BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Initiation of Show Cause Proceedings against GTE Florida, Utilities, Inc. in Osceola County, Inc., for Violation of Service Standards.	)	Docket No. 991376-TL Filed: April 27, 2000

DIRECT TESTIMONY

OF

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On Behalf of the Citizens of The State of Florida

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DIRECT TESTIMONY

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FOR

THE OFFICE OF PUBLIC COUNSEL

BEFORE THE

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DOCKET NO. 991376-TL

Q. Please state your name, business address and title.

A. My name is R. Earl Poucher. My business address is 111 West Madison St., Room 812, Tallahassee, Florida 32399-1400. My title is Legislative Analyst.

Q. Please state your business experience.

A. I graduated from the University of Florida in 1956 and I was employed by Southern Bell in July 1956 as a supervisor-trainee. I retired in 1987 with 29 years of service. During my career with Southern Bell, I held positions as Forecaster, Gainesville; Business Office Manager, Orlando; District Commercial Manager, Atlanta; General Commercial-Marketing Supervisor, Georgia; Supervisor-Rates and Tariffs, Florida; District Manager-Rates and Tariffs, Georgia; General Rate Administrator, Headquarters; Division Staff Manager--Business Services, Georgia; Profitability Manager-Southeast Region, Business Services; Distribution Manager-Installation, Construction & Maintenance, West Florida and LATA Planning Manager-Florida. In addition, I was assigned to AT&T in 1968 where I worked for three years as Marketing Manager in the Market and Service Plans organization. I joined the Office of Public Counsel in October 1991 where I have performed analytical work and presented testimony primarily in telephone matters. I am currently serving as a staff

member for the Federal-State Board on Universal Service.

Q. Have you ever appeared before this Commission?

A. Yes I have. I testified on behalf of Public Counsel in United Telephone's Docket No. 910980-TL on rate case matters and Docket No. 910725-TL on depreciation matters, GTE Docket 920188-TL on Inside Wire, and in Southern Bell's depreciation Docket No. 920385-TL. I filed testimony in Southern Bell's Dockets 920260-TL, 900960-TL and 910163-TL, in the GTE Docket No. 950699-TL, in Docket No. 951123-TP dealing with Disconnect Authority, in Docket No. 9708820-TI dealing with slamming and in Docket No. 970109-TL dealing with "I Don't Care, It Doesn't Matter". In addition, as an employee of Southern Bell I testified in rate case and anti-trust dockets before the Public Service Commissions in Georgia and North Carolina.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present to the Commission the recommendations of the Office of Public Counsel regarding the appropriate measures the Commission should take to penalize GTE for its willful failure to comply with the Commission's rules that apply to the installation and repair of telephone service in the GTE operating territory in Florida since January 1, 1996.

Q. Did any of your previous job assignments with BellSouth include responsibility for installation and repair services?

A. Yes. I was responsible for BellSouth's Construction, Installation, Repair and Repair Center forces in Pensacola from 1982 until 1985. During the last year of that assignment I also assumed responsibility for the Panama City Construction, Installation, Repair and Repair Center organization. This latter move essentially gave me the responsibility of managing all of BellSouth's outside construction, installation

and repair personnel from Havana to the Alabama line.

Q. What is the basis for the recommendations you are making?

A. I have evaluated the results of the company's measurements since January 1, 1996, including the quarterly reports filed by GTE with the FPSC and various company internal reports that were furnished at the request of Public Counsel. In addition, I have reviewed company correspondence regarding service issues and our office has taken the deposition of Russ Diamond, who is responsible for the reporting of service results and budgetary matters for GTE's Florida operations.

Q. What is the significance of the January 1, 1996 date as it relates to this docket?

A. January 1, 1996 was the starting point for price cap regulation implemented in Florida pursuant to the 1995 revision of Florida Statutes. Effective January 1, 1996, GTE was relieved of the regulatory processes we know as rate of return regulation and was allowed to price its services without regard to service performance or earnings of the company.

Q. What is the significance of the PSC's service rules in a price cap regulatory environment as opposed to a rate of return environment?

