Q.Please state your name and address for the record.

A.My name is Wayne Hart and my business address is 472 West Washington Street, Boise, Idaho.

Q.By whom are you employed and in what capacity?

A.I am employed by the Idaho Public Utilities Commission as a Telecommunications Analyst.

Q.Are you the same Wayne Hart who previously filed Direct Testimony in this proceeding?

A.Yes, I am.

Q.What is the purpose of this Surrebuttal Testimony?

A.I address issues raised by U S WEST witness John Souba in his Rebuttal Testimony regarding service quality, zone connection charges and toll-restricted services.

I. SERVICE QUALITY

Q.Mr. Souba claimed in his Rebuttal Testimony that the Company’s service is improving and that things are not as bad as you indicated in your Direct Testimony.  Do you agree with the conclusions drawn by Mr. Souba?

A.No.  I believe that the evidence presented in my Direct Testimony, as well as the updated information in my Revised Schedule 3 of Exhibit No. 120 clearly demonstrates that the overall service quality of U S WEST has deteriorated and that it will need to improve significantly before it will be at levels acceptable to the public and this Commission.

Q.On page 10 of his Rebuttal Testimony, Mr. Souba claimed that the number of complaints cited in your Direct Testimony represents only 1/4 of 1% of all customers.  Is this enough to be of concern to the Commission?

A.It certainly is.  As I indicated in my Direct Testimony, complaints that reach a third party, such as the Commission, are only the tip of the iceberg.  For every customer who makes the extra effort to contact the Commission about a problem, there are many more customers experiencing the same problem.  Moreover, as explained more fully by Staff witness Cooper in her Surrebuttal Testimony, the Commission’s complaint numbers understate the incidence of problems.  It is also important to note that customers from throughout the Company's service area are contacting the Commission about a wide range of problems.

In addition, my Direct Testimony focused on trends and comparisons with past performance and that of other utilities.  When the number of consumers contacting the Commission about a company or a specific problem doubles in two years, as it has with U S WEST, that is a clear indication that something is wrong.  When that number, on a per-customer basis, is nearly two or three times higher than other utilities, especially other telephone utilities, the evidence is overwhelming.

There has been a fairly steady pattern of increase.  The pattern of increasing complaints indicates severe problems that pervade nearly all of the Company’s operations.

II. COMMISSION COMPLAINTS

Q.Mr. Souba implies on pages 4 and 5 that complaints are not indicative of Company performance.  Do you agree?

A.No.  Complaints do not materialize out of thin air.  They represent real customers with real concerns.  Customers contacting the PUC are not only dissatisfied with the Company’s original action or inaction.  The Commission does not accept complaints from customers unless they indicate they have already attempted to resolve their dispute directly with the company involved.  Complaints filed with the Commission also represent the failure of a company to respond to customer complaints in a satisfactory manner.  If Mr. Souba’s comments accurately represent the views of       U S WEST, then the Company does not view customer complaints, particularly those filed with the Commission, as presenting opportunities for the Company to improve its performance and prevent similar problems from occurring in the future.  Failure to fix the problem dooms the Company to repeat its mistakes, causing more complaints.

Q.On page 10 of his Rebuttal Testimony, Mr. Souba claimed that all the negative publicity about the Company’s problems has increased customer expectations, and that is the reason more customers are contacting the Commission.  Do you believe this has any merit?

A.To the extent that customers were unaware that they could contact the Commission about a problem, the publicity may have made them aware of that option, and may have caused some customers to contact the Commission who might otherwise not have done so.  However, I believe that customers’ expectations were lowered, not raised, as a result of the negative publicity as well as the inevitable sharing of personal stories about actual experiences with U S WEST.

For example, for most Idaho telephone utilities, and for U S WEST prior to 1992, customers call the Commission if their service has been delayed by a couple of days.  Now, many U S WEST customers do not contact the Commission until their orders have been delayed for weeks and sometimes months.  U S WEST customers with held orders often comment that they were aware of the Company’s problems and therefore placed their order for service well in advance of the desired installation date, yet the Company still could not meet their needs.  Customers who might have called the Commission about a delay of a few days now realize this is not unusual for U S WEST.  I believe the net impact of all the publicity has been a reduction in the number of calls the Commission might otherwise have received.

Q.The Company claims that things are improving.  Does your evidence support such a conclusion?.

A.No.  The number of complaints continued to rise in 1996, including the fourth quarter.  As one can tell from looking at the Revised Schedule 3 of Exhibit No. 120, the overall number of investigated complaints continued to increase in 1996.  In particular, there were increases in held orders, billing and disconnection related investigations.

