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BELLSOUTH TELECOMMUNICATIONS, INC.
DIRECT TESTIMONY OF ED L. HONEYCUTT, JR.
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 930330-TP & ~~960358-TP~~
SEPTEMBER 3, 1996

Q. Please state your name, employer, position and business address with BellSouth Telecommunications, Inc. ("BellSouth" or "the Company")

A. My name is Ed L. Honeycutt, Jr. I am employed by BellSouth. My position is Manager - Pricing and Regulatory Interconnection Services Marketing in the Interconnection Customer Business Unit. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. Please give a brief description of your background and experience.

A. After serving in the United States Air Force from 1967 through 1970, I attended Central Piedmont Community College in Charlotte, North Carolina graduating in 1972 with an Associate of applied Science Degree in Electronics Engineering. I began employment with Southern Bell in the North Carolina Area Engineering Department in 1972. After holding various Special Service and Network Transmission Engineering positions, I joined Southern Bell's Service Costs organization at

1 Company headquarters in 1977. In that capacity I was responsible for
2 costs of service studies for a number of Southern Bell's products and
3 services, including intraLATA private line and special access service.
4 In 1985 I accepted a position in the Southern Bell Rates and Tariffs
5 organization. Since that time I have had tariff and pricing
6 responsibilities for intraLATA private line, special access, WATS,
7 switched access and presubscription services. On January 1, 1996 my
8 switched access and presubscription responsibilities moved to Pricing
9 and Regulatory Interconnection Services Marketing in the
10 Interconnection Customer Business Unit.

11

12 Q. What is the purpose of your testimony?

13

14 A. The purpose of my testimony is to respond to certain issues raised by
15 the Florida Interexchange Carriers Association ("FIXCA"), MCI
16 Telecommunications Corporation, and AT&T Communications of the
17 Southern States, Inc., hereinafter referred to as "petitioners", in their
18 joint complaints filed May 24, 1996 and June 11, 1996.

19

20 Q. Which of the petitioners' issues will you be responding to?

21

22 A. I will address Issues 1, 3, 4, 5, 6, and 7 raised by the petitioners as
23 they relate to intraLATA marketing, processing and rates for
24 presubscription changes, and bill insert and directory language. Ms.

1 Hilda Geer will be responding to Issues 1, 2, and 4 as they relate to
2 specific details of business office practices.

3

4 Q. Issue 1 relates to BellSouth's intraLATA toll marketing efforts. Is it
5 proper for BellSouth to initiate communications with existing customers
6 regarding BellSouth's intraLATA toll services when those customers
7 contact BellSouth for reasons other than selecting their intraLATA
8 carrier?

9

10 A. Yes. The Commission's rationale for opening up the LATA for 1+
11 intraLATA toll competition is to allow end user customers a choice as to
12 who will carry their 1+ dialed intraLATA traffic. The parties agreed in
13 industry workshops that there would be no balloting and allocation of
14 customers as was done for interLATA presubscription and that the
15 burden to garner customers in the market place falls on the IXCs. As
16 such, BellSouth will become only one of a number of companies vying
17 for the end user customer's 1+ dialed toll business. BellSouth,
18 therefore, must be allowed to advertise and promote its services as it
19 deems necessary to compete in this new open marketplace. Customer
20 contact opportunities, such as customers calling BellSouth's business
21 offices and other customer contact centers, inquiries about new
22 services and promotions, and responses to bill inserts or
23 advertisements are examples of legitimate opportunities for BellSouth
24 to market its toll services.

