



STATE OF CONNECTICUT

DEPARTMENT OF PUBLIC UTILITY CONTROL
TEN FRANKLIN SQUARE
NEW BRITAIN, CT 06051

DOCKET NO. 98-09- DPUC INVESTIGATION OF THE SOUTHERN NEW
01RE01 ENGLAND TELEPHONE COMPANY'S UNE
NONRECURRING CHARGES - COMPLIANCE

November 22, 2000

By the following Commissioners:

Jack R. Goldberg
John W. Betkoski, III
Glenn Arthur

DECISION

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I. INTRODUCTION

A. SUMMARY

On April 3, 2000, the Southern New England Telephone Company (Telco or Company) filed its proposed Migration Cost Study (MCS) with the Department of Public Utility Control (Department) pursuant to the Department's January 5, 2000 Decision in the instant docket. On July 14, 2000 the Telco filed revisions to its MCS. The Telco argues that its MCS is in compliance with the January 5, 2000 Decision and that it should be adopted. The Telco also claims that the 2% fallout factor is too aggressive and should be modified.

CTC Communications Corporation (CTC) claims that the MCS is inaccurate and excludes certain services that qualify for lower migration charges. CTC also claims that the MCS does not include forward-looking time estimates. CTC further requests that the Department reject the Telco's manual cost study and require application of the current migration charges for manual migrations.

The Department has determined that the MCS is in compliance with the January 5, 2000 Decision and is justifiable. The Department also finds that the 2% fallout factor is achievable and should be maintained. The Department concludes that the MCS satisfies the Department's requirements for non-recurring rates and charges for manual and electronic processing of migration service orders.

B. BACKGROUND OF THE PROCEEDING

By the January 5, 2000 Decision issued in the above noted docket, the Department directed the Telco, no later than April 3, 2000, to submit a proposed migration cost study that incorporates mechanized order processing.¹ January 5, 2000 Decision, Order No. 4, pp. 37 and 38. In particular, the Telco was directed to submit an amended cost study that included a mechanized order processing component, modified costs for manual order processing utilizing current and forward-looking data, reviewable documentation of all inputs to and processes undertaken in the cost study, a two-tier rate structure for all orders, and reflect a one-time 2% fallout rate.² On April 3, 2000, the Telco filed its proposed MCS with the Department. By Decision dated June 14, 2000, the Department reopened the instant proceeding for the limited purpose of investigating the Telco's proposed MCS.

On July 14, 2000, the Telco submitted to the Department, revisions to its MCS, Attachment B (Electronic Delivery Migration Service Order Cost Study, reflecting a 2%

¹ A migration service order is issued when an end user account migrates without alteration and on the same facilities, from the Telco to a Certified Local Exchange Carrier (CLEC) or from one CLEC to another CLE C. April 3, 2000 Filing, Attachment A, p. 4.

² Flow through, as used in the Telco's cost study, are orders that will flow through an individual system without manual assistance. If a service order requires manual assistance, at any level, it is not considered by the Telco to be flow through.

fallout factor) reflecting correct page numbers and the addition to the Table on page 8 of Attachment B.

C. CONDUCT OF THE PROCEEDING

By Notice of Hearing dated June 29, 1999, a public hearing in this matter was held and closed on August 3, 2000, at the offices of the Department, Ten Franklin Square, New Britain, Connecticut 06051.

The Department issued a draft Decision in this docket on October 30, 2000. All parties and intervenors were provided an opportunity to file written comments to and present oral argument on the draft Decision.

