

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 991376-TL

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

In the Matter of

INITIATION OF SHOW CAUSE PROCEEDINGS
AGAINST GTE FLORIDA INCORPORATED
FOR APPARENT VIOLATION OF SERVICE
STANDARDS



ELECTRONIC VERSIONS OF THIS TRANSCRIPT
ARE A CONVENIENCE COPY ONLY AND ARE NOT
THE OFFICIAL TRANSCRIPT OF THE HEARING
AND DO NOT INCLUDE PREFILED TESTIMONY.

VOLUME 2

Pages 169 through 351

PROCEEDINGS:

HEARING

BEFORE:

CHAIRMAN E. LEON JACOBS, JR.
COMMISSIONER J. TERRY DEASON
COMMISSIONER LILA A. JABER

DATE:

Thursday, June 21, 2001

TIME:

Commenced at 9:30 a.m.
Concluded at 5:40 p.m.

PLACE:

Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY:

KORETTA E. STANFORD, RPR
FPSC Division of Records & Reporting
(850) 413-6734

APPEARANCES:

(As heretofore noted.)

FLORIDA PUBLIC SERVICE COMMISSION DOCUMENT NUMBER-DATE

08049 JUN 29 2001

FPSC-RECORDS/REPORTING

I N D E X

WITNESSES

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

NAME:

PAGE NO.

R. EARL POUCHER (Resumed Stand)

Continued Cross Examination by Ms. Caswell
Redirect Examination by Mr. Beck

173
238

JOHN A. FERRELL

Direct Examination by Ms. Caswell
Prefiled Rebuttal Testimony Inserted
Cross Examination by Mr. Beck
Cross Examination by Mr. Fordham
Redirect Examination by Ms. Caswell

243
246
282
327
346

EXHIBITS

1			
2			
3	NUMBER:		ID. ADMTD.
4	8	Headcount Shortages '97 - '99	226 243
5	9	Verizon-Florida Region Labor H0urs	229 243
6	6		243
7	7		243
8	10	JAF-1 through JAF-12	244 347
9	11	December '99 Operations Review	288 347
10	12	(Late-Filed) Voluntary Service Performance Guarantee Program	345
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

P R O C E E D I N G S

(Transcript follows in sequence from Volume 1.)

CHAIRMAN JACOBS: We'll go back on the record.

Apparently, we may run out of time here today, and so I've asked Staff to go and locate an alternate day for completion of this hearing in the very near future, but it would be very useful if we could complete today. I say, apparently, because I don't know what's happening with the other witnesses, but if the parties can figure out a way to stipulate any issues this after-- I'm sorry, any testimony this afternoon that would be useful. Absent that, we'll plan on continuing this hearing on a separate day. We'll probably go until 5:00, perhaps 5:30. I have a flight at 6:00.

COMMISSIONER DEASON: Mr. Chairman, let me ask, is there a possibility that if we get within striking distance that -- I know that you've got a commitment, a flight you have to catch but --

CHAIRMAN JACOBS: No problem at all.

COMMISSIONER DEASON: -- maybe Commissioner Jaber and myself could at least finish out the hearing and you could read the transcript for the last remaining time.

CHAIRMAN JACOBS: That's very acceptable.

COMMISSIONER DEASON: But it's got to be within striking distance. We're not going to work until 10:00 or 11:00 at night.

FLORIDA PUBLIC SERVICE COMMISSION

1 CHAIRMAN JACOBS: Very well. And with that, Ms.
2 Caswell, I think you were --

3 MS. CASWELL: Yes.

4 R. EARL POUCHER

5 resumed the stand as a witness on behalf of the
6 Citizensof the State of Florida and, having been previously
7 sworn, testified as follows:

8 CONTINUED CROSSEXAMINATION

9 BY MS. CASWELL:

10 Q Mr. Poucher, at Page 15 of your Direct testimony,
11 Lines 13 and 14, you indicate that an indication of the
12 company's maintenance effort was lacking was the statement in
13 one of the company documents that says, "deterioration of
14 outside plant never stops." You see that reference? That's in
15 REP-9.

16 A On Page 16?

17 Q Right.

18 A What line?

19 MR. BECK: 15.

20 BY MS. CASWELL:

21 Q I'm sorry. Did I say -- 15, I'm sorry.

22 A 15? Got it.

23 Q And then, if we turn to REP-9, the statement appears
24 there, "deterioration of outside plant never stops."

25 A Yes, that's the exhibit we were just discussing.

FLORIDA PUBLIC SERVICE COMMISSION

1 Q Right.

2 A Right.

3 Q And isn't that the reason why the same kinds of
4 maintenance issues continue to arise because deterioration
5 never stops?

6 A Sure, yes.

7 Q Okay. Let's look at REP-10. And, I think, you've
8 indicated this is further evidence of Verizon's disregard of
9 maintenance. This is a 1998 document, correct?

10 A Correct. I would assume it's a '98 document.

11 Q Okay. And a UPC would be an Unsatisfactory Plant
12 Condition?

13 A Yes.

14 Q And UPC is something that might cause trouble in the
15 network; is that right?

16 A Correct, yes.

17 Q And this document reflects that the company had
18 instituted a program for employees to identify possible
19 maintenance problems; is that right?

20 A Correct, yes.

21 Q And it sets forth the UPC's year to date, which would
22 have been -- we don't have a date on here, but do you recall if
23 it's June 1998?

24 A I think, it's in that time frame, yes.

25 Q Okay. And the status of the company's efforts to

1 resolve the problem, we've got completed in engineering,
2 funding request and funding approved?

3 A Correct.

4 Q So, it looks like the process was to identify the
5 UPC, get it into engineering, request the funding and get
6 funding approval, correct?

7 A Correct.

8 Q And how does this document support your point that
9 budgetary constraints are hurting the maintenance effort at
10 GTE?

11 A Well, I think, that this is just simply another piece
12 of evidence that the Commission should look at and look at the
13 entire picture to try to understand whether the company's
14 efforts were successful or not in repairing their problems. In
15 this case, they had 1,300 unsatisfactory plant conditions.
16 They've only approved at this time in this document 215, so
17 that means there's 1,100 unsatisfactory, unsafe plant
18 conditions that are out there that are not being dealt with by
19 the company.

20 And each one of these cases involves funding. You've
21 got to have a body, a person, to be dispatched out to take care
22 of these unsatisfactory conditions. And, I think, in your
23 earlier document that I read to the Commission, remember, there
24 was frustration in the field, because the FAPs, those are the
25 projects, and the unsatisfactory plant conditions were not

1 being dealt with, and that's basically what we've been saying
2 all along.

3 Q Okay. And you've just stated that it's important for
4 the company -- for the Commission to look at whether the
5 company's efforts were successful, but wouldn't you agree that
6 if they're trying to determine willfulness, they need to look
7 at why those efforts may not have been successful, correct?

8 A Correct, yeah.

9 Q And your theory is they were not successful because
10 of underfunding, correct?

11 A Absolutely correct.

12 Q Okay. And on this document do you see any indication
13 that the remaining projects to be done would not be funded?

14 A No, this document doesn't say what happened to the
15 other 1,100. They're still out there yet to be dealt with.

16 Q When you say they're still the out there, are you
17 saying they're still out there today?

18 A No. At the time this chart was prepared, there are
19 1,100 problems out there that hadn't been dealt with the
20 company. And the quicker you get to them, the quicker you get
21 them repaired, and the less likely you're going to have a
22 trouble to result from that part of your plant.

23 Q Okay. Let's look back at your chart on Page 12. We
24 went over this somewhat before. Let's look at it again. And
25 we've already established that the report rate in 1990 was 2.3,

1 and what are the dollars spent in 1990?

2 A Say again.

3 Q What are the dollars spent in 1990, according to your
4 chart on preventive maintenance?

5 A According to the Verizon chart \$24 million was spent
6 in 1990.

7 Q Let's look at 1998. The report rate there was
8 slightly lower than 1990, 2.2.

9 A That's correct.

10 Q And how much did the company spend in 1998?

11 A 5 million.

12 Q So, the company spent about a fifth what it did in
13 1990 to get about the same report rate, correct?

14 A I think, you can make the correlation. Of course,
15 hopefully, a lot of good things happened between 1990 and 1998
16 in terms of increased new plant facilities. The report rate
17 should be going down over a period of time because of the
18 technology that's in place now so, you know, I think, those are
19 consistent numbers.

20 Q And 1998 was the year of El Nino again; was it not?

21 A No, not 1997.

22 Q Into '98, correct, first part of 1998?

23 A Primarily the fourth quarter of 1997 was the one that
24 was the predominant impact of El Nino, and there was a
25 carryover in early January, February of '98.

1 Q Okay. Let's look at the report rate for 1991. And
2 what was that?

3 A 2.0.

4 Q And how much did the company spend in 1991?

5 A \$21 million.

6 Q And in 1997, the report rate was slightly lower, was
7 it not, at 1.9, 1997?

8 A Correct.

9 Q And the company spent 5.4 million, right?

10 A Yes, but I have to add -- and I said yes, but I have
11 to add if you look at this chart as to how much you spent on
12 preventive maintenance this year and look at the number of
13 reports that you accumulate this year, then you've missed the
14 whole point. Preventive maintenance is a long-term program,
15 and you don't see the results for years and years and years.

16 Q Okay.

17 A So, when you cut off the funding and you're still
18 going to do pretty well until it catches up with you and then
19 you start going downhill. And when you start to deal with that
20 problem, it's going to take years and years to get it resolved,
21 so you're back up where you should have been in the first
22 place.

23 Q Okay. So, back to the chart, the company spent over
24 \$21 million in 1999 -- in 1991, I'm sorry, to achieve a report
25 rate that was about the same as the rate it achieved in 1997

1 with about a quarter of the money, right?

2 A Yes, but in 1997 you failed to meet the Commission
3 rules. That's the point of our testimony here. And, you know,
4 if you're going to ask me about this chart, I have to tell you
5 that this program that the company is on now, and the witnesses
6 will tell you that we identify far more carefully than we shoot
7 a closer shot. We shoot it with a rifle rather than a shotgun.

8 In other words, they identify a small piece of plant
9 and they fix it, and they only spend a small percentage of the
10 total dollars that they were spending back in the early '90s.
11 That's like fixing a leaky roof one shingle at a time. They
12 put this chart together to prove to higher management at
13 company headquarters that they needed more money for preventive
14 maintenance, and they didn't get it, and that's why the report
15 rate went up, among other things.

16 Q Okay. Do you think that headquarters could have
17 looked at this chart and concluded that there's not necessarily
18 a direct correlation between money spent on preventive
19 maintenance and service quality?

20 A Oh, I don't agree with that at all. There is a
21 direct correlation and it's real and that's why they spend the
22 money.

23 Q But we've just seen that the company spent a lot less
24 money to get report rates that were about the same or better,
25 correct?

1 A Yes. I would suggest you ask Mr. Ferrell if he wants
2 to do away with this preventive maintenance money in the
3 future. His own charts say we're going to go after TAC Focus
4 far more aggressively in the future than we have in the past.
5 That says they're going to spend more money doing that.

6 Q Right, but doesn't this chart prove that more limited
7 but better targeted funds could produce the same quality or
8 better service?

9 A No, because you haven't provided better service.
10 Your service has been worse.

11 Q But just looking at the chart and the report rate,
12 the report rates are about the same spending a lot less money,
13 correct?

14 A Yes.

15 Q So, there's not necessarily -- there doesn't have to
16 be a correlation between money spent and report rate, correct?

17 A I disagree.

18 Q Okay. Do you still have the chart on Verizon Florida
19 defective OSP capital network trouble?

20 A You've got to speak up. Which one?

21 Q The chart I handed out earlier, Verizon Florida OSP
22 capital network trouble.

23 A I have it.

24 Q And let me hand you some documents. That includes
25 the 1999 and 2000 spending and trouble report rates.

1 A Yes, that's correct.

2 Q Okay. And I'm going to hand you the documents that
3 were the basis of the 1999 report rate and spending.

4 MR. BECK: I'm sorry, do you have a copy for us?

5 MS. CASWELL: Oh, I'm sorry. I thought you had one,
6 Charlie. Oh, I'm sorry, the documents, those are the only
7 copies we have, I'm sorry.

8 A I'm not familiar with this docket -- I mean, this
9 document.

10 BY MS. CASWELL:

11 Q Do you see the Bates stamps?

12 A I don't think I've ever seen it before.

13 Q Do you see the Bates stamps on the bottom or on the
14 sides?

15 A Yeah.

16 Q Does it look like they were produced to you during
17 discovery?

18 A Yes, but I'm not familiar with it.

19 Q Okay. Maybe you can just keep them and I can refer
20 to -- I'm trying to show you the source of the numbers for
21 1999. Do you see a trouble report rate of 1.54 for 1999 on
22 docket 337?

23 A Back on your chart? Is that what you're referring
24 to?

25 Q Both places. Does the chart match up with the

1 document I just gave you, the one for --

2 A The '99 report rate shows 1.5.

3 Q Right. And at 1999 on the chart we have a 1.5. And
4 then the spending for 199--

5 A I don't see that.

6 MR. BECK: I don't either.

7 A This is the first time I've ever seen it. It's a
8 very full chart, a lot of numbers, so maybe you could point it
9 out to me where it says 1.5.

10 I'm going to have to tell you, I don't understand
11 this chart, I don't understand how it was put together, I did
12 not review it. This document was not produced, the one you're
13 asking me the questions about.

14 BY MS. CASWELL:

15 Q The chart itself, the defective OSP, right.

16 A And I hesitate to testify about complicated documents
17 that I've never seen before.

18 Q We did produce those.

19 A If you want to give us a little time, I'll be glad to
20 look at it and come back later and talk about it.

21 Q Okay. We did produce those documents to your office,
22 though, correct?

23 A Say again.

24 Q We did produce those documents to your office,
25 correct?

1 A Not that one. This is the document you're asking
2 about. It does not have a Bates stamp number on it.

3 Q I think, it does. The only thing that -- I
4 understand the chart was not produced.

5 A Okay. I found the Bates stamp number.

6 Q Okay.

7 A Correct.

8 Q Do you want to do this on Surrebuttal, then, so
9 you'll have an opportunity to look at that?

10 A Why don't we do that, because it's pretty complicated
11 and I can understand it, I'm sure --

12 Q Okay.

13 A -- but I would like to have a little time.

14 Q And one of the points, Mr. Poucher --

15 A Excuse me, do you think you could have copies of that
16 made for the Commissioners also?

17 Q Yeah, I think, we probably could, yeah.

18 COMMISSIONER JABER: Thank you.

19 BY MS. CASWELL:

20 Q Mr. Poucher, if you're willing to talk about the
21 chart without looking at those numbers we could do it now, but
22 I just assumed you'd want to see the basis for the '99 number.
23 Is that --

24 A I'm willing to talk about it.

25 Q You're willing to talk about the chart without the --

1 A Sure.

2 Q Okay. Then, maybe we can continue. Assuming that
3 these numbers are correct, the 1.5 report rate and the 5.2
4 spending in 1999 that, again, shows that there was no more
5 spending but the report rate went down, correct?

6 A Correct.

7 Q And the same happened in 2000, trouble went down,
8 spending went down, correct?

9 A Correct.

10 Q So, again, this would seem to indicate that there's
11 not necessarily a correlation between spending and trouble
12 reports?

13 A That's not correct. Do you want me to explain that?

14 Q It's the same question I asked you earlier with
15 regard to the results for the earlier years, whether looking at
16 these numbers, based on these numbers and the report rates
17 getting lower with lower spending, there's not necessarily a
18 correlation between spending and trouble, correct?

19 A Not totally. You know, you're looking at one
20 element, and what I'm going to tell you is that you've got to
21 consider what kind of environment you're operating in. In
22 1998, you had a great deal of rain and you were well above
23 average in rainfall and, I think, that's pretty well borne out
24 by the testimony that you have received here.

25 1999 was the first year of a three-year drought that

1 we're now in. The rainfall in 1999 was less than average; the
2 rainfall in 1998 was above average. And I've told you several
3 times, and I'm going to tell you again, when it rains if you
4 have had plant out there, you're going to get trouble reports,
5 but in drought you're going to look very, very good. And
6 that's why, I think, it's quite possible that rather than
7 anything that you did on your behalf in 1999 and 2000 to fix
8 the problem the best thing that happened was it stopped
9 raining.

10 Q Have we met the service results in 2000, correct?

11 A Correct, during the first year of the drought.

12 Q And we didn't meet them in 1999, correct?

13 A That's correct.

14 Q And the difference between those years in rainfall
15 was about four inches, wasn't it?

16 A At least.

17 Q And would you explain the difference in results by
18 four inches of rain?

19 A Between 1999 and 2000?

20 Q Right. Would that explain the turn-around in
21 results, do you think?

22 A I think that as 1999 went -- starting 1999 it was wet
23 and it continued to dry up and it had gotten drier in the year
24 2000 and you had even less rainfall, I think, in the year 2000
25 and I think that would account for it, but hopefully you've

1 also done some things in 2000 that you did not do in '96, '97,
2 '98, and '99. And those things that you did in 2000, but
3 you're outside the scope of this docket, hopefully, were very
4 positive and provided better results for the customers down
5 there in Tampa and St. Pete.

6 Q So, your answer was no, that we couldn't explain the
7 turn-around in results just by four inches of rain?

8 A Sure, I'll say that.

9 Q Okay. And would you agree, Mr. Poucher, that some
10 managers might make better use of their resources than other
11 managers, as a general matter?

12 A Certainly.

13 Q Okay. And one of the points you make in your
14 testimony is that Verizon's corporate headquarters was aware
15 that Verizon Florida had had problems meeting the PSC standards
16 over the years at issue. Is it your position that headquarters
17 just ignored that fact or did it emphasize the importance of
18 meeting the standards?

19 A Oh, I don't think they ignored it. I think they did
20 a good job. In fact, in my testimony I've clearly said that if
21 you look at all the correspondence back and forth between
22 Florida and company headquarters, you'll see that the company
23 headquarters demanded that the company produce good results and
24 service, which is the service the way they look at it, that
25 they produce good results in terms of compliance with the PSC

1 and that they abide by their budgets.

2 Of course, the company didn't either. They didn't
3 abide by their budgets, they couldn't live with their budgets,
4 and they failed to provide good service, but that didn't keep
5 them from demanding that the company deliver good service in
6 compliance with the budget. They consistently asked for it.

7 Q Verizon produced over 5,000 documents to your office
8 in this case, correct?

9 A Correct.

10 Q And in all of those documents, did you see even one
11 where headquarters told the Florida Region to disregard the PSC
12 standards in order to meet the budget?

13 A No, I did not, but what I did see was not what was
14 there, but what was not there. What was not in any of those
15 5,000 documents was a letter from John Appel to the Florida
16 president that said take care of your service problems in
17 Florida; no matter what it takes, spend whatever it takes, but
18 your highest priority is service.

19 That letter is not there. I assume it was never
20 written, because John Appel asked for compliance with the
21 budget and compliance with the service quality measurements
22 that they had established for the company. He wanted it all.
23 And what he didn't say is service takes the highest priority,
24 and that's the problem. That's why you missed the results.
25 That's why you didn't make it.

1 Q Is Verizon required to make the PSC rules at all
2 cost?

3 A I don't think there's anything in the rules that
4 talks about cost. Verizon is required to comply with the
5 rules, that's the rule.

6 Q No matter what it costs, that would be your view?

7 A Yes.

8 Q And in the repair rule, doesn't it say that
9 telecommunications companies shall make reasonable efforts to
10 minimize trouble conditions?

11 A Yes.

12 Q And is it reasonable to expect the company to spend
13 as much as it has to, to get rid of all the trouble in the
14 network?

15 A Well, I think, at some point and time -- you know,
16 your point is well-taken. At some point and time when you've
17 run out of money and you can't earn any money, then you've got
18 to do something special, like come back to the Commission and
19 say we can't make a profit in Florida, so we need more money.
20 Verizon never did that.

21 We'd like to see the profit numbers from the company,
22 but our cost numbers show that while you were reducing your
23 costs per access line significantly in Florida over the four
24 years of this document, you continued to fail to meet the PSC
25 rules. And that shows to me that cost reductions were more

1 important than service.

2 Q Would you expect Verizon or any companies to survive
3 for long if it paid no attention to its cost position?

4 A I don't.

5 Q And if a company isn't operating as efficiently as
6 its competitors, then it's probably not going to succeed in the
7 marketplace, is it?

8 A That's probably correct.

9 Q And is Verizon a carrier of last resort in Florida?

10 A That's correct.

11 Q And is its network the basis of competition through
12 interconnection, resale, and UNEs?

13 A Correct.

14 Q And do you think this Commission and Verizon's
15 customers have an interest in ensuring that Verizon can manage
16 its business efficiently to remain viable?

17 A You're asking me about what the customers think?

18 Q No, I'm -- well, do you think the Commission and the
19 customers have an interest in Verizon's efficient operation?

20 A I don't think that's relevant to the Commission
21 rules.

22 Q Okay.

23 A The Commission rules do not even consider whether the
24 company is making an adequate return on its investment. We're
25 not in a rate of return environment any longer, we're in a

1 price cap environment. And you guys, the telephone companies,
2 the cable companies, were the ones who pushed that change in
3 regulation in Florida. In other words, you're where you're at
4 because of your choice. There's no room for rate of return
5 regulation, which is the kind of thought process that you're
6 going through in a price cap environment. The Commission
7 should ignore costs, because that's not anything that they can
8 do anything about.

9 Q Okay. You mentioned earlier some communications from
10 Mr. Appel about the Florida situation. Who is Peter Daks?

11 A He was the president of the Florida operations.

12 Q In what period? Over the period of time at issue in
13 the docket, would he have been president from 1996 to about --

14 A Our discovery shows that he was the president in '96,
15 '97, '98.

16 Q Part of '98, at least, right?

17 A Probably, until late '98.

18 Q Let's take a look at your Exhibit REP-3. What's the
19 date on that exhibit?

20 A This is April of '98.

21 Q So, Mr. Daks would have been president at that time,
22 correct?

23 A Correct.

24 Q And this note is from John Appel, right --

25 A Correct.

1 Q -- to Red Keith? Do you know who Red Keith was?

2 A My understanding is he was probably the chief of
3 staff of the network operation. In other words, he probably
4 managed the entire staff for Mr. Appel when he was the
5 president of that network.

6 Q Okay, so he would have been over Mr. Daks, correct?

7 A Most of the presidents probably reported to him.

8 Q Okay. Can you read the second paragraph there?

9 A "I remain concerned about our performance in Florida
10 where we have missed the percent out of service required within
11 24 hours objective nine out of the last ten months and repair
12 appointments met four out of the last five months. We are at
13 great risk, and I expect extraordinary action to achieve
14 sustained performance to objective. I trust you will take the
15 action required."

16 Q And can you read the last two paragraphs of the
17 letter?

18 A "Please take strong action to get these measures to
19 objective ASAP. I will expect --" He doesn't write real clear
20 all the time, so pardon me if I stumble here. "I will expect
21 sustained improvement as well and the regional presidents in
22 the underperforming areas must make a positive difference
23 quickly."

24 Q What's the subject -- I'm sorry, go ahead.

25 A Oh, you want the last paragraph. "I will expect

1 regular updates from you concerning our performance, and I
2 would like to receive the first one on 5-8-98."

3 Q And the letter doesn't say anything about taking
4 strong action to get to budget targets, does it?

5 A No, it doesn't. This is one of the few documents
6 and, I think, I pointed this out in my testimony. It's one of
7 the few times that Mr. Appel asked for only good service
8 without mentioning the fact that they had to comply with the
9 budget as well.

10 Q Okay.

11 A This document came about four months after Red Keith
12 had sent a document straight to Mr. Daks regarding his
13 performance in Florida on the budget. That was sent in the
14 fall of 1997. And Mr. Keith wrote a similar letter, very, very
15 much just like this that said you've blown your budget, you've
16 exceeded your budget. Please, give me your program to get back
17 in compliance with our budget. That letter was sent in the
18 middle of El Nino, so I find these folks in Texas very
19 consistent. They wanted it all, they wanted the budget in
20 compliance, they wanted service in compliance, and they always
21 asked for both.

22 Q Mr. Poucher, you mentioned some other communications
23 which I don't think are attached here to your testimony, but
24 you would agree, then, that the company customarily stressed
25 both PSC objectives in cost considerations?

1 A Sure.

2 Q Correct.

3 A And Mr. Appel was consistent all the way. He wanted
4 the entire apple, he wanted it both.

5 Q But in this letter, there was no mention of cost or
6 budget, correct?

7 A That's correct, not in this letter.

8 Q And would you agree that reassigning a Verizon Region
9 president to another job would be a very strong action to take
10 in response to problems meeting PSC measures?

11 A I don't know of anything about that. Are you saying
12 reassignment to another job?

13 Q Yes.

14 A Not particularly.

15 Q You don't? Okay. Removing a president is not a
16 serious --

17 A There's no evidence about that. I would have
18 expected them to have talked about that, if that was the case.

19 Q Okay. I'm asking you, hypothetically, if reassigning
20 a president from his job to another job outside the Florida
21 region, would that have been very strong action, in your view,
22 if that were the action taken?

23 A It depends on what the reason was.

24 Q Okay.

25 A Verizon moves its people all around all the time.

1 And, you know, just because a person is moved to another job --
2 I moved probably to 20 jobs, hopefully, not under bad
3 circumstances.

