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January 16, 2003

COMMISSION
CLERK

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VIA OVERNIGHT DELIVERY

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

**Re: Docket No. 020960-TP
Petition for arbitration of open issues resulting from interconnection
negotiations with Verizon Florida Inc. by DIECA Communications, Inc.
d/b/a Covad Communications Company**

Dear Ms. Bayo:

Please find enclosed for filing an original and 15 copies of the Direct Testimonies of Ronald J. Hansen, David J. Kelly and John White, Rosemarie Clayton, Faye H. Raynor, John White, and Don Albert and Alice B. Shocket on behalf of Verizon Florida Inc. in the above matter. Also enclosed is a diskette copy of the testimonies, pursuant to Rule 25-22.028(1), Florida Administrative Code. Service has been made as indicated on the Certificate of Service.

00534-03
through
00539-03

Also enclosed is one extra copy of each testimony. Please date-stamp and return the copies in the enclosed, self-addressed stamped envelope.

O.T. 3:57 PM

Thank you for your assistance. If you have any questions, please call me at 202-326-7921.

Sincerely,

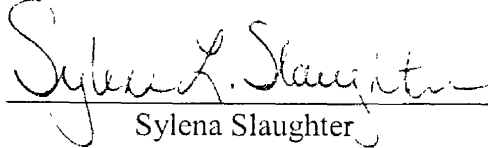
Scott H. Angstreich

Enclosures

RUN

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that copies of the Direct Testimonies of Ronald J. Hansen, David J. Kelly and John White, Rosemarie Clayton, Faye H. Raynor, John White, and Donald E. Albert and Alice B. Shocket on behalf of Verizon Florida Inc. in Docket No. 020960-TP were sent via U.S. mail on January 16, 2003 to the parties on the attached list.


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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

Petition by DIECA Communications, Inc.)
d/b/a Covad Communications Company for)
Arbitration of Interconnection Rates, Terms,)
and Conditions and Related Arrangements)
with Verizon Florida Inc. Pursuant to)
Section 252(b) of the Telecommunications)
Act of 1996)

Docket No. 020960-TP

DIRECT TESTIMONY OF

RONALD J. HANSEN

ON BEHALF OF

VERIZON FLORIDA INC.

SUBJECT: ISSUE NOS. 2-5 AND 9

JANUARY 17, 2003

DOCUMENT NUMBER - DATE

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1 **DIRECT TESTIMONY OF RONALD J. HANSEN**

2

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

4 A. My name is Ronald J. Hansen. My business address is 500 Summit
5 Lake Drive, Valhalla, New York 10595.

6

7 **Q. BY WHOM ARE YOU CURRENTLY EMPLOYED?**

8 A. I am currently employed by Verizon Services Corporation. I am testifying
9 in this arbitration on behalf of Verizon Florida Inc. ("Verizon").

10

11 **Q. WHAT ARE YOUR CURRENT DUTIES AND RESPONSIBILITIES?**

12 A. I am a Senior Manager for Wholesale Billing Assurance. I have been
13 responsible for the third-party tests of Verizon's billing operations support
14 systems ("OSS") in Verizon's five New England states.

15

16 **Q. PLEASE SUMMARIZE YOUR WORK EXPERIENCE.**

17 A. I have worked in the telecommunications industry since 1979. Prior to
18 assuming my current position in August 1999, I was Area Operations
19 Manager for midtown Manhattan's Major Customer Service Center. In
20 that position, I managed teams responsible for billing, repair, and
21 provisioning of enterprise services to NYNEX's, and then Bell Atlantic's,
22 Tier 1 accounts. From 1989 to 1994, I developed methods and
23 procedures, as well as trained and coached customer service
24 representatives for NYNEX Mobile. From 1979 to 1989, I held various
25 positions within New York Telephone Company.

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

2 A. The purpose of my testimony is to provide Verizon's positions relative to
3 Issue Nos. 2 through 5, and 9 in this arbitration, which pertain to the
4 provisions of the parties' agreement addressing billing. In addition, I note
5 that Verizon is not submitting testimony on Issue Nos. 1, 7-8, 10, 14-15,
6 18, 29, 34-36, 38-39, 42, 44, and 51-52. These issues are purely legal
7 disputes. Verizon's position on these issues is set forth in its response to
8 Covad's petition for arbitration and will be developed further in its post-
9 hearing brief. I also note that, since the time the Commission issued its
10 Order Establishing Procedure, the parties have resolved Issue Nos. 6,
11 11, 16, 26, 49, and 50.

