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September 10, 2003

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

Re: Docket No. 030339-TP (Allegiance Arbitration)

Dear Ms. Bayó:

Enclosed are an original and fifteen copies of BellSouth Telecommunications, Inc.'s Direct Testimony of Kathy K. Blake, which we ask that you file in the captioned docket.

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

Sincerely,



Andrew D. Shore (UA)

cc: All Parties of Record
Marshall M. Criser III
R. Douglas Lackey
Nancy B. White

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK


**CERTIFICATE OF SERVICE
DOCKET NO. 030339-TP**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via Hand Delivery (*), Electronic Mail, Facsimile (**), and U.S. Mail this 10th day of September 2003 to the following:

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BELLSOUTH TELECOMMUNICATIONS, INC.
DIRECT TESTIMONY OF KATHY K. BLAKE
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 030339-TP
SEPTEMBER 10, 2003

Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC. ("BELLSOUTH") AND YOUR BUSINESS ADDRESS.

A. My name is Kathy K. Blake. I am employed by BellSouth as Director – Policy Implementation. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND EXPERIENCE.

A. I graduated from Florida State University in 1981, with a Bachelor of Science degree in Business Management. After graduation, I began employment with Southern Bell as a Supervisor in the Customer Services Organization in Miami, Florida. In 1982, I moved to Atlanta where I have held various positions involving Staff Support, Product Management, Negotiations, and Market Management within the BellSouth Customer Services and Interconnection Services Organizations. In 1997, I moved into the State Regulatory Organization where my responsibilities included issues

1 management and policy witness support. I assumed my current responsibilities
2 in July 2003.

3

4 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

5

6 A. The purpose of my testimony is to present BellSouth's position on the
7 unresolved issues in the arbitration between BellSouth and Allegiance Telecom
8 of Florida, Inc. ("Allegiance"). Allegiance requested negotiations with
9 BellSouth for a new Interconnection Agreement ("Agreement") by letter dated
10 November 1, 2002. BellSouth and Allegiance negotiated in good faith and
11 have resolved many of the issues raised during the parties' negotiations. On
12 April 11, 2003, Allegiance filed its Petition for Arbitration ("Petition") with the
13 Florida Public Service Commission (the "Commission") in which it identified
14 nine issues that BellSouth and Allegiance were unable to resolve and asked the
15 Commission to arbitrate. Since the filing of the Petition, it is BellSouth's
16 understanding that the parties have reached agreement on Issues 1, 3, 4, 5, and
17 6. (Should these issues not be resolved, BellSouth reserves the right to file
18 supplemental testimony on those issues.) My testimony addresses Issues 2, 7,
19 8 and 9.

20

21 Q. ARE ANY OF THE ISSUES IN THIS ARBITRATION ADDRESSED IN
22 THE FCC'S RECENTLY RELEASED TRIENNIAL REVIEW ORDER
23 AND, IF SO, HOW DOES BELLSOUTH PROPOSE THE COMMISSION

24

25

1 PROCEED IN ADDRESSING THOSE ISSUES THAT MAY BE
2 IMPACTED BY THE *TRIENNIAL REVIEW ORDER*¹?

3
4 A. The *TRO* addresses one issue in this arbitration – Issue No. 2. Issue No. 2
5 deals with when BellSouth should start billing the unbundled network element
6 (“UNE”) rate when special access circuits are converted to Extended Enhanced
7 Loops (“EELs”). The Federal Communications Commission (“FCC”)
8 addressed the timing and billing of conversions in paragraphs 588-589 of the
9 *TRO*. Because the *TRO* will not become effective until October 2, 2003, 30
10 days after publication in the Federal Register, at the earliest, and also because
11 it has been appealed, the Commission should consider the evidence put forth in
12 this proceeding and render its determination of the issues based on the current
13 statutory and regulatory requirements. The change of law provision in the
14 Agreement provides a mechanism to amend the Agreement based on new or
15 revised FCC rules.