4 Q And in your correspondence you saw repeated warnings
5 from Mr. Daks about not meeting the standards?

6 A Not meeting the budget, not meeting the service
7 standards, correct.

8 Q Correct. And this letter was written in April?

9 A Mm-hmm.

10 Q And wasn't Mr. Daks reassigned a new job out of the
11 Florida region later in 1998?

12 A I don't know.

13 Q He wasn't the president anymore at the end of 1998,
14 correct?

15 A Correct.

16 Q Okay. Your Direct Testimony on Page 10, you state
17 that it wasn't until after the docket was initiated that the
18 GTE head of network operations, John Appel, told the Florida
19 Region in late 1999 that meeting the PSC objectives was
20 nonoptional.

21 A Correct.

22 Q In view of that earlier letter we just discussed,
23 that's not true, is it?

24 A Say that again.

25 Q In view of the document we just discussed, the note

1 from Mr. Appel to Mr. Keith, your statement is not correct, is
2 it?

3 A Well, I think, the testimony stands for itself, but
4 what I guess I'm trying to say here is that when John Appel
5 told Florida that meeting the PSC objectives was nonoptional,
6 that meant to me that it was first priority. I'm not sure that
7 that thought was produced anytime in previous correspondence,
8 and I'm going to have to add to that that on December 3rd
9 another letter was generated from company headquarters to
10 Florida demanding that they get their budget under control and
11 their service under control.

12 I think that was sent to Mr. Ferrell. And so, the
13 company reverted back to its same old party line in December
14 soon after this letter was sent where I would have interpreted
15 that letter as saying this service is first. You've got to fix
16 that. Nothing else takes priority. Two months later they came
17 back and said well, you've got to comply with this budget, get
18 your budget under control and, by the way, you've got to
19 provide good service also. That's not consistent with
20 providing first priority, service first takes priority over
21 everything.

22 Q Can you point to any document in which headquarters
23 told the Region that meeting service standards was optional?

24 A No.

25 Q Okay. And when you said this was the first

1 communication in late 1999 that meeting the objectives was
2 nonoptional, what document are you referring to? I don't see
3 anything referenced in your testimony?

4 A The -- repeat that again. I thought --

5 Q What document are you referring to as the basis of
6 that statement that it wasn't until after the docket was
7 initiated that John Appel told Florida that meeting PSC
8 objectives was nonoptional?

9 A I think, it's attached to my testimony.

10 Q Can you tell me where attached to your Direct
11 Testimony? Yeah, Mr. Poucher, I think, I can help you out,
12 because, I think, it's attached to your Rebuttal Testimony, and
13 you can tell me if this is the document you were thinking of.

14 A I'll have to go find it.

15 Q But I think it's REP-27.

16 A Go ahead.

17 COMMISSIONER JABER: Mr. Poucher, are you trying to
18 get your counsel's attention?

19 THE WITNESS: I need REP-27, I think.

20 A Okay.

21 BY MS. CASWELL:

22 Q Is that the document you were thinking of when you
23 wrote this in your Direct Testimony?

24 A Correct.

25 Q And what's the date on that document, it's an e-mail?

1 A 8-26-99.

2 Q Now, that would have been before the Show Cause
3 started, correct?

4 A Correct. I think, the Show Cause was actually issued
5 by the Staff earlier in September, like, the first week in
6 September.

7 Q So, it's not true -- so, your statement here isn't
8 true that it wasn't until after the docket that he sent that
9 communication, correct?

10 A I think that's incorrect.

11 Q Okay. The document's addressed to John Ferrell, the
12 current company president, correct?

13 A Correct.

14 Q And again, it's from Red Keith, right?

15 A Right.

16 Q And it refers to a JCA, which would be John Appel,
17 correct?

18 A Correct.

19 Q And can you read the first paragraph -- well, read
20 the whole thing, please.

21 A Sure. "I have not seen the report yet but have
22 already heard from John C. -- from JCA, that Florida Region
23 performance in this area is not acceptable. He understands
24 that with high volume some trade-offs must occur, but he
25 explained that his expectations are that PUC measures are not

1 the measures traded off. He considers this to be baseline
2 performance required. Please, work with your team to
3 immediately implement plans to bring PUC performance back in
4 line. I will expect to have your review with Valerie, your
5 team's action plans by September 2nd, 1999."

6 Q And this document, again, characterizes meeting PSC
7 standards as a minimum expectation of the Florida president's
8 job, correct?

9 A Correct, that's right.

10 Q Let's talk about budgets. Your testimony discusses
11 Verizon's budgeting process at some length. The budget process
12 is complex, but can we agree that a budget target is set by
13 headquarters for Florida at the beginning of each year?

14 A Where are we on my testimony?

15 Q All right. You discuss budget generally. I'm just
16 asking you your understanding.

17 A I'll agree with your question, yes.

18 Q Okay. And the budget typically changes throughout
19 the year, sometimes right up until the end of the year,
20 correct?

21 A That's correct.

22 Q And all of the funding for preventive maintenance is
23 not intended to be included in the initial budget, correct?

24 A I believe that's my understanding.

25 Q Okay. And the company has specific programs and

1 methods through which regions can obtain preventive maintenance
2 funding throughout the year, correct?

3 A Yes, with the approval of company headquarters,
4 because they control those dollars.

5 Q And one of the chief programs for funding preventive
6 maintenance is TAC Focus. I think, we discussed that, correct?

7 A That's the primary one.

8 Q And the way TAC Focus works is that headquarters sets
9 aside a pool of money that the Region can draw from for
10 preventive maintenance, correct?

11 A That's correct.

12 Q So, the Region would have to take some initiative in
13 getting those dollars, right?

14 A That's correct.

15 Q And a second program through which the Region can get
16 preventive maintenance dollars is PMIR, correct?

17 A Correct.

18 Q And PMIR would address preventive maintenance needs
19 identified by the field; is that right?

20 A I believe, you're correct. I'll accept that.

21 Q And again, it would be local management's
22 responsibility to obtain those dollars from headquarters,
23 correct?

24 A It would be local management's responsibility to
25 initiate the request for funding.

1 Q Right, and to justify that request, correct?

2 A Yes.

3 Q And a third way a company might get money for
4 preventive maintenance is through a business case for a
5 particular project, correct?

6 A Yes, that's correct.

7 Q And it would be the Region's job to put together that
8 case to justify its need to headquarters, correct?

9 A Correct.

10 Q So, would you agree that the process of getting
11 funding for specific preventive maintenance projects depends,
12 in the first instance, on local management's ability to
13 identify the need for projects and justify them?

14 A Yes.

15 Q And in reviewing the testimony and discovery in this
16 case, have you seen instances where TAC Focus PMIR money and
17 business case money was given to Florida?

18 A What was the last part of that? Have I seen
19 instances where it was given to Florida or taken away from
20 Florida?

21 Q Was given to Florida?

22 A Yes, I have.

23 Q Okay.

24 A And, I think, the charts that show the continuing
25 dollar funding of about \$4 million reflects that that funding

1 was at that level during the entire period of time.

2 Q Now, do you know how successful Mr. Ferrell has been
3 to getting those dollars as opposed to Mr. Daks?

4 A Basically, Mr. Ferrell's reign has been outside the
5 scope of this docket. We didn't do discovery on 2000.

6 Q Mr. Ferrell was president for all of 1999, wasn't he?

7 A I think, so.

8 Q Yeah. And what I've just given you is a 1999
9 defective plant spending analysis as of September.

10 A Okay.

11 Q Again, that was produced in the discovery and it's
12 Bates stamped, right?

13 A All right.

14 Q Can you look at the first section, that's TAC Focus
15 money allocated by Region, correct? That's what it looks like?

16 A Which column?

17 Q Well, we see Region in the first column and Florida's
18 included in the second place.

19 A Which page?

20 Q Page 1.

21 A Okay. Go back.

22 Q And then, we have a year-to-date total funding
23 column, which is two, three, four, five from the right.

24 A Is that the one that shows \$4.5 million?

25 Q Yeah. What's the highest funding total on there,

1 would it be Florida?

2 COMMISSIONER DEASON: Ms. Caswell, is there some
3 reason why you don't want us to see it?

4 MS. CASWELL: Oh, no, I'm sorry.

5 COMMISSIONER DEASON: Oh, Okay.

6 MS. CASWELL: I'm sorry.

7 BY MS. CASWELL:

8 Q Okay. And moving down to -- there's a second page on
9 here that says 1999 business case.

10 A Okay. Well, you didn't finish -- I didn't answer
11 your question. Did you ask me something about --

12 Q Yeah. I asked you if Florida was the highest total
13 funding on there for TAC Focus in 1999 year-to-date September?

14 A Yes. This document goes through September of '99.

15 Q Correct.

16 A It shows that Verizon, for whatever it's worth, spent
17 \$18 million on TAC Focus. In 1999, Florida got \$4 million of
18 that and Florida is higher than any other state covered,
19 although there's a great difference in the size of these
20 regions in Verizon, so I don't think that's too relevant.
21 Florida is one of the largest, probably behind California. And
22 if you ask me what this says, it says that Florida had more bad
23 plant than these other regions and they had to spend more money
24 on it.

25 Q Okay. Florida is not as big as California, is it?

1 A No, it's not.

2 Q And it got about twice as much money?

3 A But it would appear, though, on this chart that they
4 had more bad plant.

5 Q Well, I mean, that's your opinion. Nowhere on here
6 is there any indication that it had more bad plant and that's
7 why it got funded, correct?

8 A Well, what you showed me is a chart --

9 Q Well, okay. Okay.

10 A Going to let me answer?

11 Q Go ahead, I'm sorry.

12 A What you've shown me is a chart that the company uses
13 to qualify various projects in all of the regions of the
14 company regarding their needs to fix defective outside plant
15 through the TAC Focus program. And I clearly look at this and,
16 I think, it's reasonable to say that Florida has more bad plant
17 than California and all of the other regions as well.

18 Q Okay. And moving on to year-to-date total funding
19 for --

20 A On the next page?

21 Q On the next page for business case. What was
22 Florida's year-to-date total fund for that?

23 A Same is true of Florida on business cases. They had
24 to fund more bad plant in Florida than any other region in the
25 country.

1 Q And what was the number on that?

2 A 1,300,000.

3 Q Okay. And moving down to 1999 preventive
4 maintenance, initiative request year-to-date total fund, what
5 was that for Florida?

6 A 1,223,000.

7 Q And again, is that the highest on the chart?

8 A Correct.

9 Q Do you think this is an indication that Mr. Ferrell
10 aggressively sought and received funding from headquarters for
11 preventive maintenance?

12 A I don't think this is an indication of anything,
13 other than the fact that they had a lot of bad plant in Florida
14 that had to be fixed.

15 Q But I thought we agreed that the Region had to take
16 some initiative to get funding from headquarters, correct?

17 A Correct.

18 Q And so, by that token, does it seem that the Region
19 had taken that initiative to get the funding?

20 A Ms. Caswell, I would remind you that the Region got
21 \$20 million in 1990. They got \$5 or \$6 million, according to
22 your chart here in 1999. How much he got, I have no way of
23 knowing whether it was correct or not. All I know is that it
24 didn't produce adequate levels of plant quality to meet the
25 rules of this Commission in 1999.

1 Q But again, I'm going to ask you the question again,
2 because I don't think I got an answer. Assuming these figures
3 are correct, doesn't it indicate to you that the Region took
4 the initiative to get the funding it felt it needed for
5 defective plant?

6 A No, it does not. What it does say is that the Region
7 sent in projects, they were approved, they were funded by
8 company headquarters.

9 Q And in order to be approved and funded they had to be
10 submitted by the Florida Local Region, correct?

11 A That sure makes sense to me.

12 Q Okay. So, there's no evidence on this document of
13 headquarters' refusal to fund programs in Florida for
14 preventive maintenance on this document?

15 A No, this is your document here.

16 Q Okay. Let's look at your Direct Testimony at Page
17 10, Lines 16 to 17. You state that, "Obviously, GTE Florida
18 Region management has no choice but to follow the dictates of
19 its company headquarters operation." You made this statement
20 in the context of a budget discussion. Is it your
21 understanding that once headquarters sets a target budget
22 figure, Verizon Florida must stick to that budget regardless of
23 the effect on service quality?

24 A No. I think, that the budget, as Mr. Diamond said in
25 his testimony, changes. It's revised. Normally speaking when

1 you have excessive growth, you should expect that you would
2 have a higher budget. Of course, I would point out to you that
3 that very thing happened to Florida in 1997, and that support
4 was refused, so I don't think it necessarily means that the
5 company cannot ignore company headquarters, but if they don't
6 pay attention to company headquarters, I think, they're in real
7 trouble.

8 Q Okay. Did the Florida Region meet the budget in
9 1996?

10 A The Florida budget, as Mr. Beck told the Commission,
11 missed the budget in '96 by a small amount, in '97, '98, and
12 '99.

13 Q And going back to '96, it missed by about 1.5
14 million, correct?

15 A Yeah, that's pretty close.

16 Q And in 1997 it exceeded by about 528,000; is that
17 right?

18 A I think, you're correct.

19 Q And in 1998, it exceeded by 20 million, 12 of that
20 being El Nino?

21 A According to Mr. Diamond, when you adjust the effects
22 for adverse weather, the budget in this in '98, '99, was both
23 around 8 million.

24 Q I'm sorry, did you say 8 million?

25 A Yes, after you adjust for El Nino.

1 Q For '98 and '99, correct?

2 A Correct.

3 Q Okay. With these figures, don't they indicate that
4 the Florida Region will spend the money it believes is
5 necessary to provide good service, even if those expenditures
6 exceed the budget?

7 A No, it does not. What it indicates is that the
8 company didn't spend enough to provide good service, and you
9 violated the rules, and that's why we're here.

10 Q Did it deliberately not spend enough or did it
11 perhaps think it was spending enough?

12 A No one else can fund the company's operation than the
13 company itself. That budget was deliberately built by the
14 company. I consider that to be pretty willful.

15 Q And the budget was exceeded in every year, though,
16 correct?

17 A Correct, while you were violating the Commission
18 rules.

19 Q And in order to find it's -- those are willful
20 violations, the Commission has to find that compliance problems
21 were due to lack of funding, correct?

22 A Well, yes, I think, so.

23 Q Okay.

24 A I think, what the Commission is going to find is that
25 this company didn't have enough people on the force to fix the

1 troubles so that it could comply with the rules.

2 COMMISSIONER JABER: Mr. Poucher --

3 A And those people were provided by the budget. That's
4 where they come from.

5 Yes, ma'am.

6 COMMISSIONER JABER: Mr. Poucher, in order to
7 determine that the lack of funding was inappropriate, would we
8 have to answer the question what is the appropriate amount of
9 funding to dedicate?

10 THE WITNESS: I don't think so. I don't believe the
11 Commission can tell the company. We don't know what the right
12 number is. Certainly the Commission Staff doesn't know what
13 the proper amount of budget is for that company. That's up to
14 the company to fund the number of people that are required to
15 meet the load, and they did not do that. Their own documents
16 tell them that, and that's a problem.

17 COMMISSIONER JABER: So, then -- and my questioning
18 goes to something that's later on in Rebuttal Testimony by a
19 Verizon witness where, I think, they make a very good point
20 that sometimes just because you throw money into a situation
21 doesn't mean that the situation or problem is resolved. I
22 shouldn't -- is it your testimony that the solution involves
23 contributing money to a preventative maintenance program?

24 THE WITNESS: Well, that is part of it, yes. If you
25 cut your maintenance program, you're not going to have as good

1 as -- you're going to have a higher report rate, it's going to
2 be tougher to handle, and what it looks like happened in Bell
3 -- in Verizon, if you don't have enough people on the force to
4 meet the load, then you're going to fail the Commission rules.
5 And you don't make that decision in July of '99, midyear, you
6 make those decisions about the number of people that are going
7 to be on the force early in the year so you can bring them on,
8 get them trained, get them on the force by the time when the
9 rainy season hits in June or July.

10 The only reason that they did not cover the load is
11 they didn't have enough people working for them, and they cost
12 money. Now, they don't think that money and people solve a
13 problem, but I can tell you the more people you have on the
14 force, the better you're going to be able to meet the load
15 that's presented in installation and maintenance. It's common
16 sense.

17 COMMISSIONER JABER: All right. Are all of those
18 assertions, though, do they go to what I should be considering
19 in mitigating the penalty or determining the amount of penalty
20 or do they go into my consideration of willful? Here's what
21 I'm -- in a deregulated environment where we are just looking
22 at the enforcement issue and whether or not GTE -- whether or
23 not Verizon complied with the service rules, I should first
24 only be considering whether there was a willful violation,
25 correct?

1 THE WITNESS: Correct.

2 COMMISSIONER JABER: And then, with respect to what
3 the appropriate penalty is, perhaps I should be looking at some
4 mitigating circumstances, the extreme weather, for example; is
5 that correct?

6 THE WITNESS: Correct.

7 COMMISSIONER JABER: All right. So, is it OPC's
8 position that in determining what willful is I should disregard
9 weather and only look at whether they cut back their workforce
10 and their budget intentionally and knowing that there would be
11 a service problem. Does that make sense?

12 THE WITNESS: Yes, I think that makes sense. The
13 weather, you can consider it if you want to. In their finest
14 hour with the forces that they had, they would never have made
15 your rules, because they didn't have enough people to carry the
16 load, and their own documents clearly spell that out. I mean,
17 we're not talking about my theory here. We're talking about
18 what their people are telling them in 1999.

19 COMMISSIONER JABER: So, you would agree with me in
20 determining what the appropriate penalty is, if this Commission
21 were to find that there were violations, I can take into
22 account the unusual weather situation?

23 THE WITNESS: You can take it into account, but
24 you've got to realize that they were missing the rules more
25 than half the time. If the weather had been normal they would

1 have probably violated your rules also, and they did
2 frequently, so I kind of look at it and I say, well, if there
3 were just one instance, if there were one bad year, if there
4 were one bad storm, then you ought to seriously consider that
5 as a mitigating circumstance, but with this company's
6 performance over four years, I wouldn't consider any of it
7 because of that reason.

8 COMMISSIONER JABER: All right. Now, as a follow-up,
9 are there other things that should go into my consideration
10 with respect to what the appropriate penalty should be and,
11 specifically, Verizon testifies that they have a voluntary
12 performance rebate that they give to the customers, basically,
13 \$25 per violation. Isn't it appropriate to take that into
14 account as well in determining what the appropriate penalty is?

15 THE WITNESS: I think, in determining the appropriate
16 penalty, \$8 billion is a drop in the bucket in terms of the
17 revenue streams of Verizon. We're not talking about a
18 significant overrun in their budget. You have to, I think,
19 consider when the company cut back its workforce, when it
20 failed to put enough people on the load, what did they gain?
21 Well, they certainly saved a lot of labor expense. Whether it
22 was 100 people or 200 people or 300 people, it would have taken
23 a lot of people to provide the right level of service, and they
24 weren't there. So, they save money in that regard, and those
25 budget dollars are what drive the number of people that are on

1 the force.

2 I think, you've got to look at the total revenue
3 stream, the total expenses. And if the company willfully made
4 these decisions to try to cut its budget, failed to add enough
5 people, you've got to put a deterrent out there to make sure it
6 doesn't happen in the future. It doesn't matter how they do.
7 They could work smarter, they could add more people and spend
8 more money, and Mr. Ferrell would say, well, we could probably
9 work smarter, so you don't need to add more people. But during
10 this four-year period, the company didn't either. They didn't
11 work smarter, they didn't have the people, and that's why they
12 failed. If they'd done either one of those, it would have been
13 fine, but they did neither.

14 BY MS. CASWELL:

15 Q Mr. Poucher, you just --

16 CHAIRMAN JACOBS: Let me ask a question real quick.
17 It doesn't go to the process of -- it actually goes to
18 testimony that you've been giving earlier as to the import or
19 the timing actually of the decisions to reverse some of the
20 investments. In the earlier part of your testimony, about Page
21 10 and 11, you talk about Mr. Daks' efforts to persuade
22 management to -- for further investments and you specifically
23 cite his exchange with Mr. Keith on Pages 10 and 11.

24 THE WITNESS: Yes.

25 CHAIRMAN JACOBS: And the assumption that you give

1 and, I think, you kind of testified to today is that those
2 requests by Mr. Daks were not honored or were not responded to
3 positively. And the point that I'm particularly interested in
4 now is over on Page 21 of your testimony. And what you say
5 here is that after -- well, let me allow you to give me the
6 answer, but what you imply here is that Mr. Keith, who is
7 senior management, reversed his position upon understanding
8 that there were specific allegations of violation of our rules
9 and, specifically, reversed the position that it was no longer
10 tenable to try and modify PSC rules but now to comply with
11 them. Is that the essence of what you're saying here on Page
12 21?

13 THE WITNESS: Yes, yes. I think that in late 1999,
14 not only did we have the Show Cause orders that were issued
15 against Sprint, GTE, and BellSouth, but there were numerous
16 newspaper articles through the year in Florida regarding the
17 poor service by not only Verizon but the other companies as
18 well. And that newspaper publicity was very unfavorable to
19 these companies. They knew they had a service problem, we knew
20 they had a service problem, but by the end of 1999, you know,
21 it became very apparent that the longer would they be able to
22 not be subject to pretty significant penalties by the
23 Commission should they continue to violate the rules. And I
24 believe that that's what their testimony -- what their
25 correspondence seems to bear out.

1 CHAIRMAN JACOBS: Thank you. Ms. Caswell.

2 BY MS. CASWELL:

3 Q Mr. Poucher, in your exchange with Commissioner Jaber
4 just now you said Verizon cut back its workforce, and you
5 mentioned that theme a few times. I don't see anything in your
6 testimony, any documents or any evidence to support that
7 statement. Where is that evidence?

8 A If it's not in there, I certainly would be more than
9 happy to give it to you.

10 Q Where is it? And can you tell me how much they cut
11 back their workforce and whether it was the company firing
12 people or can you tell me the circumstances of these alleged
13 cutbacks?

14 A Just a second. This is a confidential document.
15 It's confidential.

16 Q It's not attached to your testimony, and it's not in
17 your testimony, correct?

18 A No.

19 Q Can you tell me the document number?

20 A 1909, that's the Bates stamp.

21 Q Okay. Can you give me a minute to pull that out?

22 A Sure.

23 Q And while we're at it, is it your contention that the
24 company ever fired anyone, got rid of labor groups that would
25 be doing repair installation?

1 A No, no, that's not correct.

2 Q Okay. So, that's not what you meant by cutback?

3 A That's correct.

4 Q Maybe while they're trying to get that document out
5 we can --

6 A Let me describe this to you, and maybe you can begin
7 thinking about it. This shows the total of technicians on the
8 workforce in 1996, 1997, 1998, 1999, and the 1999 objective by
9 installation and repair technicians. And this is a
10 confidential document. I'm not supposed to reveal it, because
11 it's confidential, and it's not part of our testimony, so you
12 tell me what you want me to do.

13 Q Can I have a moment to look at this, please?

14 A Sure.

15 CHAIRMAN JACOBS: Why don't we take a break for ten
16 minutes and come back.

17 (Recess taken.)

18 CHAIRMAN JACOBS: Well, we'll go back on the record,
19 and we'll do -- Ms. Caswell, you were in cross examination.

20 MR. FORDHAM: Mr. Chairman, there was one issue that
21 I had started to address. Are we on in here?

22 CHAIRMAN JACOBS: We're on. Go ahead.

23 MR. FORDHAM: The witness had referred a couple times
24 to a document from which he was asked to testify as
25 confidential. Staff was under the impression that with

1 Verizon's decision to not file the specific request for
2 confidentiality pursuant to the direction of the prehearing
3 officer at the prehearing that those documents had been
4 declassified.

5 MS. CASWELL: No.

6 CHAIRMAN JACOBS: Ms. Caswell.

7 MS. CASWELL: That is not true. The only thing that
8 was declassified was the testimony and associated exhibits, the
9 interrogatory responses and, I believe, Mr. Diamond's
10 deposition. All the other discovery remains under confidential
11 seal. There are thousands of documents there that are still
12 confidential, but when Mr. Poucher refers to a document and I
13 tell him he can disclose it, then it's no longer confidential.

14 CHAIRMAN JACOBS: Go ahead.

15 MR. FORDHAM: I do understand that when they present
16 it it's not confidential, but the protective order, the
17 temporary protective order that had issue that was addressed at
18 the prehearing included all of the attachments to the testimony
19 of Mr. Poucher, which was just volumes of discovery.

20 CHAIRMAN JACOBS: Well, it's my understanding that
21 that's consistent, because he indicated that the document that
22 he was reviewing was not in his testimony.

23 MS. CASWELL: Mm-hmm, that's right.

24 MR. FORDHAM: Okay.

25 CHAIRMAN JACOBS: So, that would be consistent.

1 MR. FORDHAM: We need, perhaps, to look at the
2 original order. And we don't have to take time from the
3 hearing to do that, but we'll review that original order. I
4 think, it encompassed more than what Ms. Caswell just
5 mentioned, but we'll review that. We don't have to take time
6 in the hearing to do that.

7 CHAIRMAN JACOBS: Okay.

8 MR. SHREVE: Mr. Chairman, if I might, I agree with
9 Mr. Fordham. It's getting a little cumbersome the way it is
10 right now, but is there really anything in all of these
11 documents you want to maintain confidentiality on since there
12 was nothing filed on anything else?