25

- 1 Q. Should BellSouth be allowed to utilize customer opportunities such as
2 those listed above for promotion of its intraLATA toll services?
3
- 4 A. Yes. Again, BellSouth will become only one of a number of companies
5 vying for customers' intraLATA toll business. All parties in an open,
6 market driven marketplace, like the Commission has ordered, should
7 be able to market their services as they deem necessary to the using
8 and consuming public.
9
- 10 In addition, petitioners and the other IXCs will have the ability to use
11 their interLATA contacts, an avenue not currently available to
12 BellSouth, to market intraLATA toll services. Also, with IXCs becoming
13 local exchange service providers through Local Interconnection, the
14 IXCs will have even more marketing opportunities. There are currently
15 more than 15 signed local interconnection agreements with Alternate
16 Local Exchange Carriers ("ALECs") in Florida (many of whom are also
17 IXCs themselves or are affiliated with IXCs) for their interconnection
18 with BellSouth as a local exchange service provider. This is a clear
19 indication of the highly competitive arena in which BellSouth must now
20 compete. BellSouth should, therefore, be allowed to fully market its
21 toll services.
22
- 23 Q. In regard to Issue 4, please describe the BellSouth business office
24 process involved when a customer calls to change their presubscribed
25 carrier.

1

2 A. Currently, for end user customers calling a BellSouth business office to
3 request changes of an intra and/or interLATA Primary or Preferred
4 Interexchange Carrier ("PIC"), BellSouth provides the new IXC's 800
5 number and recommends that the end user customer communicate
6 directly with the new IXC. The PIC change request is then forwarded
7 to BellSouth from the carrier for BellSouth to update the switch.
8 However, BellSouth does process these requests within the business
9 office if the end user customer requests. In these instances, we
10 continue to recommend that the customer also contact the new IXC in
11 order to establish their account and a business relationship with that
12 carrier.

13

14 Q. Do you think that the petitioners' request that BellSouth be required to
15 process, through its business offices, all end user customer requests
16 for a change of intraLATA presubscription (PIC) is a reasonable
17 request?

18

19 A. No. BellSouth believes that it is in the end user customers' and IXCs'
20 best interest to have the new accounts established directly with the
21 IXC. The IXC will need specific information from the customer that we
22 may not be able to provide. The IXC will also need to explain their
23 different calling plans with the customer in order to establish the
24 appropriate services for that customer. By sending the customer
25 directly to their desired carrier, there is no duplication of effort for the

1 customer. Also, requiring BellSouth to accept and process all PIC
2 change orders for existing customers within the business office would
3 place strain on BellSouth's business office resources. Service
4 Representatives' time with the customer would increase as would the
5 work time involved in issuing the service order.

6

7 Q. In regard to Issues 6 and 7 relating to BellSouth's PIC change pricing
8 procedures, please describe the basic procedures involved in making
9 a PIC change.

10

11 A. PIC change requests come to BellSouth through our business offices,
12 through the Customer Account Record Exchange ("CARE") system (an
13 electronic interface with the carriers) and through the BellSouth Equal
14 Access Service Center. These different PIC change interfaces
15 accommodate changes requested by the end user customers, as well
16 as IXC generated changes placed on behalf of the end user customer.
17 The IXC generated change requests are received via both manual and
18 mechanized means. A service order is generated for each PIC change
19 request which then goes through a series of edits and record updates
20 before the change is made in the switch and reflected on the
21 customer's service record.

22

23 Q. What is the charge for making a PIC change?

24

- 1 A. We charge \$1.49 for an interLATA PIC change and \$1.49 for an
2 intraLATA PIC (LPIC) change.
3
- 4 Q. Is it appropriate, as the Petitioners have requested with Issue 7, for
5 BellSouth to impose a single PIC change charge on a customer who
6 changes both his interLATA and intraLATA presubscription to the
7 same carrier at the same time?
8
- 9 A. No. BellSouth incurs costs for processing an intraLATA PIC even if it is
10 performed simultaneously with an interLATA PIC to the same carrier.
11 Although certain of the functions within the PIC change process are
12 performed simultaneously for both inter and intraLATA PIC changes,
13 some of the functions involve breaking out the combined order into the
14 two components (inter and intraLATA). For example, the business
15 offices take orders separately for the inter and intraLATA PIC changes,
16 edits of the requests are performed separately and customer records
17 are maintained separately for PIC and LPIC. BellSouth should be
18 allowed to recover these costs. Also, it would be inappropriate to
19 recover intraLATA, intrastate costs from other than a unique intraLATA
20 cost/rate element.
21
- 22 Q. What percentage of the functions for a combined inter and intraLATA
23 PIC change are not conducted simultaneously?
24

