arrington?

10 A I just think Ms. Arrington just didn't

11 remember the other systems. They are there. They are

12 necessary. They are all interfaces.

13 Q Is EC Lite one of the systems that you want

14 to recover for?

15 A No, it's not on my list. EC Lite is a

16 system that was developed specifically for AT&T, and

17 the recovery of that system is -- we're seeking

18 recovery of that system from AT&T. So it is not part

19 of the interfaces.

20 Q So there are no costs related to EC Lite in

21 your study?

22 A That is correct.

23 Q Now, in your testimony at page 5, lines 24

24 and 25 -- it really goes over to the top of the next

25 page. You say that the results from these studies are

1   Florida-specific. Do you see that?

2   MS. KEYER: What page are you on?

3   MS. KAUFMAN: I'm sorry. Page 5, the very

4   bottom lines, 24 and 25, going over to the top of page

5   6.

6   MS. KEYER: Is this direct testimony?

7   MS. KAUFMAN: I thought so.

8   MS. KEYER: Okay. I see. I see where you

9   are.

10   BY MS. KAUFMAN:

11   Q   Do you see where I am, Ms. Caldwell?

12   A   Yes.

13   Q   Okay.

14   A   Let me just be sure I'm with you. It's the

15   sentence that talks about the cost studies that

16   support the results filed in this proceeding determine

17   the total service long run incremental costs plus

18   shared and common costs specific to Florida.

19   Q   Yes, ma'am. Okay. And so you say there

20   that the cost study you're sponsoring is specific to

21   Florida; correct?

22   A   Yes. And I believe in my summary, I stated

23   that we consider them specific to Florida because we

24   have considered Florida's cost of money, Florida's

25   depreciation rate, as well as Florida-specific tax

1   factors. And then the investment is for the systems

2   that are not physically located here.

3   Q   So the laundry list, the few items that you

4   just mentioned -- I think you said the tax rate and

5   depreciation. I didn't have time to write them all

6   down. For those you used a Florida-specific value,

7   but the remainder of your calculations are regionwide?

8   A   The investments and maintenance, yes, are

9   regionwide. But they are calculated and then divided

10   by the number of total orders around the region, so we

11   feel that they in fact become Florida-specific because

12   of the factor adjustments I've gone through with cost

13   of money. But also, any order that's generated in

14   Florida would use that system. So it would be

15   specific, even though it is physically located in

16   Birmingham or Alabama -- excuse me, in Birmingham,

17   Alabama or Atlanta, Georgia.

18   Q   And any order generated in Georgia would

19   use those systems too; right?

20   A   That's correct.

21   Q   I just want to be clear, and it may be

22   because I've had a long day. But other than the

23   couple of specific Florida factors you mentioned in

24   your previous response, the remainder of the costs

25   that you've included are regionwide costs?

1   A   I believe the answer to that is yes, in

2   that they are developed on a regionwide basis. But

3   they would still be specific to Florida, because the

4   systems are for regionwide ordering. They are not

5   just for Florida ordering.

6   Q   I understand that. And I guess my point

7   was, when an ALEC places an order in Louisiana,

8   they're using the same system?

9   A   That's correct.

10   Q   I think Commissioner Jacobs asked you about

11   the projection of orders that you used in your

12   calculations. And you based those projections, didn't

13   you, on the amount of orders you expect in the nine

14   regions, the nine-state region?

15   A   That's correct, for the next three years.

16   Q   So you didn't do anything specific to

17   TCCF's number of orders or even specific to the

18   numbers of orders you expect in Florida?

19   A   That would have been included in the

20   projection.

21   Q   It's included in the projection, but the

22   projection encompasses much more than that; correct?

23   A   Oh, yes. I mean, the number of orders is

24   quite significant because of your large carriers.

25   Q   Now, we talked a minute ago about the eight

1   systems I think we agreed you want to recover for.

2   A   Right.

3   Q   Do you know if TCCF uses all eight of those

4   systems?

