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Testimony of Rebecca H. Sommi  
on behalf of the CLÉC Coalition  
PA PUC Docket No. I-00030099  
January 9, 2004

1   **III.   BROADVIEW WOULD BE IMPAIRED WITHOUT ONGOING ACCESS**  
2   **TO VERIZON UNE SWITCHING IN THE PHILADELPHIA MSA AND**  
3   **THROUGHOUT OTHER AREAS OF PENNSYLVANIA**  
4

5   **Q.    In the previous section you suggested that Broadview would be impaired**  
6   **without access to UNE switching to serve mass market customers in the**  
7   **Philadelphia MSA and elsewhere in Pennsylvania even though Broadview**  
8   **utilizes its switch to provide service in [BEGIN BROADVIEW**  
9   **PROPRIETARY]    END BROADVIEW PROPRIETARY]Verizon wire**  
10   **centers. Can you elaborate on this?**

11   **A.    Yes. I would like to distinguish between impairment that remains in wire centers**  
12   **in which Broadview is collocated and impairment in wire centers in which**  
13   **Broadview is not collocated.**

14           In wire centers in which Broadview has active collocation arrangements,  
15   Broadview self-provisions switching to the greatest extent possible. For some end  
16   user loops, however, it is not feasible to utilize a UNE-L arrangement. That is, it  
17   is not feasible to move the end user's analog loop(s) from Verizon's switching to  
18   Broadview's switching. There are a number of reasons for this. Customers may  
19   have a feature or service that is not supported by Broadview. Some end users  
20   have services (*e.g.*, off-premise extensions) that are not currently supported by the  
21   hot-cut process. Verizon may lack spare loop facilities to make available to  
22   Broadview to serve the end user. In those cases, although Broadview would like

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1 to serve the end user (business or residential) with our existing switch and  
2 collocation facilities, it simply is not possible to do so.

3 In wire centers in which Broadview is not collocated, it simply is not  
4 economically feasible to provide service to customers through any means other  
5 than UNE-P. Accordingly, without UNE-P, Broadview could not provide service  
6 beyond the footprint of the Verizon wire centers in which Broadview is  
7 collocated.

8 Importantly, the impairment that affects Broadview in areas in which it  
9 does not have collocation adversely affects Broadview's ability to serve end users  
10 within its collocation footprint. Medium-sized businesses with multiple locations  
11 are some of the most attractive customers that Broadview targets. Without the  
12 availability of UNE-P outside of Broadview's collocation footprint, these  
13 customers would be unlikely to purchase service from Broadview because  
14 Broadview would lack the ability to provide all of the end user's  
15 telecommunications services. If such a multi-location customer stayed with  
16 Verizon, by contrast, the customer would be able to obtain all of its  
17 telecommunications services from a single company.

18 Moreover, UNE-P enables Broadview to gain customers and revenues  
19 outside of our collocation footprint to support our investment in facilities. As  
20 everyone knows, Verizon inherited its ubiquitous local exchange network. UNE-  
21 P provides Broadview with ubiquity similar to that possessed by Verizon, which

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1 enables Broadview both to justify its existing facilities and to expand those  
2 facilities over time. Broadview would not even be able to bid for or offer services  
3 to multi-location business customers, and our growth would be constrained.  
4 Elimination of UNE-P would tend to devalue Broadview's facilities by limiting  
5 the Company's addressable market to only those customer locations within our  
6 collocation footprint. Moreover, without the revenue generated by UNE-P, it  
7 would be difficult to recover the cost associated with Broadview's planned  
8 investment in switching and collocation.

9

10 **Q. Doesn't the availability of loop transport combinations (so-called "EELs")**  
11 **enable Broadview to extend the reach of its switch to wire centers without the**  
12 **need for collocation?**

13 A. Although EEL arrangements may be effective for enterprise services (*e.g.*, DS1s),  
14 Broadview has not determined that DS0 EELs are economically or operationally  
15 viable to serve mass market customers (*i.e.*, customers that rely on analog loops).  
16 In fact, I am not aware of Verizon provisioning any DS0 EEL arrangements in  
17 Pennsylvania.

18

19 **Q. Could you elaborate on some of the issues you foresee in any effort to**  
20 **provision DS0 EEL arrangements to serve analog customers?**

**EXHIBIT 31**



1 advantages over its Large Job ("Project") process. To  
2 the contrary, the Batch process presents serious  
3 disadvantages not presented by the Project process.  
4 Neither AT&T nor Broadview would be willing to use the  
5 Batch Hot cut process as proposed. We would prefer to  
6 continue using the Basic process where we do not have  
7 the requisite volumes and the Project process where we  
8 have the requisite volumes. Indeed, from an  
9 operational perspective, those are the only options  
10 that we realistically can use. Unfortunately, Verizon  
11 has sought to prevent us from using the Project  
12 process when we have the requisite volumes, because it  
13 has priced that process **above** the price of the Basic  
14 process.