Q.On page 6, Mr. Souba claims that the growth in the number of lines the Company serves is responsible for the growth in the number of complaints.  Is this an adequate explanation.

A.No.  As I indicated in my Direct Testimony, the growth in complaints has been significantly greater than the growth in the number of lines in the Company’s Southern Idaho service territory.  In addition, if that assertion was valid, we would have seen a similar growth in the number of complaints for GTE, which actually realized a greater percentage growth in the number of lines than did U S WEST.  However, GTE did not have a similar increase in complaints.

III. U S WEST’s BASIC SERVICE MEASUREMENTS(BSMs)

Q.On page 14, Mr. Souba maintains that the Company’s improvement in the overall score of the BSM matrix proposed in Case No. USW-S-95-4 demonstrates that the Company is improving.  Do you agree?

A.No.  As I indicated in my Direct Testimony, I have significant concerns about the BSM criteria, both in terms of how it measures performance, and the level that the Company claims is adequate.

As can be seen by the Revised Schedules 1 through 5 of Staff Exhibit No. 122, which have been updated to include the data provided by the Company for the last three months of 1996, the variation from month to month or season to season for most of these indicators is just too great to allow for definitive conclusions.  If one looks at the last two months of 1996, every indicator except for held orders and provisioning commitments is headed in the wrong direction.

There have been improvements in some areas.  When examined on an annual basis, it is clear that held orders did not climb as high during the busy months of 1996 as they did in 1995, and the number was lower at the end of 1996 than at any other time in the two-year span.  The data for repair commitments kept is generally better for 1996 than in 1995.

For other areas, there is no evidence of improvement.  The data for provisioning or installation appointments offered shows a continuing decline.  One possible explanation for this decline is that the Company is meeting its out-of-service repair requirements by deferring installations.

Q.On pages 12 through 14 of his Rebuttal Testimony, Mr. Souba refers to the matrix that was developed in Case No. USW-S-96-4 and indicates that the Company achieved an overall score of 90.5 for October.  Does that not show that the Company has made significant progress in addressing service quality concerns?

A.No.  Individual scores can be very misleading.  For example, while the Company did not provide sufficient data to allow me to calculate an exact score, my estimate of the score for December is 71, which is about the same as the June 1995 score reported by   Mr. Souba on page 13.  One needs to look at more than one month’s score to determine a trend.

Calculation of an annual average for 1996 shows there has been some improvement over 1995, but it is far from the rosy picture painted by Mr. Souba.  I calculate a score of only 82 for the annual average for 1996, which is still well below the targets identified in the settlement proposed in that case.

Q.What concerns do you have about the Company’s BSM criteria?

A.They are vulnerable to manipulation and inaccuracy.  For example, the held order number is a snapshot of the number of held orders as of the last day of the month.  It is possible, and even likely when employee performance is evaluated by these same criteria, that employees might concentrate their efforts on reducing held orders during the last few days of the month.  This would result in a count on the one day the snapshot is taken that is not reflective of the month as a whole.  During the rest of the month, a priority could be given to completing repairs within the 24-hour deadline in order to meet the requirements of Rule 503.    Just as we all tend to focus more on deadlines, any measuring criteria that focuses on a single point in a month is likely not to be representative of the month as a whole.  This is especially important when the other criteria are measured on an average basis, as it encourages an artificial focus on one problem in one time frame and then another problem in another time frame, rather than a balanced approach throughout the month.

Q.What about the other BSM criteria?

A.I identified specific concerns about the access data and commitments-kept criteria in my Direct Testimony, and the Staff’s Audit report identified concerns with other measurements.

Q.What are your concerns about the specific goals or target levels identified by the Company’s BSMs.

A.I believe they are too low, especially with the deficiencies in the manner in which they are measured.  The Company could be meeting all of its BSMs and still be providing service that is not acceptable.

Q.What about Mr. Souba’s claim on page 4 and again on page 22, that the BSMs are based upon customer surveys and therefore “customer driven”?

A.That claim requires a bit of a leap in logic.  Based on its research, the Company simply developed statements about what customers wanted.  Those statements, as identified in the Company’s response to Staff Production Request No. 431 are:

1)Make it fast and easy for me to

reach someone who can help.

2)Do what you say you are going to

do, when you say you’ll do it.

3)Give me telephone service that

doesn’t fail, and

4)In those rare situations when there

is aproblem, fix it fast.