A. Under the prior rate of return regulatory environment, GTE was allowed to price its services to produce total revenues sufficient to provide a reasonable return on the investment made by the company. This regulatory process required the FPSC to continually monitor the revenues, expenses and earnings of the company to ensure that the rates charged to customers were fair and reasonable. The Commission was also obligated to ensure that customers received satisfactory levels of service as part of the PSC regulatory oversight. As part of rate case proceedings, the Commission would schedule service hearings in the operating territory of the company for the purpose of determining if the quality of service was satisfactory. Thus, the threat of

regulatory action in the determination of rates of return on investment was a powerful motivator for the companies to meet the standards of service that have been adopted by the PSC in past years.

In a price cap mode, the power of the commission to reward good service with higher earnings or to penalize bad service with lower earnings is eliminated. The only method the Commission can use to ensure that the quality of service meets the minimum standards established by the PSC is to fine the company for willful violation of its rules.

Q. Please identify the specific rules the company has violated in respect to installation and repair service.

A. The company has violated Florida PSC rule 25-4.066 as it relates to installation service and PSC rule 25-4.070(3)(a) as it relates to repair of out of service troubles reported by customers. It is important for the Commission to recognize that even though the Florida Statutes adopted price cap regulation for incumbent LECs starting January 1, 1999, the legislature retained FPSC regulatory oversight over service quality both for the new competitive local exchange companies and the LECs such as GTE.

The statutes provided the commission exclusive jurisdiction in order to protect the public health, safety, and welfare by ensuring that monopoly services provided by telecommunications companies continued to be subject to effective price, rate, and service regulation. (Section 364.01, F.S., 1998) The legislature further directed that the term "service" be construed in its broadest and most inclusive sense. (Section 364.02(11), F.S., 1999)

Q Please summarize the PSC's installation service rules.

A. The Florida PSC rule, 25-4.066, requires telephone companies to install primary residential and business service within three days, where facilities are readily available. The performance benchmark stated in the rules requires the company to install at least 90% of its orders for primary service within three days on a monthly basis for each exchange in which the company operates. GTE has 24 exchanges in Florida and, therefore, it must comply with the requirements of the rule in each of its 24 exchanges, calculated separately, on a monthly basis.

Q Please summarize the PSC's repair service rules.

A. The PSC rule relating to repair service, 25-4.070(3)(a), requires that the company repair telephone service that is reported by the customer to be out of service (unable to make outgoing or receive incoming calls) to be repaired within 24 hours, as measured on an exchange by exchange basis, per month for each of the 24 GTE exchanges. The rules recognize that temporary overloads may occur, therefore the company is required to complete 95% of its out of service troubles within the 24 hour time frame. The company is also exempted from the rule when it encounters emergency conditions where more than 10% of the exchange lines are affected, when customer action is responsible for the outage, and when the trouble is determined to be beyond the network interface in either inside wiring or equipment. Closely related to the out of service rule is the rule that applies to service affecting troubles. If the telephone service is working, but subject to a service affecting trouble, such as static, the company is required to repair the trouble report within 72 hours. The rule is important because the same work forces that engage in repair of out of service troubles also repair the service affecting troubles.

Q. What is the significance of the PSC's rules regarding installation of primary

service and repair of out of service trouble reports?

A. These two rules govern the activities of a majority of the GTE work forces that are employed in Florida and many others that are located elsewhere. The installation process requires extensive investment and personnel, working together to ensure that facilities and work forces are readily available to install new telephone service in a timely manner when requested by the customer. The same is true when the customer reports a trouble. Timely installation of service and prompt repair are the two most important expectations of the customer, and it follows that these two major activities trigger the largest amount of company expense. Florida's service rules recognize the importance that Floridian's place on the need for reliable and readily available communications services.

Q. Why is it important that Florida customers receive installation and repair service that meets or exceeds the PSC service standards?

A. The most important reason is that the customers are paying for the quality of service that is spelled out clearly in the PSC's installation and repair rules. These same measurements have been in place in the FPSC rules since the 1960's, and in other form before that. Multi-million dollar budgets revolve around the delivery of installation and repair service that is assumed to be designed to meet the minimum standards established by the PSC. Florida telephone rates are based on the assumption and expectation that primary service will be installed in three days and an outage will be repaired in 24 hours. If these measurements were not important, the PSC could have established a lesser standard many, many years ago, reduced the expenses of the companies and reduced the prices customers were paying for basic service.