5   A   I do not personally, no.

6   Q   Do you know if any ALEC in Florida uses all

7   eight of those systems?

8   A   I do not know. Mr. Pate might could answer

9   that. He works with the systems more directly.

10   Q   I want you to assume that right now there's

11   no ALEC in Florida, TCCF or any other ALEC, using the

12   TAG system. The cost of the TAG system, however, is

13   still included in the costs that you have projected;

14   correct?

15   A   Yes, TAG is in there.

16   Q   Would it be your position that the results

17   of your study indicate that TCCF should be paying for

18   all eight systems even if they don't use any of them?

19   A   If you don't use any of the systems, you

20   never would pay an OSS charge.

21   Q   That's a good point. Let's assume they use

22   LENS. Let's assume that's the only OSS that they use,

23   and the Commission agrees with you and imposes this

24   $6.78 charge. If LENS is the only system that they

25   use, through that charge, aren't they picking up the

1   cost of the other seven systems?

2   A   Yes, they are. But when these systems are

3   actually developed, there are certain efficiencies

4   when all the designs are -- you're actually designing

5   all these systems at the same time and they work

6   together. In fact, there are components of these

7   systems that interrelate or interface, or somehow they

8   actually talk to each other. So from that situation,

9   you're getting in a benefit for all the systems being

10   developed together rather than BellSouth developing

11   eight different systems that never were considered in

12   one environment.

13   Q   I think you just said that the eight

14   systems talk to you or interface with one another. Is

15   that what you said?

16   A   I didn't mean to imply that all eight

17   systems do. I'm sorry if I did. Because if you're

18   looking at the ordering systems, you have systems that

19   are set up for preordering and ordering purposes, like

20   the TAG, the EDI, the LENS. Those would be more

21   interrelated. TAFI is more of a stand-alone because

22   of the maintenance environment.

23   Q   Just assume with me -- we'll stick with my

24   easy sort of hypothetical -- that TCCF only uses LENS,

25   that that's the only one of the systems that it uses.

1   Well, LENS doesn't talk to you or interface or relate

2   to TAG, does it?

3   A   No. You're correct. LENS and TAG do not

4   talk to each other; that is true. But in terms of the

5   systems that eventually get into the ordering systems,

6   they would be.

7   Q   I didn't understand that last part of your

8   response. You said they don't talk to each other, but

9   at the end they do?

10   A   No. I'm sorry. TAG and LENS do not

11   interface with each other. I agree with you on that

12   statement. But the purpose is to get an order or

13   preordering into the systems, and that would be moving

14   through some of the ordering systems, like the LESOG

15   or the BSOG.

16   Q   I understand. To the extent that TCCP uses

17   only LENS and they don't use TAG, they're not using

18   TAG to get into the ordering system, are they?

19   A   No. They don't use TAG; right.

20   Q   Okay. But your $6.78 would want them to

21   assume cost responsibility for that system; right?

22   A   That is right. But I think you have to

23   think about the first comment I made about the

24   synergies.

25   The way these systems were developed -- and

1   Mr. Pate can probably give a lot more detail on that,

2   because I'm just from the cost area. But the actual

3   design of the systems and interfacing with the

4   individual CLECs to see what their requirements are,

5   going to the standards committees, being sure all the

6   standards are correct in the systems. And I think the

7   one that comes to mind is, we have some costs for

8   overseeing the overall project. The person doing that

9   overseeing would be overseeing TAG as well as LENS,

10   LESOG, TAFI, all of those different systems.

11   So those type costs would be -- you get an

12   advantage when you study all of the systems together

13   rather than just an individual system by itself. If

14   you developed LENS and nothing else but LENS, then you

15   would have an individual responsible for that system

16   rather than the overall project.

17   Q   And I guess what you're saying to us is

18   that you want TCCF or the other ALECs to pay for some

19   of what you call these efficiencies, even if they

20   don't ever use the TAG system whatsoever for their

21   business purposes?