- 1 A. We estimate that at least 30% of the process is not conducted
2 simultaneously.
3
- 4 Q. Would BellSouth be willing to impose a lower PIC change charge on a
5 customer who changes both his interLATA and intraLATA
6 presubscription to the same carrier at the same time? If so, what do
7 you propose?
8
- 9 A. Yes. BellSouth is willing to reduce the rate for an LPIC change to 30%
10 of the interLATA PIC change rate (\$0.45) when the change is made
11 simultaneously with an interLATA PIC change to the same carrier. This
12 reduced LPIC charge would be in addition to the \$1.49 interLATA PIC
13 change charge.
14
- 15 Q. In regards to Issue 6, should existing customers be given the
16 opportunity to select their preferred intraLATA carrier one time without
17 incurring a PIC change charge?
18
- 19 A. No.
20
- 21 Q. Please explain.
22
- 23 A. BellSouth incurs costs for every PIC change made. BellSouth should
24 be allowed to recover these costs from the IXC or end user customer
25 generating the cost.

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Unlike the FCC's interLATA presubscription Order which required balloting and allocation of all end user customers, with the allowance of one free PIC change, the Florida Commission has ordered that intraLATA presubscription be implemented via a marketing process i.e., IXCs marketing/sales efforts will be utilized in lieu of the ballot and allocation method. As stated in the Commission's Order, this will negate the incurring of significant costs to conduct the ballot and allocation process as well as the generation of customer confusion.

In addition and as a practical matter, the IXCs, in many cases, pay these charges today for the customer for interLATA PIC changes; therefore, it is reasonable, as part of their intraLATA toll marketing efforts, that they would want to pay these charges on behalf of the end user customer.

Q. Why isn't a PIC charge applied to new customers when they initially apply for local exchange services?

A. It is inappropriate to apply a presubscription charge when initially setting up a customer's local exchange service. The incremental cost of presubscription is minimal when performed along with setting up a customer's basic local exchange service.

- 1 Q. In regards to Issue 5 relating to the initial selection of a new end user
2 customer's presubscribed intraLATA toll carrier, what is BellSouth's
3 current practice for assigning an intraLATA toll carrier to an end user
4 customer who is undecided regarding the choice of an intraLATA
5 carrier?
6
- 7 A. Currently, all new local exchange service customers are requested to
8 select an intraLATA toll service carrier from a list of all available
9 carriers. Customers who do not make a selection are assigned to
10 BellSouth.
11
- 12 Q. Is this the same practice used for the selection of an interLATA carrier?
13 If not, why is it handled differently?
14
- 15 A. No, it is not the same practice. "Undecided" interLATA customers can,
16 as an option, select a "PIC of None". The existing vendor software that
17 provides the intraLATA dual PIC capability does not include a "no-PIC"
18 or "PIC of None" alternative. The only standard options available with
19 this software are routing calls to the presubscribed IXC of choice or to
20 the existing local exchange company. It should be noted however,
21 that in the interLATA presubscription market in Florida where we have
22 this capability, only 3% of the lines have a "PIC of None". In addition,
23 lack of a "PIC of None" option and defaulting "undecided" intraLATA
24 customers to the local exchange company supports the Commission's

1 Order requiring IXC's marketing efforts as opposed to ballot and
2 allocation to achieve 1+ intraLATA competition.

3

4 Q. Have you explored adding the intraLATA "PIC of none" capability to
5 your switches and if so, describe some of the methods explored.