The bottom line is that the Florida PSC and Floridians place a high value on quality of telephone service and the rates we pay reflect that expectation. The prices and earnings established by the PSC for Florida's telephone companies are hinged directly on the assumption that the quality of service delivered to Florida customers will meet the minimum standards of the PSC. If it is no longer important that these standards be met, then consumers should get refunds and lower rates reflective of lower standards and lower costs.

Q. Please summarize the rule violations committed by GTE regarding the Commission's installation rule since January 1, 1996.

A. GTE violated the PSC's installation rule 26 times in 1996, 13 times in 1997, 18 times in 1998 and 147 times in 1999 for a total of 204 violations during the four year period.

Q. Please summarize the rule violations committed by GTE regarding the Commission's repair rule since January 1, 1996.

A. GTE has violated the PSC's out of service repair rule 179 times in 1996, 124 times in 1997, 164 times in 1998 and 102 times in 1999 for a total of 569 violations during the four year period.

Q. Did your service review include the results of any of the periodic service audits performed by the PSC staff?

A. While I have generally reviewed each of the service audits as they are released, I have not used the results of those audits in reaching my conclusions regarding the overall service quality performance of GTE. The periodic audits are best used as a process to validate the company's procedures and to ensure that company practices are consistent with commission rules in the processing of orders, trouble reports, refunds, etc.

Q. Please provide an overview of the conditions of GTE's facilities that are used to provide service to its customers.

A. In recent years, GTE has allowed its outside plant facilities to deteriorate to the extent that today they are highly susceptible to weather phenomena. The company's installation and repair results are failing to meet the PSC's expectations because of high trouble loads due to poor quality in construction and repair, improper bonding and grounding of its facilities, temporary plant closures, and a host of other problems that are symptomatic of a network that has been allowed to deteriorate over an extended period of time. Excessive reductions in capital and labor expenses have been directed by GTE's company headquarters in recent years that could have only been made with the short term goal of increasing profits. GTE is now paying for its past failures to properly maintain and modernize its network facilities. While this Docket was originated due to the apparent violations of the PSC's service rules, our discovery actually reveals that GTE is also in violation of PSC Rule 25-4.069 which states, "Each telecommunications company shall adopt and pursue a maintenance program aimed at achieving efficient operation of its system so as to permit the rendering of safe, adequate, and continuous service at all times."

Q. Why should the Commission fine the company for violating the installation and repair rules?

A. GTE has continually violated the PSC service rules since 1996 and the violations were willful. The key points I would make regarding the issue of willfulness are:

1. Senior management was fully aware of the service violations.
2. The company's preventive maintenance efforts were sacrificed in order to improve profits.
3. Service quality was sacrificed in order to meet the profit goals and

competitive strategies dictated by GTE Headquarters.

Q. Please discuss each of the points the Commission should consider in determining that GTE acted willfully.

A. **SENIOR MANAGEMENT WAS FULLY AWARE OF THE SERVICE VIOLATIONS:**

GTE was fully aware of service deterioration that was created when GTE chose budget and profit priorities over its service obligations. The increasing network report rate that started rising in early 1997 (Exhibit REP-1) shows clearly that the company's network facilities were in decline and highly subject to weather phenomena starting early 1997.

Q. What is the significance of the report rate shown on the exhibit?

A. The report rate is generally reflective of the quality of the outside plant maintenance effort and the impact of the weather. The failure to replace deteriorating outside plant facilities makes the network more susceptible to weather phenomena, and it is more difficult for a company to meet its service obligations when trouble volumes are rising to insurmountable levels during the bad weather that is a natural and continuing event in Florida.

Q. Was higher management aware that the budgetary process was shortcircuiting the company's requirement to meet the PSC objectives?

A. GTE's decline in service quality and violations of the PSC rules have always been well understood by GTE top management. It's difficult not to be fully aware of these problems. The question is whether you are willing to do anything about it.