22   A   That's right, because it makes the LENS

23   cost more efficient or lower.

24   Q   Let me ask you this, Ms. Caldwell. What if

25   the ALECs, or TCCF, for example, never used some of

1 the systems that are included in your cost study, or

2 maybe one of the systems becomes obsolete, for

3 example, TAG replaces EDI. In that situation, though,

4 you still want TCCP and maybe the other ALECs to pay

5 for the development of EDI; correct?

6   A   That is correct, because it would have been

7 developed to handle CLEC ordering.

8   Q   And even if it becomes obsolete, you think

9 they should pick up the cost for it?

10   A   Yes, because BellSouth would have never

11 developed it for their own purposes.

12   Q   Are changes or modifications to the OSS

13 systems, either ones that have been made in the past

14 or that you know will be made in the future, are they

15 included in your costs?

16   A   The enhancements, yes, but only for the

17 three-year period that we're talking about.

18   Q   Do you know who requested, as you called

19 them, those enhancements to the OSS?

20   A   No, I can't answer that.

21   Q   I would be right if I said that you were

22 not involved in seeing that the OSS systems function

23 properly? That's not in your area, is it?

24   A   No, it's not.

25   Q   You've just made that assumption in your

1   cost study?

2   A   I'm sorry. Repeat the question.

3   Q   Okay. I'll try. Have you assumed in your

4   cost study that the eight systems that you want to

5   recover for function appropriately at all times?

6   A   I'm trying to think exactly if that's a yes

7   or no. I think it is yes, because we have assumed the

8   cost of all the systems, yes.

9   Q   And I guess my question was, you don't

10   have any experience or knowledge as to whether or not

11   that's the case; correct?

12   A   No. We depend on the subject matter

13   experts to give us that information.

14   Q   We were talking about your projections of

15   order volume. And you would agree with me, wouldn't

16   you, that if order volume is greater than what you

17   have projected, the costs that you've come up with for

18   electronic processing will be too high? In other

19   words, if there's more orders out there than what

20   you've projected, the per order cost would go down?

21   A   That is correct. And I understand that

22   BellSouth will be instituting a process of tracking

23   these costs to be sure that if that was to happen,

24   then we could make adjustments.

25   Q   Your study doesn't have any assumptions or

1   doesn't have any discussion of any adjustments that

2   are going to be made, does it?

3   A   No, in terms of the cost studies

4   themselves, because we don't know of any yet.

5   Q   When I took your deposition, we talked

6   about manual orders. I don't know if you recall that.

7   We talked about the two kinds, orders that are manual

8   because there's no electronic system that can process

9   them, and then orders that are manual because for some

10   reason they drop out of the electronic processing.

11   A   Correct.

12   Q   And I want to talk to you about the second

13   category, that is, orders that start out through the

14   electronic system, but for some reason they drop out

15   and they have to be processed manually.

16   A   Yes.

17   Q   When I talk about manual, for our purposes,

18   that's what I'm talking about.

19   Now, it's true, isn't it, that in your

20   study figuring out the cost, you assumed that all

21   orders that fall out of the electronic system do so

22   because of a CLEC error? I should say ALEC in

23   Florida.

24   A   Yes, in terms of the percentage we use for

25   fallout.

1   Q   And so it assumes that there are no

2   interface errors; correct?

3   A   Correct.

4   Q   Do you think that comports with real world

5   experience?

6   A   I do not know in terms of what actually is

7   happening on the systems today. But I do know that we

8   used a calculation of an improved flow-through. For

9   1999, we had a 10% fallout rate. For 2000, we assumed

10   5%, and then for 2001 we assumed 5%, and we averaged

11   it to get the number that we used in the study. So

12   from that standpoint, I feel we're fine in what we've

13   included in the study.

14   COMMISSIONER CLARK: Ms. Kaufman, how much

15   more do you have?

