

1 BELLSOUTH TELECOMMUNICATIONS, INC.
2 REBUTTAL TESTIMONY OF DAVID F. MELTON, JR.
3 BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
4 DOCKET NO. 031125-TP
5 AUGUST 12, 2004
6

7 **Q. PLEASE STATE YOUR NAME, YOUR POSITION WITH BELLSOUTH**
8 **TELECOMMUNICATIONS, INC. ("BELLSOUTH") AND YOUR BUSINESS**
9 **ADDRESS.**
10

11 A. My name is David F. Melton, Jr. I am employed by BellSouth as a Manager – Accounts
12 Receivable Management for the nine-state BellSouth region. My business address is One
13 Chase Corporate Center, Suite 300, Birmingham, AL 35244.
14

15 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**
16

17 A. Yes, I filed direct testimony in this proceeding on July 22, 2004.
18

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**
20

21 A. The purpose of my testimony is to rebut the Direct Testimony of Elizabeth Fefer and
22 Angel Leiro of IDS as it relates to the transfer of funds into the Past Due Q Account.
23
24
25
26

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1 **Issue 1: Was there a further agreement to include additional billed amounts into the**
2 **Settlement Agreement and Settlement Agreement Q account?**

3
4 **Q. ON PAGE 6, LINES 6-7 OF MS. FEFER'S DIRECT TESTIMONY SHE STATES**
5 **THAT "AT NO TIME EVER DID IDS AGREE WITH BELL SOUTH THAT THE**
6 **TRANSFER OF \$3,232,266.10 INTO THE Q ACCOUNT WAS PROPER OR**
7 **THAT BELL SOUTH HAD PROVIDED IDS ALL AGREED CREDITS".**
8 **FURTHER, ON PAGE 4 OF HIS DIRECT TESTIMONY, MR. LEIRO STATES**
9 **THAT "IDS MADE NO FURTHER AGREEMENTS TO INCLUDE**
10 **ADDITIONAL AMOUNTS INTO THE SETTLEMENT Q ACCOUNT." DO YOU**
11 **AGREE WITH THESE STATEMENTS?**

12
13 **A. No. As evidenced by my direct testimony, separate from the Settlement Agreement or**
14 **Settlement Amendment, Bob Hacker, IDS's CFO, and Leah Cooper of BellSouth agreed**
15 **to include into the Past Due Q Account September 2001 forward billing disputes totaling**
16 **approximately \$667,811.15.**

17
18 **The parties further agreed that if any of the additional disputes totaling \$667,811.15 were**
19 **upheld, then BellSouth would credit the Past Due Q Account the amount of the upheld**
20 **dispute. If the disputes were denied, then the parties agreed that the charges would**
21 **remain in the past due Q account and would be paid by IDS.**

1 In addition, the parties also agreed to include approximately \$68,000 in post-September
2 2001 undisputed billings into the Past Due Q Account.

3
4 As evidenced by the e-mails attached to my Direct Testimony as Exhibits DM-4 through
5 DM-8, including admissions by IDS's CFO, Bob Hacker, IDS clearly agreed to the
6 transfer of the additional amounts into the Past Due Q Account. Indeed, in a June 12,
7 2003 e-mail from Bob Hacker to Maxine Alagar of BellSouth (Exhibit DM-4) IDS
8 agreed to increase the opening balance in the Past Due Q Account to \$3,232,266. As
9 stated by Mr. Hacker:

10
11 Settlement Amendment stated that the opening balance was
12 \$2.475 million. **However, opening balance was changed to**
13 **\$3,232,266 by mutual agreement between Leah Cooper,**
14 **Claude Morton and myself, and \$200,000 monthly**
15 **payments were extended to reflect the larger balance. No**
16 **document was signed when the Q account was increased.**
17

18 Exhibit DM-4 (emphasis added). In light of this admission, there can be no question that Mr.
19 Leiro's and Ms. Fefer's testimony on this issue is incorrect.

20
21 **Q. IS THERE ANY EXHIBIT INTRODUCED BY MS. FEFER THAT REFUTES**
22 **HER TESTIMONY THAT THERE WAS NO AGREEMENT TO INCLUDE**
23 **MORE THAN \$2,475,000 INTO THE PAST DUE Q ACCOUNT.**

24
25 **A. Yes. Exhibit EF-4 is an e-mail from Bob Hacker to Diane O'Donnell of IDS where Mr.**
26 **Hacker states that the opening balance in the Past Due Q Account "should be \$2.543**

1 (\$2475 per agreement + \$68 for BLS clerical error.)” Although BellSouth does not agree
2 that the \$68,000 added to the Past Due Q Account was a clerical error because it
3 represented undisputed, past due amounts that accrued since September 2001, the e-mail
4 nevertheless proves that the parties agreed to include more than \$2,475,000 into the Past
5 Due Q Account. Amazingly, Ms. Fefer refuses to even recognize this admission by Mr.
6 Hacker even though she uses Exhibit EF-4 to support her arguments.