The Commission need look no further than the company's own statements. On May 1, 1998, the Florida President, Peter Daks, wrote to his boss in GTE Headquarters,

John Ferrell, regarding the Florida PUC measurements that the company was failing to meet. Mr. Daks outlines all of the steps the company is taking to meet the trouble loads they were faced with. And then he states:

> "There has also been a need to balance cost and quality, which **again** has forced this region to make decisions on prioritizing activities." (Exhibit REP-2) (Bold face, underlining added)

This clearly shows the problem Peter Daks was facing...compliance with the budget or meeting the PSC service rules. GTE Headquarters budget priorities were hamstringing the Florida operations ability to meet PSC objectives while the company was in the process of accumulating the 182 rule violations it experienced in 1998. It wasn't until after this docket was initiated that the GTE head of Network Operations, John Appel, told the Florida Region in late 1999 that meeting the PSC objectives was non-optional.

Obviously, GTE Florida Region management has no choice but to follow the dictates of its company headquarters operation. GTE Operations is in control and determines the budget and level of service provided by the GTE Florida Region. The corporate solution appears to be not to comply, but to change the rules.

When John Appel brought up the problem of the Florida PSC misses to M.L. "Red" Keith in April of 1998, one of the responses was provided by Brad Krall, who said:

> "The only Real answer to this issue is to change the Regulation in Florida...." (Exhibit REP-3)

GTE has actually been advocating less stringent service standards since 1996. Peter

Daks, the Regional President in charge of Florida operations stated clearly in a letter to company headquarters on May 13, 1996 that GTE was *"working with BellSouth and other major LECs to advocate to the Florida Commission revisions to current service rules"*. Mr. Daks characterized the goal as *"movement to fewer objectives and less rigid standards . . . "*

(Exhibit REP-4).

Rather than to make a firm corporate commitment to meet the PSC rules, GTE chose to advocate less stringent service standards, which would automatically increase the profits they were taking out of Florida and reduce the quality of service for Florida customers.

Q. What is the second point the Commission should consider?

A. **THE COMPANY'S PREVENTIVE MAINTENANCE EFFORTS WERE SACRIFICED IN ORDER TO IMPROVE PROFITS:**

Q. Has GTE spent too little on preventive maintenance?

A. Here again, the commission need look no further than GTE's own words. On January 7, 1998, Peter Daks wrote to M.L. Keith at company headquarters regarding the service emergency they had declared in Tampa due to rainfall. Daks shows the connection between the report rate and GTE's primary preventive maintenance program--TAC Focus:

> "I know my continued position on this subject may not be popular, but the TAC Focus program presently in place, by itself, does not have sufficient in-depth analysis to provide the maintenance program that we need to fix areas like St. Petersburg and Clearwater. We have got to identify those outside plant issues and find the dollars to fix outside plant and prevent the amount

of trouble that we have experienced this year in the future. This is affecting our ability to deliver quality and cost objectives." (Exhibit REP-5)

The company budgetary constraints have failed to provide the necessary ongoing effort needed to meet the service expectations of the PSC. The company has simply failed to spend the necessary dollars to keep ahead of the ongoing deterioration of its extensive outside plant facilities.

The significance of the close correlation of network report rates and capital expenditures for defective plant replacement can be more fully appreciated by a chart prepared for GTE top management in October 1998, about the time they were finalizing the 1999 budget. The chart demonstrates the close correlation between expenditures for preventive maintenance and the number of customer trouble reports. It shows the following:

YEAR	REPORT RATE	DOLLARS SPENT*
1990	2.3	$24.1 M
1991	2.0	21.3 M
1992	1.7	10.0 M
1993	1.8	5.2 M
1994	1.8	4.1 M
1995	1.6	5.8 M
1996	1.8	7.4 M
1997	1.9	5.4 M
1998	2.2	5.0 M

*Annual Capital Expenditures--Defective Outside Plant

(Exhibit REP-6)

The trouble rate declined significantly from 1990 through the end of 1992 when GTE was spending an average of $18.4 million annually to replace defective outside plant. When those expenditures stopped, the report rate first stopped declining, and by 1998 it was back up to the 1990 level. This was the point Peter Daks was trying to make to GTE Headquarters. By replacing defective plant before it generated trouble reports, the company would have been better able to handle the trouble loads during heavy rains and meet the PSC objectives. It's just like changing the oil in you car. You either change out the bad oil or wait until the engine blows. GTE willfully chose to curtail its expenditures for replacement of defective outside plant and the company willfully violated the rules of this commission.