The BSMs are measurement criteria developed internally by the Company, using some of the same sources of data as the ROC criteria.  For example, both ROC and the BSMs have criteria for the number of held orders.  The difference is how many held orders represents acceptable service.  Mr. Souba’s inference that consumers had any role in defining the number of held orders the Company claims is acceptable is not supported by the evidence the Company has provided.

Because the ROC criteria is based upon input from the Consumer Staff from the Commissions from all 14 states, staff who work with consumers on a daily basis, it is probably a more “external, customer driven” indicator of the level of service consumers would consider to be adequate.

Q.On page 13 of his Rebuttal Testimony, Mr. Souba cites testimony of Staff in Case USW-S-95-4 in support of the BSMs.  Is that an accurate representation of the Staff’s position on the BSMs as an indicator of overall customer service quality?

A.No.  Those comments are quoted out of context.  Staff witness Miller, on page 6 of her Direct Testimony, identified Staff’s concerns about the BSMs and explained that Staff had agreed to their use in that case as part of the give and take of a compromise.

Q.  Are you satisfied that the

service quality standards

that have been accepted by

U S WEST in this case consti-

tute outstanding service

quality?

A.  Frankly, I am not.  I would

have preferred the standards

developed by the U S WEST

Regional Oversight Committee

(ROC).  The ROC standards

more closely represent the

high quality of service the

Company’s customers had come

to rely upon in the past.  Un-

fortunately, I think it is un-

likely the Company would be

able to attain those standards

in the short term given the

current level of performance.

I expect the Company will begin

the improvement process under

the plan.  I hope it will con-

tinue to improve beyond the

limited term of the plan.

It is clear that Staff witness Miller viewed the service quality levels identified in the Plan as a beginning and a step in the right direction for the Company, but not an indication of satisfactory service

quality.

IV. PAST PERFORMANCE/FUTURE RATES

Q.On pages 3 and 4 of his Rebuttal Testimony, Mr. Souba indicated that because the ratemaking process establishes rates that will be in effect in the future, it is inappropriate to consider past service quality performance.  Do you agree?

A.No.  There is ample precedent for recognizing past performance in the establishment of rates that will apply to the future at this Commission and other State Commissions as well.  Even Mr. Souba agrees on page 33, lines 1 through 3, that the Commission has the authority to recognize past performance in the ratemaking process.

V. PERFORMANCE JUDGED SOLELY ON RULE VIOLATIONS

Q.On page 9, Mr. Souba claims that since the Company is currently in compliance with Rule 503, which deals with service quality, the adjustment in the rate of return that you recommended is unjustified.  Do you agree?

A.No.  Judging the Company’s overall performance by a single criterion would be inappropriate.  Doing so would provide incentive for the Company to direct its resources to that one area of measurement and ignore all other areas.

Q.Mr. Souba implies that the Commission cannot judge the Company’s performance without the use of uniform performance standards applicable to all telecommunications utilities.  Do you agree?

A.No.  The absence of such explicit criteria does not mean that the Commission is prohibited from judging what may reasonably be expected of a utility.  The Commission historically has considered performance along with other factors in determining the appropriate rate of return for utilities.

This Commission did not confine itself to rule violations as criteria for measuring customer service when it recognized both poor and good customer service in previous cases.

Q.In a number of locations in his Rebuttal Testimony, Mr. Souba referred to the adjustment in the allowed rate of return as a penalty.  Is this accurate?

A.No, particularly in the context in which he uses it on page 5, where he refers to violations of rules that have been adopted by the Commission.  In selecting a rate of return on equity that is at the lower end of the reasonable range of returns, the Commission is simply recognizing that the Company's service needs improvement.

VI. IMPOSING ROC STANDARDS ON U S WEST

Q.Mr. Souba objects to your recommendation regarding the ROC standards, claiming that it is unfair to impose such standards on U S WEST and not the other local exchange carriers.  Is this an accurate portrayal of your recommendation?

A.No.  I am not recommending the imposition of standards solely on U S WEST.  I recommend that the criteria contained in the ROC standards be used as the measuring stick for determining when the Company’s service quality has improved sufficiently that the rate of return should be reviewed.

Q.On page 23 of his Rebuttal Testimony, Mr. Souba indicates that your recommendations that the Company meet the ROC criteria for twelve consecutive months in order to have the rate of return reviewed would put the Company in a position where it would “fall victim to snow storms, flooding, earthquakes, and other natural consequences of being resident in the northwest United States”.  Is this your intent?

A.No.  Language that recognizes such “acts of God” and other circumstances outside of the Company’s control, similar to that included in Rule 305, should be included.