16   MS. KAUFMAN: Ten more minutes.

17   COMMISSIONER CLARK: Okay. Go ahead.

18   BY MS. KAUFMAN:

19   Q   From a real world perspective then,

20   Ms. Caldwell, do you think it's realistic to assume

21   that there will never be any error on BellSouth's

22   part, and every error should be attributed to the

23   CLEC? Or the ALEC. I'm sorry.

24   A   Let me answer that in terms of what the 5%

25   represents. The 5% represents fallout that is the

1   result of CLEC error.

2   Now, there could be something over and

3   above that, but that's what we've included in the

4   study. In other words, that would be the percent that

5   falls out for CLEC errors.

6   Q   And within that assumption is the

7   assumption that none of them fall out due to BellSouth

8   errors?

9   A   In that 5%.

10   Q   Let's talk just a little bit about TAFI.

11   TAFI is for maintenance and repair; right?

12   A   Right.

13   Q   And BellSouth uses TAFI in its retail

14   operations, doesn't it?

15   A   That's my understanding, yes.

16   Q   But it doesn't use the -- I'll call it the

17   TAFI interface, which is what you've included in your

18   cost study that you want the ALECs to pick up;

19   correct?

20   A   Correct.

21   Q   And would you agree that the reason

22   BellSouth doesn't use the TAFI interface is because

23   its retail folks input their information directly into

24   the Legacy system, so it doesn't need to go through

25   the TAFI interface?

1   A   That's right.

2   Q   Can ALECs input their information directly

3 into the Legacy system?

4   A   No. They get to the Legacy systems through

5 the interfaces that are based on standards.

6   Q   It's true, isn't it, Ms. Caldwell, that

7 your cost study does not take into account any cost

8 reductions that BellSouth experiences due to the fact

9 that it doesn't have to market, it doesn't have to do

10 a lot of different things when a BellSouth customer

11 goes to an ALEC? Your study doesn't include any of

12 those cost reductions; correct?

13   A   This particular study would not address

14 those issues. Those particular issues would be

15 addressed in the resale discount on nonrecurring and

16 in any unbundled network element rate that's

17 associated with that. And in unbundled network

18 elements, there are no marketing costs associated

19 with them.

20   Q   Was that a no, that your study doesn't take

21 those things into accounts? I'm sorry. I got

22 confused there on your answer. Do you want me to ask

23 it again?

24   A   I don't know yes or no, but maybe this will

25 help. My cost study does not include those costs

1   either from an incurring of the cost or from an

2   avoidance of the cost.

3   Q   And it's also true, isn't it, that your

4   cost study doesn't take into account any hardware,

5   software, installation costs, or labor costs that an

6   ALEC might incur in trying to get access to the

7   system?

8   A   Yes, because that would already be the

9   ALEC's cost. That's not a cost that BellSouth incurs.

10   Q   So I think your answer would be no, those

11   kind of costs are not considered; is that correct?

12   A   Correct. The costs are not in the study.

13   MS. KAUFMAN: That's all I have. Thank

14   you.

15   COMMISSIONER CLARK: Staff?

16   MS. McKINNEY: Just a moment, Commissioner.

17   CROSS EXAMINATION

18   BY MS. McKINNEY:

19   Q   Hello, Ms. Caldwell.

20   A   Good afternoon.

21   Q   In Staff's First Request for Production of

22   Documents, Staff requested all associated work product

23   papers and source documents used by BellSouth to

24   derive the costs contained in BellSouth's cost study

25   filed with the testimony; isn't that correct?

1   A   Correct.

2   Q   And isn't it true that BellSouth did not

3 file all of the documents requested by Staff because

4 BellSouth had previously produced such documents in

5 other dockets before the Commission?

6   A   I don't know about that.

7   Q   Ms. Brown is bringing you the document to

8 reference.

9   COMMISSIONER CLARK: Ms. McKinney, do we

10 have exhibits we have to identify?