D. PARTIES AND INTERVENORS

The Department recognized the Southern New England Telephone Company, 310 Orange Street, New Haven, Connecticut 06510; Office of Consumer Counsel, Ten Franklin Square, New Britain, Connecticut 06051; AT&T Communications of New England, 32 Avenue of the Americas, New York, New York 10013; WorldCom, Inc., Five International Drive, Rye Brook, New York 10573-1095; Cox Connecticut Telcom, LLC., 9 J.P. Murphy Highway, West Warwick, Rhode Island 02893-2381; New England Cable Television Association, 21 Oak Street, Suite 307, Hartford, Connecticut 06106; ACI Corporation, c/o Blumenfeld & Cohen, 1615 M. Street, N.W., Washington, D.C. 20036; CTC Communications Corporation, 360 Second Avenue, Waltham, Massachusetts 02154; Cablevision Lightpath Inc., 111 New South Road, Hicksville, New York 11801; Connecticut Telephone & Communications Systems, 1271 South Broad Street, Wallingford, Connecticut 06492; and Frontier Communications of the West, 180 South Clinton Avenue, Rochester, New York 14646, as parties to this proceedings. The Department also recognized the Connecticut Ad Hoc Telecommunications Users Group, Partner Communications, WilTel, Inc. and ZipCall Long Distance, Inc. as Intervenors to this proceeding.

II. POSITIONS OF PARTIES

A. THE SOUTHERN NEW ENGLAND TELEPHONE COMPANY

The Telco complied with the January 5, 2000 Decision in the above-noted docket on April 3, 2000, by submitting its proposed migration cost study. In the April 3, 2000 filing, the Telco provided the forward-looking costs reflecting anticipated fallout associated with the processing of service orders submitted electronically; the mandated 2% fallout rate in lieu of the Telco's anticipated fallout for processing electronic service orders; the costs for processing nonelectronic service orders that CLECs submit via fax or other means; and the costs for processing nonelectronic service orders that CLECs submit via fax or other means, applying the 2% mandated fallout factor. Tr. 8/3/00, pp. 331 and 332

The Telco asserts that its cost studies for electronic orders used actual data from approximately 5,400 electronic service orders simulated at SBC Communications Inc.'s (SBC) Dallas local service center that were processed via its order processing systems.

The Telco also relied on actual data derived from a recent sample of migration orders so that it could calculate the nonelectronic migration costs. According to the Telco, the costs associated with nonelectronic service orders are higher than costs related to the processing of service orders on an electronic basis because they require significant manual work activity. Tr. 8/3/00, pp. 332 and 333.

The Company maintains that its proposed MCS complies with the January 5, 2000 Decision in this proceeding because the Telco has differentiated between the costs of processing electronic and nonmechanized migration service orders. The proposed MCS also employs recent data from SBC and the Telco's actual experience processing the orders. The Telco states that the sample orders studied are based on current data, although the Company adhered to the requirement that costs be forward-looking by reducing the incidence of fallout and the amount of time expended proposing nonmechanized orders compared to what it currently experiences in Connecticut. In addition, the Telco's time estimates have intentionally excluded ancillary activity and the associated amount of time service representatives regularly spend interfacing with CLEC representatives and consulting relevant manuals. Telco Brief, p. 6. Moreover, the Telco argues that the proposed MCS establishes a clear audit trail and fully documents all data. Finally, the proposed MCS applies the mandated 2% fallout factor in the same manner the Company applied this factor in the UNE nonrecurring studies approved by the Department in its January 5, 2000 Decision in Docket No. 00-03-19, DPUC Review of The Southern New England Telephone Company's Studies of Unbundled Network Elements Non-Recurring Costs. While complying with the 2% fallout factor requirement ordered in the Decision in Docket No. 00-03-19, the Telco argues however, that the mandated 2% fallout rate is "overly aggressive" and represents the costs of a hypothetical provider, and not the Company. Tr. 8/3/00, pp. 334 and 335. The Telco contends that its MCS at Attachment A reflects what the Company's cost experience will be in processing migration orders electronically, rather than reflecting a hypothetical process not available to the Telco during the relevant study period. In the opinion of the Telco, the rates generated by Attachment A are the more appropriate rates. The Telco also states that its inclusion of Attachment B, will enable the Department to approve a Company cost study for mechanized order processing that contains the mandatory 2% fallout rate. Telco Brief, p. 5.

