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October 23, 2001

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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Re: Docket No. 010795-TP
Petition by Sprint Communications Company Limited Partnership for
arbitration with Verizon Florida Inc. pursuant to Section 251/252 of the
Telecommunications Act of 1996

Dear Ms. Bayo:

Please find enclosed for filing an original and one copy of the Direct Testimonies of
Terry R. Dye, Susan Fox, William Munsell and John Ries on behalf of Verizon Florida
Inc. in the above matter. Service has been made as indicated on the Certificate of
Service. If there are any questions concerning this filing, please contact me at (813)
483-2617.

13407-01 thru 13410-01

Sincerely,

Kimberly Caswell

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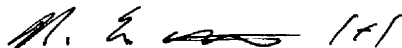
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the Direct Testimonies of Terry R. Dye, Susan Fox, William Munsell and John Ries on behalf of Verizon Florida Inc. in Docket No. 010795-TP were sent via overnight mail on October 22, 2001 to:

Staff Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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Charles Rehwinkel
Sprint
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Tallahassee, FL 32301

Joseph P. Cowin
Sprint
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Overland Park, KS 66210



Kimberly Caswell

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

In Re: Petition by Sprint Communications)
Company Limited Partnership for)
Arbitration with Verizon Florida Inc.)
Pursuant to Section 251/252 of the)
Telecommunications Act of 1996.)

DOCKET NO. 010795-TP

**DIRECT TESTIMONY OF
TERRY R. DYE
ON BEHALF OF
VERIZON FLORIDA INC.**

SUBJECT: ISSUE NO. 3

OCTOBER 23, 2001

DOCUMENT NUMBER-DATE

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DIRECT TESTIMONY OF TERRY R. DYE

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Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS.

A. My name is Terry R. Dye. My business address is 600 Hidden Ridge Drive, Irving, Texas, 75038.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING AND BY WHOM ARE YOU EMPLOYED?

A. I am testifying on behalf of Verizon Florida Inc. ("Verizon" or "Company"), formerly known as GTE Florida Incorporated. I am employed by Verizon Services Group as Manager – Regulatory.

Q. PLEASE SUMMARIZE YOUR EDUCATION AND WORK EXPERIENCE.

A. I received a Bachelor of Science Degree in Economics in 1977 and a Master of Arts Degree in Economics in 1979, both from the University of Missouri. Upon graduation, I accepted a position with the Missouri Department of Natural Resources as a Planner until accepting employment as an Economist with the Missouri Public Service Commission in 1981. Thereupon, I was assigned to the Rates and Tariffs Section of the Communications Department. I was responsible for the review and preparation of testimony, exhibits and cost support data submitted in support of tariff filings and making recommendations based upon that review.

1 In January 1984, I accepted a position as a Rate Manager in the
2 Economics and Rates Department of the Illinois Commerce
3 Commission. In that capacity, I had general rate design responsibility
4 over telephone utility matters in the Rate Design Section.

5

6 I joined Contel Telephone Operations in January 1985 as a Senior
7 Financial Analyst in the Pricing Group of the Revenue Department. I
8 was promoted to Pricing Manager in December 1987.

9

10 With the merger of Contel and GTE in 1991, I accepted the position of
11 Rate Design Manager with GTE Telephone Operations. From January
12 1993 to January 1994, I held the position of New Services Manager in
13 the Pricing Department. In 1994, I was assigned my current position.

14

15 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**
16 **COMMISSIONS?**

17 **A.** Yes. I have testified on numerous occasions in the area of
18 telecommunications ratemaking and cost methodologies representing
19 the staff of the Public Service Commissions in both Missouri and
20 Illinois. While with Contel, I presented testimony in the states of South
21 Carolina, West Virginia and New York. I have also testified on behalf
22 of GTE Hawaiian Telephone Company and GTE Northwest
23 Incorporated. Over the past few years I have presented testimony on
24 behalf of GTE in proceedings related to the Telecommunications Act of
25 1996 in the states of Pennsylvania, Ohio, Illinois, Indiana, Wisconsin,