6

7 A. At the request of the petitioners, we have investigated adding this
8 capability to our switches. One method identified is to use an
9 additional Carrier Identification Code ("CIC") to identify customers
10 selecting a "PIC of None". CICs are 3 or 4 digit codes that are used to
11 identify carriers, route traffic within switches and for billing carriers.
12 Bellcore, as Administrator of the North American Numbering Plan, has
13 responsibility for assigning CICs to all telecommunications entities.
14 They perform this function under the direction of the FCC.

15

16 Q. Does BellSouth have a CIC available to use for this purpose?

17

18 A. No.

19

20 Q. Did you attempt to obtain an additional code?

21

22 A. Yes. We contacted Bellcore to request an additional CIC code and
23 were informed that current CIC allocation guidelines do not permit the
24 allocation of an additional CIC code to BellSouth. BellSouth and the

1 other Regional Bell Operating Companies ("RBOCs") are investigating
2 this issue further.

3

4 Q. Are there other alternatives?

5

6 A. Yes. We have requested pricing and availability information from our
7 switch vendors for having the "PIC of None" capability added for
8 intraLATA dual PIC. It is anticipated that it will be several months
9 before the vendors respond to this request for information. However,
10 preliminary cost estimates based on other similar software changes
11 reflect total expenses of approximately \$6.3 million and total capital of
12 approximately \$2.3 million. Estimated delivery of software from the 3
13 suppliers is 6 months to one year if they can deliver the change as a
14 software update to an existing release. If they cannot, the delivery
15 interval is expected to be more on the order of 18 months. From that
16 point, it is estimated that it will take 4 to 6 months to complete the jobs
17 in the approximately 140 central offices where the hardware and
18 software would be added. Also, this would require additional training
19 for our representatives which would involve additional costs.

20

21 Q. In regards to Issue 3, Petitioners believe that BellSouth should be
22 prohibited from utilizing terminology in directories and bill inserts that
23 suggests BellSouth ownership of the intraLATA toll calling area.
24 Please comment on this issue.

25

- 1 A. As of August 1, 1996, BellSouth's bill inserts in Florida do not refer to
2 that area as the "BellSouth Calling Zone." The reference has been
3 changed to "local toll". Further, BAPCO (the BellSouth entity that
4 actually publishes directories) has agreed that the Customer Guide
5 Pages also will not refer to that area as the "BellSouth Calling Zone."
6 The area will be referred to as the "calling zone".
7
- 8 Q. How does the FCC's Second Report and Order and Memorandum
9 Opinion and Order impact the implementation of 1+ IntraLATA
10 competition in Florida?
11
- 12 A. The FCC's Second Report and Order and Memorandum Opinion and
13 Order, adopted and released on August 8, 1996, provides rules "that
14 relate to the elimination of certain operation barriers to competition."
15 Some of the requirements ordered by the FCC are contrary to those
16 previously ordered by the Florida Public Service Commission.
17 BellSouth is currently reviewing this Order and at this time has not
18 determined an appropriate course of action. To the extent it is
19 determined that the FCC's Orders are binding on states that have
20 already issued 1+ intraLATA competition orders and to the extent that
21 the FCC Order stands, changes will be required in order to be in
22 compliance with the FCC's Order.
23
- 24 Q. Would you please summarize your testimony and state what action
25 you recommend the Commission take?

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A. Yes. The petitioners have raised numerous, specific items, which they allege are anti-competitive, inhibit the development of intraLATA competition and generally result from BellSouth's alleged monopoly position in the marketplace. It is my testimony that BellSouth's practices and procedures are reasonable and consistent with Commission Orders.

I have shown that BellSouth's procedures are not anti-competitive and do not inhibit the development of intraLATA competition. I have also shown that BellSouth's implementation of the Commission ordered 1+ intraLATA dual PIC process is fair and reasonable and that it is the petitioners suggested methods that will unfairly advantage them in this marketplace.

BellSouth has converted a significant portion of its access lines to intraLATA equal access and will continue its present schedule. The petitioner's complaints are without merit and should be dismissed by the Commission so that BellSouth can continue its conversion activity without the specter of false and insupportable carrier claims.

Q. Does this conclude your testimony?

A. Yes.