Furthermore, the Telco argues that local service migrations are not billing changes. Rather, local service migrations require the transfer of the responsibility of the end user account to the requesting CLEC while a billing change replaces the recipient of the Company's bill and is accomplished via a record order change. Tr. 8/3/00, pp. 336 and 337. For example, service changes, primary interexchange carrier (PIC) changes, service additions and removals, and billing and repair requests must be ordered from the requesting CLEC. Therefore, once an end user account migrates to a CLEC, the Telco no longer has a direct relationship with that customer. Telco Brief, p. 8.

Because local service migrations change the responsibility for the end user account, the Telco must add CLEC account information and billing information to the Company's billing system. Without these changes, the end user account that migrated to the CLEC would continue to be considered a Telco account and the CLEC would be

unable to fulfill its responsibilities as a local service provider. Tr. 8/3/00, pp. 337 and 338; Telco Brief, p. 8.

The Telco contends that it possesses the ability to perform electronic migration despite the claims made by CTC. According to the Telco, the processing of migration orders via an electronic means has been available to CLECs since July 1998. Specifically, the Telco's W-CIWin and Mechanized Service Access Platform (MSAP) are designed to support resale, preorder and order activity for both complex and noncomplex services. Tr. 8/3/00, p. 339. The Telco argues that CTC's decision to utilize manual migration processes because it is "easier" for its service representatives should not be the basis for setting migration rates in Connecticut. The Telco also argues that CTC's recommendation that the Company establish rates which do not reflect the difference between manual and electronic processes undermine the Department's objectives. Telco Reply Brief, pp. 2 and 3.

The Telco also disputes CTC's suggestion to reject the Company's manual cost study and order prices based on Verizon's cost to migrate customers. In the opinion of the Telco, CTC's suggestion is an indication that CTC does not understand the regulatory process or fundamental ratemaking principles. The Company also asserts that CTC's price comparisons are inappropriate because CTC has based its calculation on interim rates ordered by the Department rather than the rates that were initially proposed by the Telco. Moreover, the Telco maintains that CTC has ignored Company testimony which indicates that migration rates will be charged on a service order basis, rather than a per line or circuit basis, as had previously been the case. In the opinion of the Telco, this distinction makes CTC's attempt to compare previous and proposed migration rates completely meaningless. Telco Reply Brief, pp. 4-6. The Telco argues that the rate structure in its proposed MCS applies is more representative of the way costs are incurred and consistent with the manner in which such migrations charges are imposed by SBC in other states. Tr. 8/3/00, pp. 342 and 343. According to the Telco, the distinction between "per service order" and "per line or circuit" is important, and CTC's failure to recognize the differences makes its comparison of the Company's previous and proposed migration rates meaningless. Telco Reply Brief, pp. 5 and 6.

Finally, the Telco claims that its proposed MCS fully complies with the Department's directives in the January 5, 2000 Decision in Docket No. 98-09-01. In the opinion of the Telco, its proposed manual and electronic migration rates reflect the forward-looking cost of providing services and provide the Company and its wholesale customers the incentives the Department wishes to create. Accordingly, the Telco urges the Department to adopt its proposed MCS and rates. Telco Reply Brief, pp. 6 and 7.

B. CTC COMMUNICATIONS CORPORATION

CTC argues that the Telco's MCS are inaccurate and exclude certain services that qualify for lower migration charges. CTC cites as an example, the Telco's Direct Inward Dialing (DID) and Foreign Exchange (FX) services. CTC notes that excluding services from those services which migration charges apply translates into higher installation and disconnection rates when the only service being performed is a billing change. Wieners Testimony, p. 2.

CTC also argues that the Telco's MCS does not include forward-looking time estimates, reflecting future efficiencies and process improvements. In the opinion of CTC, forward-looking estimates should not produce "astronomically" higher prices than those produced in earlier cost studies. CTC asserts that a forward-looking analysis should not rest upon the argument that the cost study excludes inexperienced service representatives and the time spent by representatives consulting policy manuals. CTC Reply Brief, p. 4.