1 Michigan, Kentucky, Arkansas, New Mexico, Alabama, Washington,
2 and South Carolina.

3

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

5 A. My testimony addresses whether Verizon should be required to
6 provide Sprint custom calling features (often referred to as "vertical
7 features") at wholesale rates set pursuant to § 252(d)(3) of the
8 Telecommunications Act of 1996 (the "Act") even if Sprint does not
9 concurrently order Verizon's dial tone service (Arbitration Issue 3).
10 The issue is not whether Sprint may purchase custom calling features
11 for resale without purchasing Verizon's dial tone service: it can. The
12 issue is how much Sprint must pay for those services when it
13 purchases them on what is known as a "stand-alone" basis -- that is,
14 without concurrently purchasing Verizon's dial tone service. Because
15 Verizon only offers its custom calling features at retail to customers
16 who concurrently purchase Verizon's dial tone service, Verizon has no
17 obligation under § 251(c)(4) to provide Sprint with those features on a
18 stand-alone basis at the § 252(d)(3) wholesale discount rate. Rather,
19 Sprint may purchase and resell custom calling features on a stand-
20 alone basis on the same terms and conditions as Verizon currently
21 offers to Enhanced Service Providers ("ESPs").

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RESALE OF CUSTOM CALLING FEATURES

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Q. WHAT DOES SPRINT PROPOSE WITH RESPECT TO CUSTOM CALLING FEATURES?

A. Sprint proposes that Verizon be required to offer its retail custom calling features for resale at the § 252(d)(3) wholesale discount rate without the concurrent purchase and resale of the basic dial tone service with which those custom calling features are always sold at retail.

Q. WHAT ARE CUSTOM CALLING FEATURES?

A. A custom calling feature is a network capability that Verizon provides in conjunction the basic dial tone service, such as Call Forward Busy Line/Don't Answer. Verizon also refers to central office custom calling features as calling services.

Q. WHAT ARE THE TERMS AND CONDITIONS UNDER WHICH VERIZON OFFERS CUSTOM CALLING FEATURES AT RETAIL?

A. Pursuant to Verizon's retail tariff, a retail customer must purchase Verizon basic dial tone service to order or use the custom calling features Verizon offers at retail. (See Verizon General Services Tariff, Section A13.14, 11th Revised Page 10). The tariff states that calling services are furnished in connection with individual line service exclusive of semipublic telephone service, CENTREX, CentraNet®, and PBX trunk lines. That is, a retail customer must first purchase

1 Verizon's basic dial tone service before it may order Verizon's retail
2 custom calling features.

3

4 Indeed, as a practical matter, a customer must have basic dial tone
5 service in order to use a custom calling feature. For example,
6 residence customers requesting call forward busy/don't answer for
7 their home can only place that service on their own residence line(s).

8

9 **Q. IS IT YOUR UNDERSTANDING THAT VERIZON MUST PROVIDE**
10 **SERVICES FOR RESALE AT WHOLESALE RATES IN A MANNER**
11 **INCONSISTENT WITH HOW VERIZON OFFERS THOSE SERVICES**
12 **AT RETAIL?**

13 **A.** No. Although I am not a lawyer, it is my understanding that the Act
14 requires incumbent local exchange carriers ("ILECs") "to offer for
15 resale at wholesale rates any telecommunications service that the
16 carrier provides at retail to subscribers who are not
17 telecommunications carriers." 47 U.S.C. § 251(c)(4). As explained
18 above, Verizon does not offer custom calling features on a stand-alone
19 basis at retail. Accordingly, it is my understanding that to the extent
20 Sprint seeks to purchase and resell these services in a manner
21 inconsistent with how Verizon offers them at retail, it does so outside
22 the context of § 251(c)(4) and would not be entitled to the § 252(d)(3)
23 discount.

24

25 I believe the Federal Communications Commission's First Report and

1 Order implementing the Act is consistent with my understanding. In
2 the First Report and Order, the FCC stated that ILECs are not required
3 to “disaggregate a retail service into more discrete retail services.”
4 (Implementation of the Local Competition Provisions in the Telecomm.
5 Act of 1996, 11 FCC Rcd 15499, at ¶877 (1996).) As compared to
6 Verizon’s retail offering of custom calling features with the minimum
7 purchase of a dial tone line service, an offering of custom calling
8 features on a stand-alone basis would be tantamount to an
9 impermissible disaggregation of Verizon’s “retail service into more
10 discrete retail services.”