VII. SERVICE GUARANTEE PROGRAM

Q.Mr. Souba indicated the Company would agree to significant changes to the Company’s Service Guarantee Plan.  Please discuss those changes.

A.Yes, the Company did agree to significant changes in the Service Guarantee Plan, which the Staff is pleased to recognize.  The amount of the cellular voucher will be increased to $200 for the first month, and $150 for all subsequent months.  Customers would qualify for the voucher after their order has been held for five instead of thirty days.  In addition, the Company would provide Voice Messaging Service, which was not provided before, as well as the telephone number, directory listing, remote call forwarding and a toll calling card as soon as the order is delayed for facilities beyond the normal two-day service interval.  For customers living in areas where cellular service is not available, the Company will provide a credit of two times the recurring monthly charge for local exchange service for each month the order is delayed for facilities.

Staff agrees with these changes and points out that even though U S WEST has agreed to make these changes, their insistence that the program remain voluntary provides them with the ability to change any of these elements at any time in the future if it chooses to do so.

Q.Do you accept the Company's position that the Service Guarantee Plan only apply to primary lines?

A.No.  The Company refuses to extend the Service Guarantee Plan to secondary lines, indicating that since such customers already have communication capability, “plan features would be far less useful” and “make little sense”.  I agree that for the cellular options, which are considerably more costly for the Company to provide, such an exclusion has merit.  However, for the other elements of the Service Guarantee Plan, Staff does not believe an exclusion of secondary lines is appropriate.  Customers whose secondary lines are delayed experience many of the same problems and inconveniences as those whose primary lines are delayed.  This is especially true for small businesses, that have made a business decision to add extra lines because of the financial value to the business of such lines.  Delays in providing these lines often mean lost revenues, as well as decreased productivity.  All of the elements of the Service Guarantee Program, except the cellular options, should be extended to secondary lines as well.

Q.Does Staff believe a cellular loaner option is still appropriate?

A.Staff believes that the option of a cellular loaner program would be advantageous to many consumers.  Handing consumers whose order for primary service has been held for facilities for five days a cellular telephone that they can use until service is provided is simple and insulates the customer from the bureaucracy of the voucher option.  Experience in those states in which the Company provides this option has shown that the overwhelming majority of customers prefer this option.  Consumers in Washington, Utah and Montana have this option.  I believe it should be available to Idaho consumers as well.

Q.Does the Company's expansion of the recurring charge credits address all of your concerns in this area?

A.No.  The Company agreed to provide a credit of two times the monthly recurring charge for those customers living in areas where cellular service is not available, but limits this credit to only one times the monthly recurring charge if cellular service is available if the customer chooses not to take the cellular voucher.  Staff believes this credit should be doubled for all customers who do not take the cellular option, regardless of the reason.  Nearly all providers of cellular service require that customers have a major credit card.  In addition, many require customers to sign long-term contracts.  Several customers with held orders have told Staff that they are not able to take advantage of the cellular program because of these requirements.  They should not be denied full compensation for their held order because of these requirements.

Q.Are the Company's claims regarding the automatic provision of repair credits sufficient justification for limiting these credits to those that request them?

A.No.  The Company does not provide customers who experience a repeat repair or missed repair commitment with a credit unless the customer calls the Company and specifically asks for this credit.  The Company claims that its process of providing such credits is a labor intensive, manual process, and that providing this credit automatically would involve a major expense.  This explanation contradicts the information provided to Staff during the performance audit for Case No.

USW-S-95-4.  Staff was told that a listing of customers that qualify for these credits could be generated automatically.

In response to Staff’s Production Request No. 44, the Company did not deny that such a list could be easily obtained, and claimed that “very expensive programming could be developed to automatically credit repair customers through use of LMOS data to create billing credits by interfacing with the billing system”.

I do not believe customers should be forced to jump through burdensome hoops in order to receive credits for which they are eligible simply because       U S WEST’s LMOS system cannot easily communicate with its billing system.  Eligible customers should not have to take the extra step of requesting a credit in order to receive one.  The details of the process the Company uses to provide such credits, and whether it is fully computerized would be the Company’s decision.

The Company has indicated that it can easily identify the eligible customers.  I recommend that the Commission require that these credits be provided to all eligible customers without requiring those customers to specifically request them.

Q.Do you still recommend a doubling of the residential customer credits?

A.Yes.  The Company indicated that it is not providing this amount in any other state, and saw no reason to do so in Idaho.  Staff believes that the $10 credit is simply inadequate compensation for the inconvenience and hassle such customers experience.  Since the Company does not give the customer a time frame of less than four hours for repair or installation appointments, this is the minimum amount of time a customer would devote to an appointment the Company failed to keep.  Twenty dollars would not even compensate the customer for this time at minimum wage.  While not every missed commitment involves a no-show, too many of them do.  The customer deserves at least this much.