13 MS. CASWELL: I can't tell you, Jack, there's 5,000
14 documents there. I went through the documents that were
15 attached to Mr. Poucher's testimony and to our respective
16 testimonies, and all of those were declassified, the
17 depositions, everything -- everything that's been submitted is
18 not confidential, but there's a lot of discovery there that
19 still is confidential.

20 COMMISSIONER DEASON: Let me ask, what was the
21 subject matter of -- I know there was language -- Mr. Beck,
22 there was language in your prehearing statement that raised the
23 issue, and you made a request, I think, within the context of
24 that prehearing statement. What exactly was the focus of your
25 request?

1 MR. BECK: That they be required to file specific
2 confidential requests for everything that had been filed, so --

3 COMMISSIONER DEASON: For everything that had been
4 filed, that includes discovery responses?

5 MR. BECK: No.

6 COMMISSIONER DEASON: Just everything that had been
7 filed within the context of testimony and exhibits,
8 accompanying testimony?

9 MR. BECK: Yes.

10 MR. SHREVE: Then, I would suppose all of the
11 documents that have not been filed you didn't file
12 justification on, but you have reviewed all of the other
13 documents, and they should be confidential?

14 MS. CASWELL: No, I have not reviewed all the 5,000
15 documents.

16 MR. SHREVE: There may be a lot of them that may not
17 be confidential that you have not reviewed.

18 MS. CASWELL: There may be, there may not be, but the
19 point is the only thing that's been filed is the testimony, the
20 exhibits, the depositions and the interrogatories. Those are the
21 nonconfidential things. Those are the only things we had a
22 disagreement about at the prehearing conference, and all of the
23 other documents remain confidential.

24 Now, if you want to pull them out during the hearing
25 and use them, I can look at them at that point but, I mean,

1 they're not attached to his testimony. We've had a continuing
2 disagreement about not attaching things to his testimony. If
3 we want do that, then I'll pull out a lot of documents, too,
4 and we'll put them in the record, but I thought the point was
5 if it wasn't attached to his testimony, you couldn't use it.

6 CHAIRMAN JACOBS: And while we are at this moment, I
7 want to kind of put us into context here. We've been, I think,
8 quite lenient today in the matter of examination, but it stands
9 very obvious that we've been with one witness for most of the
10 day, and we have three other -- well, two other witnesses plus
11 another testimony by Mr. Poucher. I would encourage the
12 parties to please be cognizant of that. This proceeding has
13 been filed for some time and we'd like to get to it in this
14 century to complete it.

15 MS. CASWELL: I have only about five more minutes for
16 Mr. Poucher.

17 CHAIRMAN JACOBS: Very well.

18 BY MS. CASWELL:

19 Q Mr. Poucher, we were discussing staffing and, I
20 think, we had established that there's nothing attached to your
21 testimony or in your testimony talking to the cutbacks you
22 referenced, but we do have something in the record which
23 Verizon Florida's responses to Staff's first set of
24 interrogatories, which is stipulated Exhibit 2 that does give
25 head count figures, and I'd like to review those with you. Do

1 you have those? It's a stipulated exhibit. They were
2 introduced at the beginning of the hearing.

3 A Which one is that? No.

4 Q Our responses to Staff's first set of
5 interrogatories.

6 MR. BECK: I'm looking for my copy, but you need a
7 copy for the witness as well.

8 COMMISSIONER JABER: Ms. Caswell, you're talking
9 about Exhibit Number 2, what you identified as 2?

10 MS. CASWELL: Yes, stipulated Exhibit Number 2.

11 COMMISSIONER JABER: Okay.

12 THE WITNESS: Page number?

13 MS. CASWELL: I don't have another copy. Does
14 anybody have --

15 COMMISSIONER JABER: Staff, do you have an extra copy
16 so we can get this moving?

17 MS. CASWELL: Yeah, I was going to have to give him
18 mine.

19 COMMISSIONER JABER: Ms. Caswell, Staff is indicating
20 that they've given the witness one.

21 MS. CASWELL: Okay, thank you. I have one for
22 myself. Thank you.

23 BY MS. CASWELL:

24 Q If you can turn to question 2.

25 A Is there a page number?

1 Q On Page 2.

2 A Okay.

3 Q And the question was how many people were employed by
4 Verizon for installing new primary service and restoring
5 interrupted residential single line business service at year
6 end of each of these years, 1996, 1997, 1998, and 1999. Labor
7 group 201 would be repair technicians, correct?

8 A Correct.

9 Q And labor group 301 would be installation
10 technicians?

11 A Some of them.

12 Q Now, looking at the labor group 301, that head count
13 increased progressively from 1996 to 1999, correct?

14 A Say that again.

15 Q That head count increased progressively from 1996
16 through 1999, correct?

17 A I'm going to have to do the math first, because it's
18 not added up, correct?

19 Q Well, I'm just asking you about the number. It was
20 229 in 1996.

21 A You're talking about labor group 301?

22 Q 301.

23 A Okay.

24 Q It was 233 in 1997, which is higher than 229,
25 correct?

1 A Correct, right.

2 Q It was 287 in 1998 which is, again, higher than the
3 previous year. And it was 316 at year end 1999, correct?

4 A That's correct.

5 Q So, there's no evidence in those figures of any
6 cutbacks, of any kind in labor group 301, correct?

7 A No.

8 Q And if we look at labor group 201, we start off with
9 818 in 1996, and that did drop somewhat to 710 in 1997. 1998
10 it was back up to 730, and then we ended up with 711 in 1999,
11 correct?

12 A Okay.

13 Q And if we add up those groups in 1996, 818 and 229, I
14 get 1,047, correct, total for 1996?

15 A Correct. And 943 for '97.

16 Q Right.

17 A 1,017 for '98; 1,027 for '99.

18 Q Now, looking at those figures, that doesn't show any
19 evidence of Verizon cutting back its forces, does it, for
20 installation and repair?

21 A In those two labor groups, no, that's correct.

22 Q But wouldn't those two labor groups be the relevant
23 labor groups, because we're looking at repair and installation
24 standards and those are the repair and installation
25 technicians?

1 A What this exhibit shows is that for those two labor
2 groups, which were just a part of the installation and repair
3 groups, it was basically flat. There was no increase to
4 recognize the increase in second lines. There was no increase
5 to recognize the increase in activity, and that's just those
6 isolated groups. Another way to look at it is the second chart
7 that I just gave you, is this no longer confidential?

8 Q Just a second. Okay, we can refer to this. You can
9 publicly disclose this, yes.

10 A Okay. This shows the activity on the employee levels
11 for -- for the repair and the service order. This is Verizon's
12 document, this is not my document. And it includes all of the
13 repair and all of the service order installers. And, I think,
14 the difference is this probably includes business technicians;
15 is that correct? And the numbers for '96, '97, '98, '99 are
16 different. They're not significantly different. They started
17 with 1,332 technicians in '96. Did we pass those out?

18 Okay. They started with 1,332, dropped to 1,275 in
19 '97, went up to 1,387 in '98, and then this chart shows that
20 they dropped down to 1,290 in '99. I think that chart is
21 probably a little bit more inclusive than the one that we have
22 in the response to Staff interrogatories. Neither one of them
23 is incorrect.

24 And I would also add that that provides one
25 indication that the number of people that were dealing with

1 installation and repair in Verizon over the four-year period.
2 During this period of time, second-line growth, access line
3 growth in Verizon territory was exceptional, phenomenal, high,
4 very, very significant. And even though these numbers are not
5 dramatically higher or lower, the cost per access line for the
6 operations of the company, as Mr. Beck told you, declined
7 significantly, and that's because they had more lines and the
8 same or fewer people to deal with the installation and repair
9 associated with servicing those lines, and that's why their
10 costs went down.

11 In terms of whether or not they were properly
12 staffed, I think, the best indicator is the company's own
13 internal narratives that it uses with its operational reviews
14 that every two or three months when they do an operational
15 review, they do an executive overview consistently, and in that
16 executive overview they identify the number of employees that
17 are below budget.

18 And I have prepared a document from that -- those
19 documents which provides the total number of the employees
20 below budget that they were running on a continuing basis
21 throughout the 1997 to '99 time period, which is the time
22 period that we have these documents, and I'd like for the
23 Commission to see that also.

24 Q I'd like to point out that those documents are still
25 confidential but, Mr. Poucher, you can show the Commission your

1 document.

2 COMMISSIONER JABER: Now, I need --

3 CHAIRMAN JACOBS: If it's confidential, then --

4 MS. CASWELL: I'm not going to regard it as
5 confidential. I'll ask him some questions about it, but...

6 COMMISSIONER JABER: And Mr. Poucher, let me
7 understand to make sure I'm following you, this is not -- you
8 haven't put this in your prefiled testimony --

9 THE WITNESS: No.

10 COMMISSIONER JABER: -- but these are numbers that
11 you've put together based on information you found in GTE's
12 responses to discovery?

13 THE WITNESS: Correct.

14 COMMISSIONER JABER: Okay.

15 THE WITNESS: In other words, what you're looking at
16 here is the Florida Region January 1970 -- '97 key performance
17 indicators and the budget people do this every month, I
18 believe, and they provided us some but not all of those, and so
19 we calculated from those reports what they identified as the
20 employees that they were running on an average basis below
21 their budget so that they had a budget and then they had
22 another number, and that was the number of actual employees
23 that were doing the job.

24 And if you'll just look at this, and I'll -- I won't
25 reveal all the numbers, but they average on a month-for-month

1 basis about 186 employees below their budget. And they ran
2 below budget on a continuing basis, below that authorized
3 budget level, and these were the people that had to install and
4 maintain and repair telephone service, and this bolsters the
5 fact and our position that they did not have adequate resources
6 to meet your rules, and they were aware of this every month.
7 They didn't take care of it, they didn't deal with the issue,
8 and that's why they failed.

9 MR. BECK: Commissioners, may I have that marked as
10 an exhibit for identification?

11 CHAIRMAN JACOBS: Show that marked -- let me step
12 back for a moment. We had marked as Exhibit 7 the chart. And
13 I'm sorry, I didn't get that, and that was by Verizon. And so
14 this would be Exhibit 8, if I'm correct.

15 MR. BECK: Thank you.

16 (Exhibit 8 marked for identification.)

17 COMMISSIONER DEASON: I'm sorry, Mr. Chairman, which
18 chart is Exhibit 7?

19 CHAIRMAN JACOBS: The --

20 COMMISSIONER JABER: Defective OSP?

21 CHAIRMAN JACOBS: Yes, this.

22 COMMISSIONER DEASON: Okay, thank you.

23 CHAIRMAN JACOBS: They asked for this to be marked as
24 Exhibit 7.

25 You may proceed.

1 BY MS. CASWELL:

2 Q Mr. Poucher, this exhibit you've prepared, does this
3 include total employees for Verizon or just installation and
4 repair technicians?

5 A This includes the network organization, as I
6 understand it.

7 Q So, it would be everybody, construction, management,
8 everybody, correct?

9 A Engineering, everybody involved in the delivery of
10 network services.

11 Q So, we don't know anything about the numbers for
12 installation and repair technicians from this document, do we?

13 A No, but if you want to make a point there, I would
14 emphasize that it's the entire organization of network that
15 works together to deliver timely installation and speedy
16 repair. You can't just put those people out there without
17 support, and the support comes from the entire organization.

18 Q But you've agreed, haven't you, there aren't much
19 difference between the years in terms of the installation and
20 repair technicians, correct? We don't see any evidence of any
21 major --

22 A I don't think it shows a major reduction.

23 Q Excuse me?

24 A What it does show with the increase growth in access
25 lines, increase in second-line growth, that you had a lot fewer

1 employees per access line available to meet the load in '99 as
2 opposed to '96.

3 Q Do you recall that Verizon answered a question from
4 your office as to what second-line growth was in 1999?

5 A No, I don't.

6 Q Do you recall that was a negative number?

7 A A negative number?

8 Q Negative number, meaning people are taking out second
9 lines, correct?

10 A No.

11 Q Okay. Would you accept, subject to check, that that
12 was a negative number?

13 A Well, I'd accept, subject to check, the numbers for
14 all four years, because throughout your documents there's a lot
15 of references to the exceptional second-line growth as one of
16 the reasons that you weren't able to meet the budget. In fact,
17 Peter Daks' 1997 letter asking for more money, the one that was
18 refused specifically pointed out not only the exceptional
19 growth, but the second-line growth. I would imagine
20 Mr. Diamond probably wrote that letter.

21 Q Mr. Poucher, does the company, in addition to regular
22 employees, does it use contractors, overtime and the like to
23 fulfill its demand needs?

24 A Yes, it does.

25 Q And would it be relevant to consider the total labor

1 hours in assessing the staffing needs or the determination of
2 whether staffing was adequate?

3 A Oh, I think, so.

4 Q Okay. Can you take a look at this page, and I'd like
5 this marked as an exhibit as well.

6 CHAIRMAN JACOBS: Show marked as Exhibit 9.

7 COURT REPORTER: I need a copy of that.

8 CHAIRMAN JACOBS: That's the most important copy.

9 COURT REPORTER: Thank you.

10 (Exhibit 9 marked for identification.)

11 BY MS. CASWELL:

12 Q And in terms of total labor hours, do you see it
13 rising up to 1998, which was --

14 MR. BECK: Objection, counsel hasn't laid a
15 foundation for this document.

16 CHAIRMAN JACOBS: Ms. Caswell.

17 MS. CASWELL: Again, these documents were all
18 included in the discovery, just as Mr. Beck's documents are
19 included in the discovery.

20 MR. BECK: I don't even see a Bates stamp on this,
21 much less anything else.

22 MS. CASWELL: Okay. Well, there's no Bates stamp on
23 this either. It's a new exhibit. It's taken -- drawn from
24 documents that are Bates stamped, and so is this. And if you
25 want the documents, I can find them.

1 MR. BECK: The difference is Mr. Poucher laid a
2 foundation for his exhibit. You haven't laid a foundation for
3 this.

4 CHAIRMAN JACOBS: Well, let's see where we are. Why
5 don't you establish Mr. Poucher's knowledge and expertise on
6 this document, please.

7 BY MS. CASWELL:

8 Q Mr. Poucher, have you reviewed the company's records
9 with regard to overtime, particularly with Mr. Diamond?

10 A You mean this document?

11 Q Not this document. You have looked at the contractor
12 hours and overtime hours, correct?

13 A Briefly, I looked at them. I don't -- I remember
14 reviewing them about a year ago, but I don't remember a lot
15 about them.

16 Q Okay. In looking at this document, do you see any
17 evidence that the company was cutting back employees?

18 MR. BECK: Same objection. There's been no
19 foundation laid for this exhibit, who prepared it, what it's
20 based on or anything else.

21 MS. CASWELL: Okay.

22 CHAIRMAN JACOBS: I'm going to allow your question,
23 Ms. Caswell; however, I would ask you to go ahead and identify
24 exactly where this information comes from.

25 MS. CASWELL: Yeah. I believe, the numbers are taken

1 from the interrogatories.

2 COMMISSIONER JABER: Well, Mr. Chairman, while she's
3 looking, may I ask a question, just a general question?

4 CHAIRMAN JACOBS: Sure.

5 COMMISSIONER JABER: On Exhibit 8, Mr. Poucher,
6 employees below budget, what exactly does employees below
7 budget mean?

8 THE WITNESS: That's, basically, their representation
9 to higher management that they had a budget level of X
10 employees and the number of employees, 186 on the average per
11 month, was what they did not have on the force. In other
12 words, they were running their business below budget in terms
13 of the number of authorized employees, full-time employees, on
14 the job to meet the load.

15 COMMISSIONER JABER: In accordance with their own
16 internal standards.

17 THE WITNESS: Correct, yes. And in accordance with
18 their objective budget levels.

19 COMMISSIONER JABER: Okay. And this chart, your
20 numbers, includes all employees, not just men in the field, men
21 in -- servicemen.

22 THE WITNESS: That is a total network.

23 COMMISSIONER JABER: Okay.

24 THE WITNESS: And the total network organization is
25 real relevant in terms of delivery of good service.

1 COMMISSIONER JABER: Now, what this chart does not
2 show us is how they met -- to the degree that they were below
3 budget, it does not show us how they met the void or the need.

4 THE WITNESS: And what we're about to look at, I
5 think, it tells you how they solve that problem.

6 COMMISSIONER JABER: Okay.

7 BY MS. CASWELL:

8 Q Mr. Poucher, the basis for the document is our
9 responses to your fifth set of interrogatories. Do you recall
10 looking at those interrogatories?

11 A About a year ago, yes.

12 Q Okay. And do you recall seeing these same figures in
13 those interrogatories?

14 A I can accept them as correct, I would assume they
15 are.

16 Q Okay. And assuming that's true, looking at the total
17 number of labor hours, do you see any evidence of cutbacks?

18 A Well, I seem to remember that '99 was about half of
19 what '98 was, in terms of one of your explanations that I saw,
20 but I see a significant cutback in overtime contractor company
21 labor hours in '99 versus '98.

22 Q And 1998 was El Nino, correct?

23 A And then in 2000, I see another cutback.

24 Q I'm sorry.

25 A And then in 2000 I see another cutback. I've never

1 seen the numbers all put together in one bunch as we have seen
2 here.

3 Q And in 2000 we met the results, correct, we met the
4 standards?

5 A In 2000 you met the results.

6 Q We met the PSC service standards for repair and
7 installation in 2000, correct?

8 A Yes, I would assume that's what you reported. We
9 didn't do any discovery on 2000. We did discovery through '99
10 so, you know, all we have is your report and, you know, if it's
11 accurate, fine.

12 Q And in 1998 the spike in the labor hours could well
13 have been due to the effects of El Nino, correct?

14 A In -- you're saying that in 1998 was the effect of El
15 Nino?

16 Q Do you suppose that could have been the reason for
17 the spike in the number of overtime and contractor hours?

18 A Well, no. I think, if you remember, we had some
19 conversation on that. El Nino, according to the company
20 documents, hit primarily in the fourth quarter of '97, carried
21 over into January and February of '98, but it was spread
22 heavily, started in '97. And the letters from Peter Daks came
23 during that time frame and, I think, January of 1998 he was
24 still complaining about the same problem.

25 Q Okay. Do you have any indication of why these

1 numbers moved up and down?

2 A No, none whatsoever.

3 Q Okay.

4 A You know, the company's responsible for putting
5 enough people --

6 Q Right.

7 A -- on the load to meet the demand, provide good
8 service.

9 Q So, you have no evidence of a deliberate strategy of
10 cutting back people or firing people or laying off people,
11 anything like that over the four years?

12 A I didn't -- I've never said they fired people.

13 Q Okay.

14 A You have enough retirements and people leaving the
15 workforce to enable you to cut the budget significantly and cut
16 the head count.

17 Q Do you know whether, in those years, Verizon tried to
18 hire people at any point?

19 A I didn't see any references to a continued long
20 effort or a problem in hiring people. I have looked for that.

21 Q Okay.

22 A Again, I saw a couple references where people seemed
23 to indicate, at one point and time, that they're having trouble
24 getting enough people --

25 Q Right.

1 A -- but it was just isolated references, it was not
2 apparently an extended problem.

3 Q Mm-hmm. Let's look at Page 20 of your testimony
4 where you claim that Verizon had a strategy to select service
5 areas for preferential treatment in the installation and repair
6 of basic service?

7 A Yes.

8 Q You've called this a headquarters plan. Is there
9 anything on this document, REP-21, that would lead you to
10 believe this is anything more than a tracking report?

11 A Oh, yes.

12 Q So, do you have anything in this document or another
13 one you've seen that directs the company to provide superior
14 service to more competitive exchanges?

15 A Yes, I do.

16 Q And where is that evidence?

17 A I think, it's in my Rebuttal Testimony, Surrebuttal.

18 Q We can wait and do it, then.

19 A Do you want to wait until Surrebuttal, because we
20 deal with that.

21 Q Okay. But let's just look at the repair clearing
22 intervals here. Year-to-date actual for 1997, this is repair
23 clearing intervals residence composite.

24 MR. BECK: I'm sorry, Ms. Caswell, where are you?

25 MS. CASWELL: I'm at REP-21.

1 MR. BECK: Which page?

2 MS. CASWELL: Page 1. There's a category for repair
3 clearing intervals residence composite.

4 MR. BECK: Could you give the witness a moment to --

5 MS. CASWELL: Sure.

6 MR. BECK: -- get your document?

7 CHAIRMAN JACOBS: Ms. Caswell, we're about 10, 15
8 minutes into your five-minute duration.

9 MS. CASWELL: Well, he didn't give me the right
10 answers.

11 THE WITNESS: Tell me what the right answers are,
12 Kim, I'll do it. Okay. All right, which page?

13 MS. CASWELL: Page 1.

14 THE WITNESS: All right.

15 BY MS. CASWELL:

16 Q Looking at the repair clearing intervals --

17 A Correct.

18 Q -- what is the repair clearing interval for extremely
19 competitive?

20 A 17.8.

21 Q And for highly competitive?

22 A 17.6.

23 Q And for moderately competitive?

24 A 17.2.

25 Q So, among the three categories the least competitive

1 category got the best service in this period, correct, if you
2 just look at the clearing intervals?

3 A Sure, correct.

4 Q So, that doesn't indicate any plan to give a better
5 service to extremely competitive exchanges, does it?

6 A I guess, what that indicates to me is that there was
7 a plan, but the company wasn't able to execute it very well.

8 Q Okay. And we'll look at that in your Surrebuttal
9 testimony, if you say you've got something there, but doesn't
10 the company consider about 93% of its exchanges to fit into the
11 extremely competitive category?

12 A I heard that in Surrebuttal Testimony -- it's the
13 first time -- or Rebuttal Testimony. It's the first time I've
14 heard about that.

15 Q Okay. Mr. Poucher, one last thing on what's been
16 marked as Exhibit Number 8, what is the base of employees, the
17 total base of employees that we're talking about here? Do you
18 know?

19 A In which exhibit?

20 Q Exhibit 8.

21 MR. BECK: It's your head count.

22 A 3,510 is my best estimate and, I think, that's the
23 last number we had in '99.

24 BY MS. CASWELL:

25 Q Okay.

1 A Mr. Diamond's nodding, so I assume that's correct.

2 MS. CASWELL: Okay, thank you. That's all I've got,

3 Mr. Poucher.

4 CHAIRMAN JACOBS: Very well, Staff?

5 MR. FORDHAM: Staff has no cross of this witness,

6 Commissioner.

7 CHAIRMAN JACOBS: Commissioners? Redirect.

8 BY MR. BECK:

9 MR. BECK: Thank you, Mr. Chairman.

10 REDIRECT EXAMINATION

11 BY MR. BECK:

12 Q Mr. Poucher, early on during your cross examination,
13 you were asked about visits to the Tampa area where you looked
14 at plant?

15 A Yes.

16 Q Do you recall that? Was one of your visits during
17 the time that the NARUC Staff committee on accounts was holding
18 a meeting in Clearwater Beach?

19 A Yes, it was and we went down there for a NARUC visit,
20 and it was in 1999.

21 Q And what do you recall seeing during that visit, as
22 far as the plant goes?

23 A Well, I think, basically, what I saw is what was
24 reported in some of the documents from Verizon. One of the
25 worst problems that you see, very quickly, when you go out and

1 look at outside plant is what we call -- what they call a soft
2 wrap. And if you'll look up at a cable and frequently if you
3 drive around town, we can see them here in Sprint territory,
4 too, they'll take -- when they are working on a trouble, a
5 cable trouble, they're unable to finish it, they're unable to
6 reseal the plant, what they'll do is wrap a black plastic bag
7 around the cable and seal both ends, and that's called a soft
8 wrap.

9 I saw a lot of those in the Verizon territory and,
10 believe me, I have been in an environment where we did not have
11 enough people to do the job. And I know that when the outside
12 plant people are unable to finish their jobs, you'll see this
13 happening, and frequently they're unable to be dispatched back
14 to those temporary openings. And in 1999, they corrected 1,500
15 temporary openings in the Verizon territory in Florida because
16 they are such a really bad thing to have an outside plant.

17 What happens is that the black plastic bag collects
18 condensation, produces more moisture, and then the moisture
19 just kind of creates a little thunderstorm inside that black
20 bag, and the longer they stay, the worse it gets. They're
21 extremely bad for outside plant environment, they're a no-no
22 for a good, well-managed plant operations, and there are plenty
23 of them in the area. I didn't have any trouble finding a lot
24 of them.

25 I found a lot of open plant, and they've mentioned

1 that in their July '99 review. They've got problems that their
2 plant is not sealed, and that's a significant problem in an
3 area like Tampa Bay, and these are the kinds of problems -- we
4 could talk -- there's hundreds of them, things that people in
5 the outside plant should do in order to make sure that they
6 have quality service. They're pushed -- I'll stop there. We
7 could go on, but I don't need to.

8 Q Mr. Poucher, at great risk, let me ask you to refer
9 to your REP-6, which is defective outside plant capital, the
10 chart that we spent so much time on.

11 A Okay, right.

12 Q Okay. Do you know who actually prepared this chart?

13 A This came from one of the operations reviews that are
14 produced on a regular basis for the company for higher
15 management so that they can see and understand what's happening
16 in terms of the operation of the business.