11

12 If Sprint wishes to purchase custom calling features at a § 252(d)(3)
13 discount for resale, it must do so on the same terms and conditions
14 that Verizon provides the relevant services to its retail customers. If
15 Sprint wishes to purchase custom calling features on different terms
16 and conditions, it cannot require Verizon to sell them at a § 252(d)(3)
17 discount.

18

19 **Q. DOES VERIZON’S RETAIL TARIFF SET FORTH RATES AND**
20 **CHARGES FOR CUSTOM CALLING FEATURES SEPARATE FROM**
21 **THE BASIC DIAL TONE SERVICE?**

22 **A.** Yes. Verizon’s retail tariff has separate rates and charges for custom
23 calling features. Although it is true that a retail customer may order the
24 dial tone service without any custom calling features, the reverse is not
25 true. The retail customer cannot order the custom calling features

1 without the dial tone services. Verizon's retail tariff recognizes both of
2 these scenarios -- (1) the purchase of dial tone service without custom
3 calling features and (2) the purchase of dial tone service with one or
4 more custom calling features. The pricing scheme does not change
5 the fact that the tariff makes clear that a retail customer must have
6 basic dial tone service to order and use custom calling features.
7 Because a customer may have basic dial tone service with or without
8 additional custom calling features, it is necessary and appropriate for
9 Verizon to set forth rates and charges for custom calling features that
10 are optional additions to the rates for basic dial tone service.

11

12 **Q. DOES VERIZON PROVIDE CUSTOM CALLING FEATURES TO ANY**
13 **CUSTOMER TO WHOM IT DOES NOT ALSO PROVIDE THE**
14 **ASSOCIATED DIAL TONE LINE?**

15 A. Yes, but not at the § 252(d)(3) discount that Sprint seeks. Verizon
16 provides the network capabilities of various custom calling features to
17 virtually any entity that subscribes to the services offered under
18 Verizon's General Services Tariff, Section A13.33, even though the
19 entities do not also purchase the directly associated basic dial tone
20 service. These intermediaries, commonly known as enhanced service
21 providers or "ESPs", resell custom calling features to the Verizon dial
22 tone subscriber as part of an enhanced service offering such as voice
23 messaging. The provision of custom calling features under Section
24 A.13.33 of Verizon's tariff is not a retail offering, but a wholesale/resale
25 offering which predates the Act, and is not subject to the resale

1 obligation of § 252(c)(4) or the § 252(d)(3) discount. Allowing Sprint,
2 as it requests, to purchase custom calling features on a stand-alone
3 basis at a § 252(d)(3) wholesale discount would be unfair to the ESPs
4 which have always purchased custom calling features from Verizon
5 under the FCC's Open Network Architecture ("ONA") rules, with no
6 such discount. It would give Sprint an unfair advantage vis-à-vis other
7 ESPs: both Sprint and the ESPs are purchasing custom calling
8 features as wholesalers, yet Sprint would get a discounted rate.

9
10 **Q. IF SPRINT WERE TO PURCHASE CUSTOM CALLING FEATURES**
11 **ON A STAND-ALONE BASIS, WITHOUT THE ASSOCIATED DIAL**
12 **TONE LINE, WOULD THE SERVICE PROVIDED BY SPRINT TO**
13 **THE END-USER BE SIMILAR TO THE SERVICE PROVIDED BY AN**
14 **ESP?**

15 **A.** I see no difference. Sprint plans on using call forwarding busy line and
16 call forwarding no answer as part of their unified communications
17 platform. This platform allows an end-user to retrieve their voice mail
18 messages from various devices. Sprint wants Call Forwarding Busy
19 Line and Call Forwarding No Answer in order to have the end-user's
20 wire-line phone messages forwarded to this platform. In this way, calls
21 could be retrieved from any of these other devices. This is identical to
22 the way ESPs utilize the custom calling features provided under
23 Section 48 to provide their voice messaging services. When Sprint
24 utilizes custom calling features in this way, it is performing the services
25 of an ESP rather than a CLEC, and the same rates, terms and

1 conditions applicable to ESPs should apply to Sprint.

2

3 **Q. DOES VERIZON'S POSITION IN ANY WAY LIMIT OR RESTRICT**
4 **SPRINT'S ABILITY TO RESELL CUSTOM CALLING FEATURES?**

5 A. No. Sprint can purchase custom calling features such as Call
6 Forwarding/Busy Line No Answer from the same Verizon tariff (i.e.
7 under Section A.13.33) and at the same rate as ESPs for resale to its
8 customers while Verizon continues to provide the directly associated
9 dial tone line.