VIII. TOLL-RESTRICTED SERVICE

Q.On page 28, Mr. Souba claims that toll restriction is not “two way interactive communication” and is therefore not a Title 61 service.  Do you agree with this conclusion?

A.No.  Toll-restriction is a condition that prohibits out-bound calls from reaching the toll carrier.  If the Commission has jurisdiction over two-way communications as a whole, then it surely has jurisdiction over a telecommunication service that permits or prohibits the “whole.”  In addition, the Commission has exercised jurisdiction over 900/976 toll blocking as a Title 61 service since U S WEST exercised its notice to remove non-basic services to Title 62 in March 1989.  Order No. 22416 lists generic services that remain subject to Title 61 regulation including:

7. Blocking access to 976 and 900

numbers (blocking all or none of

intra- and interstate information

services).  Order No. 22416 at 7;

Staff Exhibit No. 126

Q.Has the Commission “approved” toll-restricted service as a Title 62 service?

A.No.  A Title 62 price list containing toll restriction was “accepted for filing” as part of a pilot program that allowed the Company to use commercial credit screens.  As the Commission stated in the Upper Valley case (Case No. GNR-T-94-1), accepting Title 62 “price lists for filing is a ministerial function that should not and does not imply Commission approval of the service or rates.  The fact that our Staff accepted for filing Upper Valley's price list neither explicitly or implicitly indicates that we had previously approved of Upper Valley's [service].”  Order No. 25933 (Emphasis added)

Q.Is the $20 one-time charge identified by Mr. Souba for this service realistic?

A.I do not believe so.  In response to Staff’s Production Request No. 444, the Company indicated that the actual costs of providing this service are approximately $5 to connect and $5 to disconnect, and estimated an approximate cost of $0.50 per month for on-going monthly expenses.  The Company failed to identify what, if any, services were provided to justify the monthly expenses.

Q.Has the Federal-State Joint Board on Universal Service made any recommendations on this issue?

A.Yes, in the Recommended Decision released on November 8, 1996, the Joint Board recommended “that toll blocking be provided without charge to low income subscribers”.  (Footnote 197, page 37)

IX. ZONE CONNECTION CHARGES

Q.Do you agree with Mr. Souba’s assertion on page 30 of his Rebuttal Testimony that the only factor that influences the cost of serving rural customers is the distance to the central office?

A.No.  That is clearly inaccurate, as the Company admitted in their response to Staff’s Production Request No. 445, which stated:

These costs, for individual customers,

would be influenced by the loop characteristics to reach the customer

(for example: one may be direct fed by copper cable and the other served by

fiber to a hub location and then copper distribution cable to the home) and the

type of service central office (one may

be a fifteen year old analog switch and

the other a one year old digital switch).

Density is a factor in the design of the feeder to reach different sized clusters

of customers.  Trenching cost is fixed regardless of what size or type of cable

is placed in the trench.  The material

cost for the type, gauge and size of

cable is variable based upon the density

of the lines which are projected in the

area to be served.

Trunk lines, which presumably would feed

a pair gain device, can reduce costs to

serve concentrations of customers, particularly when reinforcing lines to a particular area.  By multiplexing exist-

ing lines and placement of a pair gain

device the Company can avoid expensive trenching costs for additional feeder

cable all the way back to the central office.

In response to Staff Production Request No. 446, the Company indicated the criteria for determining whether an area is a Suburban Rate Area, in which new customers would not be subject to a Zone Connection Charge, was:

SRA - Suburban rate areas are

contiguous to the base rate

area and encompass population

concentration that are greater

than rural areas, but less

than the base rate area in terms

of density.

The Company’s response also acknowledged that a “generic base rate area review has not been completed in over 10 years”.

With the high rate of growth that a number of the Company’s witnesses have identified, it is clear that there have been substantial changes in the “population concentration” in many locations in many of the exchanges served by the Company.  The criteria used by the Company to distinguish between areas in which a customer would be subject to zone connection charges is far from precise and involves considerable judgement.  When the data upon which that judgement is based is as out of date as the Company has acknowledged, such decisions can no longer be supported.  New customers in new subdivisions will be charged zone connection fees that are no longer appropriate.  I recommend that the Company be required to update the zone maps if it wishes to continue to impose such charges.

Q.Does this conclude your Surrebuttal Testimony in this proceeding?

A.Yes, it does.