17 Q Mr. Poucher, wasn't this chart prepared by
18 Mr. Diamond at the request of Mr. Daks?

19 A Yes, it was based on his deposition that we had in
20 Tampa.

21 Q And do you recall why Mr. Diamond said that Mr. Daks
22 had him prepare this exhibit?

23 A Specifically, and I've told you this before, the
24 reason this chart was prepared was to ask for more money for
25 outside plant maintenance for defective outside plant, and they

1 were using this with company headquarters in Texas to try to
2 get them to send more money to Florida to fix bad plant.

3 Q Okay. Now, let me ask you about the relation between
4 spending money on outside plant and the network trouble report.
5 First of all, there's a time lag, wouldn't you expect, between
6 the time that you correct defective outside plant and the time
7 you would see the results?

8 A It's a long-term program, you spend money. It takes
9 a long time for it to really show up. When you stop spending
10 money, there's a long time before the negative results appear.

11 Q Now, let me ask you about the network trouble rate
12 per hundred. Would it be possible to have a high trouble rate
13 and yet, at the same time, meet the Commission's service
14 quality rules?

15 A Definitely. I've had higher trouble report rates
16 than that, and I've met the rules. It depends on the number of
17 people you have on the force. You can spend a lot more money
18 on labor in order to fix the troubles in a timely manner or you
19 can spend more money on the plant, which is what they wanted to
20 do and there's a right way to do it so that the troubles go
21 away.

22 Q Let me ask you to turn to REP-1. There are two lines
23 on this chart, aren't there?

24 A That's correct.

25 Q There's a solid line and then a dotted line?

1 A Correct.

2 Q What is the solid line?

3 A The solid line, based on the identification down
4 below, is the Florida network troubles per 100 lines from
5 January '96 all the way through September '98.

6 Q What does the dotted line represent?

7 A The dotted line is the network services trouble
8 report rate. And that network service is we're talking about
9 Verizon network services nationwide.

10 Q I'm going to show you the FTIA statistic book. Do
11 you have that statistic book?

12 A Yes.

13 Q Does this show the access volume gain for Verizon
14 during 1999?

15 A Yes, it does. This is the statistic book from FTIA,
16 incumbent local exchange carrier statistics, shows Verizon had
17 a 3.15% access line percent growth in 1998.

18 Q In 1999?

19 A '99.

20 Q How does that compare to the Florida average?

21 A And the Florida average is 3.05, so Verizon was
22 growing faster than the Florida average, and that's consistent
23 with what their documents state.

24 MR. BECK: That's all I have, thank you.

25 CHAIRMAN JACOBS: Exhibits.

1 MR. BECK: Citizens move Exhibits 6 and 8.

2 CHAIRMAN JACOBS: Without objection, show 6 and 8 are
3 admitted.

4 (Exhibits 6 and 8 admitted into the record.)

5 MS. CASWELL: I would move Exhibit 9 as well as the
6 exhibit on defective OSP capital. I don't know if we got a
7 number for that.

8 MR. BECK: 7.

9 MS. CASWELL: 7?

10 CHAIRMAN JACOBS: That was --

11 MS. CASWELL: 7 and 9, then.

12 CHAIRMAN JACOBS: And 9 is the one that I just
13 marked, right, the labor hours. Very well, show Exhibits 7 and
14 9 are admitted.

15 (Exhibits 7 and 9 are admitted into the record.)

16 CHAIRMAN JACOBS: Thank you, Mr. Poucher, you're
17 excused.

18 (Witness excused.)

19 CHAIRMAN JACOBS: Next witness. I'm sorry, yes,
20 proceed.

21 JOHN FERRELL

22 was called as a witness on behalf of Verizon Florida, Inc. and,
23 having been duly sworn, testified as follows:

24 DIRECT EXAMINATION

25 BY MS. CASWELL:

FLORIDA PUBLIC SERVICE COMMISSION

1 Q Would you state your name and address for the record,
2 please?

3 A Yes, it's John Ferrell, and my work address is 201
4 North Franklin, Tampa, Florida.

5 Q And by whom are you employed and in what capacity?

6 A Verizon Florida. I'm the president of Verizon.

7 Q Did you submit Rebuttal Testimony in this proceeding?

8 A Yes, I did.

9 Q And are there exhibits attached to that testimony
10 numbered Exhibit JAF-1 to JAF-12?

11 A Yes, there are.

12 MS. CASWELL: Mr. Chairman, can I have those exhibits
13 marked for identification as a composite exhibit?

14 CHAIRMAN JACOBS: Very well. Show those marked as
15 composite Exhibit 10.

16 MS. CASWELL: 10.

17 (Exhibit 10 marked for identification.)

18 BY MS. CASWELL:

19 Q Mr. Ferrell, do you have any additions or corrections
20 to your testimony?

21 A No, I don't.

22 Q So that if I were to ask you those same questions
23 today, your answers would remain the same?

24 A Yes, they would.

25 MS. CASWELL: Mr. Chairman, I'd like to move

1 Mr. Ferrell's testimony into the record as though read.

2 CHAIRMAN JACOBS: Without objection, show the
3 prefiled Rebuttal Testimony of Mr. Ferrell entered into the
4 record as though read.

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

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

2 A. My name is John A. Ferrell. My business address is One Tampa City
3 Center, 201 North Franklin Street, Tampa, Florida 33601. My title is
4 President of Verizon Florida Incorporated ("Verizon," formerly known
5 as GTE Florida Incorporated).

6

7 **Q. PLEASE DESCRIBE YOUR EDUCATION AND WORK HISTORY.**

8 A. I am a graduate of the University of Redlands, Redlands, California,
9 with a B.A. in Business Management and an M.B.A. I have worked in
10 the telecommunications industry since 1972, when I began as a central
11 office technician at Continental Telephone Company (later Contel) in
12 Corcoran, California. From 1976 to 1989, I held a number of
13 management positions at Contel of California, including local manager,
14 Traffic Analyst, Superintendent-Network Services, District Manager-
15 Network Services, and Manager-Network Access. I then served a two-
16 year assignment as Director of Engineering and Planning for Contel of
17 Indiana in Seymour, Indiana. In 1991, I returned to Contel of California
18 as Director of Customer Services and later Vice-President of Customer
19 Services for Contel's California, Nevada, and Arizona operations. After
20 Contel and GTE merged, I served 10 months as General Manager-
21 Network Reliability for GTE California in Thousand Oaks, California. In
22 1997, I became Director of Remote Operations Support in Irving,
23 Texas. In November 1998, I was promoted to my current position as
24 President of Verizon Florida Inc..

25

1

2 **Q. WHAT ARE YOUR RESPONSIBILITIES AS PRESIDENT OF**
3 **VERIZON FLORIDA?**

4 A. I am responsible for the overall management of Verizon Florida's
5 wireline telecommunications operations. I have direct oversight of field
6 maintenance and construction. I also lead the Verizon Florida Regional
7 Customer Services Team, which comprises managers of all other sales
8 and support departments associated with the delivery of customer
9 service in our Florida Region. I am responsible for management of all
10 service indices and associated operating budgets, including capital and
11 expense for those departments reporting directly to me. I also serve in
12 our community as a member of numerous education and economic
13 development boards, as well as in other capacities.

14

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
16 **PROCEEDING?**

17 A. I will discuss Verizon Florida's emphasis on providing quality service
18 and its continuing focus on meeting the Commission's repair and
19 installation standards at issue in this docket. I will explain the actions I
20 have taken to achieve ongoing compliance with these standards, and
21 place the Company's past service results in the proper perspective. In
22 particular, I will refute the conclusions drawn by Office of Public
23 Counsel (OPC) witness, R. Earl Poucher, in his Direct Testimony. I will
24 also respond to the Direct Testimony of Commission Staff witness,
25 Donald B. McDonald.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Two other witnesses will testify on Verizon's behalf. Russell B. Diamond, Verizon's Business Analysis Manager-Florida Region, will discuss in detail Mr. Poucher's allegations concerning outside plant and the budget process. John Appel, who was President of GTE Network Services immediately before he retired, will respond to Mr. Poucher's allegations concerning budget and other GTE Headquarters directives.

Q. IS VERIZON FLORIDA PROVIDING QUALITY SERVICE?

A. Yes. As I will discuss in more detail below, Verizon Florida provides quality service by any measure. As the attached Exhibit JAF-1 shows, Verizon has had the top Commission repair and installation scores among the large incumbent local exchange carriers ("ILECs") virtually every month since fourth quarter of 1999, from a total-company perspective. Under my leadership, the Company has sustained compliance with the installation and repair standards for almost all exchanges for the past 15 months. Verizon Florida is achieving these results despite the fact that Florida has some of the toughest service standards in the nation, and despite the Commission's exchange-specific reporting requirement. Even when the Company has been unable to meet the installation and repair standards at certain points in some exchanges, its results still demonstrate a high level of customer service. In 1998 and 1999, Verizon Florida repaired out of service conditions in 24 hours almost 93% of the time. It completed primary

1 service installations within 3 days 87% of the time in 1999 and almost
2 96% of the time in 1998. In most states, these results would have
3 exceeded the Commission's service quality standards. I would submit
4 that the ultimate conclusion—that Verizon provides quality service—
5 should be no different here.

6

7 **Q. PLEASE DESCRIBE THE STANDARDS THAT ARE AT ISSUE IN**
8 **THIS DOCKET.**

9 A. This case involves two standards on which Verizon is required to
10 report to the Commission. The first requires clearing of out-of-service
11 conditions within 24 hours in at least 95% of the cases. (Rule 25-
12 4.070(3).) The second requires at least 90% of requests for installation
13 of primary service to be satisfied within three working days. (Rule 25-
14 4.066.) Both of these standards are exchange-specific. That is, each
15 standard must be met in every exchange, every month, rather than in
16 the aggregate for Verizon's service territory as a whole.

17

18 **Q. CAN THE COMMISSION PENALIZE VERIZON SIMPLY FOR**
19 **FAILING TO MEET PARTICULAR SERVICE STANDARDS?**

20 A. No. I am not a lawyer, but a plain reading of Florida Statutes, section
21 364.285, permits the Commission to assess penalties only after an
22 entity is found to "have refused to comply with or willfully violated any
23 lawful rule or order of the commission." Thus, the Commission will
24 need to analyze each and every service standard miss to determine
25 whether it was willful. According to the dictionary (and, my lawyers tell

1 me, Florida case law), "willful" means "deliberate, voluntary, or
2 intentional." (Random House College Dictionary, rev. ed. 1975.) If
3 there is no evidence that Verizon refused to comply with the PSC
4 service standards or that it intentionally violated those standards, the
5 Commission cannot lawfully penalize the Company. Verizon cannot be
6 fined simply on the basis of figures showing that it missed particular
7 standards at various times in past years.

8

9 **Q. DURING THE PERIOD AT ISSUE IN THIS DOCKET, HAD THE**
10 **COMMISSION EVER INDICATED THAT VERIZON SHOULD BE**
11 **FINED FOR WILLFUL VIOLATION OF THE COMMISSION RULES?**

12 **A.** No, and the Company considers this to be a significant fact. Although
13 the OPC prompted the Commission to investigate Verizon's
14 compliance record since 1996, there was no move during all that time
15 to penalize the Company for non-compliance with any service
16 standards. With every compliance report, Verizon includes
17 explanations for any misses. In 1998, Verizon even responded to a
18 specific Staff inquiry about the Company's 1997 service results. (See
19 letter and sample narratives from 1997 service reports at Ex. JAF-2.)
20 Verizon's reasonable assumption was that the Commission accepted
21 the Company's explanations and understood that any service standard
22 misses were not willful. As a matter of equity and practicality, I believe
23 it is inappropriate to examine events reaching back five years,
24 especially when many of the Company people and documents from
25 that long ago are no longer available for Verizon to make its case.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Q. YOU MENTIONED THAT THE PSC STANDARDS ARE EXCHANGE-SPECIFIC. WHY IS THIS FACT SIGNIFICANT?

A. With exchange-specific measures, if an ILEC misses, for example, as few as three repairs or installations in a small exchange in a given month, it could well fail to meet the corresponding standard for that month. For example, one hundred misses in Tampa look the same in terms of PSC results as one miss in Myakka. Exchange-specific reporting can thus tend to produce an unjustifiably negative impression of a company's service quality, as I believe it has in Verizon's case.

Q. ARE EXCHANGE-SPECIFIC STANDARDS THE NORM AMONG STATE COMMISSIONS?

A. No. Typically, companies are measured on a territory-wide basis. In fact, this Commission's service standards are some of the toughest among the states where Verizon operates. I believe that most Commissions allow 5 days (rather than 3) for installation and require 85-90% (rather than 95%) of repairs to be cleared within 24 hours—again, on a territory-wide basis—if they have any service quality standards at all.

Q. ARE THERE INDICATORS OF SERVICE QUALITY OTHER THAN EXCHANGE-SPECIFIC STATISTICS?

A. Yes. Every year, the Commission Staff performs an annual service quality audit, measuring 75 criteria. Verizon's aggregate score has

1 consistently exceeded the passing grade established by the
2 Commission for the audits. In fact, in 1997 and 1998, Verizon had the
3 highest score of any incumbent local exchange company (ILEC) in
4 Florida. The only year in which Verizon did not achieve a passing
5 grade was 1996, and that miss was due to the answer time standard,
6 rather than the installation and repair measures at issue in this docket.

7

8 Customer complaints are also a good measure of service quality
9 because they are based on direct customer input. In this regard,
10 Verizon's service complaints of all types (including filed Commission
11 complaints, FCC complaints, Company Action Line complaints, and
12 executive complaints) decreased significantly from 1997 to 1999. In
13 1997, Verizon had 11.7 complaints per 100,000 lines. Since 1999, that
14 number has remained at less than 9 complaints per 100,000 lines.

15

16 **Q. HAS MR. POUCHER, THE WITNESS FOR THE OFFICE OF PUBLIC**
17 **COUNSEL, CONSIDERED THESE OTHER INDICATORS IN HIS**
18 **EVALUATION OF VERIZON'S SERVICE PERFORMANCE?**

19 **A.** No. Mr. Poucher ignores complaint statistics and summarily dismisses
20 the Commission's audits as simply means to verify Company
21 procedures and practices. (Poucher Direct Testimony ("DT") at 7.)
22 This is not an accurate description of the service audits. These audits
23 use the same service standards and objectives as those in the
24 Commission rules and Verizon's monthly reports. As Commission
25 witness McDonald explains in his Direct Testimony, the Commission

1 considers the annual service quality evaluations in assessing Verizon's
2 level of compliance with the service quality rules. If the service audits
3 were not an important part of the Commission's overall evaluation of
4 the ILECs' service quality, it would make no sense for the Commission
5 to do them year after year.

6

7 I believe the real reason why Mr. Poucher has chosen not to consider
8 service audits in evaluating Verizon's service quality is that Verizon
9 generally achieved good total scores on these audits, as I discussed
10 above.

11

12 **Q. IN GENERAL, WHAT IS YOUR IMPRESSION OF MR. POUCHER'S**
13 **DIRECT TESTIMONY?**

14 **A.** It has no basis in fact. As I have pointed out, the Commission cannot
15 penalize Verizon unless it finds that the Company willfully violated the
16 service standards at issue. As such, from the start of this docket, OPC
17 has advanced the hypothesis that once Verizon elected price
18 regulation in 1996, it undertook a deliberate course of disregarding the
19 Commission's service standards to pursue the single-minded goal of
20 increasing profits.

21

22 OPC conducted extensive discovery to try to uncover proof of this kind
23 of willful approach on Verizon's part. When that discovery failed to
24 yield any evidence confirming OPC's hypothesis, OPC did not
25 abandon its theory. Rather, it tried to fit the evidence to the

1 hypothesis. This effort requires Mr. Poucher to draw broad
2 conclusions based on misinterpretation and mischaracterization of
3 documentary evidence. Even the most cursory examination of Mr.
4 Poucher's testimony reveals that there is no basis for the assumptions
5 OPC has made about Verizon's motivations. My testimony here
6 provides a more careful examination of the evidence, which
7 demonstrates Verizon's continuing emphasis on satisfying the
8 Commission's service standards. While Verizon has, at times, not met
9 the repair and installation standards in limited circumstances, I will
10 explain that there are very good reasons for these misses. Certainly,
11 none of them was willful.

12

13 **Q. HAS THERE BEEN SOME RECOGNITION THAT THIS**
14 **COMMISSION'S SERVICE STANDARDS ARE UNREASONABLE**
15 **AND SHOULD BE REVISED?**

16 **A.** Yes. The industry recognizes a need to provide service in line with the
17 expectations of today's consumers, rather than simply in conformance
18 with standards set decades ago for a monopoly environment for "plain
19 old telephone service." As Mr. Poucher points out, the service
20 standards at issue were adopted in the 1960s. Today's
21 telecommunications marketplace is strikingly different than it was some
22 forty years ago. Back then, for instance, there were no competitive
23 choices for any telecommunications services, vertical services did not
24 exist, and there was no need for high-speed connections. Telephone
25 companies also had no obligation to open their networks to

1 competitors. The service standards have not kept pace with these and
2 other changes.

3

4 In an apparent attempt to ascribe some nefarious motive to Verizon,
5 Mr. Poucher states that Verizon, along with other ILECs, has
6 advocated changes in service standards since 1996. Verizon has
7 never hidden this fact, which is a matter of public record. Verizon will
8 continue to urge revisions in the standards to assure that they are
9 driven by the marketplace and customer satisfaction. This is the only
10 approach that makes sense today. If Verizon does not satisfy its
11 customers, those customers will not buy services from Verizon. So
12 Verizon necessarily has a powerful incentive to provide quality service
13 without the need for external prompting.

14

15 **Q. DOES THE COMMISSION ALSO RECOGNIZE THE NEED TO**
16 **CHANGE THE STANDARDS?**

17 A. I think so. As far back as 1995, even before the large ILECs had
18 begun to operate under price caps, the Commission had initiated a
19 rulemaking docket to examine potential changes to the service
20 standards. But there was little activity in that docket for an extended
21 period. In 1999, the effort to change the rules was once again taken
22 up in earnest. That process was well underway until the Commission
23 became engaged in these service quality dockets for Verizon and the
24 other large ILECs.

25

1 Q. DOES THE FACT THAT THE EXISTING SERVICE STANDARDS
2 ARE OUTDATED CHANGE VERIZON'S OBLIGATION TO COMPLY
3 WITH THEM?

4 A. No. As Mr. Appel explains, there is no foundation for Mr. Poucher's
5 claim that the corporate solution was to change the rules, rather than
6 to comply with them.

7

8 Q. MR. POUCHER INDICATES THAT THE COMPANY BALANCES
9 COST AND QUALITY CONCERNS. IS THAT TRUE?

10 A. Certainly. If that were not the case, the Commission should have
11 serious cause for concern. In a competitive marketplace, every
12 company must remain acutely aware of cost considerations. *The trade*
13 *press in recent years is replete with accounts of telecommunications*
14 *companies' cost-cutting measures. These firms cannot succeed*
15 *without paying close attention to their costs of providing service. None*
16 *of them, including Verizon, can spend an unlimited amount on service*
17 *quality while ignoring cost. While Verizon could hire legions more*
18 *technicians to assure that repairs and installations are performed*
19 *immediately, it wouldn't survive for long if it adopted such an expensive*
20 *and inefficient strategy.*

21

22 It is a constant challenge to provide quality service while controlling
23 costs, but this is something every telecommunications company faces
24 every day. Management that can meet this difficult task is critical to a
25 Company's success.

1

2 Both cost and service quality are important to the maintenance of
3 Verizon's network—a network which is also the foundation of Verizon's
4 competitors' ability to provide service through unbundled network
5 elements, interconnection, and resale.

6

7 Verizon's careful attention to budget concerns does *not*, however,
8 justify Mr. Poucher's conclusion that "budgetary process was
9 shortcircuiting the company's requirement to meet the PSC objectives."
10 (Poucher DT at 9.) Again, there is no evidence that the Company
11 decided to sacrifice service results for cost controls, or that the
12 business is "managed more toward achievement of earnings goals
13 rather than meeting service obligations." (Poucher DT at 17.) None of
14 the documents Mr. Poucher cites indicates this kind of strategy.
15 Rather, the primary, continuing emphasis at the Florida Company and
16 at Headquarters was not on making more money, but on meeting the
17 Commission's service standards.

18

19 *Indeed, for all of Mr. Poucher's emphasis on budget, he fails to point*
20 *out the fact that Verizon ran \$20.5 million over its budget in 1998 and*
21 *\$7.9 million over in 1999. This is proof that when there is conflict*
22 *between meeting service standards and budget objectives during*
23 *particular periods, striving to meet Commission standards takes*
24 *precedence.*

25

1 **Q. ARE YOU MEETING THE CORPORATE MANDATE TO BRING THE**
2 **COMPANY IN LINE WITH PSC SERVICE STANDARDS?**

3 A. Headquarters management expected rapid results when I signed on as
4 President. It has been very difficult to meet this challenge, but I have
5 been able to make a positive difference here in terms of service
6 indices. Working with a relatively new management team here in
7 Florida, the Company has achieved significant improvement in
8 compliance with Commission standards. The Company's fourth
9 quarter 1999 and 2000 results showed significant improvement, and
10 the trend continues in 2001. While I realize it may be difficult to sustain
11 this record, especially given the seasonally extreme weather here in
12 Florida, my primary emphasis will remain on meeting service
13 standards.

14
15 This emphasis has been a constant here in Florida not just during my
16 tenure, but during the time my predecessor, Peter Daks, served as
17 Florida President. Although Mr. Daks and I may have taken different
18 approaches to improving service results, discovery produced to OPC
19 shows there is no doubt that he also understood that meeting service
20 standards is a critical objective of this job, and that he was constantly
21 striving to improve service results. Exhibit JAF-3 is just a small sample
22 of the scores of discovery documents reflecting Mr. Daks' management
23 team's primary emphasis on meeting Commission standards.

24

25 **Q. HOW HAVE YOU BEEN ABLE TO SUSTAIN IMPROVED**

1 **RESULTS?**

2 A. The ability to improve service results rests on an understanding of the
3 causes of ongoing misses. With 28 years of experience in operations,
4 I was particularly well suited to analyzing these recurring problems so
5 that my management team and I could devise effective solutions.
6 Soon after I began work here, I recognized that a major key to
7 improving repair and installation results in an efficient manner was to
8 reduce both the amount of trouble and the number of repeat repair
9 visits. I concluded that better planning and more careful deployment of
10 capital would further enhance installation results.

11

12 **Q. WHAT KINDS OF SPECIFIC THINGS HAVE YOU DONE TO**
13 **IMPROVE COMPLIANCE WITH PSC STANDARDS?**

14 A. One of my most important efforts, which is ongoing, was to improve
15 dispatch control and forecasting in order to optimize scheduling of
16 available workforce. Exhibit JAF-4, for example, shows a significant
17 reduction of both service order and repair dispatches from 1998 to
18 1999. These kinds of results benefited both repair and installation
19 statistics.

20

21 In the area of repair, specifically, I took a number of concrete actions to
22 enhance the effectiveness of the Company's Trouble Analysis Center
23 (TAC) Focus program. By way of background, TAC Focus is a
24 corporate-wide preventive maintenance program that has been in
25 place since at least the 1980s. It allows the Company to analyze

1 trouble on a cable-specific basis so that it can efficiently isolate and
2 prioritize areas for replacement or repair.

3

4 In general, I felt that greater centralization and focus was needed in
5 Florida's TAC Focus efforts. To that end, I formed a dedicated team,
6 comprised of hourly and management employees, to be the primary
7 administrators of the TAC program. These employees spend all of their
8 time addressing preventive maintenance. In addition, I implemented
9 service improvement teams, again including both management and
10 hourly employees, to better identify areas in need of preventive
11 maintenance and prioritize service improvement opportunities.

12

13 Based on my knowledge of the network and analysis of TAC reports, I
14 identified two areas of particular concern. First, I observed that
15 Verizon's digital line carrier ("DLC") units were causing a
16 disproportionate amount of trouble reports. I implemented a SWAT
17 team approach, focussing on the worst-performing DLC units and
18 effecting necessary repairs to grounding, cables, cards, and the like.
19 Second, I concluded that open plant conditions, which would allow
20 water to seep into the network, were causing an inordinate amount of
21 trouble. I thus implemented an active process and dedicated funding
22 to seal the plant—for instance, by stepping up air pressure
23 maintenance and remedying temporary closures. We got employees
24 involved in this effort by rewarding them for identifying open plant
25 conditions. Third, although the Company had always emphasized

1 proper bonding and grounding, I felt that all technical employees could
2 benefit from a refresher course, and so required all of them to attend
3 such courses.

4

5 Other measures included creating a standards of performance report
6 for all technical employees, coupled with feedback, training, and
7 coaching to improve both quality and efficiency; and increased
8 management visibility from the President to local managers to ensure
9 proper attention to employee concerns and feedback (see, e.g., Ex.
10 JAF-5.) We also adjust staffing on a regular basis, specifically to attain
11 compliance with PSC measures. (See, e.g., Ex. JAF-6.)

12

13 Through these measures and many others, Verizon was able to deploy
14 existing funds in a more effective manner. But when I felt additional
15 funds were needed for particular purposes, I aggressively sought and
16 obtained them. For instance, I determined that galvanized steel
17 grounding rods were not performing in some applications as intended,
18 thus exacerbating the effects of lightning on plant. So in mid-1999, the
19 Company switched to a more effective type of grounding rod. These
20 rods are substantially more expensive than the others, but I felt their
21 payoff in terms of service quality would be well worth their price.