Peter Daks was the president of GTE operations in Florida. His opinions were unpopular because he wanted the company to spend more money on preventive maintenance in 1998. Not only did GTE spend less money on preventive maintenance in Florida in 1998 that it did in 1997, but it also replaced Peter Daks with John Ferrell.

Q. What about the excessive levels of lightning and rainfall that the company has blamed for its failures?

A. GTE dwells on the correlation between rainfall, lightning strikes, and trouble reports in its reports to the Commission. Since Tampa Bay is well known as the thunderstorm capital of the world, it should come as no great surprise to a company that should have anticipated the norm -- high thunderstorm activity, heavy rains and associated lightning (Exhibit REP-7).

The weather conditions in Tampa Bay also include the saltwater corrosive problems

associated with coastal communities. These factors should have been considered over many years as the company placed ongoing priorities for such activities as:

A. copper cable replacement with fiber cable,

B. replacement of air-filled cable and lead cable with jelly-filled cable,

C. replacement of defective cable,

D. elimination of "soft wraps", and

E. high emphasis on bonding and grounding.

Unfortunately, these areas continue to be a problem for the company. Which explains why troubles are so high during heavy rains and thunderstorms.

Q. But aren't factors such as lightning beyond the company's control?

A. The company can't stop lightning, but it can take measures to mitigate its impact. The company knows its service territory is centered in the lightning capital of the world--Tampa Bay. Lightning can be a huge problem if you have failed to take adequate measures to protect yourself against it. Proper bonding and grounding requires employee training and funding. GTE Florida should be the industry leader in lightning protection, but the company's records do not support that assumption.

Q. Is GTE's lightning protection adequate?

A. No. The company admits that it has a bonding problem. Every homeowner knows the importance of bonding and grounding around the home. Its even more important In the telephone network that's full of copper and electronics. I am shocked that a study presented to upper management in June, 1998 showed that 61 percent of the cross boxes they had studied had inadequate grounding. (A cross box is usually that big green rectangular box you drive by on the way out of your subdivision. It's where all of the wires to individual homes or apartments come together to reach the main cable).

The study identified 327 cross boxes with potential grounding problems and at the time of the report, the company had taken corrective action with only 57 of the 327 cross boxes (Exhibit REP-8).

It is mind-boggling to think that the company could allow its preventive maintenance program to deteriorate to the extent that as recently as 1998 they had significant problems in bonding and grounding of their facilities. It is no wonder that increased lightning strikes are attributed to an increase in trouble reports when their facilities are not grounded. The companies like to call lightning an "act of God", but failure to properly bond and ground their facilities can only be attributed to the acts of some humans at GTE.

Q. Are there other indications that the company's maintenance efforts are lacking?

A. Yes. For instance, the June 22, 1998 *Operational Review Report* (Exhibit REP-9) contains this statement: *"deterioration of OSP (outside plant) never stops"*. This chart was explaining how much work the preventive maintenance program has accomplished, but the author points out that they had analyzed less than one percent of the company's cables, and also pointed out that only one-third of the problems identified were being addressed.

In the same presentation the author reveals that company employees have been encouraged to report unsatisfactory plant conditions to help get the employees more involved in the preventive maintenance program. The employees generated 1,306 reports, 238 were completed and 1,016 were still in the pipeline. Budgetary constraints are obviously hurting the maintenance effort at GTE (Exhibit REP-10).

Although the company planned to spend $5.3 million on defective plant in 1998, one document showed they only spent $2.6 million (Exhibit REP-11). GTE projected that if they spent $7.8 million in 1999 it would eliminate 18,000 dispatches. The final budget in 1999 showed that the new plan was to spend $4.4 million and reduce the number of dispatches by 32,000. Since data from late 1999 indicates that the company is still having problems implementing an effective defective plant replacement program (TAC Focus), it's doubtful in my mind that either projection actually materialized.

Q. What is the third point the Commission should consider?

A. **SERVICE QUALITY WAS SACRIFICED IN ORDER TO MEET THE PROFIT GOALS AND COMPETITIVE STRATEGIES DICTATED BY GTE HEADQUARTERS:**

The problem with the company's budget process is that the starting point in developing the budget was an existing workforce that was unable to cope with repair and installation loads in 1997 and 1998. Nowhere in this budget process do we see adjustments or mention of the need to implement a plan to provide service to satisfy the rules of the PSC. The company knew it was violating the PSC rules when it assembled the 1998 and 1999 budgets and failed to do anything about it. That's willful.