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23 _____
24 ¹ *In the Matter of Review of the Section 251 Unbundling Obligations of*
25 *Incumbent Local Exchange Carriers, et. al.*, CC Docket No. 01-338, et al., *Report and*
Order and Order on Remand and Further Notice of Proposed Rulemaking, FCC 03-
36, released August 21, 2003 (“*Triennial Review Order*” or “*TRO*”).

1

2 **Issue 1: Dispute Resolution Jurisdiction**

3 *Should the Agreement limit the parties' initial recourse for unresolved disputes*
4 *arising out of or relating to a provision of the interconnection agreement by*
5 *pursuing resolution through the Commission and the FCC?*

6

7 Q. WHAT IS THE STATUS OF THIS ISSUE?

8

9 A. It is BellSouth's understanding that this issue has been settled. BellSouth
10 reserves the right to provide testimony on this issue if its understanding is
11 incorrect.

12

13 **Issue 2: Rates and Charges for Conversion of Customers from Special Access to**
14 **Extended Enhanced Loops (EELs)**

15 *Following a request by Allegiance to convert a special access arrangement to a*
16 *combined loop and transport network element (EEL), when should BellSouth*
17 *cease billing the special access rate and begin to bill the lower UNE rate for the*
18 *EEL?*

19

20 Q. WHEN DOES BELLSOUTH CEASE BILLING FOR SPECIAL ACCESS
21 CIRCUITS CONVERTED TO EELS?

22

23 A. BellSouth ceases billing special access rates and begins billing UNE rates once
24 BellSouth performs the work necessary to effectuate the conversion to UNEs.
25 Allegiance's position that UNE billing should commence on the date

1 Allegiance *requests* the conversion is unreasonable and completely disregards
2 the process BellSouth has in place to perform the requested conversion.

3

4 Q. IS THE CONVERSION PROCESS FOR CONVERTING SPECIAL ACCESS
5 TO EELS ANY DIFFERENT THAN OTHER CHANGE-OF-SERVICE
6 PROCESSES?

7

8 A. No. BellSouth follows the same process for converting EELs as it does for
9 changing any other service for a CLEC. The CLEC must place the order for
10 change-of-service, allow the request to be processed and wait for the order to
11 be completed. BellSouth has published Guidelines, which sets forth the
12 process for ordering and provisioning of various services for CLECs.

13

14 Q. ARE BELL SOUTH'S PROCESSES NON-DISCRIMINATORY AND
15 AVAILABLE TO ALL CARRIERS?

16

17 A. Yes. The Guidelines set forth the time intervals pursuant to which BellSouth
18 will perform the work necessary to convert special access arrangements to
19 UNE EELs.

20

21 ***Issue 3: Audits***

22 ***The FCC permits BellSouth to conduct audits to determine whether Allegiances'***
23 ***use of EELs satisfies the FCC's local exchange service requirement and***
24 ***requires Allegiance to pay for the audit if non-compliance is found. Should this***

25

1 *Agreement address what percentages of EELs must be non-compliant before*
2 *Allegiance must bear the full expense of such audit?*

3

4 Q. WHAT IS THE STATUS OF THIS ISSUE?

5

6 A. It is BellSouth's understanding that this issue has been settled. BellSouth
7 reserves the right to provide testimony on this issue if its understanding is
8 incorrect.

9

10 *Issue 4: Billing for Non-Compliant EELs*

11 *If an audit finds an EEL non-compliant, how far back should BellSouth be*
12 *allowed to bill at the special access services rate?*

13

14 Q. WHAT IS THE STATUS OF THIS ISSUE?

15

16 A. It is BellSouth's understanding that this issue has been settled. BellSouth
17 reserves the right to provide testimony on this issue if its understanding is
18 incorrect.

19

20 *Issue 5: Insurance Requirements*

21 *Is it appropriate to cap the amount by which BellSouth may increase required*
22 *insurance limits during the term of the Agreement?*

23

24 Q. WHAT IS THE STATUS OF THIS ISSUE?

25

1 A. It is BellSouth's understanding that this issue has been settled. BellSouth
2 reserves the right to provide testimony on this issue if its understanding is
3 incorrect.