15 **Q. BEFORE DISCUSSING THEM IN DETAIL, PLEASE HIGHLIGHT THE**  
16 **MAJOR PROBLEMS UNIQUE TO THE BATCH HOT CUT PROCESS.**

17 **A.** The major problems with Verizon's proposed Batch hot  
18 cut process are as follows:

- 19     ▪ It deprives CLECs of control over our end-user  
20       customer's experience in three essential respects
- 21       o Inability to permit customers to make  
22       changes to their account for up to over five  
23       weeks;
- 24       o Inability to control the time of day, and  
25       day of week, that customer's service will be  
26       interrupted - and put at risk for greater  
27       interruption - by a hot cut;

- 1           o Inability to monitor the quality of the cut  
2           during the critical period between the  
3           cutover of the loop and the activation of  
4           the number port at NPAC
- 5           ▪ No operational processes, methods and procedures,  
6           or system messages have been defined, documented,  
7           tested or operationalized;
- 8           ▪ There is no experience of "live production"  
9           operations in a real world environment;
- 10          ▪ There is no control over, and complete  
11          uncertainty with respect to the cost of the "UNE-  
12          P like" service arrangement required to use the  
13          batch process for new customers;
- 14          ▪ There is a total lack of CLEC control over the  
15          sequence in which the lines of a multi-line order  
16          are cut;
- 17          ▪ The lack of pre-wiring and dial-tone checks gives  
18          Verizon no "margin of error" if something goes  
19          wrong on the day of the cut;
- 20          ▪ There is no provision at all for handling IDLC  
21          loops within the Batch process, and the proposed  
22          price under the Basic process for converting  
23          IDLC loops is not commercially viable;
- 24          ▪ There is no provision for handling CLEC-to-CLEC  
25          migrations; and
- 26          ▪ Lack of metrics and penalties that would ensure a  
27          Verizon commitment to the process it proposes.

1 P indefinitely or provides additional UDLC or copper  
2 loops in order to permit the migration of IDLC loops  
3 in a larger group (project or batch), individually in  
4 a Basic hot cut process, or in an appropriately  
5 defined Batch process.

6 Q. YOU ALSO STATED ABOVE THAT THE FAILURE OF THE BATCH  
7 PROCESS TO INCLUDE THE HANDLING OF CLEC-TO-CLEC  
8 MIGRATIONS IS A PROBLEM. PLEASE EXPLAIN.

9 A. There are two problems. First, the FCC's TRO  
10 specifically requires that the Batch process address  
11 CLEC-to-CLEC migrations.<sup>12</sup> Second, as CLEC market  
12 share increases, we will increasingly be marketing to  
13 the customers of other CLECs, many of which will, in a  
14 post UNE-P environment, be competing using Verizon  
15 loops. If Verizon's inherent monopoly advantages are  
16 eventually eliminated, then there is no reason to  
17 expect that Verizon will enjoy a predominant position  
18 in the market. Thus, to the extent that a Batch hot  
19 cut process **could**<sup>13</sup> eliminate Verizon's inherent  
20 monopoly advantage so that CLEC market share  
21 increases, Verizon's paradoxically becomes  
22 unavailable, as the majority of migrations will become

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<sup>12</sup> TRO, at para. 478.

<sup>13</sup> As we have testified above, we do not believe that the process proposed by Verizon can do so at all.

1 CLEC-to-CLEC migrations. The failure to provide an  
2 efficient, low cost process for CLEC-to-CLEC  
3 migrations is a real concern to AT&T and Broadview, a  
4 concern that we have raised elsewhere in both our  
5 initial and reply testimonies.

6 **Q. FINALLY, YOU STATED ABOVE THAT THE FAILURE OF THE**  
7 **BATCH PROCESS TO INCLUDE METRICS IS A PROBLEM. PLEASE**  
8 **EXPLAIN.**

9 A. Verizon has proposed a process with some basic  
10 parameters (though not much detail). For example,  
11 Verizon initially proposed a maximum holding period of  
12 seven weeks. Later, it reduced the period to just  
13 over five weeks. Yet, Verizon's reduction of the  
14 maximum holding period is essentially meaningless,  
15 because it suffers no adverse consequence if it holds  
16 an order for seven weeks rather than five, or ten or  
17 even fifteen. In short, Verizon has made no commitment  
18 whatsoever on provisioning interval, and the CLECs do  
19 not know what they would get if they agreed to use the  
20 batch process. No commercial entity can do business  
21 in reliance on a promise that can be broken at will  
22 and without consequence, especially when the promise  
23 is made by the commercial entity's major competitor.  
24 In his testimony, Mr. Nurse explains in more detail

1 the problems that we have with Verizon's failure to  
2 commit to its proposed process.