Q. Why were the company's violations of the installation and repair rules willful?

A. I've already given you the first good example about GTE's willfully reducing the budget for defective plant repacement. The choices of profit over GTE's service obligations are made every day in the company. My review of the documents provided by the company provides clear evidence that local management has little

control in the decision-making process that establishes the total budget.

GTE's basic budget assumptions place profits ahead of service obligations. The assumptions budget planners were required to use made it impossible for the field forces to meet service objectives and stay within the budget. For instance, GTE forecasts the expected hours needed to install or repair service. The forecast used to establish the 1997 budget states that GTE expected to spend 2.173 hours for each installation, or 1.685 hours for each repair (Exhibit REP-12). The GTE Florida installation and repair forces were never able to meet the productivity forecast for either installation or repair function for any month during the entire year during 1997. With such inaccurate basic inputs to the budget process, it is no wonder that Florida operations were forced to choose between the budget and service, month after month, year after year.

Q. Are earnings more important than service to GTE?

A. GTE's budgeting process appears to be clearly managed more toward achievement of earnings goals rather than toward meeting service obligations. A good example of this process is shown on two charts (Exhibit REP13). The first chart is the forecasted actual expense on a monthly basis for 1997. The following chart shows the service performance for 1997. Except for June, GTE provided superior installation and repair service during the first half of 1997. Actual expenses tracked almost perfectly with the monthly forecast, and at mid-year expenses were slightly below the forecast and service was O.K.

During the second half of 1997, actual expenses also tracked the forecasted expenses very closely, except during December when floods, storms, and a s e r v i c e

emergency drove the year end budget over the actual forecast by less than ½ of one percent ($528K overage).

GTE Florida basically held tight to its budgetary commitment to headquarters in 1997 while service performance was allowed to deteriorate during the last six months of the year. The company failed to meet the PSC standard for repair 106 times during that six-month time period.

Except for December, 1997, the company held to the budget while it allowed service to deteriorate . It is difficult to imagine that the company was not aware of the choices it was making throughout 1997 to place profit expectations before its service obligations.

Q. What about the 1998 budget?

A. The same problems can be seen in 1998 as 1997. The company was experiencing substantial failures in meeting its service obligations in Florida. GTE Headquarters was pushing for a nationwide budget reduction of $102 million and the Florida Region was told to implement a $7-9 million cost reduction program, even though the company was repeatedly failing to provide the service required by the Commission rules. (Exhibit REP-14)

The exhibit shows that the 1998 budget was set at almost the same base level as the 1997 budget, thus erasing the 8% forecast for growth and inflation ($11,823,000).

Q. What about the 1999 budget?

A. In the face of a report rate that had risen to unacceptable levels in 1998, and failures to meet the PSC installation and repair standards, the company again cut its budget

for Florida operations. The target budget for GTE's 1999 operations was $139.4 million, $5 million less than they actually spent in 1997. (Exhibit REP-15) The 1999 budget and force reductions reduced the company's ability to meet the PSC service objectives, according to Richard Pelham, General Manager-Network Reliability (Exhibit REP-16).

The 1999 budget established the authorized headcount of employees for Florida at 3419 employees. (Exhibit REP-17) The year end 1998 budgeted headcount was 3569 employees, a reduction of 150 employees. (Exhibit REP-18)

The GTE Headquarters plans for growth and modernization included a 1999 budget cut of $144 million nationwide and the loss of 109 Florida employees, plus 50 Florida contract employees. In January 1999, GTE announced an incentive retirement program for Network employees to accomplish its targeted reductions.

In addition to expense cuts, GTE Headquarters slashed the 1999 capital spending program for Florida 46.1% below the 1998 level. (Exhibit REP-19) This was an important decision from a planning standpoint since staffing decisions include both capital spending and expense projections. After Florida spent 47.8% of its total 1999 capital spending budget in the first quarter of 1999, GTE Headquarters begrudgingly increased Florida's capital expense for 1999 by $14.6 million on May 14, bringing the total capital program to $132.8 million, a mere 40% below the 1998 total.