11   MS. MCKINNEY: Yes. I'll go ahead and go

12 down those.

13   Commissioner, we have the deposition and

14 Late-Filed Exhibit DDC-3, if we could identify that

15 for the record.

16   COMMISSIONER CLARK: That will be Exhibit

17 18.

18   (Exhibit 18 was marked for identification.)

19   COMMISSIONER CLARK: What about DDC-4?

20   MS. MCKINNEY: Yes. And just note for the

21 record that that's a redacted version of the

22 interrogatories.

23   COMMISSIONER CLARK: Okay.

24   MS. MCKINNEY: And also, DDC-5, a separate

25 one for identification. And we're asking that for

1   confidential cover, because that's the TELRIC

2   Calculator for which the order was granted for

3   confidential cover.

4   COMMISSIONER CLARK: Okay. Does the court

5   reporter have that?

6   MS. McKINNEY: Yes.

7   CHAIRMAN JOHNSON: Okay. We will mark

8   DDC-5, which is a confidential exhibit, as Exhibit 20,

9   and DDC-4 as 19.

10   (Exhibits 19 and 20 were marked for

11   identification.)

12   MS. McKINNEY: Thank you, Commissioner.

13   And for the record, I'm going to withdraw that

14   question, the last question that I asked.

15   COMMISSIONER CLARK: Okay.

16   BY MS. McKINNEY:

17   Q   Ms. Caldwell, do you know how many LCSC

18   employees BellSouth currently has?

19   A   I'm afraid not. I do not.

20   Q   How about an approximate ball park figure

21   or number?

22   A   You know, I can't even guess. I don't

23   know.

24   Q   Are you aware whether or not the people

25   that are working in that capacity are full-time

1   employees?

2   A   I don't know. I'm sorry.

3   Q   In your deposition, the late-filed

4   deposition which has just been marked as Exhibit

5   Number 18 for identification, you show that 60% of the

6   LSRs received by BellSouth in November 1998 were

7   submitted manually by ALECs. Is that a correct

8   amount?

9   A   If that was what was on the late-filed,

10   that would have been correct. I don't have that, I

11   don't think, with me.

12   Q   And that's 59.9?

13   A   Pardon?

14   Q   59.9 was the amount that was in the

15   late-filed, on the chart?

16   A   That sounds familiar. I don't have that

17   with me, I don't think.

18   MS. KEYER: What late-filed is that?

19   MS. McKINNEY: DDC-3. That's part of the

20   packet we gave at the beginning of Ms. Caldwell's

21   testimony, that we passed out.

22   THE WITNESS: Okay. I now have the

23   late-filed, and the manual LSRs listed on the

24   late-filed is 59.9%.

25   BY MS. McKINNEY:

1   Q   Thank you. On the late-filed DDC-1, the

2   November 1998 total number of LSRs received by

3   BellSouth regionwide, and that's for the month of

4   November, was 164,182. Do you see that amount,

5   Ms. Caldwell?

6   A   Yes, I do.

7   Q   So that's a correct amount?

8   A   To the best of my knowledge it is.

9   Q   Why do you believe that such a large

10   number, that being 60%, of LSRs is sent manually by

11   ALECs?

12   A   I really need to defer that question to

13   Mr. Pate, because he would be more familiar with the

14   systems and how they actually are processing.

15   Q   Okay. Well, Ms. Caldwell, do you project

16   that the majority of LSRs will continue to be

17   submitted manually?

18   A   I'm just looking at the projection. I

19   believe it's anticipated that over time -- those

20   numbers are not here, but I believe it's anticipated

21   that over time we will have more and more electronic

22   rather than manual.

23   Q   And when does BellSouth project that the

24   majority of LSRs submitted by ALECs will be submitted

25   electronically? Could you tell us when you expect

1   there to be an increase?