3 Q. DOES THE BATCH PROCESS REFLECT ANY OF THE OPERATIONAL  
4 ENHANCEMENTS AND INCREASED EFFICIENCIES DESIRED BY  
5 CLECS?

6 A. The CLEC requested process enhancements are  
7 conspicuous for their absence in this proposal. While  
8 Verizon's testimony indicates a couple of minor  
9 modifications to its Basic and Project processes that  
10 it claims were made at the request of CLECs at the  
11 technical workshops, it does not even make such a  
12 claim with respect to the Batch process. Nor is  
13 Verizon able to explain any real benefit for the CLECs  
14 beyond the claim that it permits CLECs that cannot use  
15 the Project process to participate.<sup>14</sup> The process  
16 appears to have been developed by Verizon for its own  
17 purposes, without significant, and perhaps without  
18 any, input from CLECs.

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<sup>14</sup> See, Verizon Panel Testimony, October 24, 2003, p. 39, where Verizon makes the conclusory, unsupported claim that "[t]he batch process would greatly reduce the need for CLEC personnel to become involved in the hot cut process, thus reducing the 'internal' CLEC costs associated with hot cuts." If Verizon were truly interested in reducing the need for CLEC personnel time, it would implement the automation enhancements that the CLECs have requested.

**EXHIBIT 32**

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

CASE 02-C-1425 - Proceeding on Motion of the Commission to  
Examine the Process and Related Costs of  
Performing Loop Migrations on a More  
Streamlined (e.g., Bulk) Basis.

ORDER SETTING PERMANENT HOT CUT RATES

Issued and Effective: August 25, 2004

STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

At a session of the Public Service  
Commission held in the City of  
Albany on August 25, 2004

COMMISSIONERS PRESENT:

William M. Flynn, Chairman  
Thomas J. Dunleavy  
Leonard A. Weiss  
Neal N. Galvin

CASE 02-C-1425 - Proceeding on Motion of the Commission to  
Examine the Process and Related Costs of  
Performing Loop Migrations on a More  
Streamlined (e.g., Bulk) Basis.

ORDER SETTING PERMANENT HOT CUT RATES

(Issued and Effective August 25, 2004)

BY THE COMMISSION:

INTRODUCTION AND SUMMARY

By this order, we establish rates for three different "hot cut" migration processes proposed by Verizon New York Inc. Because revenue from the rates approved today approximates that received under the temporary rate in effect since March 1, 2004, we will not require reconciliation of amounts paid and received during the temporary rate period. We also make a finding that it is possible for Verizon to hire and train additional workers to perform a significantly expanded volume of hot cuts that will necessarily be required if the availability of the Unbundled Network Elements Platform (UNE-P) is phased out in the future. Given the importance of the loop migration process to maintaining an open marketplace and the inherent difficulty in predicting how the process will handle high volumes, we are mandating the establishment of performance standards and enforcement incentives as critical to ensure timely and high quality hot cuts.

A hot cut is necessary to move an end-use customer's telephone service to a new carrier's switch. In a hot cut,

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Verizon disconnects a working (hot) line from one carrier's switch and reconnects it to another carrier's switch, generally via the main distribution frame in a Verizon central office. Because the line is in active service, hot cut processes have been developed to minimize the amount of time the line is out of service while the migration is being performed. The hot cut process includes all the administrative activities associated with ordering and provisioning the cutover as well as the physical pre-wiring and the actual cutover on the due date.

Currently, many competitive local exchange carriers (CLECs) use Verizon's switch to serve their customers, because they purchase the Unbundled Network Elements Platform (UNE-P), which includes the complete package of Verizon services, including switching. Therefore, in the current market, hot cuts are performed only when a customer moves to a CLEC that operates its own switch, purchasing only Unbundled Network Element Loop (UNE-L) service from Verizon. If UNE-P is phased out or becomes considerably more expensive, most CLECs currently relying on Verizon's switch will either convert to resale service, secure alternative access methods from other providers (e.g., broadband access for VoIP), or move their customers, via hot cuts, to their own switches.

Verizon proposes three different hot cut processes and associated rates. The Basic process is Verizon's default process that can be used for any and all hot cuts. It is a highly coordinated method which has been steadily improved over time. (Within the Basic process, there is a special charge for 4-wire line hot cuts, generally needed only for complex applications such as data service, as opposed to the normal 2-wire hot cut for voice service.) For large numbers of lines, Verizon offers the Project or Large Job process, in which Verizon takes an engineering approach in planning and executing the work under a schedule negotiated with the CLEC. Most recently, Verizon developed a Batch hot cut process which requires less coordination and oversight and is therefore less costly. For CLECs unable to group large numbers of orders by location and due date, this process allows orders from various

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carriers to accumulate until a "critical mass" is reached, at which time Verizon executes all orders in a "batch." All three processes require similar wiring activities in the central office; differences in rates result mainly from efficiencies achieved in the ordering or provisioning (coordination) stages.