10

11 **Q. IF IT IS POSSIBLE FOR VERIZON TO PROVIDE CUSTOM**
12 **CALLING FEATURES ON A STAND-ALONE BASIS FOR RESALE**
13 **BY SPRINT, WHY DOES VERIZON OPPOSE A REQUIREMENT IN**
14 **ITS INTERCONNECTION AGREEMENT WITH SPRINT REQUIRING**
15 **IT TO DO SO AT A § 252(d)(3) WHOLESALE DISCOUNT RATE?**

16 A. Setting aside my belief that Verizon cannot be required to do so
17 pursuant to § 251(c)(4), the Commission should not do so. It is
18 Verizon's retail pricing scheme against which the § 252(d)(3)
19 wholesale discount is to be applied. The § 252(d)(3) wholesale
20 discount is developed through an avoided cost analysis that considers
21 what costs Verizon will avoid should it cease to provide retail dial tone
22 service. Verizon's current § 252(d)(3) wholesale discount was derived
23 by examining the total (combined dial tone line and custom calling
24 feature) retail expense avoided when sales and ordering processes
25 change from retail to wholesale. It would be unfair and inconsistent

1 with the avoided cost analysis used to calculate the § 252(d)(3)
2 wholesale discount if that discount is applied in a context in which
3 Verizon continues to provide the retail dial tone service.

4
5 Currently, there is no viable measurement of sales and ordering
6 expenses for stand-alone custom calling features incorporated into the
7 current discount level. Indeed, there is no measurable product
8 expense data on which to base the discount. If Verizon is required to
9 provide Sprint custom calling features on a stand-alone basis, Verizon
10 will avoid few, if any, costs because the majority of sales, ordering and
11 billing costs would remain associated with basic dial tone line, for
12 which Verizon would remain responsible. To illustrate this, consider
13 that the establishment of a customer account and assignment of line
14 number to a customer address will comprise the bulk of ordering costs
15 – to augment this information with a custom calling feature is a
16 comparatively minor effort. Also, the sales cost to acquire a customer
17 would exceed the sales cost to augment their service. The situation
18 then has the likely outcome of a discount in name but not in
19 mathematical practice.

20
21 Verizon's retail and § 252(d)(3) wholesale rates are developed based
22 on how Verizon offers its services at retail. Consistently, § 252(c)(4)
23 only requires Verizon to offer for resale at § 252(d)(3) discounted rates
24 the telecommunications services consistent with Verizon's offering of
25 those services at retail. To allow Sprint to "disaggregate" Verizon's

1 retail offerings and yet to get a discount calculated based on Verizon's
2 retail service is simply unfair and inconsistent with the requirements of
3 the Act.

4

5 **Q. WOULD VERIZON INCUR IMPLEMENTATION COSTS IF IT IS**
6 **REQUIRED TO FACILITATE THE RESALE OF CUSTOM CALLING**
7 **FEATURES ON A STAND- ALONE BASIS TO CLECs?**

8 A. Reselling custom calling features on a stand-alone basis may require
9 modifications to its provisioning and billing systems for CLECs. If
10 Verizon is required to provide Sprint with custom calling features on a
11 stand-alone basis to Sprint pursuant to § 252(c)(4), Verizon should be
12 permitted the opportunity to calculate and seek recovery of any
13 additional costs it incurs for such resale.

14

15

SUMMARY

16

17 **Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.**

18 A. Under the Act, Verizon is not obligated to provide Sprint custom calling
19 features for resale on a stand-alone basis at the § 252(d)(3) wholesale
20 discount. Verizon will resell custom calling features, when purchased
21 on a stand-alone basis, under Verizon's General Services Tariff,
22 Section A13.33. Resale of Verizon's retail custom calling features at
23 the wholesale rates provided for under 47 U.S.C. §251(c)(4) will be
24 made to Sprint under the same terms and conditions as Verizon
25 currently offers to its retail end-users--in conjunction with basic

1 exchange service. That is, Verizon should not be required to
2 disaggregate retail custom calling features from the basic exchange
3 service.

4

5 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

6 **A.** Yes, it does.

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