2   A   I need to defer that to Mr. Taylor -- or

3   Mr. Pate. I'm sorry.

4   MS. McKINNEY: Thank you, Ms. Caldwell. My

5   next question is going to be who is Mr. Taylor.

6   We have no further questions at this time.

7   COMMISSIONER CLARK: Thank you.

8   Commissioner?

9   COMMISSIONER JACOBS: Very quickly.

10   Earlier I asked if there was human intervention in the

11   electronic process, and the answer was basically no.

12   I have a chart here that is an exhibit to Mr. Pate's,

13   a late-filed exhibit to Mr. Pate's. Are you familiar

14   with the chart that was done? Well, let me just ask

15   you --

16   WITNESS CALDWELL: I understand. I'm with

17   you.

18   COMMISSIONER JACOBS: Okay. It indicates

19   that in the flow of processing that there are account

20   executives and account teams and customer managers who

21   seem to be involved in that process flow. Is it your

22   recollection that there is no human intervention in

23   the electronic processing?

24   WITNESS CALDWELL: Well, first of all, I

25   believe that question was directed to Ms. Arrington.

1   And in terms of the -- if you have an order that only

2   comes in and it is going to be electronic, the aim

3   would be for it not to ever be touched by human

4   hands. That's the perfect world.

5   COMMISSIONER JACOBS: Okay.

6   WITNESS CALDWELL: There are two types of

7   areas I think we're talking about here. In my cost

8   study, I included the percent fallout. It works out

9   to be 6-2/3% of the time the order will fall out of

10   the system for some reason. And when it does, then we

11   have some manual intervention.

12   COMMISSIONER JACOBS: And I'm mistaken.

13   This is not a flow of the electronic process. This is

14   a flow of the MultiServ ordering process, but the

15   concept I think we've got.

16   WITNESS CALDWELL: Right.

17   COMMISSIONER JACOBS: Okay. Thank you.

18   COMMISSIONER CLARK: Redirect.

19   MS. KEYER: I have just one question.

20   Well, maybe two.

21   REDIRECT EXAMINATION

22   BY MS. KEYER:

23   Q   Ms. Caldwell, what would happen to the

24   costs if BellSouth had done individual studies for

25   each OSS?

1   A   They would have been greater. You don't

2   have the efficiencies.

3   Q   And do you know if BellSouth uses TAFI in

4   their retail units for entering trouble tickets?

5   A   We have a TAFI system ourselves that we

6   deal with in terms of the trouble reporting.

7   MS. KEYER: Thank you. That's all I have.

8   COMMISSIONER CLARK: Exhibits.

9   MS. KEYER: Exhibit 17 I move, please.

10   COMMISSIONER CLARK: Exhibit 17 is admitted

11   without objection.

12   (Exhibit 17 was received in evidence.)

13   MS. McKINNEY: And Staff moves Exhibits 18

14   through 20.

15   COMMISSIONER CLARK: Those exhibits will be

16   admitted without objection.

17   (Exhibits 18, 19, and 20 were received in

18   evidence.)

19   COMMISSIONER CLARK: Thank you,

20   Ms. Caldwell. You are excused.

21   We will reconvene this hearing on February

22   9th at 9:30 a.m.

23   Thank you all very much.

24   (Thereupon, the hearing adjourned at 3:22

25   p.m., to reconvene at 9:30 a.m., February 9, 1999.)

315

STATE OF FLORIDA)

                      :   CERTIFICATE OF REPORTER

COUNTY OF LEON   )

        I, MARY ALLEN NEEL, RPR,

        DO HEREBY CERTIFY that the hearing in Docket No.

981052-TP was heard by Commissioners Susan F. Clark

and E. Leon Jacobs, Jr. at the time and place herein

stated; it is further

        CERTIFIED that I stenographically reported the

said proceedings; that the same has been transcribed

under my direct supervision; and that this transcript,

consisting of 315 pages, Volumes 1 and 2, constitutes

a true transcription of my notes of said proceedings.

        DATED this 28th day of January, 1999.

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