1. Hot Cut Rates

This order sets the following rates per line per hot cut order:

	<u>Initial</u>	<u>Additional</u>
• Basic 2-Wire	\$42.36	\$29.42
• Basic 4-Wire	69.60	45.09
• Large Job	33.84	27.92
• Batch	28.17	23.72

A significant threshold finding on which these rates are based is that the central office wiring activities of the hot cut process are inherently manual, even as can be anticipated under forward-looking TELRIC pricing. This finding rejects the position of most of the CLEC parties in the case that there is more efficient, currently available technology that would allow Verizon to migrate loops electronically, without the physical rewiring in the central office. As a consequence, the rate levels set here are considerably higher than those recommended by the CLECs. (For example, MCI, the principal proponent of the electronic migration process, proposes rates in the range of \$8; Conversent, Allegiance and Choice One jointly propose \$6.71 for a basic hot cut.)

Although we base rates on the manual process as proposed by Verizon, we make numerous adjustments to it, so that the rates set here are considerably lower than those sought by Verizon. (Verizon's filing proposed rates of \$87.68, \$93.23, and \$68.12 for an initial basic, project and batch hot cut, respectively.) We generally follow the methodology of Verizon's

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Otherwise, Verizon asserts that the sample sizes "are what they are;" even if the sample is small, the mean of the work times is still the best estimate of the "actual" work time.<sup>114</sup> While we are unimpressed by Verizon's survey as a statistically valid instrument, we give credence to this point. We have independently reviewed Verizon's work times and find that, overall, they are indeed in a reasonable range of the times required to do the task specified. We have made some specific adjustments to times for Central Office Frame wiring, as discussed below, either to conform the times for the identical task between the basic and project/batch processes or to adopt the time proffered by AT&T, based on its expertise.<sup>115</sup> Other than those specific adjustments, we are persuaded that Verizon's times are an acceptable starting point. Consequently, we have adjusted the survey results only slightly to account for upward bias, as described below.

Second, there is the problem of vagueness in the descriptions of the activities to be recorded. As Dr. Mercurio pointed out, it is difficult to identify when a problem described as "fixing orders with the NMC" begins and ends. Is the respondent finished when he has passed the problem off to the NMC, or only after he has heard back from the NMC that the problem is "fixed"?<sup>116</sup> Verizon argues that the claims are overstated.<sup>117</sup> It asserts that the descriptions would have a clear and specific meaning to someone who carries out the process.<sup>118</sup> Because the surveys were developed in consultation with those who supervise the process, they "were obviously

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<sup>114</sup> Verizon Initial Brief at 77, n. 175.

<sup>115</sup> We have also made adjustments to occurrence factors and forward-looking adjustment factors to conform Verizon's costs to TELRIC, as discussed below. The effect of those adjustments in some cases overwhelms any adjustment that might be appropriate to the initial time produced by the work survey.

<sup>116</sup> Tr. 1397.

<sup>117</sup> Verizon Initial Brief at 73.

<sup>118</sup> Id. at 73-74.

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designed to relate to those tasks in an identifiable manner that would be understood by the supervisors' subordinates."<sup>119</sup>

Verizon may very well be correct on this point; it is difficult to verify what employees were told precisely or what they understood. Verizon also argues that any discrepancies in start and stop times would be compensated for when the tasks are aggregated.<sup>120</sup> On this last point, Verizon's response is not persuasive. Each task is multiplied by a different occurrence factor and forward-looking factor, so that misplacing activity between one task and another can make a significant difference in the result. Moreover, different tasks are performed by different employees on different days, so it does not necessarily follow that there is no duplication if one employee divides tasks differently from another.

The poor sampling process, including too few observations and potentially vague questions, creates opportunities for inaccuracies or abuse, and thus leaves Verizon vulnerable to the claim of the CLECs that the survey had an upward bias. The parties, including Verizon, generally agree on the validity of the so-called "Hawthorne Effect," which is described by AT&T witness Mercurio as the tendency of those surveyed to respond in a way they believe will please the researcher.<sup>121</sup> Verizon's written instructions to supervisors, although emphasizing the need to be accurate and unbiased, explained that the purpose of the survey was to "insure that Verizon recovers the proper costs" and for "estimating the costs identified by our non-recurring studies" and that the survey was not being used for staffing, compensation or other managerial purposes.<sup>122</sup> Pointing to Verizon's explanation of the purpose of

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<sup>119</sup> Id. at 74.

<sup>120</sup> Id. at 74, nn. 167 & 168.