12

13 **ISSUE NOS. 2 AND 9 — ASSESSMENT OF PREVIOUSLY UNBILLED**
14 **CHARGES**

15

16 **Q. WHAT IS THE DISPUTE REGARDING ISSUE NOS. 2 AND 9?**

17 A. Issue No. 2 pertains to the time limit that should apply to the parties' right
18 to assess previously unbilled charges for services rendered, also referred
19 to as backbilling. Verizon's position is that the parties' rights in this
20 regard, in the absence of a voluntary agreement otherwise, are governed
21 by the five-year statute of limitations in Florida Statutes § 95.11(2)(b),
22 which also governs each party's right to challenge the amounts billed by
23 the other party. Covad has proposed a one-year limit on the parties' right
24 to backbill, but has proposed no limit on the parties' right to dispute
25 amounts billed.

1 Issue No. 9 is a follow-on to Issue No. 2, and asks whether the anti-
2 waiver provisions in the agreement should be modified, if necessary, to
3 remain consistent with the resolution of Issue No. 2. Verizon believes
4 that resolution of Issue No. 2 will resolve Issue No. 9.

5

6 **Q. PLEASE DESCRIBE WHY BACKBILLING MAY OCCUR BETWEEN**
7 **TWO LOCAL EXCHANGE CARRIERS.**

8 A. Carrier-to-carrier billing is a complicated and evolving process. Among
9 other things, such billing is subject to regulatory changes that may make
10 it difficult for carriers to bill for services promptly and completely. Orders
11 of this Commission or the Federal Communications Commission ("FCC")
12 can result, for example, in the imposition of new unbundled network
13 element ("UNE") obligations before rates have been established for the
14 new UNE and before the billing processes have been developed and
15 implemented. In these circumstances, the operational processes
16 necessary to enable the provisioning of the new UNE can move faster
17 than the rate-setting and billing systems work.

18

19 Thus, even though Verizon cannot yet bill for this new UNE, it is expected
20 to be ready to provision an order for that new UNE. Regulatory orders
21 mandating the provision of a new UNE normally do not permit Verizon to
22 defer provisioning orders for the new UNE until all the rate-setting and
23 billing work is completed. As a result, Verizon may have no choice but to
24 "back" bill the alternative local exchange carrier ("ALEC"), which normally
25 has ordered the service with full knowledge that it will be billed for that

1 service at a later date. Verizon, however, tries to collect amounts owed
2 to it as promptly as possible.

3

4 **Q. HAS COVAD TAKEN ISSUE WITH BACKBILLING BY VERIZON IN**
5 **OTHER PROCEEDINGS?**

6 A. Yes. In opposing Verizon's successful section 271 application in Virginia,
7 Covad raised one instance of backbilling, which was largely the result of
8 a regulatory change of the kind discussed above. When Verizon was
9 required to implement line sharing, its first priority was to complete the
10 OSS work necessary to enable ALECs to order line sharing and to enable
11 line-shared loops to be provisioned. Consequently, Verizon informed
12 ALECs that they would be billed later for their line sharing UNE orders.
13 As a result, ALECs such as Covad were able to order and use line
14 sharing to win customers — and collect fees from those customers —
15 without paying anything to Verizon for the period prior to when Verizon
16 billed ALECs for those orders.

17

18 When Verizon did bill Covad for line sharing, the bill was primarily for
19 services rendered within one year of the bill date; the oldest charges on
20 the bill were for services rendered 14 months earlier. Verizon also
21 included all of the backbilled amount on Covad's New York bill, because
22 the largest portion of the charges were for New York. Indeed, although
23 Covad has complained about backbilling of \$1.1 million, that is a region-
24 wide figure. When Covad raised billing disputes related to this

1 backbilling, Verizon worked with Covad to resolve those claims, and they
2 have since been resolved, with appropriate credits issued to Covad.

3

4 **Q. DID THE FCC ADDRESS COVAD'S CLAIMS?**

5 A. Yes. The FCC stated that it "disagree[d] with Covad that Verizon's back
6 billing for line sharing charges denies it a meaningful opportunity to
7 compete," finding that "this problem is relatively unique" and "has been
8 corrected." *Application by Verizon Virginia Inc., et al., for Authorization to*
9 *Provide In-Region, InterLATA Services in Virginia*, Memorandum Opinion
10 and Order, 17 FCC Rcd 21880, ¶ 50 (2002).

11

12 **ISSUE NO. 3 — TRACKING OF BILLING DISPUTES**

13

14 **Q. WHAT IS THE DISPUTE REGARDING THIS ISSUE?**

15 A. This issue pertains to the manner in which a billing dispute should be
16 tracked and referenced during the pendency of a dispute. The dispute
17 between the parties is not over their substantive obligations, but rather
18 over the language, if any, that should appear in the interconnection
19 agreement with respect to those obligations.