22

23 **Q. WHAT MEASURES DID YOU TAKE TO IMPROVE INSTALLATION**
24 **RESULTS?**

25 **A.** My emphasis on giving local teams responsibility and accountability to

1 reduce troubles and non-productive dispatches yielded positive results
2 for installation results, as well as repairs. Reducing repair trips, and, in
3 particular, repeat dispatches, freed up technicians to perform
4 installations. In addition, we implemented a number of measures to
5 reduce the number of field trips required for installations. For example,
6 we substantially improved our Express Dial Tone (EDT) program and
7 the accuracy of the EDT records, thereby increasing the probability
8 that service can be installed without a premises visit. We proactively
9 worked to preempt problems in exchanges that were not meeting
10 objectives. We also hired more technicians to perform installations, as
11 Mr. Diamond mentions in his Direct Testimony, and have otherwise
12 ensured appropriate staffing through better management of both
13 employees and contractors. (See, e.g., Ex. JAF-7.)

14

15 **Q. DID YOU IMPLEMENT ANY OTHER PLANS SPECIFICALLY**
16 **DIRECTED AT ACHIEVING BETTER SERVICE RESULTS?**

17 **A.** Yes. Although I began to implement my efforts to improve service
18 results soon after I came here, these efforts did not yield results
19 immediately. By late summer of 1999, Headquarters believed it was
20 necessary to issue some strong reminders to me about the urgency of
21 bringing results into compliance with PSC standards. One of these is
22 attached to Mr. Appel's Direct Testimony. That communication
23 required the submission of a formal action plan to improve service
24 quality results. The resulting plan (attached as Ex. JAF-8) listed
25 numerous, specific activities to be undertaken, along with an outline of

1 my strategies for long-term success in meeting these requirements.

2

3 **Q. HAVE THERE BEEN ENHANCEMENTS SINCE THE PLAN WAS**
4 **IMPLEMENTED?**

5 A. I took numerous, specific measures to improve service both before and
6 after the plan was submitted. While I've mentioned some of the efforts
7 in the discussion above, it's really impossible to list them all. I have
8 attached a few documents evidencing these efforts, but many more are
9 reflected in the voluminous documents produced to Public Counsel
10 and Staff. Service quality enhancement is an ongoing, evergreen
11 process, and my management team and I continue to refine our
12 strategies on an almost daily basis. In fact, division operations has
13 calls twice a day to try to ensure the most effective possible
14 deployment of manpower for repairs and installations. And I require
15 daily management reports of service results so we can better identify
16 any ongoing problems and level our workloads. (See, e.g., Ex. JAF-9.)
17 Although Mr. Daks had also used daily, exchange-by-exchange
18 reporting, I improved the format to enable management to better view
19 service jeopardies by exchange.

20

21 In general, the principal thrust of my efforts has been to empower local
22 teams to identify service-affecting problems and to more effectively
23 work through established company processes to get these problems
24 resolved.

25

1

2 **Q. DOES YOUR SUCCESS IN ACHIEVING IMPROVED RESULTS**
3 **DISPROVE MR. POUCHER'S THEORY THAT VERIZON'S BUDGET**
4 **HAS BEEN INADEQUATE?**

5 A. Yes. Verizon's improved compliance has not been achieved through
6 budget increases, but rather through more effective utilization of
7 resources and more focussed preventive maintenance plans.

8

9 Mr. Poucher apparently believes that throwing money at a problem will
10 prudently and automatically solve it. The fact that Verizon
11 management does not share this belief does not mean that it
12 disregarded service objectives. But this is just the conclusion that the
13 Commission will have to draw to find Mr. Poucher's allegations to be
14 true and to accept his recommendations. It will have to find that more
15 money automatically equals better service results, that the company
16 willfully disregarded this direct connection, and that it was the cause of
17 each and every missed repair and installation.

18

19 As Mr. Diamond explains in more detail in his testimony, the
20 fundamental premise of Mr. Poucher's argument—that more money
21 automatically equals better service quality—is false, so the
22 Commission cannot accept his conclusions that Verizon willfully
23 violated the Commission's service standards.

24

25 **Q. IS IT TRUE, AS MR. POUCHER CLAIMS, THAT VERIZON FIRST**

1 **CONSIDERED MEETING PSC SERVICE STANDARDS TO BE**
2 **MANDATORY ONLY AFTER THIS SHOW CAUSE PROCEEDING**
3 **WAS INITIATED (POUCHER DT AT 21)?**

4 A. No. As Mr. Appel explains, Mr. Poucher's allegation rests on a blatant
5 mischaracterization of Mr. Red Keith's August 26, 1999 e-mail seeking
6 submission of a plan to improve service results. (Mr. Keith reported to
7 Mr. Appel at the time.) That communication (attached to Mr. Appel's
8 Direct Testimony) required me to submit to Headquarters a corrective
9 plan by September 2, 1999—before the show cause proceeding was
10 implemented.

11
12 In any event, Mr. Poucher should know his claim is not true, as the
13 primary importance of complying with PSC measures is a continuing
14 theme throughout the documents produced to OPC. I have been at all
15 times aware of the fact that meeting PSC standards is mandatory; Mr.
16 Keith's communication to me just emphasized the urgency of that effort
17 once again.

18
19 Moreover, it is wholly implausible that the Florida management team
20 could have immediately implemented changes after initiation of the
21 show cause that would have instantly yielded improved service results.
22 Big organizations like Verizon cannot change procedures or find
23 trained, experienced personnel overnight and there are numerous
24 factors that may affect service results. Determining how the operations
25 should be modified to achieve compliance was not a quick and easy

1 task; rather, it has been something I have worked on continuously since
2 I became President in late 1998. The ongoing efforts of the Florida team
3 were first clearly demonstrated at about the same time as this docket
4 was initiated. Given the improvements that were already in place and
5 proving effective, it is very unfortunate that this docket was undertaken
6 at all. The resources directed toward this litigation could be much better
7 deployed in maintaining the improved compliance results.

8

9 **Q. WHAT ARE SOME OF THE FACTORS THAT HAVE MADE IT**
10 **DIFFICULT FOR VERIZON TO MEET THE COMMISSION**
11 **OBJECTIVES AT TIMES?**

12 **A.** Aside from the inflexible nature of the standards themselves, a factor I
13 have already discussed, there are a number of conditions that make
14 meeting repair and installation standards particularly challenging.
15 Chief among these are the extraordinary levels of rainfall and lightning
16 here and the increasing difficulty of attracting and retaining a quality
17 workforce. Verizon's installation service results have also been
18 affected by reporting and processing problems that arose after a major
19 system conversion in late 1998. I will discuss these factors in turn
20 below.

21

22 **Q. PLEASE DESCRIBE THE SERVICE PROBLEMS RELATED TO**
23 **VERIZON'S SYSTEM CHANGEOVER.**

24 **A.** In late summer 1998, Verizon implemented a new automated service
25 order entry management system. This change affected every

1 functional area of the Company, including, among others, the customer
2 contact centers, the Facility Assignment Center ("FAC"), and dispatch
3 activities. While Verizon believes the system overhaul will be
4 beneficial in the long run, it was difficult to accommodate the system to
5 management at the exchange level, and the changeover created some
6 shorter-term processing and reporting problems. System
7 implementation problems were particularly acute during February
8 through March of 1999. In the months following, it became clear that
9 order coding changes under the new system presented significant
10 problems. Since accurate service order entry is critical to timely and
11 efficient order fulfillment and manpower deployment, these problems
12 led to misses in the installation standards. In some instances, the
13 standard was actually met, but the installation date was incorrectly
14 recorded because of the coding changes. To reiterate, these errors
15 were reflected on Verizon's compliance results as misses even though
16 the work was properly completed on time. Verizon cited this problem in
17 its written explanations of its first quarter 1999 service results. (Ex.
18 JAF-10.)

19
20 The process and training issues associated with the new service order
21 system continued into the third quarter of 1999, so this unique event
22 significantly affected results for the year.

23

24 **Q. HOW DOES EXTREME WEATHER AFFECT INSTALLATION AND**
25 **REPAIR RESULTS?**

1 A. The correlation is very simple. Trouble volumes increase
2 substantially—sometimes doubling or tripling—with lightning and heavy
3 rain. At the same time, our technicians can't perform as many repairs
4 or installations during these periods due to the danger involved. So it
5 often becomes virtually impossible to meet the Commission's strict
6 installation and repair standards at these times.

7
8 Mr. Poucher points out that Tampa Bay is the thunderstorm capital of
9 the world (Poucher DT at 13.) He's close—in all the world, only the
10 Amazon River Basin has more annual lightning days than the Tampa
11 area. Rain and lightning are routine, especially in the summer months.
12 (See, e.g., JAF-11.) It is common for Verizon's installation and repair
13 results to dip during the summer, or during other periods of extreme
14 weather. In this regard, the weather phenomenon of El Nino caused
15 severe and unpredictable weather beginning in late fall of 1997. For
16 instance, El Nino caused record rainfall in parts of Verizon's serving
17 area in December of 1997, and in January, February, and March of
18 1998. I have attached a small number of the documents discussing
19 the severe weather conditions the Company has faced and the
20 difficulty of meeting service standards in the face of these conditions,
21 despite the Company's best efforts. (Ex. JAF-12.)

22
23 Because Verizon cannot control the weather, its failure to meet
24 standards because of the weather cannot be deemed willful. It is
25 simply imprudent to staff at all times to levels to meet extreme weather

1 conditions which happen only intermittently.

2

3 **Q. BUT MR. POUCHER CLAIMS THAT THE WEATHER HAS AN**
4 **UNDUE IMPACT ON VERIZON BECAUSE THE COMPANY HASN'T**
5 **SPENT ENOUGH ON PREVENTIVE MAINTENANCE. IS THIS**
6 **TRUE?**

7 **A.** No. Once again, Mr. Poucher bases his allegations on "evidence" that
8 *does not support his conclusions.* Mr. Diamond will discuss the budget
9 *and outside plant maintenance in greater detail, but I'd like to make a*
10 *few general observations.*

11

12 Mr. Poucher claims that Verizon's problems with lightning are caused
13 largely by its failure to dedicate adequate resources to bonding and
14 grounding. But the only document that purports to support this point is
15 a report showing the company's progress toward the goal of grounding
16 cross-boxes. (Poucher REP-8.) Contrary to Mr. Poucher's opinion,
17 *this document does not indicate any refusal by the Company to fund*
18 *grounding efforts; to the contrary, it is a progress report on grounding*
19 *efforts. So all that Mr. Poucher's evidence shows is that when the*
20 *Company discovers a potential source of service problems, it will*
21 *undertake to correct that problem.*

22

23 *Indeed, I have been particularly vigilant in addressing bonding and*
24 *grounding issues, as I explained earlier in my testimony. This is*
25 *certainly not the course of a Company intent on ignoring service*

1 standards.

2

3 **Q. MR. POUCHER ALSO FOCUSSES ON A COMPANY STATEMENT**
4 **INDICATING THAT DETERIORATION OF OUTSIDE PLANT NEVER**
5 **STOPS. (POUCHER DT AT 15.) IS THIS TRUE?**

6 A. Of course it is. Obviously, the deterioration process starts the moment
7 plant is put into service, so I'm not sure what point Mr. Poucher is
8 trying to make with this statement. Once again, the documentary
9 references he cites do not support his claim that budget constraints are
10 "hurting the maintenance effort at Verizon." To this end, he points to a
11 Verizon presentation explaining work that had been done to date on
12 outside plant problems and detailing the results of a program seeking
13 employee input on identifying unsatisfactory plant conditions.
14 (Poucher Exs. REP-9 and REP-10.) These are reports of efforts in
15 progress; there is no indication that such efforts were to be curtailed or
16 that maintenance projects would not be funded. Once again, these
17 documents only indicate GTE's efforts to take innovative steps to
18 identify and correct problems—not to ignore them.

19

20 **Q. CAN YOU DESCRIBE VERIZON'S STAFFING PROBLEMS?**

21 A. Yes. The Company experienced an unusually high number of
22 employee retirements in late 1998 and early 1999, driven largely by the
23 favorable effects of interest rates on individuals' pensions. With the
24 unemployment rate so low, it has been difficult to attract and retain
25 qualified workers to remedy workforce attrition. In addition, training

1 employees in repair and installation is expensive and time consuming.
2 Even when training is complete, it may take several years before a
3 technical employee gains the wide range of skills and experience
4 necessary to perform top-notch work in a variety of areas.

5
6 The entry of local competitors in recent years has also undermined
7 Verizon's ability to maintain an optimally efficient workforce. Florida is
8 one of the top states in the country in terms of numbers of competitors
9 entering local markets, and Verizon's employees are eagerly sought
10 after by our competitors. Often, Verizon invests time and money in
11 training employees only to have them hired away by competitors.

12
13 Other, ongoing staffing challenges exist, as well. I have already noted
14 the effects of severe weather on Florida operations. It is very difficult
15 to predict, let alone to staff to, peaks and valleys in weather-related
16 troubles. In addition, demand for installation tends to be higher at
17 various times—for instance, the beginning of the month, when people
18 typically move. To fill the gaps, Verizon has been forced to make
19 significant use of contractors, who are typically not as efficient as
20 regular employees in general service delivery functions.

21

22 **Q. MR. POUCHER CLAIMS THAT VERIZON'S "COMPETITIVE**
23 **STRATEGIES" HAVE HARMED THE COMPANY'S ABILITY TO**
24 **MEET THE PSC'S INSTALLATION AND REPAIR STANDARDS?**

25 **A.** No. Mr. Poucher purports to support this allegation with a reference to

1 a statement by former GTE Florida Incorporated President Peter Daks
2 about the need to "exercise cost controls directing our focus on the
3 extremely competitive markets." (Poucher DT at 20; Mr. Poucher
4 includes no citation to any document.) Mr. Poucher interprets this
5 statement to mean that "in those exchanges where competition was
6 not active and where customers had no competitive choices that they
7 would receive a lesser grade of service." (Poucher DT at 20.)

8
9 This is a strikingly broad conclusion to draw from one brief clause in an
10 unnamed document. The fact is, we don't know what, exactly, Mr.
11 Daks may have meant, assuming he made the statement, but it would
12 have been entirely reasonable for him to cite cost controls and focus
13 on extremely competitive markets as key concerns. I do, however,
14 know for a fact that Verizon has never had any program to provide
15 some customers service below Commission standards based on the
16 level of competitive activity in their areas.

17

18 **Q. BUT WHAT ABOUT THE HEADQUARTERS PLAN MR. POUCHER**
19 **CITES TO SELECT AREAS FOR PREFERENTIAL INSTALLATION**
20 **AND REPAIR SERVICE (POUCHER DT AT 20-21 & REP-21)?**

21 **A.** The document Mr. Poucher cites as evidence of this plan is not what
22 he claims it is. For a time, Company Headquarters did require the
23 regions to report repair clearing intervals and certain other results
24 according to the level of competitiveness in particular exchanges (*i.e.*,
25 extremely, highly, or moderately competitive). This was a short-lived

1 experiment; the regions no longer report any results in this way. The
2 more important point, however, is that these reports had nothing to do
3 with Commission service standards and in no way demonstrated any
4 plan to lower standards in certain exchanges. Verizon's business was
5 never managed to these indicators (as is evident from the statistic that
6 businesses in the least competitive areas received faster repair
7 clearing times than those in the most competitive areas).

8
9 The reports were used principally to evaluate the viability of
10 investments in new products and services in various areas. In any
11 event, almost all—93%—of Verizon's exchanges fell into the "extremely
12 competitive" category, so this measurement technique had little
13 meaning in Florida.

14

15 **Q. ISN'T IT TRUE, THOUGH, THAT BUSINESS CUSTOMERS**
16 **TYPICALLY RECEIVE FASTER REPAIR TIMES THAN RESIDENCE**
17 **CUSTOMERS?**

18 **A.** Yes; I believe this is a common industry practice. Telephone service is
19 essential to the operation of most businesses and businesses pay
20 substantially more for local service than residential customers do. It is
21 thus reasonable for businesses to obtain somewhat faster repair
22 responses (although installation intervals are often longer). Business
23 customers' rates are above the costs of providing their service;
24 residential customers' rates, on the other hand, are generally well
25 below their associated costs.

1
2 In addition, it is not unreasonable for Verizon to place primary
3 emphasis on retaining its business customers. These are the most
4 lucrative customers—the ones that provide the contribution essential to
5 keeping residential rates low. Precisely because business customers
6 provide the highest profit margins, most local competitive entry has
7 been in the business sector. Verizon has already lost a significant
8 percentage of these profitable customers to its competitors, which are
9 not obligated to support state universal service goals. Verizon is left to
10 shoulder the entire universal service burden itself, a task which will
11 become virtually impossible as competitors win more and more of the
12 profitable markets like business and intraLATA toll. Under these
13 circumstances, it would be irrational and imprudent for Verizon not to
14 direct significant efforts toward keeping its business customers.

15

16 **Q. IS THE JANUARY 1, 1996 START DATE OF THIS INVESTIGATION**
17 **SIGNIFICANT IN TERMS OF VERIZON'S REPAIR AND**
18 **INSTALLATION PRACTICES AND POLICIES?**

19 **A.** No. Mr. Poucher claims this date is significant for this docket because
20 that's when price regulation began for the large ILECs, including
21 Verizon, in Florida. (Poucher DT at 3-4.) He's correct about the date
22 price regulation began, but his implication that price regulation caused
23 Verizon to disregard the PSC's service standards is wholly unfounded
24 and irresponsible. There is no evidence that GTE reduced its
25 emphasis on service standard compliance as of January 1, 1996.

1 Indeed, price cap regulation had exactly the effect on GTE that it is
2 supposed to—it compelled the Company to operate in the most
3 prudent and efficient manner practicable.

4

5 **Q. WHAT IS YOUR RESPONSE TO THE DIRECT TESTIMONY OF**
6 **COMMISSION STAFF WITNESS, DONALD B. MCDONALD?**

7 A. Mr. McDonald's Testimony basically summarizes the compliance
8 reports and service audits from 1996 through 1999. I have no reason
9 to believe his figures are inaccurate. I do, however, take issue with
10 one statement Mr. McDonald makes. He states that the Company's
11 compliance reports, which show an unusual increase in installation
12 misses for 1999, indicate a "degradation of service in the area of
13 installation." The 1999 installation figure should be viewed as an
14 aberration, rather than an indication of a decline in installation service.
15 In particular, as I discussed earlier, the service order entry system
16 changeover experienced throughout much of 1999 seriously affected
17 installation results, producing an unusually high number of reported
18 misses. In addition, both out-of-service and non-out-of-service reports
19 in the summer of 1999 were high, making it necessary to direct
20 available manpower away from installation to repair. 1999 is most
21 properly viewed as a recovery year, with the Company establishing the
22 processes and strategies that would enable it to attain sustained
23 compliance with PSC results in the future. Indeed, results for 2000
24 and 2001 prove that there is no service degradation trend. In any
25 event, Mr. McDonald does not claim that any of Verizon's misses on

1 the service standards at issue were willful.

2

3 **Q. PLEASE COMMENT ON MR. POUCHER'S RECOMMENDATION**
4 **THAT THE COMMISSION FINE VERIZON \$19.3 MILLION IN THIS**
5 **CASE.**

6 A. As I have discussed here, no fine at all is warranted in this case, let
7 alone a fine as ridiculously high as \$19.3 million. To place OPC's
8 recommendation in perspective, recall that the Commission Staff had
9 recommended that the Commission approve Verizon's offer of \$50,000
10 in settlement of this case. That settlement would likely have been
11 approved, but for OPC's intervention.

12

13 As another point of comparison, we can look at the slamming cases
14 that have been before the Commission. Those cases, like this one,
15 usually involve *allegations of multiple violations of Commission rules*.
16 To my knowledge, no such case has ever gone to hearing. But in
17 settlement agreements, I believe the Commission typically accepts
18 *per-occurrence amounts in the range of \$1000 per violation*. If the
19 Commission used that standard in this case and determined that all
20 773 repair and installation misses for the period at issue were willful,
21 the fine would amount to \$773,000—a substantial penalty, to be sure,
22 but not of the magnitude OPC suggests.

23

24 Indeed, I am not aware of any multiple-occurrence situation where the
25 Commission has come close to levying the full \$25,000 per violation

1 penalty that it may under the relevant statute. Certainly, this is not the
2 case to create new precedent in this regard. Not even OPC has
3 alleged conduct so egregious as to merit the maximum per-incident
4 fine. It has produced no evidence reflecting any policy or practice of
5 disregarding this Commission's service standards. Absent such
6 evidence, OPC has had no choice but to try to build a case upon
7 unjustified inferences, rather than facts.

8
9 The issues designated for resolution in this case require the
10 Commission to make specific findings as to "how many" willful
11 violations of the respective repair and installation standards may have
12 occurred. (Order No. PSC-00-0686-PCO-TL at App. A.) As such, in
13 order for the Commission to accept OPC's recommendation to fine
14 Verizon for every one of the 773 service standard misses, the
15 Commission would have to examine each of these individual misses;
16 conclude that each one could have been prevented if Verizon had
17 spent more money on maintaining the network; and that Verizon knew
18 it could have prevented each miss by spending more money. OPC has
19 not even attempted to do the requisite analysis; it has proven no willful
20 violations, let alone 773.

21
22 **Q. ARE THERE OTHER FACTORS THE COMMISSION SHOULD**
23 **RECOGNIZE IN DECIDING THIS CASE?**

24 **A.** Yes. The Commission should keep in mind that Verizon has a
25 voluntary service performance guarantee program, under which it paid

1 customers almost 3 million dollars from 1997-1999 for missed
2 installation and repair commitments.

3

4 **Q. WHAT IS VERIZON'S RECOMMENDATION FOR THE COMMISSION**
5 **IN THIS DOCKET?**

6 A. The Commission should close this docket without assessing any
7 penalties against Verizon. The OPC has not and cannot prove that
8 Verizon's periodic failures to meet the Commission's service standards
9 were in any way willful. None of the documents Mr. Poucher cites
10 indicates that compliance with the PSC's service standards was
11 anything other than a top priority for Verizon's management in Florida
12 and at Headquarters. While Verizon has missed the repair and
13 installation standards at various times, the Company has done the best
14 it can, given the unusually stringent nature of the Florida standards and
15 ongoing challenges such as extreme weather and the difficulty in
16 retaining quality workers. Finally, and perhaps most importantly,
17 Verizon's service quality results over the past year and a quarter have
18 been exemplary. The programs I undertook shortly after I became
19 President (*and before this show cause began*) have clearly proven to
20 be effective. As such, there is no need for punitive or remedial
21 measures to ensure sustained compliance.

22

23 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

24 A. Yes.

25

1 BY MS. CASWELL:

2 Q And do you have a brief summary of your testimony
3 today, Mr. Ferrell?

4 A Yes, I do.

5 Q Can you give that to us now?

6 A Yes, I will.

7 As president of Verizon Florida, I am responsible for
8 the company's quality of service to our customers, including
9 compliance with PSC measures. Under my leadership, Verizon has
10 met the repair and installation standards, for the past year
11 and a half has had the top Commission repair and installation
12 scores among the large ILECs. Our local management team is
13 achieving these results, despite the fact that Florida has some
14 of the toughest standards in the nation.

15 Even when the company missed the installation repair
16 standards by small percentages in the past, its results still
17 demonstrated a high level of customer service. In 1998 and
18 1999, Verizon repaired out-of-service conditions in 24 hours
19 almost 93% of the time. It completed primary service
20 installations within three days 87% of the time in 1999 and
21 almost 96% of the time in 1998.

22 In 1997 and '98, Verizon had the highest score of any
23 Florida ILEC on its Commission service audits, and Verizon
24 customer complaints have decreased significantly since 1997.
25 In most states Verizon's service results and its service record

1 would be considered exemplary.

2 As telecommunications technology rapidly evolves and
3 customers' needs change almost daily, Verizon looks forward to
4 working with the Commission to craft service standards that
5 better reflect today's dynamic service environment. However,
6 the company's emphasis on current PSC measures, both at the
7 local and corporate level, has been constant. Compliance with
8 the PSC standards is considered an absolute baseline
9 requirement for the Florida president and the management team.
10 It's also an exceedingly tough requirement to meet,
11 particularly given the strict standards here in Florida.

12 It's true that the company did have some issue with
13 repair and installation measures at times from '96 through
14 1999, but there were good reasons for these problems, including
15 severe and sometimes unprecedented weather, major systems
16 changeovers, and difficulty retaining experienced and trained
17 employees. Verizon explained these reasons for its misses in
18 the quarterly reports it files with the Commission. Most
19 importantly, none of Verizon's service standard misses were in
20 any way willful.

21 Contrary to public counsel's allegations, Verizon did
22 not deliberately allow its network to deteriorate, understaff,
23 or fail to undertake preventive maintenance because of
24 budgetary constraints. And while balancing cost and quality is
25 critical for the survival of any telecommunications company

1 today, everyone on my management team understands that PSC
2 measures are not to be traded off. When there is tension
3 between a budget target and service quality, I have spent the
4 money I believe is necessary to get the job done, even when it
5 meant exceeding the current budget.

6 If public counsel were right about massive
7 overfunding, then it should have taken a lot of money to
8 improve service results as we have demonstrated, but the road
9 to success was not paved with massive capital and expense
10 infusions.