<sup>121</sup> Tr. 1393-1394. Cf. Verizon Initial Brief at 70-71 (acknowledging Hawthorne Effect but arguing it should predict an increase in the efficiency of workers as a result of attention being focused on them).

<sup>122</sup> Tr. 1026-27; Ex. 8P.

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the study, MCI's witnesses Jenkins and Starkey assert that the respondents would have realized that it would be better for the company if time estimates were overstated.<sup>123</sup> We agree that supervisors who are told that the survey will be used for Verizon's recovery of nonrecurring costs will understand that it is to be used in a proceeding to set CLEC rates and will therefore feel and communicate some incentive to inflate times.<sup>124</sup> As a result, the times are likely overstated.

Given these flaws, we cannot justify merely accepting Verizon's work time numbers without adjustment. We note that Verizon has been criticized by this Commission for years for its failure to produce credible evidence of work times to support recovery of non-recurring costs such as hot cuts.<sup>125</sup> Moreover, Verizon does not offer any justification for its failure to use larger samples or more reliable methods, such as time and motion or time diary techniques. Nevertheless, in most instances, the times appear to be in an appropriate range of times necessary to accomplish what are now known, currently-performed activities. Striking a balance between our view that the times are inflated and our judgment that the results are not outlandishly high leads us to reduce all of Verizon's work time numbers by eight percent, except in a few instances where, in our view, a more specific reduction is warranted, as described below.

Our adjustment to labor times stands in contrast to the alternative offered by AT&T. As noted above, we have generally rejected the cost study proposals of the other CLEC parties to this proceeding, because they are based on an electronic process that we do not accept. In contrast, AT&T is

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<sup>123</sup> Tr. 1027.

<sup>124</sup> One Verizon panel member's assertion that "I don't think you can make that assumption at all," Tr. 366, does not constitute evidence to the contrary.

<sup>125</sup> Cases 95-C-0657, et al., Opinion No. 97-19 (issued December 22, 1997) at 54 (failure to support its non-recurring charges with reliable labor time estimates); Cases 95-C-0657, et al., Opinion No. 99-4 (issued February 22, 1999) at 32-34 (failure to conduct a statistically valid survey of some activities).

**EXHIBIT 33**

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BELLSOUTH TELECOMMUNICATIONS, INC.  
DIRECT TESTIMONY OF ALBERT J BLACKMON  
BEFORE THE NORTH CAROLINA UTILITIES COMMISSION  
DOCKET NO. P-55, SUB 1013  
July 1, 2004

CLERK OF SUPERIOR COURT  
N.C. Utilities Commission

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

**A.** My name is Albert Blackmon. I am the Assistant Vice President of Sales for BellSouth's Small Business Services organization in North and South Carolina. My address is 2359 Perimeter Pointe Parkway, Suite 500, Charlotte, North Carolina 28208.

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

**A.** I graduated from the University of South Carolina in Columbia, South Carolina in 1988 with a BA degree in marketing. I completed my Masters Degree in Business in 1994 at Wirthrop University in Rock Hill, South Carolina. Since I joined BellSouth in 1988, I have held positions in a number of departments including Consumer, Carrier Services, Large Business and Small Business Services. I currently manage the outbound

1 sales center for North Carolina and South Carolina. I assumed my  
2 current position in September of 2002.

3

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

5

6 A. The purpose of my testimony is to address telecommunications  
7 competition in North Carolina's small business market and to quantify  
8 access line losses that BellSouth has sustained in this market segment.  
9 BellSouth has asked this Commission to modify its price regulation plan  
10 and I represent one significant part of the BellSouth sales and marketing  
11 organization that will be affected by the changes proposed.

12

13 **Q. PLEASE DESCRIBE BELL SOUTH'S SMALL BUSINESS MARKET IN**  
14 **NORTH CAROLINA.**

15

16 A. With 254,000 access lines in service in North Carolina, the small business  
17 market represents about 41% of BellSouth's total business access lines  
18 and about 42% of BellSouth's total business revenues for the state.  
19 BellSouth's Small Business market consists of single-line and multi-line  
20 customers who primarily use standard business line service for their  
21 telecommunications needs.

22

23 **Q. HAVE COMPETING LOCAL PROVIDERS (CLPs) BEEN SUCCESSFUL**  
24 **IN TARGETING THE SMALL BUSINESS MARKET IN NORTH**  
25 **CAROLINA?**

1  
2 Since the advent of local exchange competition in North Carolina eight  
3 years ago, the small business market has undergone dramatic change.  
4 Customers have multiple local service providers to choose from  
5 throughout BellSouth's serving area, bringing the added benefit of more  
6 products and services to the market. Competition among local service  
7 providers has also resulted in the development of new technologies and  
8 innovative pricing strategies. In short, competition is working in North  
9 Carolina, just as it was intended to work.