20

21 **Q. YOU SAID THAT THE DISPUTE IS NOT OVER THE PARTIES'**
22 **SUBSTANTIVE OBLIGATIONS. PLEASE EXPLAIN.**

23 A. Currently, when an ALEC submits a billing dispute either by fax or the
24 web, Verizon assigns that dispute a unique claim number. Verizon then
25 uses that number to identify the dispute in further communications with

1 the ALEC. When the claim is resolved, Verizon advises the ALEC in the
2 same manner that the claim was received (*i.e.*, fax or e-mail), which
3 identifies the resolved dispute by the claim number and informs the ALEC
4 of the amount of any adjustment resulting from the claim and when the
5 adjustment is expected to appear on the ALEC's bill.

6
7 Verizon is also in the process of implementing the Wholesale Claims and
8 Inquiry Tracking ("WCIT") system. WCIT will enable Verizon also to
9 identify billing disputes using a claim number that the ALEC submitting
10 the dispute assigns (assuming the ALEC enters a claim number when
11 submitting the claim). Verizon expects to implement WCIT fully in the
12 third quarter of 2003. Prior to that time, Verizon has agreed to use an
13 ALEC's claim number (assuming one is provided when the ALEC submits
14 the billing dispute) for claims regarding UNE and resale products, in
15 addition to the Verizon-assigned claim number, on all correspondence
16 relating to the claim.

17

18 **Q. WHAT HAS COVAD PROPOSED HERE?**

19 A. Covad has proposed to add language to the interconnection agreement
20 stating: "The billing Party shall use a Claim Number specified in the
21 notice of the dispute when referencing the Disputed Amounts with the
22 billed Party." Covad Petition Attach. C at 2. As explained above, Verizon
23 has already agreed to do so on an interim basis for claims regarding
24 resale and UNE products and is in the process of implementing a system
25 that will enable it to do so for all products. I note that Covad has not

1 proposed to change the language in the agreement that pertains to the
2 identification of resolved billing disputes, which states that the billing party
3 “must provide to the billed Party information identifying the bill and Bill
4 Account Number (BAN) to which an appropriate credit will be applied.”
5 *Id.* Attach. A at 11 (§ 9.3). The letter that Verizon sends to an ALEC
6 when a dispute is resolved, which I described above, complies with this
7 agreed-upon language.

8

9 **Q. IF VERIZON IS ALREADY PROVIDING COVAD WITH THE**
10 **INFORMATION IT SEEKS, WHY DOES VERIZON OPPOSE COVAD’S**
11 **LANGUAGE?**

12 A. The process for tracking and identifying billing disputes is the type of
13 operational process that will be enhanced, from time-to-time, depending
14 on the needs of the industry. If the process for tracking billing disputes,
15 instead, were contained in interconnection agreements, such
16 modifications would be far more difficult, as they would require
17 amendments of all of the various agreements.

18

19 Finally, I note that Covad’s proposed language does not obligate the
20 party raising the billing dispute to provide its own claim number and is
21 silent on the obligations of the billing party in the event that happens.

22

23

24

1 **Q. PLEASE DESCRIBE THE WCIT SYSTEM THAT YOU MENTIONED**
2 **EARLIER.**

3 A. WCIT is a web-based claims input and tracking system that Verizon will
4 use to receive and then track customer claims and inquiries. Phase 1 of
5 WCIT implementation, tracking in the CABS billing system (which is used
6 to bill UNE products, among others), is complete, as is part of Phase 2,
7 tracking in the CRIS billing system (which is used to bill resale products,
8 among others). The remaining part of Phase 2, as well as Phase 3,
9 which will permit ALEC input into WCIT through an Internet browser, is
10 scheduled for the third quarter of 2003. Verizon conducted a live
11 demonstration of WCIT in New York, which Covad and other ALECs
12 attended.

13

14 **ISSUE NO. 4 — TIME FOR RESOLVING BILLING DISPUTES**

15

16 **Q. WHAT IS THE DISPUTE REGARDING THIS ISSUE?**

17 A. This issue pertains to how long a billing party should have, from the time
18 it receives a billing dispute, to provide the billed party with a statement of
19 its position on the claim and its resolution thereof. Covad has proposed
20 language that would require the billing party to acknowledge receipt of a
21 billing dispute within 2 business days and to provide its statement of
22 position within 30 calendar days after receiving the notice. Verizon's
23 position is that the appropriate standard for inclusion in an
24 interconnection agreement is that the parties shall use commercially
25 reasonable efforts to resolve billing disputes in a timely manner.

1 **Q. WHY DOES VERIZON OBJECT TO COVAD'S PROPOSAL?**

2 A. Although Verizon will acknowledge and investigate all billing claims
3 submitted, Verizon's ability to do so within the time frames that Covad
4 has specified depends in large part on the degree of detail that an ALEC
5 provides when it submits its dispute and whether the dispute pertains to
6 recent bills. Covad's proposed language places no obligations on it to
7 provide all the information necessary to investigate its complaint at the
8 time it is submitted. Nor does it provide Verizon with a longer time period
9 in which to investigate disputes of older bills; as noted above, Covad may
10 dispute bills that are five years old. Further discussion of the reasons for
11 Verizon's objection to Covad's proposal on this issue can be found in the
12 direct testimony of Faye H. Raynor.