Additionally, CTC contends that the Telco inefficiently charges resellers for manual work efforts that are associated with resale migration. According to CTC, the Telco's supporting data is completely inadequate to support its proposed migration cost increases. CTC Brief, p. 6. CTC asserts that the Telco has merely attempted to make the migration process appear more complicated through extensive and repetitive data entry requirements, which inflate the cost to wholesale customers and Connecticut end-users. CTC Brief, p. 10. Moreover, CTC contends that the Telco has passed on the costs of all errors made by its own representatives, which further inflates expenses in the MCS. CTC Brief, p. 14.

Furthermore, CTC claims that the Telco considers 16 of the 17 services reviewed in its study as "complex," which results in costs that are three times more than those incurred during a "simple" migration. CTC maintains that migration, whether it is simple or complex, is merely a change in billing administration; and therefore, CTC concludes that the error rate for complex orders is unjustified, not itemized and beyond the charges imposed by other incumbent local exchange carriers (ILEC). Wieners Testimony, p. 5.

CTC also claims that the categories for "simple" and "complex" migration are an artificial distinction of a "listing and billing charge." Accordingly, CTC disagrees with the Telco's categorization of "simple" and "complex" migration orders and that the Company has not justified the distinction between "simple" and "complex" migration. CTC Brief, p. 8; CTC Reply Brief, p. 7.

Finally, CTC maintains that the Telco has not conducted the necessary work to make electronic processing of migrations available to CLECs for complex migrations. CTC states that it has utilized the electronic W-CIWin for simple migrations where applicable, but those migrations represent only 20% of its transactions. Therefore, CTC argues that it incurs high costs to manually migrate 80% of its business customers. Wieners Testimony, p. 6. CTC also claims that it has been forced to use the Telco's manual migration process because the electronic processes are not workable. Consequently, CTC concludes that the reasonableness of an electronic cost study with a 2% fallout factor is a false promise. CTC Brief, p. 5; CTC Reply Brief, p. 2.

Accordingly, CTC recommends that the Department reject the Telco's manual cost study and require continued application of the current migration charges for manual migrations for all services that the Company resells. CTC also encourages the Department to require the Telco to update its mechanized process and make periodic reports on that progress so that the CLECs can utilize the electronic migration process. CTC Reply Brief, pp. 10 and 11.

III. DEPARTMENT ANALYSIS

The January 5, 2000 Decision in Docket No. 98-09-01 directed the Telco to submit a proposed migration cost study to the Department no later than April 3, 2000. Specifically, the Department ordered the Telco to include modified costs for manual processing using updated data; sufficiently document cost results; create a two-tier rate and cost structure distinguishing between mechanized and non-mechanized migration service order costs, and apply the mandated 2% fallout rate.

The Department finds that the Telco's April 3, 2000 filing contains well-documented, forward-looking, justifiable cost studies. The Department also finds that the MCS addresses a rate and cost structure that distinguishes between mechanized and non-mechanized migration service orders. In addition, the MCS represents the use of a one-time 2% fallout rate, as well as forward-looking input data. The Department is cognizant of the Telco's argument that some CLEC electronic orders will not flow-through the Company's system and will require Company representative intervention a portion of the time. MCS, Attachment A, Abstract, p. 1. The Department is not persuaded by the Company's argument. In the opinion of the Department, requiring the Company to adhere to the 2% fallout factor should act as an incentive to the Telco to improve the accuracy of its work and operate in a more efficient manner.

The Department notes CTC's suggestions to: 1) base migration services on Verizon's migration prices; 2) impose the Telco's present Record Order Charge for migration services; and 3) require the continued application of the current migration charges (interim rates) for manual migrations for all services that Telco resells. CTC Brief, p. 2; CTC Reply Brief, p. 11. In the opinion of the Department, CTC's recommendations disregard the work of the parties to this proceeding and the Department and the purpose of conducting a migration cost study. While CTC has suggested alternative pricing schemes, none of them accurately reflect cost-related, forward-looking prices for the services currently under investigation.

