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November 23, 1999

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VIA HAND DELIVERY

Blanca Bayo, Director
Records & Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

ORIGINAL

Re: Initiation of show cause proceedings against GTE Communications Corporation for apparent violation of Rule 25-4.118, FAC, Local, Local Toll or Toll Provider Selection, Florida Public Service Commission Docket Number 990362-TI.

Dear Ms. Bayo:

GTE Communications Corporation ("GTECC"), by its undersigned attorneys, respectfully submits its settlement offer in the above-referenced matter. This offer supercedes the previous settlement proposal submitted by GTECC on June 24, 1999, and is intended to finally resolve all alleged violations of Rule 25-4.118, Florida Administrative Code pending as of today. This offer is made with the express understanding that staff will recommend that the Florida Public Service Commission ("FPSC") approve the settlement without modification at its December 21, 1999 agenda conference.

BACKGROUND

GTECC, through its GTE Long Distance (GTELD) division, provides interexchange service in all 50 states. GTELD received its certification to provide interexchange service in Florida on November 1, 1995, by FPSC Order No. PSC-951335-FOF-TI. GTELD currently serves approximately 400,000 Florida customers.

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FPSC-RECORDS/REPORTING

GTELD uses independent contractors to market its services. GTELD trains these entities and requires them to comply with its marketing policies and procedures, including those related to federal and state regulation of primary interexchange carrier (PIC) change requirements. Substantially all of the FPSC slamming complaints against GTELD closed to date arose from the activity of one of these independent contractors, Snyder Communications, Inc. (Snyder). GTELD had hired Snyder primarily to help execute a business strategy focusing on multicultural markets.

GTELD first became aware of an increase in FPSC slamming complaints in late May of 1998. As soon as GTELD determined Snyder to be the cause of this increase, it required Snyder to implement enhanced anti-slaming protections. By September it became apparent that stepped-up quality control efforts were not working, and that more drastic action was needed. Thus, GTECC, GTELD, and Snyder officials met in early October. As a result of that meeting, Snyder began to close down its face-to-face Florida sales operation, which had been identified as the source of virtually all unauthorized PIC change complaints in Florida. By the end of November the Florida shutdown was complete. Snyder's entire nationwide, face-to-face marketing/sales operation on behalf of GTELD was shut down a few months later.

In December of 1998, GTELD proactively initiated a conference call with the FPSC Staff to apprise them of the situation and of GTELD's plan for remedy. Thus, before the FPSC began formal proceedings, GTELD had demonstrated its commitment to regulatory compliance by self-reporting a serious problem (while in the process of rectifying it) and accepting full responsibility for both the problem and the solution.

At that time, GTELD established a "warm transfer" process through which customer complaints telephoned into the FPSC could be resolved more quickly and efficiently. Specifically, when a customer called the FPSC with any type of complaint about GTELD (not just a slamming complaint), GTELD made available a customer contact to discuss the problem immediately with the customer and the Staff member on the line. This enabled the FPSC Staff member, on a toll-free basis, to link GTELD into the call with the customer as soon as the customer contacted the FPSC. The GTELD contact is available during GTELD business hours (9:00 a.m. to 6:00 p.m., EST), Monday through Friday. This warm transfer process is designed to reduce formal complaints and save consumers, the FPSC, and Staff, time and other resources spent in resolving problems.

Virtually none of the slamming complaints against GTELD involve letters of authorization (LOAs) signed after the face-to-face multicultural sales effort was voluntarily terminated in November, 1998. It is important to note that, since January 1, 1999, the average interval between the date of signing the LOA and the date a complaint has been received by GTELD is approximately 200 calendar days. This interval accounts for the pipeline effect where some aged complaints continue to come in even though the source of the complaints has been shut down.