10  
11 Quite frankly, it took BellSouth Small Business a while to learn how to  
12 successfully function in a fully competitive marketplace. We initially took  
13 our lumps, quite significant lumps as a matter of fact. Between January  
14 2001 and January 2002, BellSouth Small Business customers were  
15 moving to competitors at a rate of 4,300 lines per month and we were  
16 having a difficult time stopping the bleeding. By the first half of 2002, we  
17 began showing improvement in reacquiring some customers, but we were  
18 still only winning back about two customers for every five that we lost. By  
19 January, 2003, BellSouth Small Business customers had moved about  
20 92,000 lines to competitors in just a two year period, with over 19 percent  
21 of these competitive disconnects coming from zone 2 and zone 3 wire  
22 centers. However, through experience in the competitive market, we have  
23 continued to improve our reacquisition of competitive losses through a  
24 combination of natural churn and more aggressive promotional offers. As  
25 a result, even though my organization has lost about 1/3 of its market

1 share, we are currently reacquiring about three lines for every four that we  
2 are losing to competitors. Clearly, we are not at the point we need to be,  
3 but significant strides have been made in the past few years. My point, of  
4 course, is that the competitive marketplace is working. Competitors are  
5 winning customers, both from our existing customer base, and new  
6 customers who are initiating service for the first time. At the same time,  
7 BellSouth is doing the same thing. These actions and reactions no doubt  
8 signify a very competitive market segment.

9

10 **Q. WHY HAVE CLPS BEEN SUCCESSFUL IN TARGETING THE SMALL**  
11 **BUSINESS MARKET?**

12

13 **A.** Small business customers typically have growing network needs that  
14 create sales opportunities, and these customers are usually very price-  
15 conscious – particularly in difficult economic times such as the last several  
16 years. Additionally, small business customers typically buy a standard  
17 set of services that most CLPs are able to provide without costly, and time  
18 consuming, design requirements. This allows service providers to use the  
19 same or similar marketing plans for large masses of customers, providing  
20 opportunity for more rapid market share development. Finally, many  
21 small business customers are typically located in business and technology  
22 parks, allowing facility-based CLPs to efficiently serve multiple customers  
23 over a single transport facility. This drives costs down, providing greater  
24 margins for discounting local service offerings.

25

**EXHIBIT 34**

Loop Rates by Zone

Comparing Monthly Loop Cost by UNE-Zone				
RBOC Region	State	Urban Zone	Rural Zone	Difference
Qwest	Washington**	\$11.26	\$67.77	\$56.51
SBC	Nevada	\$11.77	\$66.25	\$54.48
Qwest	Nebraska	\$12.14	\$62.50	\$50.36
Qwest	Oregon	\$13.95	\$56.21	\$42.26
Qwest	North Dakota	\$13.53	\$51.65	\$38.12
BellSouth	Louisiana	\$11.77	\$48.26	\$36.49
BellSouth	Mississippi*	\$10.98	\$43.68	\$32.70
Verizon	West Virginia*	\$14.49	\$43.44	\$28.95
Qwest	Arizona	\$9.05	\$36.44	\$27.39
Qwest	Colorado	\$5.91	\$32.74	\$26.83
Qwest	Idaho	\$15.65	\$40.50	\$24.85
BellSouth	Alabama	\$11.55	\$33.65	\$22.10
BellSouth	Georgia	\$9.56	\$31.66	\$22.10
Qwest	Wyoming*	\$19.91	\$40.98	\$21.07
BellSouth	Kentucky	\$9.64	\$30.59	\$20.95
BellSouth	North Carolina	\$10.75	\$30.33	\$19.58
Verizon	Virginia	\$10.74	\$29.40	\$18.66
BellSouth	Tennessee	\$11.11	\$27.80	\$16.69
BellSouth	Florida	\$9.77	\$24.63	\$14.86
SBC	Oklahoma	\$12.14	\$26.25	\$14.11
Verizon	Vermont	\$7.72	\$21.63	\$13.91
Qwest	Iowa	\$12.69	\$26.39	\$13.70
Verizon	New Hampshire	\$11.97	\$25.00	\$13.03
BellSouth	South Carolina	\$13.76	\$26.04	\$12.28
SBC	Arkansas	\$11.86	\$23.34	\$11.48
SBC	Kansas	\$11.86	\$23.34	\$11.48
SBC	California	\$8.24	\$19.69	\$11.45
Verizon	Maryland	\$9.51	\$20.57	\$11.06
Qwest	Minnesota*	\$5.83	\$15.66	\$9.83
SBC	Illinois	\$5.17	\$14.91	\$9.74
Qwest	Utah	\$11.33	\$19.57	\$8.24
Verizon	Rhode Island	\$11.19	\$19.13	\$7.94
Verizon	New York	\$7.70	\$15.51	\$7.81
Qwest	New Mexico	\$16.04	\$23.70	\$7.66
Verizon	Maine	\$11.44	\$18.75	\$7.31
SBC	Missouri	\$12.71	\$19.74	\$7.03
SBC	Texas	\$12.14	\$18.98	\$6.84
Verizon	Delaware	\$10.07	\$16.67	\$6.60
Qwest	South Dakota	\$15.20	\$21.77	\$6.57
Verizon	Pennsylvania*	\$10.25	\$16.75	\$6.50
Qwest	Montana*	\$23.10	\$29.29	\$6.19
SBC	Wisconsin	\$9.51	\$15.25	\$5.74
Verizon	Massachusetts*	\$10.81	\$24.32	\$4.60
SBC	Michigan	\$8.47	\$12.54	\$4.07
Verizon	New Jersey	\$8.81	\$11.82	\$3.01
SBC	Ohio	\$8.84	\$11.43	\$2.59
SBC	Indiana	\$11.50	\$12.50	\$1.00
Verizon	D.C.	\$8.49	\$8.49	\$0.00