13

14 **Q. WHY ARE DISPUTES OF OLDER BILLS HARDER TO INVESTIGATE**
15 **WITHIN THE 30 DAYS THAT COVAD PROPOSES?**

16 A. Verizon begins to archive the data necessary to investigate billing
17 disputes — which includes not only the billing data itself, but also the
18 information pertaining to the service orders that the ALEC has submitted
19 — after 45 days. As a result, claims related to older billing disputes are
20 more difficult to investigate than claims related to current bills. Unless
21 Verizon has relatively easy access to the data necessary to investigate
22 an ALEC's claim, it may be unable to resolve it within 30 calendar days
23 after receipt of the ALEC's dispute, even if the ALEC provides all the
24 information necessary to resolve that dispute. However, if Verizon must
25 seek additional information from an ALEC regarding its billing dispute,

1 Verizon also may be unable to resolve that dispute within the 30-day time
2 frame.

3

4

ISSUE NO. 5 — LATE PAYMENT CHARGES

5

6 **Q. WHAT IS THE DISPUTE REGARDING THIS ISSUE?**

7 A. This issue actually contains two separate issues, both of which pertain to
8 the amount of late fees that Covad must pay if it disputes a Verizon bill,
9 but the dispute is ultimately resolved in Verizon's favor. Covad has
10 proposed two limitations on its obligation to pay late fees in this
11 circumstance. First, it has proposed to limit that obligation to 30 days.
12 Second, it has proposed that any late fees should not be compounded.
13 Verizon's position is that, consistent with this Commission's precedent,
14 Covad should be required to pay late fees on its entire unpaid balance,
15 for the duration that the balance is unpaid.

16

17 **Q. IS COVAD OBLIGATED TO PAY LATE FEES DURING THE**
18 **PENDENCY OF A DISPUTE?**

19 A. No. ALECs are not required to pay disputed amounts during the
20 pendency of a billing dispute. Nor does Covad, during the pendency of a
21 dispute, need to file separate disputes regarding any late charges that
22 continue to be billed on the disputed amounts. If the dispute is resolved
23 in Covad's favor, any late fees billed on the disputed amounts will
24 automatically be credited.

25

1 **Q. WHAT PURPOSES ARE SERVED BY THE LATE-PAYMENT**
2 **CHARGE?**

3 A. The late-payment charge serves at least two purposes. First, it provides
4 ALECs with an incentive to pay undisputed — or previously disputed —
5 amounts promptly. Second, it compensates Verizon for the time value of
6 money, the risk of ultimate non-payment, and the cost of collection efforts
7 when ALECs do not pay such amounts promptly.

8

9 **Q. ARE COVAD'S PROPOSALS CONSISTENT WITH THOSE**
10 **PURPOSES?**

11 A. No. Both purposes would be undermined if, by submitting a dispute,
12 Covad could ensure that it would face no more than 30 days worth of
13 late-payment charges. Indeed, although the same late-payment charge
14 applies to Verizon's retail and ALEC customers, the level of charges to
15 ALECs that are ultimately uncollectable by Verizon is well above the level
16 for Verizon's retail customers. Covad's proposal would provide it with an
17 incentive to manipulate the dispute resolution process in order to avoid
18 making prompt payment, for example, by submitting barebones claims in
19 order to generate "disputes" that will necessarily take longer than 30 days
20 to resolve simply to avoid payment.

21

22 **Q. WHY SHOULD LATE-PAYMENT CHARGES BE COMPOUNDED?**

23 A. It is commercially reasonable for late-payment charges to apply to the
24 failure to pay any amounts due under the agreement, whether those
25 amounts are charges for services or late-payment charges. Non-

1 payment of charges — whether for undisputed charges or during the
2 pendency of a dispute where the charges are ultimately determined to be
3 valid — amounts to a forced loan from Verizon to its competitor.
4 Imposition of late-payment charges on all outstanding balances —
5 including previously accrued late fees — is simple compounding, which is
6 the ordinary way in which interest charges accrue.

7

8 **Q. HAS THIS COMMISSION RULED ON THIS ISSUE PREVIOUSLY?**

9 A. Yes. In arbitrating a dispute between Covad and BellSouth, this
10 Commission rejected Covad's claims and found that, when a "dispute is
11 resolved in favor of BellSouth, Covad shall be required to pay the amount
12 it owes BellSouth plus applicable late payment charges." Order No.
13 PSC-01-2017-FOF-TP at 118, Docket No. 001797-TP (Fla. PSC Oct. 9,
14 2001).

15

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

17 A. Yes.

18

19

20

21

22

23

24

25