11 Florida operations has not had additional money or
12 greater head count, and my budget targets are even more
13 ambitious than those of my predecessor. Those are the
14 realities of a competitive marketplace. I came to this job
15 with a deep understanding of the fundamentals of running the
16 business. The changes, I am a new management team implemented,
17 which are detailed in my testimony, focused on the basics of
18 increasing productivity, decreasing trouble, and reducing
19 unnecessary field dispatches. This is a more prudent,
20 effective and less costly strategy than simply throwing more
21 money at increasing repair and installation demand loads.

22 The efforts to improve our service delivery
23 intensified upon my arrival in Florida in late 1998 and has not
24 been as quick or easy as public counsel would have you believe.
25 It was unfortunate that the Show Cause proceeding was

1 undertaken at about the same time the company realized a
2 sustained improvement from these efforts.

3 There's no justification for any fines or other
4 penalties in this case. There's no evidence that Verizon ever
5 willfully violated the Commission service standards. And given
6 Verizon's record over the past year and a half the Commission
7 should be assured that the company needs no external prompting
8 to sustain compliance with the standards.

9 Finally, the Commission should keep in mind that
10 Verizon Florida has a voluntary service program, performance
11 program, which is routinely communicated to our customers that
12 are contacting our order and repair centers. Under this plan,
13 Verizon paid out almost \$3 million in the three years from 1997
14 through 1999 for missed installation and repair commitments.

15 Thus, to the extent the customer was inconvenienced,
16 their situation has been addressed by the company. We feel
17 strongly we have met our commitment to our customers and the
18 PSC and will continue to do so in the future.

19 That completes my statement.

20 MS. CASWELL: Mr. Ferrell is available for cross
21 examination.

22 CHAIRMAN JACOBS: Very well.

23 CROSS EXAMINATION

24 BY MR. BECK:

25 Q Good afternoon, Mr. Ferrell.

FLORIDA PUBLIC SERVICE COMMISSION

1 A Good afternoon.

2 Q Could you describe the scope of your
3 responsibilities?

4 A Yes. The current scope of my responsibilities, I'm
5 responsible for operation of outside plant, which means
6 installation, repair of outside plant facilities, construction
7 with outside plant facilities. I also serve as the team lead
8 for what we call the regional customer services team in Florida
9 and responsible to coordinate all activities associated with
10 delivering service to our telephone customers in Florida.

11 Q Are there areas of your business in Florida that
12 don't come under the scope of your job?

13 A Yes, considerably.

14 Q What are those?

15 A Well, sales channels are not directly under my scope,
16 engineering currently is not under my scope. These are recent
17 changes due to the Verizon merger; network switching or
18 operations, which is central office maintenance, is no longer
19 under my direct scope. But again, I remind you, I lead the
20 regional customer service team effort in Florida to try to
21 bring all of those together for service delivery issues.

22 Q Okay. And just to get a good view of what your job
23 is, who is responsible for sales?

24 A Sales is broken up into several different channels;
25 one being wholesale, those are vertical markets, meaning that

1 they are national organizations. There is consumer sales,
2 there is small business sales, and there is enterprise sales,
3 which is our largest business customers.

4 Q Are there any people located in Florida that are --
5 is there a person or persons that are an overall --

6 A There are directors in charge of each of those
7 departments I mentioned.

8 Q Okay. And you mentioned engineering is not within
9 the scope of your responsibility anymore?

10 A Not today.

11 Q What is engineering, first of all?

12 A Outside plant and inside plant, planning and
13 engineering, which takes care of all the design and work
14 orders, producing the work orders for new construction.

15 Q How about defective output plant, would that be under
16 your --

17 A Yes, it is.

18 Q Okay. But new plant -- what, to serve new customers
19 would not be?

20 A The engineering of new plant and also the engineering
21 of defective outside plant is done by our IP or Infrastructure
22 Provisioning organization. It's then handed off to our
23 construction organization which is under my direct view at
24 this point and time.

25 Q Could you compare and contrast your responsibilities

1 with that of Mr. Blanchard?

2 A I am responsible for operations, customer operations
3 in the Florida Region. I also serve as the, again, the
4 regional customer service team leader for all those operations
5 in Florida and I also serve as a customer interface when there
6 is issues with customer and also employee interface.

7 Mr. Blanchard is in charge of regulatory and public affairs and
8 legislative for the state of Florida and others.

9 Q What is the magnitude of the budget over which you
10 have control?

11 A Well, it varies, but this year for the year 2001,
12 budget targets right now are around \$100 million.

13 Q When you first arrived in Florida, what was the
14 magnitude of your budget?

15 A Closer -- it was probably cl-- you know, I can't give
16 you an exact number, but I would say it was probably closer to
17 200 million or 190 million. That's probably wrong.
18 Mr. Diamond's the best source for that information.

19 Q Okay. Do know how many access lines Verizon has in
20 Florida?

21 A I would say roughly 2.5 million customer lines.

22 Q Do you have an idea of the magnitude of your yearly
23 intrastate revenues?

24 A Intrastate? No, I don't.

25 Q How about total company revenues from Florida?

1 A Just from Florida? Gross revenues?

2 Q Yes.

3 A I haven't seen the latest numbers for 2001, so I
4 really don't know.

5 Q How about 2000 or 1999, just in order of magnitude?

6 A That would include wholesale, that would include all
7 markets. And, I think, it was roughly \$1.7 billion.

8 Q And what time period are you referring to?

9 A I believe that was 1999.

10 Q What was your position before becoming president of
11 Verizon Florida?

12 A I was director of remote operations support in
13 Dallas. I worked at headquarters Staff.

14 Q What was the time period that you held that job?

15 A 14 months, between -- I think, it was between July of
16 '96 until, I believe, November of '98 when I came to Florida.

17 Q More than 14 months?

18 A Yeah, somewhere in there.

19 Q Over two years?

20 A Well, no, let's see, add it up. July of --

21 Q '96 is what you said.

22 A Oh, July '97, I'm sorry.

23 Q Okay. So, July '97 through November of '98?

24 A That's correct.

25 Q And where were you before July '97?

1 A I was in Thousand Oaks, California.

2 Q Okay. And just referring to that period when you
3 were in July '97 and November '98, what exactly did your job
4 entail there?

5 A I was director of remote operations support. I had
6 remote staffs in each of our regions at that time, and I
7 provided direction to those staffs, those staffs provided
8 direction or assistance and staff support to each region
9 president within GTE at the time. I also provided assistance
10 and support for Mr. Red Keith, who had all of the regions
11 reporting to him at that time.

12 Q Did you report to Mr. Keith?

13 A No, I didn't.

14 Q To whom did you report?

15 A Barry Paulson, who was at that time vice president of
16 centralized staff for GTE.

17 Q But you worked with Mr. Keith in some areas?

18 A Yes.

19 Q Okay. And what was your relationship to the
20 president of Florida when you were in that position in Dallas?

21 A I provided staff support for him.

22 Q In what way?

23 A The remote operations support group basically
24 provided -- we were implementers of headquarters processes for
25 field operation, central office operations at that time, so as

1 there were new plans that were to be implemented, our remote
2 groups worked with staff and field -- or the field operations
3 in each region, including Florida, to help that region roll
4 those out to their employees, whether that be just a process
5 system or training, something of that nature.

6 Q I guess, I'm not clear what a process or system is.
7 Can you give an example?

8 A For instance, a new system to support dispatch of
9 employees to take care of installation or repair load. If
10 there was a new change to that, the remote operations support
11 people would work with field operations to make sure that they
12 understood the changes and implement those in an effective
13 fashion.

14 Q I'd like to ask you some questions about an exhibit
15 we identified before the hearing. It's called Florida Region
16 December 1999 Operations Review. I'd like to ask that this
17 exhibit be marked for identification.

18 COMMISSIONER DEASON: It will be identified as
19 Exhibit 11.

20 (Exhibit 11 marked for identification.)

21 BY MR. BECK:

22 Q Mr. Ferrell, do you recognize this exhibit?

23 A Yes, I do.

24 Q Can you describe in general terms what it reflects?

25 A In general terms, it's just a listing of key measures

1 that was -- it's probably one page from several hundred in an
2 operations review. Actually, let me rephrase that. This is
3 probably the monthly review, and it is key measures from that
4 review that we send to headquarters.

5 Q And this is the report for December of 1999; is that
6 right?

7 A That's what it says, yes.

8 Q And it gives a number of year-to-date figures for
9 1999; does it not?

10 A Yes, it does.

11 Q And so that would reflect the full year in this case,
12 since it's December of 1999?

13 A Yes, where it says year-to-date -- well, it would be
14 through December. I'm not sure -- if this was published in
15 December, then it would have only included through November.
16 If this is what published in January and this is December, then
17 it's the full year, and I'm not sure from the date down here.
18 I'm going to assume it's the full year.

19 Q Let me ask you, specifically, about some statistics
20 for clearing intervals that appear on the right column, not
21 halfway down, maybe about a quarter of the way down under
22 Service Assurance Repair. There's some statistics for clearing
23 intervals for both business and residences in there; is there
24 not?

25 A Yes, there is.

1 Q Okay. Could you describe what clearing intervals
2 are?

3 A A clearing interval would be -- and this would be for
4 repair only -- this would be the average time it took per
5 ticket from the time we received the customer's trouble until
6 the time it was cleared.

7 Q And the very right-hand column, that shows your 1998
8 actual statistics for these matters; does it not?

9 A Yes, it is.

10 Q And then, if we go over two columns to the left of
11 that 1998, we show the year to date in 1999 for those
12 statistics; does it not?

13 A It shows the year to date 1999.

14 Q Right.

15 A Yes.

16 Q And so, if we go down to clearing intervals for
17 business, we see that in 1998 the actual was 11.7 hours for
18 business?

19 A Yes.

20 Q Okay. And in 1999, that decreased to 10.04; is that
21 right?

22 A That's correct.

23 Q And you were president of Florida during that entire
24 period of 1999; is that correct?

25 A That's correct.

1 Q And could you describe how you succeeded in
2 decreasing the intervals for business?

3 A For just business?

4 Q Right.

5 A Well, they're very different between business and
6 residence, but primarily what we did was focus on reducing
7 troubles. And as I said throughout my testimony, what we
8 focused on, what I focused on when I first came to Florida, was
9 assessing the situation, bringing a new management team in
10 place to take a look at better ways of delivering service to
11 customers.

12 And what we did is focused on what the drivers of
13 those troubles were and try to eliminate that. One of the
14 drivers was productivity. We tried to improve productivity
15 which, I think, we were successful. Another one was repeated
16 visits, which we call rework or first-time yield. We were very
17 successful over a period of time to do that. We used a very
18 concentrated effort on maintenance to reduce what we thought
19 was unwarranted workload, and that allowed us to bring time to
20 improving these clearing intervals. Business is very different
21 than residence.

22 Q Are all the things you just gave us related to
23 business?

24 A And residence. They're both the same. The plans
25 were very similar.

1 Q Well, let me ask you, the residence, as I see it,
2 increased by two hours in 1999?

3 A Mm-hmm.

4 Q So, all those efforts you just mentioned didn't apply
5 to residence.

6 A They did apply to residence.

7 Q Well, then why did residence increase by two hours in
8 1999?

9 A The amount of residence demand versus business demand
10 is higher, and the amount of effort it took to bring clearing
11 intervals in line or improve clearing intervals so much -- I
12 would say a lot more effort was needed to do that. Business --
13 again, these measurements are not identical.

14 Q Describe the difference between residential and
15 business.

16 A You bet. Business includes one-line business to
17 multiline business network troubles. So, if a person is having
18 systems problem with five lines, 20 lines or one line, they
19 would be reported here. Now, if it was five lines, the
20 clearing time it took could possibly be the same as it would
21 take to clear one line, but you cleared five, so the average
22 will always appear a little less.

23 Q You lost me right there.

24 A Okay. If it took two hours to clear one case of
25 trouble on business, it may only take 2 hours or 2 1/2 hours to

1 clear five cases with the same customer who had five lines that
2 may have had a trouble.

3 Q So, would the two hours be counted five times here or
4 once?

5 A It would be an average, so it would be counted five
6 times as an individual ticket.

7 Q So, if it took you ten hours to clear five lines,
8 you'd report it as two?

9 A No.

10 Q I don't understand.

11 A Okay. I have five lines, if it took two hours to fix
12 it, you have five individual tickets cleared two hours each.

13 Q I see. So, each line would take whatever the time
14 interval is here.

15 A Well, no, because if again it took one -- let's say
16 it took one repair technician two hours to fix the trouble, in
17 a business situation it could have been five lines that they
18 repaired; in a residence situation, it's one.

19 Q So, you report each line was fixed in two hours for
20 the statistic.

21 A Yeah, it's the same two-hour period, though. So,
22 when you try to compare the measurements, they're not exactly
23 the same because of the effect of multiline business.

24 Q The one thing I don't understand is why did business
25 decrease but residential increased? Why the difference in the

1 direction?

2 A Why the difference in the direction?

3 Q Mm-hmm.

4 A The business organization is a very different
5 organization, yet we use different classification of
6 technicians for business. I don't have the volumes in front of
7 me, so it's very hard to determine if the business volumes were
8 much lower that year or higher that year or how they may have
9 came in through seasonality.

10 As we know, a lot of the numbers we've been talking
11 about today and what is in my testimony are averages and
12 monthly volumes, but we know in the real world things happen
13 day by day by day and you have to take account for that. So,
14 it's very hard to determine that. We had a very focused effort
15 on business, as which we should and, I think, it's standard
16 practice among all companies to have a focused practice on
17 service delivery for business customers. Business customers
18 depend more, in terms of reliability and the operation of their
19 own business, on telecommunications. They pay more money.
20 They are under the most competitive threat, so I think we'd be
21 foolish not to. So, we have a dedicated focus on business and
22 a dedicated focus on residence but, however, they both bleed
23 over when you look at outside plant, preventive maintenance
24 it's one plan that attacks both. Many of these issues for
25 business could have been very different than the issues that we

1 were facing with residential customers.

2 Q You'd agree that Verizon has not even been having
3 much trouble meeting the Commission's service quality for
4 business customers?

5 A Our own internal objective is a certain percentage
6 cleared within eight hours, and we have not been meeting that
7 at this point and time.

8 Q Compared to what for residential?

9 A 24 hours.

10 Q Okay. So, you're providing significantly faster
11 repair service for business?

12 A Well, again, business service is not measured the
13 same as residential. We give consideration to business,
14 because typically they're only open from 8:00 to 5:00, so we
15 have to make access arrangements, we have to give shorter
16 intervals in order to satisfy that customer. In reality, when
17 you look at clearing times, we do take consideration for that.

18 Q The Commission's rule does not distinguish between
19 business or residential service; does it not?

20 A That's correct.

21 Q So, when you report your results for the Commission's
22 rules, it's the combination of both business and residential;
23 is that right?

24 A A combination of, I believe, single line business and
25 residence.

1 Q Do different workforces repair business as compared
2 to residential?

3 A Most of the time.

4 Q I mean, you have a dedicated workforce just for
5 fixing business repairs and then a separate workforce for
6 making residential repairs?

7 A Well, we'd have to define business repairs, because
8 business repairs can be anything from network which we've
9 talked, I think, or quite a bit what we're talking about in our
10 testimony today to CPE or Customer Provided Equipment to
11 special service circuit data, et cetera, they're intermixed
12 within the business environment.

13 Back in the time period we're talking -- well, from
14 the time I was responsible in mostly 1999, we had a separate
15 business workforce that handled our customers' systems, such as
16 PABX key systems and we had another workforce that did most of
17 the network installation and repair. However, both workforces,
18 primarily could do the same work when the workload increased,
19 and that was a way of trying to smooth out the service
20 problems, so during our peak period we would put more workforce
21 on that particular problem.

22 Q Okay. So, you had one workforce that was able to
23 decrease clearing intervals for business from 11.7 hours to 10
24 hours between 1998 and 1999?

25 A Mm-hmm.

1 Q A separate workforce that increased clearing
2 intervals for residence from 19.3 to 21.3 hours in 1999?

3 A It would seem that way on the surface.

4 Q How is that wrong?

5 A Well, it's not wrong. The numbers are very accurate.
6 Again, I don't know the basis of the numbers, so a lot has to
7 do with the amount of demand that you have and the periods of
8 those demand. Also, we have to take a look at what we call
9 first-time yield or quality. There was a very heavy push in
10 the first year that I was in Florida to improve quality of
11 performance by meaning that troubles you would install -- I
12 should say systems that we do install and services would not
13 have trouble in seven days or repair, we would not come back
14 within 30 days, so we put a big emphasis on that. I think, the
15 business customers may have been -- or the business technicians
16 may have been more successful in improving that, thereby,
17 improving also their clearing intervals.

18 COMMISSIONER JABER: Mr. Ferrell?

19 THE WITNESS: Yes, Commissioner.

20 COMMISSIONER JABER: During the time period of
21 January '96 through December of '99, was your workforce -- your
22 maintenance workforce separate between business and
23 residential?

24 THE WITNESS: I believe, it was between '96 and '99,
25 and it still is today.

1 COMMISSIONER JABER: And during that time period,
2 were you allocating any of the business workforce to the
3 residential section to address service interruptions and
4 repair?

5 THE WITNESS: Yes. I can't answer between '96 and
6 '98 before I arrived, but I can tell you from the time I
7 arrived yes, we were. We would, on a regular basis look at our
8 workload -- in fact, we monitor our workload twice a day in
9 what we call our DRMs or Division Resource Management centers
10 to determine what the workload is, the commitment time that
11 we'll meet PSC objective or better and the available workforce.

12 And from that, we determined how many technicians we
13 may need in a particular area or how many technicians we may
14 need to work overtime or how many we may need to bring from
15 another classification, such as from what we call our business
16 zone technician to our customer zone technician for
17 residential.

18 COMMISSIONER JABER: Are those decisions made daily?

19 THE WITNESS: Yes, Commissioner, they're made twice a
20 day, morning and at 1:00.

21 COMMISSIONER JABER: Where are your new maintenance
22 employees? Where do they start? Do they start in the
23 residential workforce section?

24 THE WITNESS: Yes, Commissioner, they start in the
25 residential as installers, actually.

1 COMMISSIONER JABER: So you have more seasoned
2 maintenance employees in your business section?

3 THE WITNESS: Very true. Very true. That's correct.
4 BY MR. BECK:

5 Q Would it generally be true, Mr. Ferrell, that if you
6 had more people dedicated to an area that they can get faster
7 service?

8 A Repeat that again.

9 Q Well, Let's look at your group giving service to
10 business. You have more people, you can provide faster
11 service.

12 A Actually, for the period 1999, we had fewer
13 technicians per business access line than I had for technicians
14 for residential access lines.

15 Q Right, and you had different numbers, a lot more
16 residential access lines also, right?

17 A But what I'm saying is that, for instance, for every
18 one technician in residential I served probably 1,950 lines
19 and, I believe, for every business technician it was closer to
20 something a little over 2,000 lines. So I had fewer business
21 technicians for the number of lines.

22 COMMISSIONER JABER: But again, those were your more
23 experienced employees.

24 THE WITNESS: Those are the more experienced
25 employees, that's correct, plus they do more than the network

1 trouble that we see here. By network, I mean, from our
2 switching network to the customer's premise, they would also do
3 systems and data.

4 COMMISSIONER JABER: So, even when you started in '98
5 and '99, why would your plan not involve moving some of your
6 more seasoned, experienced employees into the residential part
7 so that you wouldn't have missed?

8 THE WITNESS: Well, that was -- you're quite right,
9 that was part of our plan. Let me explain a little bit about
10 how our contract works. And first of all, the more
11 experienced, what we call BZT 1s or Business Zone 1 Technicians
12 are our highest paid classification in the outside plant
13 classification. We also have what we call the 201 labor group
14 or the repair persons, which is the next lowest class and the
15 301 installation, which is the bottom class in terms of pay for
16 our technicians.

17 The typical migration is when we hire new off of the
18 street, it is a 301, and they learn installation and then after
19 a year or two become proficient with that and then when there
20 is a vacancy allowed, then they can bid on the 201
21 classification or higher.

22 So by contract, it was very difficult to take BZT 1s
23 or Business Zone 1s and move them into the residential.
24 However, we had in 1999 a classification called Business Zone
25 Technician 3, who was able to do installations and some minor

1 repair for business services. We regularly asked for
2 volunteers from that group to come over into the residential
3 group. And by contract, at the time, we had to ask for
4 volunteers to come in and do the work. It wasn't one where we
5 could just assign it automatically, so there were many
6 limitations.

7 Part of the plan I worked toward in 1999 was to
8 eliminate some of those limitations in the contract. We had a
9 very successful negotiation, a very hard and tenuous
10 negotiation with the union, but I think we came to fair terms
11 on both sides and we were able to accomplish some of the things
12 that I believe would help deliver customer service, including
13 what we're talking about right now. Unfortunately, we weren't
14 able to really see the fruits of those until -- in 2000, 2001.

15 BY MR. BECK:

16 Q Could you briefly describe the process of how it's
17 handled when a complaint comes in that the person's out of
18 service? What happens internally with that report?

19 A Okay. You mean a repair call?

20 Q Right.

21 A Business or residence?

22 Q It's different?

23 A Yes, could be.

24 Q Let's go over residence.

25 A Okay.

1 Q What happens when you get a repair call for a
2 residence line?

3 A Today -- back in 1999 our CARE center would have
4 taken that call. Today, it has a new name, the VRRRC, would
5 take that call, where we would then ask the customer exactly
6 what the problem was. We would do an on-line test for that
7 customer and make a determination whether this trouble was
8 something that could be handled by the inside workforce, say
9 the technician at the CARE office or needed to go to a central
10 office or needed to be referred to a long-distance company or
11 another connecting company or needed to go to the field. Those
12 automated tests were done, a decision was made. We would then
13 give the commitment to the customer.

14 The commitment was based on the time we received the
15 call in our cutoffs. To try to work in efficient force,
16 depending upon the load at the day, we would take our clocks
17 from our division resource management and say, noon, anything
18 before noon we would quote before 8:00 at night or anything
19 after noon we may go to the next morning, always keeping under
20 the 24 hours in an out-of-service situation.

21 So, once that commitment was made with a customer,
22 the ticket is automatically routed to wherever the care
23 representative felt it should go. And if it was to, let's say,
24 the field it would go to what we call an AWAS or dispatch
25 center. It goes into the center, where our AWAS, which is our

1 Automatic Work Administration System, would make a
2 determination on the type of trouble and determine who to send
3 that to. It would look for the most efficient route or
4 employee to send that to.

5 That all makes assumptions that the system is
6 perfect, and it's not. And since 1999, we have made
7 improvements on the system in the way we do that, but in any
8 event, from there it goes into the system where the technician
9 would get it on their handheld computer and then route to that
10 particular job, fix the case of trouble, communicate that with
11 the customer, close out the ticket with the customer, and close
12 out the ticket with CARE.

13 Q Once a determination is made that a dispatch is
14 required to fix a case, what determines how long it's going to
15 take before the repair person can get out there and fix it?

16 A What determines how long? Again, I'll go back to
17 what I just previously said. We have -- twice a day we monitor
18 our demand load and we look at our availability and from that,
19 we adjust what we call our clocks in our division resource
20 management group. And based on the time we receive that call,
21 then we give the system -- we tell the system tables what time
22 we can repair that trouble or we may take an appointment from
23 the customer.

24 If we find that access may need to be required, such
25 as there may be a dog or a fence or maybe this looks like

1 inside trouble which, by the way, is the majority of our
2 trouble, inside the customer's home, then we may make an access
3 arrangement and we have available appointment schedules for
4 each of those days and we'll sign it with the customer.

5 Q But once the company determines that a dispatch is
6 required --

7 A Mm-hmm.

8 Q -- how quickly you can get somebody out there is at
9 least dependent in part on how many people you have that can go
10 out; is it not?

11 A Well, it's dependent on the load for the day and how
12 many we can put on that load.

13 Q How many troubles and how many people?

14 A How many troubles, how many installations, how many
15 are on vacation today, and what the load is available, what
16 type of trouble it is, what type of technician we may need to
17 send, because not all troubles are sent to the same types of
18 technicians. It depends upon their skills and their training.

19 Q Okay. And if you don't have enough people, then you
20 may not be able to meet the 24-hour requirement.

21 A Hypothetically, that's true.

22 Q I still don't understand why the repair time for
23 residence went up between '98 and '99. Is there any other
24 explanation you have?

25 A To be honest with you, the repair time -- the

1 clearing intervals were an important measurement against what
2 we call CSI or Customer Satisfaction Index. What we're looking
3 at, we primarily manage by, was the out of service and 24
4 column, okay? So, we did many things; me, meaning we, the
5 team, the new team we had in place in Florida, did many things
6 to try to improve the efficiency of our division resource
7 management group.

8 Now, the resource management group for business and
9 for residence are two different groups. They run different
10 systems, because there are different needs for different
11 customers, so it's very possible that some of the things that
12 we were doing with division resource management, you know,
13 weren't quite as effective in residence as they were in
14 business, because they're two different types of, basically,
15 customer and service that we provide.

16 So, we were doing many things to improve out of
17 service in 24 hours, which has been the key measurement for the
18 telephone industry for some time. Clearing times weren't
19 really tracked that hard. It is a measurement that's on here.

20 Q Okay. I'm going to ask you to look at the Exhibit
21 REP-21, the last exhibit, last page of Mr. Poucher's testimony.