The Department also finds that based on the information provided by the Telco, the migration service rates established in this proceeding (assuming the 2% mandated fallout factor) appear reasonable while providing incentives for Telco to improve its migration services. If the Telco's suggested fallout factors are representative of its current success rate of migrating customers, the 2% fallout factors are most certainly reflective of forward-looking results.

With regard to the availability of electronic migration, CTC should be assured that it possesses the ability to migrate customers using electronic processes at the 2% fallout rate. CTC has alleged that the Telco's electronic migration is not efficient, and the reasonableness of the electronic cost study with the 2% fall-out factor is a false promise. CTC Brief, p. 5. The Department believes that CTC has the option of using an electronic or manual migration service and the Telco is obligated to provide the corresponding rate. Should CTC determine that it is easier to use manual migration, it may do so; however, such use of that process should be at the manual migration charge proposed by Telco in this proceeding.

The Department is also aware of CTC's contention that migration rates for certain services (such as DID and FX) have not been established. Wieners Testimony, p. 2. The Department will not require additional migration service rates at this time because it is not convinced that migration rates for more services are required or that they should be provided as general tariff items at this time. In the opinion of the Department, the best manner for establishing migration service rates which do not have approved tariffs is for CLECs and the Telco to negotiate the provision and price of the service. In those cases when the parties are unable to negotiate an agreeable price, then those issues may be brought before the Department for resolution.

Finally, the Department accepts the Telco's clarification as to why migrations are not merely a record order or billing change. That is, a billing change merely changes the recipient of a Telco bill while a record order change amends the Company's billing system. However, an end user account service migration involves transferring the responsibility of that account to the requesting CLEC. In those cases, the end user account is migrated and the gaining CLEC is responsible for all aspects of the account. At that point, only the gaining CLEC will be able to request service changes, PIC changes, service additions, removals, billing questions and requests for repair from the Telco. The Department finds that end user service migrations change the responsibility for that account and requires adding CLEC account information and CLEC billing information to the Telco's billing system. Absent these changes, the end user account would continue to be considered a Telco account and the CLEC would be unable to fulfill its responsibilities as a local service provider. Tr., 8/3/00, pp. 337 and 338. Therefore, in light of the above, the Department finds CTC's suggestion of charging the Telco's current Record Order Charge for migration services to be without merit.

IV. FINDINGS OF FACT

1. The Telco filed a proposed Migration Cost Study on April 3, 2000 in compliance with the January 5, 2000 Decision in Docket No. 98-09-01.
2. The Telco's MCS reflects a one-time 2% fallout factor for system fallout.
3. The Telco's MCS includes a two-tier rate structure (manual and electronic) for migration tariffs.
4. The Telco's MCS contains forward-looking costs.
5. Migration service differs from a Billing Change and Record Order Change.

V. CONCLUSION AND ORDER

A. CONCLUSION

The Telco's MCS satisfies the Department's requirements for establishing non-recurring forward-looking rates and charges for the manual and electronic processing of migration service orders.

B. ORDER

For the following Orders, please submit an Original and five copies of the requested material, identified by Docket Number, Title and Order Number to the Executive Secretary.

1. The Telco shall file revised tariffs consistent with this Decision no later than December 15, 2000. The effective date of the Company's tariffs shall be December 11, 2000.

**DOCKET NO. 98-09- DPUC INVESTIGATION OF THE SOUTHERN NEW
01RE01 ENGLAND TELEPHONE COMPANY'S UNE
NONRECURRING CHARGES - COMPLIANCE**

This Decision is adopted by the following Commissioners:

Jack R. Goldberg

John W. Betkoski, III

Glenn Arthur

CERTIFICATE OF SERVICE

The foregoing is a true and correct copy of the Decision issued by the Department of Public Utility Control, State of Connecticut, and was forwarded by Certified Mail to all parties of record in this proceeding on the date indicated.

Louise E. Rickard
Acting Executive Secretary
Department of Public Utility Control

Date