7
8 **Q. MS. FEFER CLAIMS THAT BELL SOUTH PROVIDED SOME**
9 **INTEREST/LATE PAYMENT CREDITS FROM THE FEBRUARY 2002 BILLS.**
10 **DO YOU AGREE WITH THIS STATEMENT?**

11
12 **A.** No. First, I am unclear as to what “interest/late payment credits” from the February 2002
13 bills she is referring to. I am unaware of any credits provided in the February 2002 bills
14 for interest or late payment charges except for the \$925,000 credit established in the
15 Settlement Amendment to resolve the three billing disputes for pre-August 2001 billings
16 identified in the Settlement Agreement. Further, even though she states in her testimony
17 that these credits are “identified on Composite Exhibit No. ____ (EF-3),” I am unable to
18 verify this statement because Exhibit EF-3 only contains April 2002 bills and not any
19 February 2002 bills. Thus, Ms. Fefer provides no evidence that BellSouth provided
20 interest/late payment credits “from the February 2002 bill.”

21
22 **Q. ON PAGE 12 OF HER TESTIMONY, MS. FEFER STATES THAT “THE**
23 **ADDITIONAL AMOUNT OF APPROXIMATELY \$757,266.10 WHICH**

1 **BELLSOUTH TRANSFERRED INTO THE SETTLEMENT Q ACCOUNT ON**
2 **APRIL 8, 2002 SHOULD HAVE BEEN CREDITED BACK TO IDS AS OF THAT**
3 **DATE.” DO YOU AGREE WITH THIS STATEMENT?**

4
5 A. No. As I stated in my direct testimony, the amount transferred to the Past Due Q
6 Account consisted of the \$2,475,000 set forth in the Settlement Amendment, the
7 \$667,811.15 for September 2001 forward disputes, and the \$68,880.37 for post-
8 September 2001 undisputed billings. In addition, BellSouth upheld \$540,422.50 of the
9 \$667,811.15 disputed by IDS, which resulted in a credit of \$668,263.84 (after including
10 late payment and interest charges that accrued for the upheld disputes) being applied to
11 IDS’s accounts in August 2002.¹

12
13 **Q. THROUGHOUT HER TESTIMONY, MS. FEFER STATES THAT BELLSOUTH**
14 **HAS NOT PROVIDED ALL THE CREDITS IDS WAS ENTITLED TO UNDER**
15 **THE SETTLEMENT AGREEMENT AND SETTLEMENT AMENDMENT? DO**
16 **YOU AGREE WITH THIS STATEMENT?**

17
18 A. No. BellSouth has provided IDS with all credits it was entitled to under the Settlement
19 Agreement and Settlement Amendment. Pursuant to the Settlement Agreement, IDS was
20 entitled to \$3 million in credits. As I stated in my direct testimony, BellSouth applied
21 these credits on November 13, 2001, December 3, 2001, and January 8, 2002,

¹ BellSouth transferred \$3,232,266.10 instead of \$3,211,691.15 (the sum of \$2,475,000 + \$667,811.15 + \$68,880.37) to the Past Due Q Account because BellSouth did not transfer a credit in the approximate amount of \$20,000 from that existed on Account No. 601Q971090. This resulted in an approximate \$20,000 credit remaining on this account and thus is of no effect.

1 respectively. Additionally, per the Settlement Amendment, BellSouth applied a credit of
2 \$925,000 on March 25, 2002. In fact, IDS advised BellSouth via an e-mail where it
3 wanted the \$925,000 credit to be applied. See April 1, 2002 e-mail from Diane
4 O'Donnell of IDS to Regenia Harris of BellSouth, attached hereto as Exhibit DM-10.

5
6 **Q. DO YOU HAVE A REVISED VALUE OF THE MARKET BASED RATE**
7 **DISPUTE?**

8
9 A. Yes. Based on IDS's disputes for the June 2004 market based rate billings, the value of
10 this dispute is now **\$3,187,116**.

11
12 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

13
14 A. Yes.

15

Melton, David

From: dodonnell@IDSTELCOM.com
Sent: Monday, April 01, 2002 2:07 PM
To: Harris, Regenia A
Subject: RE: Credit

Regenia,

We deducted \$925,000 on the following accounts:
\$180,342.55 on account 305-Q97-1090
\$270,237.57 on account 561-Q97-1090
\$243,965.53 on account 904-Q97-1090
\$45,113.80 on account 502-Q92-1090
\$172,469.07 on account 704-Q92-1090
\$12,871.48 on account 205-Q92-1090

These amounts were withheld from the January 2002 invoices which we would have paid in February.

Please let me know if you need anything further on this.
Thank you,

Diane J. O'Donnell
Assistant Controller
IDS Telcom LLC
Phone: 305-612-4174
Fax: 305-612-4880
Email: DODONNELL@idstelcom.com

-----Original Message-----
From: Regenia.A.Harris@bridge.bellsouth.com
[mailto:Regenia.A.Harris@bridge.bellsouth.com]
Sent: Monday, April 01, 2002 1:57 PM
To: dodonnell@idstelcom.com
Cc: Regenia.A.Harris@bridge.bellsouth.com
Subject: Credit

Dianne,

Per our staff people, I am advised that you were granted a \$950,000 credit that you opted to deduct from your February bill. Could you please advise on which bills you took these deductions.

Thanks,
Regenia Harris