22 A 21? See if I have that. I don't think I have that.
23 Oh, this one, mm-hmm.

24 Q This shows your clearing intervals for residence and
25 business in 1997; does it not?

1 A 19--

2 Q December, year-to-date 1997?

3 A Yeah, '97, correct.

4 Q And you see that the repair clearing intervals for
5 residence in 1997 were in the 17-hour range, right?

6 A That's correct.

7 Q They went up to 19 hours in 1998 and again up to 21
8 hours in 1999. Do you have any explanation for that steady
9 increase in repair clearing intervals?

10 A In repair clearing intervals?

11 Q Yes.

12 A No, I don't. Again, intervals can change drastically
13 with just minor changes in division resource management
14 procedures. Again, the main thing we were tracking was
15 out-of-service trouble within 24 hours. I'd also point out
16 again the difference between business and residence that
17 business technicians are some of the highly trained, and the
18 business environment is much different. You have very much
19 fewer no-access situations, businesses are typically open, and
20 we have a much easier time getting to that trouble and quicker,
21 so that also makes a difference in why business looks so much
22 dif-- could have improved more than residential.

23 Q The amount of rain experienced by your company was
24 much less in 1999 than it was in 1998.

25 A Well, I would say four inches is not much less.

1 Q Is that the average difference between '98 and '99?

2 A No, that's '99, 2000, that's right. '98 I'm not
3 familiar with. I know El Nino had quite a bit of rain here.

4 Q With less rain in 1999, shouldn't clearing intervals,
5 all other things being the same, have gone down?

6 A Not necessarily. One thing about weather in plant is
7 that what I saw is that the rainfall levels had really driven
8 up the groundwater tables, so we were still fighting, I think,
9 El Nino type water issues within plant even in 1999.

10 Also, when you have that kind of rain and lightning,
11 you get slight damages that create leaks that usually don't
12 show up for a year or two and then you're working on them, so
13 rainfall doesn't immediately have an impact on repair. Where
14 it has a real immediate impact is, typically, on customer
15 drops.

16 Heavy rains and lightning typically show up more
17 appropriately in customer drops, because of all the activity
18 around a customer's home. We don't do preventive maintenance
19 on customer drops. And whether it's the yard person or the
20 person themselves, they use shovels, they plant flower beds,
21 they knick these things at the time, construction damage, and
22 then the first heavy rains that show up you usually see a big
23 peak in trouble. So, I would say that '99 troubles, which we
24 saw an awful lot of effect of El Nino on our plant conditions
25 in '99, which is what drove me to, in our new team, to come up

1 with different plans to improve our dispatch efficiencies by
2 reducing that demand.

3 Q Let me ask you to turn back to Mr. Poucher's exhibit,
4 the one I asked you about a minute ago. You had nationwide
5 responsibilities in 1997 when you were in Texas; is that right?

6 A That's correct.

7 Q Okay. And you've complained that one of the problems
8 you have is that Florida has one of the toughest repair rules
9 in the country; is that right?

10 A That's true.

11 Q Yet, we looked at this exhibit and it shows that
12 Florida, for residential, has among the worst performance
13 compared to all the other states Verizon serves; is that right?

14 A Again, this is only repair clearing interval. And if
15 you look at it, it's 17 hours. Our target is to do out of
16 service in 24 hours, this is 17 hours. These reports were put
17 together as drivers for our customer satisfaction surveys, so I
18 would not conclude that the service was bad. In stack ranking
19 with each region, it may be lower. However, it's not prudent
20 to stack rank all of these regions. Each has different
21 conditions, each has different, whether it be plant, weather,
22 working conditions and customer -- also customer perception.
23 So, you have to be very careful in just making a statement that
24 it was bad in compar-- you know, it was bad.

25 Q Well, that's why I was wondering, if we have the

1 toughest rules on repair, why are the statistics among the
2 worst in the country for Florida?

3 A Why are they the most -- as I just said, though these
4 statistics -- this particular statistic is not a true indicator
5 of, I think, overall service. It's one factor, one factor, in
6 total customer perception.

7 Q How long it takes you to clear a repair for a
8 residence; is that right?

9 A Yes. And again, the out of service in 24 was the
10 statistic we were chasing, which is the one that we just
11 recently have done.

12 Q Right, and that's the one you failed repeatedly in
13 1997 also; is that right?

14 A Apparently, they did in 1997, yes, from the record.

15 Q Ask you a few questions about your testimony. Page
16 14, you talk -- starting at Line 16 on Page 14, you talk about
17 the reduction in service order and repair dispatches from '98
18 to '99; is that right?

19 A That's true.

20 Q Okay. If you had fewer repair dispatches, why wasn't
21 your clearing times going down for residential customers?

22 A If you had -- repeat that question.

23 Q If your dispatches were going down -- well, let me
24 ask this: All repairs don't require dispatches, do they?

25 A No, they do not?

1 Q Okay.

2 A The majority do, though.

3 Q Okay. But the ones that don't require dispatches are
4 typically done much quicker than the ones that require
5 dispatchers?

6 A Sometimes; not always, because sometimes they come
7 into queue and they're questionable, whether they'll be
8 dispatched. They go into automatic testing modes and they may
9 set there for several hours, including eight hours or until the
10 next day and then fall out before they need to go to the field,
11 and then they're cleared with the customer. And many times
12 they may go to queue or if someone needs to make a change in,
13 say, it's a voice mail problem, those are typically handled
14 fast, but it's not a given that they're real quick.

15 Q Obviously, not in every instance is it going to be
16 true, but overall on the average would it not be true that
17 those repairs not requiring a dispatch are repaired more
18 quickly than those that do require a dispatch?

19 A I really don't have the statistics to support that
20 statement but, you know, I could make assumptions like we've
21 heard today, but I don't know.

22 Q You don't know the difference?

23 A I don't have that number.

24 Q Okay. You do tell us you had a significant reduction
25 in service order and repair dispatches in '98 and '99?

1 A That's true.

2 Q Given that you're not doing as many dispatches, why
3 was your clearing intervals going up for residential throughout
4 that period?

5 A Again, I will tell you the clearing interval is not
6 the same measure as out of service in 24. Many things effect
7 clearing interval and, I think, we talked about that. If you
8 look at -- I think, if we look at the amount of out of service
9 in 24, I believe, our record -- we were better from '98 to '99.

10 Q Ask you a few questions about the system changeover
11 that you describe beginning at the bottom of Page 21.

12 A Mm-hmm.

13 Q You said in late summer of '98 -- let me give you a
14 chance to get there.

15 A Okay.

16 Q You see at the bottom of Page 21, the late summer of
17 '98, you implemented a new automated system for order entry
18 management system?

19 A Yes.

20 Q And you attribute some of your reporting for
21 installation as being attributable, this new system, that you
22 weren't accurately reporting your results to the Commission; is
23 that right?

24 A That's right. In fact, I don't know that the reports
25 that we had in many cases that we really violated the rules.

1 The customers very well could have gotten service in less time,
2 but we did see an abnormality in that system conversion. We
3 saw a period where our numbers went from compliance to
4 immediate noncompliance overnight and for a period, well over
5 two months, worked diligently with our staff folks in
6 headquarters to try and figure out what was causing that, and
7 we never did get to the bottom of that system glitch. And all
8 of a sudden over one weekend, we started making compliant
9 again. So, we don't know exactly what drove that, but we do
10 know there was a system conversion going on during that period.

11 Q And what's the time period that you attribute these
12 problems to?

13 A I believe, it was the installation misses during
14 February and March of '99.

15 Q Even though this was installed in late summer of '98?

16 A It began in late summer of '98, but enhancements and
17 changes to the system were being applied on a regular basis, so
18 it may not have been necessarily the original installation of
19 the system, but it was probably enhancements, such as software
20 or hardware that were made along the way to get that system up
21 to speed or correct any, what we call IRRs or problems along
22 the way.

23 Q In relation to that, I want to ask you about the
24 numbers that are in Mr. McDonald's testimony about the number
25 of times you missed the rule for installation in '98 and '99,

1 and that would be Mr. McDonald's Exhibit DBM-10.

2 A I don't believe I have that here.

3 Q Pages 3 and 4. I have a copy, if you need it.

4 Mr. McDonald's Exhibit Number 10, Page 3 of 4 and 4 of 4.

5 A Mm-hmm.

6 Q Do you have those pages?

7 A Yes, I do.

8 Q And you see at the very top, if you disregard -- you
9 can look at the chart, too, but the top gives you the actual
10 numbers for a number of rule violations for new primary service
11 and out of service in 24.

12 A Okay.

13 Q And you said the new system was put in place in late
14 summer of '98?

15 A I believe, that's true.

16 Q It would be August?

17 A Probably September, somewhere in there, I think.

18 Q You missed new primary service one time in August in
19 '98 and six times in September, that's when your new system was
20 going right in?

21 A As I said before, that's when the system went in.
22 But I believe what changed -- what caused the problem was a
23 software upgrade that was done somewhere in the February time
24 frame, the January, February time frame. We were putting new
25 releases into the system for several months after the initial

1 installation to correct problems.

2 Q So, that would be on the next page, the February,
3 March you reported missing every time, every exchange in
4 February of '99?

5 A Yes.

6 Q You ever file any corrective data with the PSC?

7 A We couldn't have corrective data because of the
8 system glitches. We didn't know what correct data would be,
9 but we did file explanations with the PSC Staff.

10 Q And what caused the glitch to get fixed? I mean, you
11 just fixed it? What was the date you fixed it?

12 A I'm sorry?

13 Q When was the date you fixed it?

14 A I don't know the exact date when it was fixed, and
15 actually there was never a true fix identified to it. We
16 believe that there were other changes that were made that
17 corrected the initial problem.

18 Q Okay. Your misses went down in April, May of '99,
19 did it not?

20 A That's correct.

21 Q But then they're back up by the time of August,
22 September, and October of '99 you're missing them in every
23 single exchange again; is that right?

24 A No, not every single exchange. Well, let's see...

25 Q We have 24 exchanges, right?

1 A 24 -- yeah, August, September, October you're
2 correct.

3 Q To what do you attribute that?

4 A What we attribute there, and I'll have to -- this is
5 kind of a long story, I guess, because I go back to when I
6 started in Florida in trying to ascertain what we needed to do
7 to improve service levels in Florida. We were very cognizant
8 of the fact that we didn't have -- we weren't meeting PSC
9 objectives as they were stated; however, we were trying to do
10 things differently to ensure that we did.

11 Now, it's my responsibility, as I said in my opening
12 statement, to balance quality and cost, so we're looking for
13 effective ways to do that. One of the things that we saw is we
14 had a very -- in late '98 or actually '99, we had a turnover of
15 employees, a retirement of employees that we didn't expect, and
16 that was for several reasons. From my perspective it was
17 because of lower-than-normal interest rates at that point and
18 time and at that time the GTE pension plan funded the greater
19 lump sums at the lower interest rates.

20 Also in the competitive marketplace, there were many,
21 many jobs available for these technicians. The competitive
22 marketplace has grown substantially in the Tampa Bay market
23 over the last several years, and we lost many of these
24 experienced technicians that we talked about earlier. Given
25 that loss, we had to go back and hire and train new

1 technicians.

2 Now, as I stated in kind of the scheme of how we hire
3 and the hierarchy of technicians, we had to go back to the
4 street, hire what we call 301 service installation technicians,
5 which we did in July. We could not get them on the payroll
6 fast enough and train to really help our summer period.

7 We then saw, from my perspective, many more repair
8 dispatchers than we had forecasted. And quite frankly, then we
9 brought in our construction -- our contractors to try to offset
10 that. What that left us with was, I believe, a shortage of
11 training service installers.

12 Our priority every day is to take care of
13 out-of-service trouble first, that is our priority. And this
14 was all during the period when we were trying to rebuild
15 service, improve our service delivery in Florida, and it was
16 not an overnight turn-around. We did an awful lot of things
17 and we heard earlier this morning in testimony some of the
18 things we did in 1999 and they paid off, unfortunately, late in
19 the year and, in fact, there is some testimony in there related
20 to communications from headquarters to me for not getting this
21 done quicker, so we're very proud of the results we've done.
22 We're not proud of the fact that it took us a little longer
23 than we thought.

24 Q Okay. And that completes your explanation of why you
25 missed it in every exchange in the August, September, October

1 period?

2 A Those were the busiest periods, they had the most
3 out-of-service trouble, and we were in the process of staffing,
4 training employees, so yes, we did not have enough trained
5 resource at that point to be able to match. We were attempting
6 to, but did not accomplish that.

7 Q In your testimony and also in your summary you
8 express that you're not happy with the Commission's standards
9 for repair installation.

10 A Yes.

11 Q Let me actually refer to your testimony, Page 9,
12 starts at Line 13 on Page 9 of your testimony.

13 A Okay.

14 Q You don't think the repair and installation rules
15 should apply on an exchange-by-exchange basis, do you?

16 A No. I think, they cause us to make poor decisions in
17 some cases.

18 Q Okay.

19 A I don't believe they're also a true indicator of
20 customer satisfaction.

21 Q How about the 95% rule for repair, do you think
22 that's appropriate?

23 A Well, it depends on how it's applied, and it depends
24 on the situation that you're looking at. I think, what's more
25 appropriate is customer opinion and, I believe, there are

1 things like clearing intervals and many others, repeated
2 troubles and so forth, how well you communicate with customers,
3 that really drive customer opinion and customer satisfaction,
4 and we do those surveys monthly and we're very committed to
5 those surveys.

6 So, I think that in general the exchange rule,
7 because of the large differences in sizes, it's very difficult
8 not only to meet that. And, I think, what happens is you have
9 situations where -- and I've seen it -- where small exchanges,
10 such as Indian Lake or Myakka, one -- one miss in the month,
11 you can't meet the objective. And we've seen it happen with
12 installation in three days.

13 To me, that doesn't seem reasonable. And we've also
14 seen situations where we've had to run employees 20 or 30 miles
15 out to a rural area which, you know, to meet that one
16 commitment, but may have missed four or five in order to do
17 that because of the nature of the exchanges.

18 Q How are your rural exchanges different than they are
19 for any of the rural -- smaller, more rural telephone
20 companies?

21 A How are they different?

22 Q Well --

23 A That's a pretty broad question.

24 Q Well, I want to know why they can make the rule and
25 you don't. You know, you have Northeast Telephone, you have

1 Indiantown Telephone. Why would you attribute that they can
2 make the rule and you cannot?

3 MS. CASWELL: I'm going to object to that. I don't
4 think there's been any proof that they do make the rule, and
5 that's not Mr. Ferrell's testimony, it's not in Earl's
6 testimony.

7 MR. BECK: It is in Mr. Ferrell's testimony that he
8 doesn't like the exchange thing and you've complained it's the
9 rural areas that are particularly troublesome to you.

10 BY MR. BECK:

11 Q And my question is how are your rural exchanges --
12 why would yours be difficult compared to a rural telephone
13 company?

14 A I don't know that they'd be anymore difficult. I
15 think, the situation is that when you serve a metropolitan area
16 and a rural area, the percentages -- the way the percentages
17 work and the number of misses you can have vary so drastically.
18 I have past experience in rural exchanges, and when all you
19 have is rural exchanges, it's very -- it's very -- it's not
20 quite as hard to make those rules. The issue I have was with
21 not just necessarily exchange by exchange, but it's the
22 composite of the rules.

23 I mean, the composite of Is and Ts in three days, and
24 most customers don't even ask for service in three days, but
25 they take it. And those that aren't ready will give us a

1 longer day. That with out-of-service rules in 24 exchange by
2 exchange. And what happens is if all things came in equally,
3 this would be very good for the customer and the company, but
4 they don't. They peak at different times or they peak at the
5 same times, so sometimes you have to make bad decisions -- what
6 I think are bad decisions for customers and the business in
7 order to meet that rule.

8 However, as I state in my testimony, my opening
9 statement, whatever my beliefs are in the current rules which
10 are, you know, very old and, I think, the marketplace has
11 changed, we're still committed to making the PSC objectives.

12 And from my time in Florida, my whole objective has
13 been not only to make PSC rules, but all other service
14 indicators and rules and try to reduce trouble, reduce demand,
15 work more intelligently, improve productivity, improve our
16 relations with our hourly employees and, thereby, improve them
17 with customers. That took a year for me to accomplish.

18 COMMISSIONER JABER: Mr. Ferrell, you've been doing
19 this for a very long time. Has it been your experience that
20 you're more likely to lose a business customer if you don't
21 provide service within the three-day time?

22 THE WITNESS: Yes, Commissioner. They're highly
23 competitive, yes. Now, residential, we're seeing more and more
24 of that also, of course, but for the time period we're talking
25 not quite as much today. Cell phones are displacing

1 residential lines quite rapidly. In fact, this year during our
2 snowbird season, we saw a lot fewer lines installed, but as
3 many snowbirds, because of many of the changes in technology.

4 COMMISSIONER JABER: So, it's fair to say that that
5 goes into your thought process when you dispatch the business
6 workforce first or your more experienced business workforce
7 technicians?

8 THE WITNESS: Well, they're more experienced because
9 of the types of equipment they have to work on and also the
10 natural progression through our union contracts and our jobs
11 make them more experienced; they've been here longer, they are
12 certainly a priority, but we have never, from the time I have
13 been here, consciously not tried to make residential
14 commitments in lieu of making business, since they are two
15 different organizations they operate very differently.

16 BY MR. BECK:

17 Q In your description of the rule and at the bottom of
18 Page 9 of your testimony, you point out at Line 20 that the
19 rules were adopted in the '60s, and then you give a whole bunch
20 of -- a number of reasons why -- the way things are different
21 today than they were in the '60s; do you not?

22 A I'm sorry, what page is that again?

23 Q Page 9, starting at Line 22, you say, "Back then,
24 there were no competitive choices, vertical services didn't
25 exist, no need for high-speed connections, no obligation to

1 open your network." What do any of those things have to do
2 with the service standards for repairing service?

3 A Again, as a composite standard when you look at 95%
4 in 24 hours by exchange, coupled with 95% commitments or for --
5 sorry -- for appointments, initial installs in three days, 90%
6 by exchange, they're very onerous and compared to any other
7 state that we operate in are the toughest by far. And
8 customers today -- and when those rules were written, basically
9 what you could order was a POTS line or a Plain Old Telephone
10 Service line, and probably didn't have the option of touch
11 tone, probably was a black and white phone.

12 Now today, customers will call and ask for all kinds
13 of different services, including Internet services, dial-up
14 services, second-line services, a very more complicated plate
15 of services. Still, primary service rules still apply, and you
16 have three days to be able to comply with that customer. In
17 many cases, I tell you, for the nonfield, Florida has some of
18 the best days to install for residential customers.

19 Q Now, would you please answer my question. What do
20 any of the four things that you mention on your testimony have
21 to do with why we should have less onerous repair standards?

22 A I'm not asking for less onerous repair standards.
23 I'm asking for standards that more reflect the marketplace
24 today and what the customers' needs are. The customers' needs
25 have changed. The repair -- or the installation standard

1 today, which most of these, what I'm talking about here, the
2 installation standard was set for basically an R-1, Plain Old
3 Telephone Service. That standard, that has changed immensely
4 in what the customer expects today.

5 Q And so, you think because of these changes, people
6 don't expect repair as quickly or installation as quickly as
7 they used to?

8 A Actually, I believe, as I -- let me read this again.
9 I think, I was talking about the INT and three-day standard
10 when you're talking about types of services that have changed,
11 but it's a combination of the services. Again, I believe, the
12 best measure of customer service is the customer opinion and
13 other measures rather than just a blanket 95% or 90% rule.

14 Q But do you think people should get installation and
15 repair as quickly today as they did 30 years ago?

16 A I think, they should get the repair when they need it
17 and when we make the commitment and a joint commitment with the
18 customer rather than a blanket rule.

19 Q You don't think they need it as quickly today as they
20 used to?

21 A I believe, most customers that call, typically, are
22 planning ahead on the installation of service and they are not
23 really asking for service within three days. That is my
24 opinion, but that's not what's in testimony here but, I
25 believe, in terms of repair, yes, customers want it fixed, they

1 want it fixed as quickly as possible. I still believe that by
2 reporting by exchange or at least the way we have the exchanges
3 split today, it creates so many inefficiencies that we aren't
4 really doing the right things for the customer.

5 Q You think you should have a longer time to serve your
6 customers in rural exchanges as compared to the customers in
7 more urban exchanges?

8 A Not necessarily, no.

9 Q Let's change topics a little bit. You have a number
10 of documents attached to your testimony. I'd like to ask you
11 about JAF-5.

12 A Okay.

13 Q This is a letter from a person named Dan?

14 A Mm-hmm.

15 Q Who's Dan?

16 A Dan -- I believe, this will be Dan Carbone who is our
17 ROS director, remote operations support director, here in
18 Florida.

19 Q Toward the top of the letter, second paragraph, talks
20 about an average clearing time of 29 hours?

21 A Mm-hmm.

22 Q Could you describe or tell us what he meant by that?

23 A I'm not sure what he's referring to completely. He's
24 obviously, answering a question from his boss. I can't tell
25 you, because I don't know what the question was that his boss

1 asked. Let's see, the document was placed in here, I believe,
2 to show how we were changing operations with our many ORRs, our
3 districts, in trying to improve compliance and execution of our
4 plan, so I'm not sure what the clearing time of 29 hours refers
5 to. I don't know if that's business, residence, composite or
6 what.

7 Q Okay. Let's turn to JAF-8.

8 A Okay. Mm-hmm.

9 Q This is a letter from you to Mr. Keith --

10 A Yes.

11 Q -- responding to his request for a service
12 improvement plan; is that right?

13 A That's correct.

14 Q Okay. And your first bullet, you say, "IP will add
15 55 contractors"; is that right?

16 A Yes.

17 Q Second bullet says, "The Region plans to immediately
18 add up to 37 service order contractors"; is that right?

19 A That's correct.

20 Q Those actions take money; do they not?

21 A Yes, they do.

22 Q Why weren't those actions taken earlier?

23 A Why weren't they taken earlier?

24 Q Right. Why is it September -- I mean, we have a
25 four-year period under review here. This is September of '99.

1 Why weren't actions like that taken earlier?

2 A Well, that's why I got the letter from, I think
3 Mr. Appel and Mr. Keith, why aren't we getting these things
4 done sooner. There was a lot on the plate, as I said, trying
5 to turn service around, a lot of issues around in the Florida
6 Region, and we thought we were doing the right things.

7 Now, many of these things that we have here are
8 actions that were already taken before this letter was written.
9 What Mr. Keith was asking from me is what is your detailed plan
10 and how you improve service. So, what we did is went back in
11 the plan and used a lot of the information that was in
12 progress. And, I think, we heard before these things don't
13 turn around on a dime, and we were making changes all along.

14 We had hired contractors earlier in the year. So, I
15 can't tell you whether or not these weren't done or, you know,
16 at the time that we wrote this letter or done later. Possibly
17 Mr. Diamond can share a little bit more on that since he had
18 the budgetary figures.

19 Q Okay. And in the second one, just to put some
20 numbers on here, you wanted to add 37 service order
21 contractors, the budget impact of these additions is expected
22 to be \$338,000, that's for 30 contractors?

23 A Apparently so.

24 Q And for what period of time would that be?

25 A I'm not sure.

1 Q You can't tell me how many months would be covered
2 for 30 people with that 338,000?

3 A I'm not good with a calculator, but actually
4 Mr. Diamond could probably do a better job of that for you.

5 Q But you have to know how many months this is for.

6 A Mm-hmm, and how long and also what rates you're
7 paying the contractors at, so...

8 Q Well, when did you hire the 30 contractors you refer
9 to?

10 A I'm not sure of the exact date. We had different
11 numbers of contractors we brought on and off during the whole
12 period for different work.

13 MR. BECK: Mr. Ferrell, I have no other questions,
14 thank you.

15 COMMISSIONER DEASON: Staff?

16 MR. FORDHAM: Just a few, Commissioner.

17 CROSS EXAMINATION

18 BY MR. FORDHAM:

19 Q Mr. Ferrell, the theme throughout is that the
20 initiatives that you implemented when you assumed command in
21 Florida and the programs that you implemented were instrumental
22 in elevating the level of service or the standard of service
23 for Verizon's operation in Florida. Is that to say, by
24 inference, that maybe prior to your arrival the company was
25 mismanaged?

1 A I guess -- I wouldn't jump to that assumption.
2 Everybody does things differently. I have over 28 years of
3 experience in the business and very specifically operations
4 experience in doing these types of things. I have a different
5 way of operating and, I believe, Florida needed a different way
6 of operating, and we took a lot of risks.

7 As we've heard in testimony earlier today, Mr. Daks
8 sent numerous letters or, as I understand, the headquarters
9 asking for permission. I don't take that stance. They give me
10 the job, I had the responsibility. I spent the money where I
11 felt I needed to spend it, rather than ask for money or wait
12 for permission to do a particular function within TAC, we heard
13 about TAC or trouble analysis, I just did it, and realizing
14 that those paybacks would come in the form of reduced troubles
15 and reduced installation load that would help us out.

16 So, I believe that the way we approached this was
17 much different. We approached it from the method of really
18 implementation of strategy and also of really staying on TAC
19 and staying on track of reducing the causes for those. We
20 heard an awful lot about preventive maintenance today. It's an
21 ongoing process. What I found in Florida -- I've had the
22 opportunity to work in many states in my career. What I've
23 found in Florida was similar conditions that I've seen in every
24 other state. However, knowing that Tampa's, you know, high
25 lightning risk, we realize we have to be even better there.