GTELD has a zero tolerance slamming policy. GTELD believes it has, at all times, acted consistently with this policy. As a result of its diligence in addressing the Snyder situation, GTLD has eliminated the impetus for virtually all slamming complaints. Prior to the FPSC opening this docket, it had received and forwarded to GTELD the vast majority of the complaints at issue. To date, GTELD has responded to and resolved all of them. GTELD's response to most customer complaints included confirmation of 100% credit of the GTELD bills. For the small number of other complaints, GTELD re-rated the customer's bill to reflect the difference between GTELD's rates and the rates of the prior carrier.

GTELD provided Staff earlier in the year with a set of all refund letters issued at the time, reflecting credits and payments totaling approximately \$20,000.00. GTELD has provided these materials promptly and without objection. GTELD has expeditiously resolved customer complaints and has fully cooperated with staff in the investigation of these complaints.

SETTLEMENT PROPOSAL

Even though GTELD has made good faith efforts to comply with the FPSC's regulatory requirements and promptly respond to complaints, it recognizes that the activities of its contractor created problems for Florida consumers and imposed demands on the time and resources of the FPSC and its Staff. In recognition of these effects, GTELD believes that the interests of the public, the FPSC, and GTELD itself can best be served through an appropriate settlement of this matter. Thus, in return for the FPSC approving the settlement offer without modification and closing the docket, GTELD, with no admission of liability or wrongdoing, agrees to take the following actions:

- GTELD has required Snyder to terminate all face-to-face marketing. In addition, GTELD will suspend all face-to-face marketing to multicultural markets in Florida indefinitely, and will not reinstitute that type of marketing without first notifying the FPSC Staff.

- GTELD will formally acknowledge that its previously established warm transfer process, by which complaining customers may be transferred directly to GTELD's toll-free line, will be used to accommodate customer complaints of unauthorized PIC changes. Personnel assigned to respond to such transfers are already trained and authorized to resolve PIC change complaints.
- GTELD will promptly address and resolve all customer inquiries and complaints, and will continue to closely cooperate with the FPSC and its Staff.
- GTELD will make a contribution of \$209,000 to the General Revenue Fund of the State of Florida, with no admission of liability or wrongdoing, and with the intention that all slamming complaints pending before the FPSC on November 23, 1999 will be resolved by this action and will not be subject to further enforcement proceedings by the FPSC.

GTELD believes this settlement offer fully and appropriately addresses the fundamental issues in this matter. As detailed above, GTELD took steps several months ago to correct the problems created by Snyder, the primary source of the slamming complaints. GTELD voluntarily, quickly and decisively policed itself by terminating Snyder's face-to-face sales efforts and resolving the customer complaints long before the opening of this docket and the threat of FPSC action.

As explained, these steps have proven effective in eradicating most slamming complaints. The warm transfer process should largely eliminate (or at least streamline the processing of) slamming complaints that may arise from time-to-time, as well as address non-slamming complaints.

GTELD also believes that the proposed voluntary contribution recognizes the FPSC's serious commitment to addressing unauthorized PIC changes, while also reflecting the unique mitigating factors in this case. The mitigating factors include GTELD's longstanding regulatory compliance efforts (this is the first show cause proceeding ever initiated against the Company) and its own early, self-initiated, and ultimately successful efforts to report and remedy the problem giving rise to this docket.

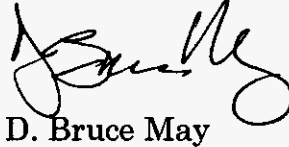
For all of the foregoing reasons, GTELD respectfully requests that Staff recommend that the FPSC approve the settlement offer and close the docket.

Blanca Bayo
November 23, 1999
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If you have any questions, or wish to discuss the matter further, please do not hesitate to contact us. Thank you for your consideration.

Sincerely,

HOLLAND & KNIGHT LLP

A handwritten signature in black ink, appearing to read "D. Bruce May", written over a horizontal line.

D. Bruce May

DBM:kjg

cc: Kelly Biegalski (via hand-delivery)
Rick Moses (via hand-delivery)
Rick Wolfe
Robin Blackwood
Kim Caswell

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