4

5 ***Issue 6: CSR Records***

6 ***Is it appropriate to specify the minimum level of customer detail to be contained***
7 ***on a CSR and available for Allegiance review with customer permission?***

8

9 Q. WHAT IS THE STATUS OF THIS ISSUE?

10

11 A. It is BellSouth's understanding that this issue has been settled. BellSouth
12 reserves the right to provide testimony on this issue if its understanding is
13 incorrect.

14

15 ***Issue 7: Payment Due Date***

16 ***When should payment for service be due?***

17

18 Q. WHAT IS BELLSOUTH'S POSITION ON THIS ISSUE?

19

20 A. Payment should be due by the next bill date. There is no legitimate reason to
21 allow Allegiance a full 30 days after receiving its bill to make payment.
22 BellSouth invoices Allegiance every 30 days, just as it does for every
23 customer. The bill date is the same each month, and Allegiance is fully aware
24 of the date its bill will be due each month. Moreover, it can elect to receive its
25 bills electronically so as to minimize any delay in bill printing and receipt. To

1 the extent Allegiance has questions about its bills, BellSouth cooperates with
2 Allegiance to provide responses in a prompt manner and to resolve any issue.
3 It is reasonable for payment to be due before the next bill date. Furthermore, in
4 a given month, if special circumstances warrant, Allegiance may request an
5 extension of the due date and BellSouth will not unreasonably refuse to grant
6 such a request. Also, if Allegiance disputes any charge included on the bill,
7 the Agreement describes the process for how payment is calculated after the
8 resolution of such dispute. Allegiance has from the date it receives its bill until
9 the bill's due date to review and pay its bill.

10

11 Q. DOES BELLSOUTH HAVE GENERAL BILLING PROCEDURES IN
12 PLACE THAT ARE ACCEPTED INDUSTRY-WIDE?

13

14 A. The procedure used by BellSouth for establishing payment due date is based
15 on common industry and business practices and are included in BellSouth's
16 tariffs and interconnection agreements.

17

18 Q. IS THERE A PROCESS BY WHICH A CLEC CAN RAISE ISSUES
19 RELATED TO BILLING PROCEDURES?

20

21 A. Yes. Issues relating to billing procedures may be raised at the Alliance for
22 Telecommunications Industry Solutions ("ATIS") Ordering and Billing Forum
23 ("OBF"). The OBF provides a forum for customer and providers in the
24 telecommunications industry to identify and resolve national issues that affect
25

1 ordering, billing, provisions and exchange of information about access
2 services, other connectivity and related matters.

3

4 ***Issue 8: Deposits***

5 ***When is it appropriate to demand a security deposit, in what amount, and under***
6 ***what conditions should the security deposit be released?***

7

8 Q. IS BELLSOUTH ENTITLED TO REQUIRE A DEPOSIT FOR PROVIDING
9 SERVICE UNDER THE AGREEMENT?

10

11 A. Yes. BellSouth is entitled to a security deposit based on the results of
12 BellSouth's analysis of Allegiance's credit worthiness. BellSouth utilizes a
13 commercially acceptable credit-scoring tool applied in a commercially
14 reasonable manner to determine Allegiance's credit worthiness.

15

16 Q. PLEASE EXPLAIN BELLSOUTH'S CREDIT REVIEW PROCESS.

17

18 A. BellSouth's credit review process is a process by which a business investigates
19 the credit risk associated with selling to a customer, which review includes an
20 analysis of credit worthiness. Credit worthiness refers to a business evaluation
21 of a customer's ability to make payments in the future for services rendered.
22 BellSouth performs credit reviews and evaluates credit worthiness through the
23 use of commercially accepted credit scoring tools as well as customer provided
24 information.