1 So, it was really execution, planning, and it's more
2 than people. We did a lot with process and are still doing
3 that. And so, we've done an awful lot of work that was
4 different. I couldn't say that it was poor management in 1998.
5 That's not an appropriate question, I think, for me to answer,
6 but I would say it is certainly different management.

7 Q Do you have any idea at what point Verizon realized
8 that it had a problem here in Florida?

9 A Oh, I'd say -- now, I only came on in staff, as I
10 say, in July of '97 and we realized we had some service issues
11 and we really worked hard from a staff support perspective with
12 the Florida Region. And in assisting Mr. Keith, I know that
13 from many operations reviews, we attempted to do many things to
14 help them out, so I would say at least from that date. Now, it
15 may be earlier than that. I am not the best witness to answer
16 that.

17 Q So, certainly by '97, you would say early '97, there
18 were concerns about the Florida operation?

19 A Maybe mid -- my knowledge goes back to about mid '97
20 when I came to staff.

21 Q And still it took another year, year and a half, to
22 effect a change?

23 A Well, I think that, again, I'm not the best person to
24 ask that particular question as to why the timing -- what it
25 took in terms of timing. I know we were doing an awful lot of

1 things to help the team here in Florida, and trying to
2 implement different processes but, again, I would look at
3 execution of some of these processes may not have been as
4 effective here locally as we had hoped they would have been and
5 changes were made, and then I was asked to come to Florida.

6 It was made very clear to me by both my boss at the
7 time, Red Keith and his boss, John Appel, that you're here to
8 improve service, there's no trade-offs on service, but you will
9 meet your budgets. So yes, I mean, this is the way we run the
10 business but this is not typical -- I mean, this is typical of
11 all business. So, my mission was very clear. And like I said
12 earlier, we were hopeful for a six-month turn-around to try to
13 make those improvements and, unfortunately, it took me closer
14 to a year.

15 Q A very minor inconsistency here, maybe you can clear
16 up for me.

17 A Sure.

18 Q You had stated in your testimony that improved
19 compliance had not been achieved through budget increases?

20 A That's true.

21 Q And yet on Page 16 of your testimony, you said that
22 additional funds were needed for particular purposes?

23 A Page 16, refer me to -- let's see...

24 Q Would that be considered -- would additional funds
25 for particular purposes not be considered a budget increase?

1 A Not necessarily. I would say to you that between '98
2 and '99 we had a considerable decrease in our total labor
3 hours. However, as we heard earlier in some of the testimony
4 about our TAC program, in 1999 we were funded larger than -- we
5 had more funding than any other region within GTE at the time,
6 and that's because we aggressively went after it. But it was
7 more than just money. We went after it early in the year,
8 because we knew that the more of this we got done before the
9 summer season, the more trouble we would drive out of the
10 network. So, I didn't get additional money. In fact, I think,
11 you'll find that we actually spent a little bit less than we
12 did the year before, definitely the year before, and 2000 has
13 gone down also.

14 Q So, it was more of a reallocation with a lump sum?

15 A Absolutely. Can I give you an example of a
16 reallocation that, I think, you'd probably appreciate?

17 Q Sure.

18 A Earlier in the year in 1999, we knew that -- I think,
19 there was discussion of soft wraps. Soft wraps are used
20 throughout the business in all companies, and they're a
21 necessity where they become problems if they're left there too
22 long. I found in 1999, again, because of what I believe is
23 poor follow-up and execution, these soft wraps weren't being
24 removed.

25 So, I authorized money from my own internal budget,

1 about \$150,000, and hired contractors to go remove a
2 significant number of those prior to the rainy season. That's
3 an example of reallocation of the existing money that I had. I
4 didn't ask headquarters, I didn't write a business case, I
5 didn't take it to TAC; I took the business risk that said if I
6 spend the money to do this, I'll reduce troubles. If I reduce
7 troubles, I can reduce overtime and I can reduce customer
8 frustration.

9 Q You mentioned the rainy season. Part of the rainy
10 season, you're obviously aware of the severe weather provision
11 for exempting from the rule if you have more than 10%.

12 A Yes, I am.

13 Q During this entire period when severe weather has
14 been cited over and over as one of the reasons for failing to
15 meet the standard, was there never a case where that would have
16 applied?

17 A Well, not since I've been there, because if you look
18 at the rule, it's 10% of an exchange. And take, for instance,
19 oh, I'll just pick St. Pete, St. Petersburg. You probably have
20 to have an outage of 20 or -- about 20,000, 30,000 customers to
21 really invoke that rule.

22 An outage of that nature we wouldn't be able to
23 recover in two or three days. I mean, that would be very
24 significant. So, when it talked about weather, it talks about
25 the peaks. And if you look at the averages for that area, we

1 see in the summer season when the rains lining hit that the
2 troubles will peak two and three times in a matter of a day
3 and, I think, that's when it catches you off-guard. What we
4 have to do when that happens is we have workforce spread out at
5 doing different work and then we bring them in to do this to
6 make sure that we meet our demand.

7 If you listen to earlier testimony, it would believe
8 you would just need more employees all the time. The problem
9 is there are periods when there isn't work for them to do. It
10 would be very inefficient for us to hire technicians, lay off
11 technicians, hire technicians. I mean, technicians require
12 many years of experience to become proficient in their jobs.

13 I really value what they do, so we try to keep that
14 work constant and we try to offset with our contractors doing
15 construction work, and then when the heavy rains come we can
16 move our own company forces in to do that. But again, these
17 are parts of the plans that I've tried to implement, along with
18 my new team. And coming from southern California, I had
19 something to learn about Florida weather.

20 Q There's obviously, been the theme that there were
21 some management problems, regardless of who's responsible
22 during those troubled times. Is it interesting that in 2000
23 where you had a very good year, according to your chart in your
24 JAF-11 exhibit, 2000 there was more lightning strikes than any
25 other year and yet listening to the earlier testimony regarding

1 grounding and bonding and the terrible impact of lightning
2 having created the problems, does that vindicate the lightning,
3 in essence?

4 A No, it doesn't, not at all. What it says is I could
5 say, well, thank you, because our efforts paid off. In 1999,
6 we did an awful lot of work in bonding and grounding. Now, a
7 lot of what you see that was produced in evidence about bonding
8 and grounding really had do with digital services, high-cap DS1
9 type services that were provided over copper on HDSL type
10 circuits. We found a lot of cell site growth, we were
11 providing those services to the cell companies. We had a lot
12 of failures during the high-lightning seasons, and that's what
13 our real focus on bonding and grounding was.

14 We have continued the bonding and grounding training,
15 and that training is evergreen also, because as we, you know,
16 were continually turning over employees, they all need new
17 training, and that's what we had found. So, this wasn't like
18 it wasn't done over the years, it just needed to be refreshed.
19 I think, we needed a different approach, because again the
20 technology had changed, so we put a lot of emphasis on bonding
21 and grounding.

22 Now, on the other side, for residential services and
23 business services, we put a lot of teeth into bonding and
24 grounding drops, as we certainly feel that that's an absolute
25 in that environment, and we've done an awful lot of training

1 and discipline with employees, and we do an awful lot of
2 inspections. I'm glad to say that's really improving. So,
3 we've seen some real improvements with our efforts, but
4 lightning definitely causes trouble.

5 Q Okay. Changing channels here a minute, on Page 22 of
6 your testimony, Lines 14 through 18, you're referring to errors
7 reflected on Verizon's compliance results, et cetera. What
8 were those errors involving -- what were the errors that
9 involved installation dates?

10 A Okay. Some were errors, as I previously testified,
11 relating to system change-outs where we weren't really sure
12 what drove the problem, but it happened overnight, it cured
13 itself overnight but, unfortunately, we lost those numbers over
14 a two-month period; lost them, meaning that we missed those
15 targets according to the records.

16 Other things that we found was we found areas where
17 we actually completed the service on time and turned it up to
18 the customer, but for whatever reason when the order went to
19 automatically clear, something was wrong with it, so it fell
20 out into our off-line center. And, unfortunately, it might
21 have taken the off-line center 24, 48, 72 hours to determine
22 what that problem was with the order, correct it, and then flow
23 it through the system. At the date it flowed through the
24 system, it said, uh-huh, I'm finished. When it looked at the
25 front end date, it said, ah, you missed that commitment and

1 you're over three days. There was much of that that went on at
2 different intervals that we had to catch and try to do some
3 corrections on.

4 So again, systems processes, incorrect handling. The
5 objective is so stringent in that area, particularly in the
6 small exchanges, you cannot afford to miss one or two in some
7 of those. So, that's actually how we found those. So, we were
8 at root cause analysis through the misses and found that really
9 it was just that we had satisfied the customer's need on time,
10 but because of the records we had missed it.

11 So, there are an awful lot of reasons why you have
12 misses. And many of -- I think, some of the results that we
13 see in 1999 and prior were not just because we didn't have
14 people or because the loads were too heavy at the time or maybe
15 we misplanned the amount of load that we'd have, but many of it
16 was due to process issues that needed to be improved. And
17 that's an evergreen changing process. Every day we're making
18 changes to those to help improve it.

19 Q Did Verizon ever attempt to file revised reports to
20 correct any of those?

21 A Where we did find out that the order was made but was
22 missed because off-line, we did, I believe, correct a few of
23 those, but we never caught most of those. This was mostly
24 asked after the fact. But I think we did note on our
25 explanations to the Commission Staff that there were reporting

1 errors.

2 Q This was before your turn at the helm, but apparently
3 in the testimony we find that record rainfall from El Nino was
4 primarily December of '97 through March of '98 was the really
5 heavy months. Earlier you had mentioned that the problems
6 induced by rain normally come subsequent to the heavy
7 rainfalls --

8 A That's correct.

9 Q -- because of the lingering effect of the groundwater
10 and water table and so forth. You will note that in December
11 -- excuse me, in November, the month before this heavy rainfall
12 started, was a month that you missed the service standards in
13 all 24 of the Verizon exchanges?

14 A The repair standard?

15 Q Yes.

16 A Okay. And that would have been --

17 Q That was before the heavy rain started.

18 A That would have been November of '97?

19 Q November of '97. Do you have some explanation for
20 that?

21 A No, I really don't. That was well before my time, so
22 I really didn't understand what was happening there. I really
23 don't know. Mr. Diamond may have some more information on that
24 since he was there at that time.

25 Q Okay. I think, the final question that I have

1 regards -- you explained the difference between the 301, the
2 201 employees and so forth and you had all of the numbers
3 involved in your testimony, and I was just a little unclear as
4 to whether contractors fit into those figures or if they're on
5 top of those figures?

6 A They're on top of those figures. I think, the
7 numbers you've seen so far are company employees. And if I'm
8 not correct about that, Mr. Diamond will correct it in the
9 testimony, but we look at contractors in terms of equivalent
10 hours, so when you deal with employees, how many employees you
11 have on a workforce, it's not just the number of employees.
12 The hours from those particular labor groups, plus overtime,
13 plus contractors, plus other things, so yes, you're correct.

14 MR. FORDHAM: We have no further questions,
15 Commissioner.

16 COMMISSIONER JABER: Mr. Chairman, I've got just a
17 couple.

18 COMMISSIONER DEASON: Sure.

19 COMMISSIONER JABER: Mr. Ferrell, on Page 32 of your
20 testimony, you asked that we keep in mind that Verizon has
21 implemented this voluntary service performance guaranteed
22 program?

23 THE WITNESS: Yes, Commissioner.

24 COMMISSIONER JABER: When did the company implement
25 that program?

1 THE WITNESS: I'm not sure when it was implemented.
2 I believe, in 1996 when I joined GTE it was in effect. I know
3 it was in California and, I believe, it was in Florida, so it
4 has been the whole time I've been here.

5 COMMISSIONER JABER: Okay, so for the time period we
6 should be considering alleged violations this program was in
7 effect?

8 THE WITNESS: It was in effect. And, I believe, we
9 didn't produce the amounts that we had paid under that program,
10 because I don't think we could get the information that far
11 back due to systems changes.

12 COMMISSIONER JABER: Okay. And your testimony
13 indicates that you refunded approximately \$300 million from
14 1997 through 1999?

15 THE WITNESS: It was \$3 million.

16 COMMISSIONER JABER: \$3 million?

17 THE WITNESS: \$3 million.

18 COMMISSIONER JABER: And for how many customers?

19 THE WITNESS: I can't tell you off -- we do have
20 those records, but I don't have them with me.

21 COMMISSIONER JABER: That is a total number, then.

22 THE WITNESS: Yes.

23 COMMISSIONER JABER: Three million is the total for
24 all of your customers?

25 THE WITNESS: Yes, for that service guarantee.

1 COMMISSIONER JABER: For business and residential or
2 is this a program that is implemented --

3 THE WITNESS: No, it's just business and residential.

4 COMMISSIONER JABER: Okay. Were these -- help me
5 under-- explain to me the program.

6 THE WITNESS: Sure. What we guarantee is that we
7 will meet your commitment. And when you call in, the majority
8 of the time -- the reason I say the majority of the time is
9 because sometimes service representatives or CARE
10 representatives will forget the process, but when we set a
11 commitment; say you have an out-of-service trouble and we
12 commit we will have that fixed, if we receive that trouble at
13 noon today, we will commit that it'll be fixed by noon
14 tomorrow.

15 And if we miss that commitment, then we can pay you a
16 \$25 service credit, and we explain that to them. What the
17 customer then does if we miss that commitment, if for some
18 reason they feel like, okay, you really blew this one and I had
19 nothing to do with it and they'll call us and we will invoke
20 the service guarantee.

21 The reason it's not automatic is because many times
22 we'll set a commitment and for whatever reason the customer or
23 ourselves may not make that connection. They may not be home
24 at the right time when we set an appointment or we may have
25 missed them for whatever reason.

1 And what happens is just because we missed the
2 commitment doesn't mean that we really have wronged that
3 customer and they'll tend not to call us back and ask for it,
4 so that's why it's more of a voluntary plan. We pay out, and I
5 don't have the exact numbers in front of me, but somewhere
6 between 40 and 50%, probably, of the missed commitments,
7 depending upon whether it's residence or it's business.

8 COMMISSIONER JABER: So, it's voluntary in the sense
9 that this agency didn't impose it on you.

10 THE WITNESS: That's right.

11 COMMISSIONER JABER: But do you offer it to every
12 customer?

13 THE WITNESS: Yes.

14 COMMISSIONER JABER: All right. So, you establish
15 when a customer calls you for installation or brings to your
16 attention some repair that needs to be made, your consumer
17 service department establishes what the expectations are?

18 THE WITNESS: That's correct.

19 COMMISSIONER JABER: And if the expectation is
20 missed, then a \$25 rebate goes back to the customer on their
21 next bill?

22 THE WITNESS: Yes, if the customer asks for it.
23 That's why I said it's not automatic. If we make the
24 commitment, we miss the commitment, many times a customer will
25 call us back and say, you know, I was there, you missed it and,

1 number one, we try to fix the problem to make sure that we
2 deliver the service on time and, typically, we have already
3 done that or when the installer gets out there then we will
4 issue the service credit on the next bill, that's correct.

5 COMMISSIONER JABER: So, the customer has to remember
6 that there is that \$25 --

7 THE WITNESS: Yes, that's why we mention it up front
8 in most cases.

9 COMMISSIONER JABER: All right. It's not associated
10 at all, then, with the installations and repairs that were
11 missed in violation of the Commission rules?

12 THE WITNESS: No, they are not. It's based on the
13 commitment with the customer. But if we commit to you 24
14 hours, then 24 hours is what we would pay on.

15 COMMISSIONER JABER: Well, at \$25 per missed
16 commitment, Mr. Ferrell, \$3 million is a lot of money, which
17 means to me a lot of customers with missed commitments; would
18 you agree with that?

19 THE WITNESS: Yes, but we -- I think, as we saw with
20 one of the exhibits, we do millions of touches with customers a
21 year so, you know, our record is 93%, I think, overall on
22 Commission standards on out-of-service troubles, so there are
23 quite a few opportunities, because of the base is so large.

24 COMMISSIONER JABER: You're president of the Florida
25 part of the company. You acknowledge there were some

1 violations with the Commission rule, regardless of your stance
2 with respect to how strict the rule is?

3 THE WITNESS: Yes. The numbers are the numbers,
4 there was violation.

5 COMMISSIONER JABER: Is it that you want us to take
6 the program into account if we were to establish the penalty
7 amount?

8 THE WITNESS: It's my -- and if you go back to my
9 opening statement, it's that we don't believe that we should be
10 assessed any penalty for these violations. They were not
11 willful violations. The company did what they thought it
12 needed to do to meet the service standards as they are written.
13 It failed to do so in several cases through 1996 and '98.

14 When I came here in late '98, actually early '99, it
15 was very clear that we needed to make some changes to not miss
16 those service standards. We considered that PSC standards is
17 baseline standards. As I said earlier in earlier testimony, I
18 really believe there are other indicators that truly impact
19 customer service and loyalty. But no matter what, Commission
20 is baseline standard.

21 So, we did not willfully miss those standards. Maybe
22 we didn't do all the things we should have done as quickly as
23 we should have done but, again, and I'm talking about '96
24 through '98, I really don't have personal experience with that,
25 but I do know in '99 it took some time to make changes, and

1 changes were very wide sweeping, and it took some time for them
2 to take effect.

3 So, I really believe that Verizon, then GTE, in good
4 faith tried to provide the best service possible in the Tampa
5 area, in our serving area in central Florida. I think, we had
6 a few problems in a few months and, I think, we've explained
7 that today. But I stand on our service record, we've made some
8 sweeping changes, and with the same amounts of money and with
9 the same amounts or even fewer employees, we've been able to
10 keep up with the service standards.

11 COMMISSIONER JABER: Mr. Ferrell, I think, I would
12 like to know how many customers you actually had to give the
13 \$25 back to.

14 THE WITNESS: Sure.

15 COMMISSIONER JABER: And I'll -- Mr. Chairman, if we
16 could just get a late-filed exhibit that tells us the time
17 period for the implementation of the voluntary service
18 performance guarantee program, basically, if you could confirm
19 that it was implemented in 1996 and what the total amount given
20 back to the consumer via that program was.

21 THE WITNESS: Sure, we have that data.

22 COMMISSIONER JABER: And how many consumers were
23 affected.

24 THE WITNESS: Yes.

25 COMMISSIONER JABER: And then, the separation between

1 business and residential.

2 THE WITNESS: Yes, I believe, we have that. I'll
3 look over here at Mr. Diamond but, I believe, we have that
4 number.

5 COMMISSIONER DEASON: That will be identified as
6 late-filed Exhibit 12.

7 (Late-filed Exhibit 12 identified for the record.)

8 COMMISSIONER DEASON: Mr. Ferrell, I have one quick
9 question. It has to do with your testimony about the system
10 changeover, which occurred in late summer of '98.

11 THE WITNESS: Mm-hmm.

12 COMMISSIONER DEASON: Is your testimony that that
13 changeover resulted in the inaccurate reporting of rule
14 violations?

15 THE WITNESS: Yes. I would say the inaccurate
16 reporting of installation data during that period.

17 COMMISSIONER DEASON: Okay. Well, would that have
18 any material effect upon the rule violations which occurred
19 during that changeover period?

20 THE WITNESS: I believe, not during the changeover
21 period in '97. The problem was, again, in February and March
22 of 1999.

23 COMMISSIONER DEASON: Well, the changeover took place
24 in late summer of '98?

25 THE WITNESS: That's correct.

1 COMMISSIONER DEASON: And so, the data that was --
2 that's reported is effective in early '99?

3 THE WITNESS: It was effective in early '99. And, I
4 think, as I explained, it wasn't so much that system hardware
5 that was placed as what we believe was upgrades to the software
6 that were occurring regularly after that system was placed and,
7 apparently, some load in there caused a problem with the data
8 we received. Because again, it was apparently overnight we
9 went from making to missing and then overnight we started
10 making again without any changes in operation. We were unable
11 to determine exactly what drove that system error.

12 COMMISSIONER DEASON: And you think it's January and
13 February of '99 was the problem period?

14 THE WITNESS: I think, it was February and March.

15 COMMISSIONER DEASON: February and March?

16 THE WITNESS: February and March, yes. We didn't
17 change the record to the Commission Staff at that time because
18 we didn't have the firm answer to what caused the problem, so
19 we noted it in our records to Staff.

20 COMMISSIONER DEASON: Okay. Redirect.

21 MS. CASWELL: Just one.

22 REDIRECT EXAMINATION

23 BY MS. CASWELL:

24 Q Are there instances, Mr. Ferrell, when a customer
25 receives a service performance guarantee when the company does

FLORIDA PUBLIC SERVICE COMMISSION

1 not miss the service standard?

2 A The PSC service standard?

3 Q Yes.

4 A Yes. Do you want me to expand on that? I'll expand
5 on that. And that would be we may give a commitment that would
6 be well within the service guidelines of the PSC today. And if
7 we still miss that commitment with our customer, and they feel
8 aggrieved about it, we will give them the \$25 service
9 commitment or guarantee.

10 MS. CASWELL: That's all I've got. Thank you.

11 COMMISSIONER DEASON: All right. Exhibits?

12 MS. CASWELL: I'd like to move in composite Exhibit
13 10, please.

14 COMMISSIONER DEASON: Without objection, show that
15 Exhibit 10 is admitted.

16 (Exhibit 10 admitted into the record.)

17 MR. BECK: And the Citizens move Exhibit 11.

18 COMMISSIONER DEASON: Without objection, hearing no
19 objection, show that Exhibit 11 is admitted, and Exhibit 12 is
20 a late-filed.

21 (Exhibit 11 admitted into the record.)

22 COMMISSIONER DEASON: Thank you, Mr. Ferrell.

23 THE WITNESS: Thank you.

24 (Witness excused.)

25 COMMISSIONER DEASON: I think that now is a good time

1 to take assessment of where we are as far as trying to conclude
2 the hearing this evening, as to whether we need an additional
3 day. If it would be helpful for the parties to have a break to
4 discuss it, we can take a short break and come back or if
5 you're willing to discuss it now, we'll go ahead. Mr. Beck,
6 you --

7 MR. BECK: I'll be glad to give my assessment. It's
8 hard to tell exactly.

9 COMMISSIONER DEASON: Surely.

10 MR. BECK: With Mr. Diamond, we're going to spend
11 some time going over his budgets in some detail. It's hard to
12 assess that, but I know we're going to go over the budgets to
13 some extent and that may take some time, but Mr. Appel's will
14 be somewhat shorter, although we still have some time with him.

15 COMMISSIONER DEASON: Okay. Staff, right now we're
16 talking about the Verizon witnesses, two remaining Verizon
17 witnesses.

18 MR. FORDHAM: Staff would have very limited cross on
19 those two witnesses, Commissioner.

20 COMMISSIONER DEASON: Okay. And then we have a
21 Surrebuttal witness. Ms. Caswell?

22 MS. CASWELL: Yeah, I do have quite a bit of
23 Surrebuttal, but I could potentially cut it down. If it looks
24 like we can get through the other witnesses tonight, I can take
25 some time and evaluate which questions I need to ask

1 Mr. Poucher, but right now I'd say it's probably over an hour.

2 COMMISSIONER DEASON: Well, is the consensus that we
3 need to plow ahead and see if we possibly can finish or am I
4 getting an indication that we're not going to finish at a
5 reasonable hour so we might as well just continue it to another
6 day. Mr. Beck?

7 MR. BECK: It's hard to say. My guess, it's going to
8 take a while would be my guess. It would probably be better to
9 do it another day, but if you want to plow ahead, I'm ready,
10 you know, we'll do it.

11 MS. CASWELL: Yeah.

12 COMMISSIONER DEASON: Why don't we do this. We'll
13 take a short recess and then we'll come back on the record and
14 we'll make a decision at that point as to what we're going to
15 do. I need to confer with the court reporter.

16 (Recess taken.)

17 COMMISSIONER DEASON: We need to go back on the
18 record. While, it would certainly be desirable to conclude the
19 hearing, having considered the lateness of the hour already and
20 the enormity of the testimony yet to be heard and the cross
21 examination, I believe that -- and the fatigue factor
22 associated with it all, I think, it would be better to find
23 another day to conclude the hearing.

24 And we have already made a review of our calendars,
25 and we will continue the hearing on August the 1st and we will

1 reconvene this hearing at 9:30 a.m. on that date, and I believe
2 that giving this notice at this time would constitute adequate
3 notice to all the parties. We appreciate the participation and
4 the efforts to try to conclude this hearing in one day, but it
5 probably was an ambitious undertaking to try to do it in one
6 day.

7 So, let me make one other comment. I understand that
8 the parties have, heretofore prior to the hearing, conducted
9 some discussions of a possible settlement. While we continue
10 this hearing, I guess, it would be possible for further
11 discussions to take place. I'm not asking you to do that, but
12 the time is there. It may be that you can engage some of that
13 time and that endeavor, just an observation.

14 Having said that, we're going to conclude the hearing
15 for today and, as I indicated, we will reconvene 9:30 a.m.
16 August the 1st. This hearing for present is adjourned.

17 (Hearing concluded at 5:40 p.m.)

18 - - - - -

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

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

I, KORETTA E. STANFORD, RPR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard 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, constitutes a true transcription of my notes of said proceedings.

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

DATED THIS 28TH DAY OF JUNE, 2001.

Koretta E. Stanford
KORETTA E. STANFORD, RPR
FPSC Official Commissioner Reporter
(850) 413-6734