\* State has 4 UNE pricing zones.

\*\* State has 5 UNE pricing zones.

Source: *Telecom Regulatory Note*, Regulatory Source Associates, LLC, August 16, 2004.

**EXHIBIT 35**

Comparing POTS to Next-Generation Ordering

Comparison of POTS and Next Generation Order Processing - Verizon

POTS		Next-Generation	
Workstep	Method	Workstep	Method
<b>A Ordering</b>		<b>A Ordering</b>	
1 Order Information Entry	Manual	1 Order Information Entry	Manual
2 Order Information QA/QC	Manual	2 Order Information QA/QC	Manual
3 PreOrder Information Request Generation	Automated	3 Determination of Customer Eligibility	Automated
4 PreOrder Information Return Processing	Automated	4 Determine Loop Eligibility	Automated
5 Order (LSR) Generation	Automated	5 Place VADI Order	Manual
6 Order Return Notifier (LSRC/Query) Processing	Automated	6 Send Customer Premise Equipment	Manual
7 Error Repair (i.e. Query Response)	Automated	7 Track DSL Order	Manual
8 Order Return Notifier (Jeopardy/PCN/BCN) Processing	Automated	8 Coordinate Networking Processes	Manual
		9 Receive VADI Response	Manual
		10 Activate/Test Networking	Manual
		11 Notify End User of Data Service Completion	Manual
<b>B Missing Notifier</b>		<b>B Missing Notifier</b>	
1 Identification of Missing/Overdue Notifier	Automated	1 Identification of Missing/Overdue Notifier	Manual
2 Initiation of Missing Notifier Trouble Ticket	Semi-Automated	2 Resolution of Missing/Overdue Notifier	Manual
3 Resolution of Missing Notifier Trouble Ticket	Automated		
<b>C Trouble Repair</b>		<b>C Trouble Repair</b>	
1 Entry of End User Report	Manual	1 Entry of End User Report	Manual
2 Line Test	Automated	2 Line Test	Automated
3 Entry of Repair Ticket	Automated	3 Entry of Repair Ticket	Manual
4 Status Update	Automated	4 Status Update	Manual
5 Closure of Repair Ticket	Automated	5 Closure of Repair Ticket	Manual
<b>Summary</b>			
<b>POTS</b>		<b>Next Generation</b>	
% Manual	18.75%	% Manual	83.33%
% Semi-Automated	6.25%	% Semi-Automated	0.00%
% Automated	75.00%	% Automated	16.67%

NB: VZ processes mandate manual steps using the GUI

POTS Configuration: UNE-P

Next-Generation Configuration: PVC supported by Verizon DSL interconnected to CLEC packet network.

**EXHIBIT 36**

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

In the Matter of the Implementation of the )  
Federal Communications Commission's )  
Triennial Review Regarding Local Circuit ) ICC Docket No. 03-0593  
Switching in SBC Illinois Mass Market )

REBUTTAL TESTIMONY OF  
STEVEN E. TURNER  
ON BEHALF OF  
AT&T COMMUNICATIONS OF ILLINOIS, INC.,  
MCLEODUSA TELECOMMUNICATIONS SERVICES, INC,  
TCG CHICAGO, AND TCG ILLINOIS

FEBRUARY 16, 2004

\*\*\* PUBLIC VERSION \*\*\*

PUBLIC VERSION

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1           *Third*, I will summarize the rates that result from correcting the errors in SBC-  
2 Illinois' cost studies and urge the Commission to adopt them consistent with forward-  
3 looking and efficient economic cost principles.

4 **Q. WHAT TYPES OF PROBLEMS HAVE YOU FOUND WITH SBC-ILLINOIS'**  
5 **COST STUDY?**

6 A. SBC Illinois' BHC Cost Study contains a broad range of errors. The following list  
7 summarizes the types of errors and difficulties I encountered and corrected.