25

1 Q. IS BELLSOUTH'S PRACTICE WITH RESPECT TO PERFORMING
2 CREDIT REVIEWS AND EVALUATING CREDIT WORTHINESS
3 UNIQUE?
4

5 A. No. Businesses throughout the United States extend credit and evaluate credit.
6 BellSouth is different in certain aspects from other businesses, however,
7 because it cannot refuse to provide wholesale telecommunications services to
8 requesting customers, whereas other businesses have the ability to simply
9 refuse to sell goods or services to potential customers. BellSouth can only
10 protect itself from the risks of nonpayment by obtaining some type of security
11 to guarantee payment for services. Such protection is becoming increasingly
12 important in today's difficult economic climate. The fact that Allegiance filed
13 for bankruptcy after it filed the Petition before this Commission underscores
14 that point.
15

16 Q: PLEASE DESCRIBE THE CREDIT SCORING TOOLS USED BY
17 BELLSOUTH AND EXPLAIN HOW THESE TOOLS WORK.
18

19 A. At a high level, BellSouth uses third party designed software, and enters
20 customer provided financial information about a customer into the program
21 that is used. One of the models used by BellSouth is RiskCalc software
22 developed by Moody's Risk Management Services. Moody's RiskCalc is
23 commonly used by American banks to analyze financial data before extending
24 credit. This software is designed to act as an early warning system to monitor
25 changes in the financial stability of corporations. Another model used by

1 BellSouth is D&B's Risk Assessment Manager ("RAM") software. The RAM
2 software combines BellSouth information and D&B information together to
3 calculate a credit risk score.

4

5 Q. WHAT AMOUNT DOES BELLSOUTH TYPICALLY COLLECT FOR A
6 DEPOSIT AND HOW DOES IT DETERMINE THAT AMOUNT?

7

8 A. The amount of the deposit will be equal to or less than two (2) months of
9 Allegiance's estimated billings. It generally takes at least that amount of time
10 to disconnect a non-paying carrier, and BellSouth should not be required to
11 provide free service to Allegiance for that period of non-payment.

12

13 Q. SHOULD BELLSOUTH BE REQUIRED TO RETURN THE DEPOSIT TO
14 ALLEGIANCE?

15

16 A. No. The deposit should not be released unless Allegiance timely pays its bills
17 for 12 consecutive months and Allegiance no longer poses a credit risk based
18 on performance of a credit review. BellSouth should not be required to return
19 a deposit solely because a CLEC generates a good payment history. Payment
20 history alone is not a measure of credit risk.

21

22

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24

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1 **Issue 9: Back Billing**

2 ***How far may BellSouth back bill for all services?***

3

4 Q. WHAT IS BELLSOUTH'S POSITION ON THIS ISSUE?

5

6 A. Pursuant to Chapter 25-4.110(10) of the Rules of the Florida Public Service
7 Commission, BellSouth should be permitted to back bill for one year. If
8 BellSouth is unable to back bill carriers that are erroneously undercharged, the
9 carriers would maintain a benefit that they have not paid for, and thereby, be
10 unjustly enriched at BellSouth's expense.

11

12 Q. DOES CHAPTER 25-4.110(10) COMPLETELY DISALLOW BELLSOUTH
13 CANNOT FROM BACK BILLING FOR SERVICES AFTER 12 MONTHS?

14

15 A. No. Chapter 25-4.110(10) states: "Where any undercharge in billing of a
16 customer is the result of a company mistake, the company may not backbill in
17 excess of 12 months." Under that rule, a Company may not back bill for
18 service in excess of 12 months if the Company failed to bill the service by
19 *mistake*. BellSouth reserves the right to back bill beyond the 12-month
20 limitation in certain situations. Those situations are outlined in the proposed
21 Agreement and include: "1) Charges connected with jointly provided services
22 were by meet point billing guidelines require either Party to rely on records
23 provided by a third Party, and 2) Charges incorrectly billed due to error in or
24 omission of customer provided data such as PLU or PIU factors or ordering
25 data." These exceptions are appropriate because BellSouth is dependent upon

1 information provided by a third party or is dependent upon information
2 provided by Allegiance. Due to no fault of its own, BellSouth may not receive
3 the information needed to process the billing within the 12-month time
4 limitation.

5

6 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

7

8 A. Yes.

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