- 8 1. SBC Illinois has consistently overstated the times required to perform tasks by  
9 failing to take into account the efficiencies of forward-looking technology  
10 available to its personnel. These overstatements of time are inconsistent with  
11 TELRIC principles because they do not produce the least cost associated with an  
12 efficient network.
- 13 2. SBC Illinois has inappropriately included intermediate distribution frame cross-  
14 connect cost in its cost studies. Use of an intermediate distribution frame is  
15 inconsistent with efficient engineering practices and results from nothing more  
16 than SBC Illinois' adherence in its cost studies to the embedded, old central  
17 offices that were constructed for analog equipment. TELRIC requires the  
18 assumption of efficient, forward-looking network architectures. Moreover, even  
19 if the Commission determines that the use of intermediate distribution frames is  
20 acceptable, SBC Illinois' typical assumption that 100 percent of its central offices  
21 utilize these frames fails to reflect what is actually deployed in its offices.

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- 1           3.       SBC Illinois' dispatch times and activities do not reflect the efficient use of its  
2                    technicians, nor do they reflect the use of scheduling technology that allows SBC  
3                    Illinois to efficiently utilize its technicians' time.
- 4           4.       SBC Illinois' time estimates often lose sight of what is being evaluated: an order  
5                    or a circuit. My restatement of SBC Illinois' BHC Cost Study maintains  
6                    consistency in the way time estimates are determined.
- 7           5.       SBC Illinois has not consistently applied flow through in the BHC Cost Study.  
8                    Related to this, SBC Illinois has consistently failed to use even its own experience  
9                    with flow through in its retail and wholesale operations systems in developing its  
10                  TELRIC estimates. Further, SBC Illinois' cost filing fails to reflect what SBC has  
11                  begun to routinely reflect as its efficient, forward-looking flow through, relying  
12                  instead on subject matter expert opinion that produces self-serving, overstated  
13                  costs for batch hot cuts.
- 14          6.       SBC Illinois' BHC Cost Study fails in many instances to maintain internal  
15                  consistency, leading to results that are significantly inconsistent and producing  
16                  costs that are not TELRIC-compliant.
- 17          These problems are only a sampling of the failures that can be identified in SBC Illinois'  
18          filing in this case. The details of these and other problems with SBC Illinois' BHC Cost  
19          Study will be documented below.

**EXHIBIT 37**

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Proceeding by the Department of Telecommunications  
and Energy on Its Own Motion to Implement the  
Requirements of the Federal Communications  
Commission's Triennial Review Order Regarding  
Switching for Mass Market Customers

D.T.E. 03-60

**PANEL TESTIMONY ON BULK HOT CUTS  
AND ASSOCIATED NON-RECURRING  
COSTS ON BEHALF OF**

**AT&T COMMUNICATIONS OF NEW ENGLAND, INC.  
AND BROADVIEW NETWORKS**

**PANEL MEMBERS**

**Michael Hou  
Brenda Kahn  
Richard Walsh**

**PUBLIC VERSION**

**February 6, 2004**

1 **Q. WHAT ARE THE AT&T AND BROADVIEW RECOMMENDED PROJECT HOT**  
2 **CUT RATES?**

3 A. AT&T and Broadview have determined that the total forward-looking cost for Verizon to  
4 perform a hot cut using the Recommended Project Hot Cut Process is \$4.65 for the first  
5 line and \$4.43 for each additional line thereafter. The initial line cost of \$4.65 is  
6 comprised of a flat rate service order cost of \$0.22 per order,<sup>51</sup> a provisioning cost of  
7 \$0.11 per line, and a central office (“CO”) wiring cost of \$4.31 per line. The additional  
8 line cost of \$4.31 is comprised of the provisioning and the CO wiring per line costs, but  
9 excludes the service order cost because it is recovered on the first line.

10 **Q. WHAT BASIC HOT CUT RATES DO YOU RECOMMEND THAT THE**  
11 **DEPARTMENT ADOPT?**

12 A. AT&T and Broadview have determined that the total forward-looking cost for Verizon to  
13 perform a basic hot cut is \$11.45 for the first line and \$4.25 for each additional line  
14 thereafter. The initial line cost of \$11.45 is comprised of a flat rate service order cost of  
15 \$0.22 per order, a provisioning cost of \$5.26 per line and a central office (“CO”) wiring  
16 cost of \$5.96 per line. The additional line cost of \$4.25 is comprised of a provisioning  
17 cost of \$0.06 and a CO wiring per line cost of \$4.19 (the service order cost is excluded  
18 because it is recovered on the first line).

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<sup>51</sup> The \$0.22 charge applies per LSR. The LSR is referred to as a service ordering charge in the tariff. The LSR may include multiple loops/lines.