To GTE Florida's credit, there is evidence of complaints about GTE Headquarters budget-chopping process. On April 20, 1999, Russ Diamond wrote to Chuck

Lindner at GTE Headquarters stating, "I am very concerned about the Florida spending levels through March (47.8% of the total for the entire year)....I am also concerned over the 1998 to 1999 reduction Florida is trying to achieve as compared to the other regions (46.1% vs. 20.9%) Given the growth and inward activity in Florida, this does not seem in line." (Exhibit REP-20) After the May adjustment, Lindner advised GTE Florida there would be no further additions to the budget during the year, barring exceptional growth.

Q. How do the company's competitive strategies impact GTE's ability to meet the PSC's installation and repair strategies?

A. The GTE strategy as stated by President Daks was to *"exercise cost controls directing our focus on the extremely competitive markets"*. I interpret this to mean that in those exchanges where competition was not active and where customers had no competitive choices that they would receive a lesser grade of service.

Q. Does GTE actually have a strategy to select service areas for preferential treatment in the installation and repair of basic service?

A. Yes. The company targets each market--wholesale, retail, business, residence, special services--for preferential service based on the competitive status for each market. For example, business customers receive installation and repair service based on three different classifications--Extremely Competitive, Highly Competitive and Moderately Competitive. Business receives better installation and repair service than residence. Residence customers in Extremely Competitive areas receive better service than Moderately Competitive areas. This is a GTE Headquarters plan. It is no small wonder that the company has problems in complying with PSC regulations that are intended to provide quality service for all (Exhibit REP-21).

The PSC rules state that "each telecommunications company shall make all reasonable efforts to minimize the extent and duration of trouble conditions that disrupt or affect customer telephone service." That statement applies to all customers and to fail to process trouble reports and installation appointments on a first come, first serve basis is not only discriminatory, but it may also be more inefficient. GTE's competitive strategies for installation and repair performance most certainly divert the attention of the service organization from compliance with the PSC standards for installation and repair.

Q. What was the position of GTE higher management after the Show Cause order was released by the PSC?

A. After hearing news of the PSC report, M.L. Keith advised John Ferrell, the new Florida President who replaced Peter Daks, that JCA's (John Appel--head of nationwide network operations for GTE) expectations were that PUC measures are not the measures to be traded off--he considers this to be the baseline performance required. He told Florida GTE to immediately bring PUC performance back in line. Amazingly, the results in Florida improved dramatically in the last two months of 1999. The company missed the installation rule in only 3 of its 24 exchanges in November and it had no failures in December. GTE did not experience any rule violations in meeting the repair rule in either November or December. This demonstrates the company can meet the PSC quality of service requirements when it decides to do so and when GTE Headquarters tells them to do it.

Q. What is the appropriate fine that should be levied against the company for its willful rule violations since January 1, 1996?

A. The commission should fine the company a total of $19, 325,000, or $25,000 for each violation of PSC rules that was willfully committed by the company between

January 1, 1996 and December 31, 1999. GTE violated the PSC rules 773 times during the four year period and the recommended fine is the maximum fine that can be levied by the FPSC. The maximum fine should be levied against the company because the company's budgetary actions were taken with full knowledge that GTE Florida was consistently violating the rules of the PSC. Adequate measures were not taken by the company until the presidential mandate was handed down in late 1999. The company's budget reductions ($13 million in 1999 alone) were implemented without regard to compliance with the PSC rules. A $19.3 million fine would not be commensurate with the economic advantage gained by the company as it intentionally milked the Florida cash cow for as much profit as it could squeeze out over the past four years, even as it was failing to meet its service obligations to Florida citizens on a daily basis. While the Florida Statutes limit the fine to $19.3 million, Florida customers have lost far more by not receiving the quality of service for which they were paying.

Q. Please summarize your testimony.

A. In essence, GTE has the revenues, the earnings and the obligation to provide quality telephone service in the State of Florida. That what GTE's customers are paying for. Whether GTE provides good service in the future depends on the PSC's diligence in enforcing its service rules and the priorities established within GTE. Ultimately, local management should not be required to choose between profits and service as they have been required to do in the past. The Commission should fine the company by the maximum amount to drive home the point to GTE and all other like companies the financial risk they incur in Florida when they choose profits ahead of their obligations to serve.

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GTE FLORIDA, INC.

DOCKET NO. 991376-TL

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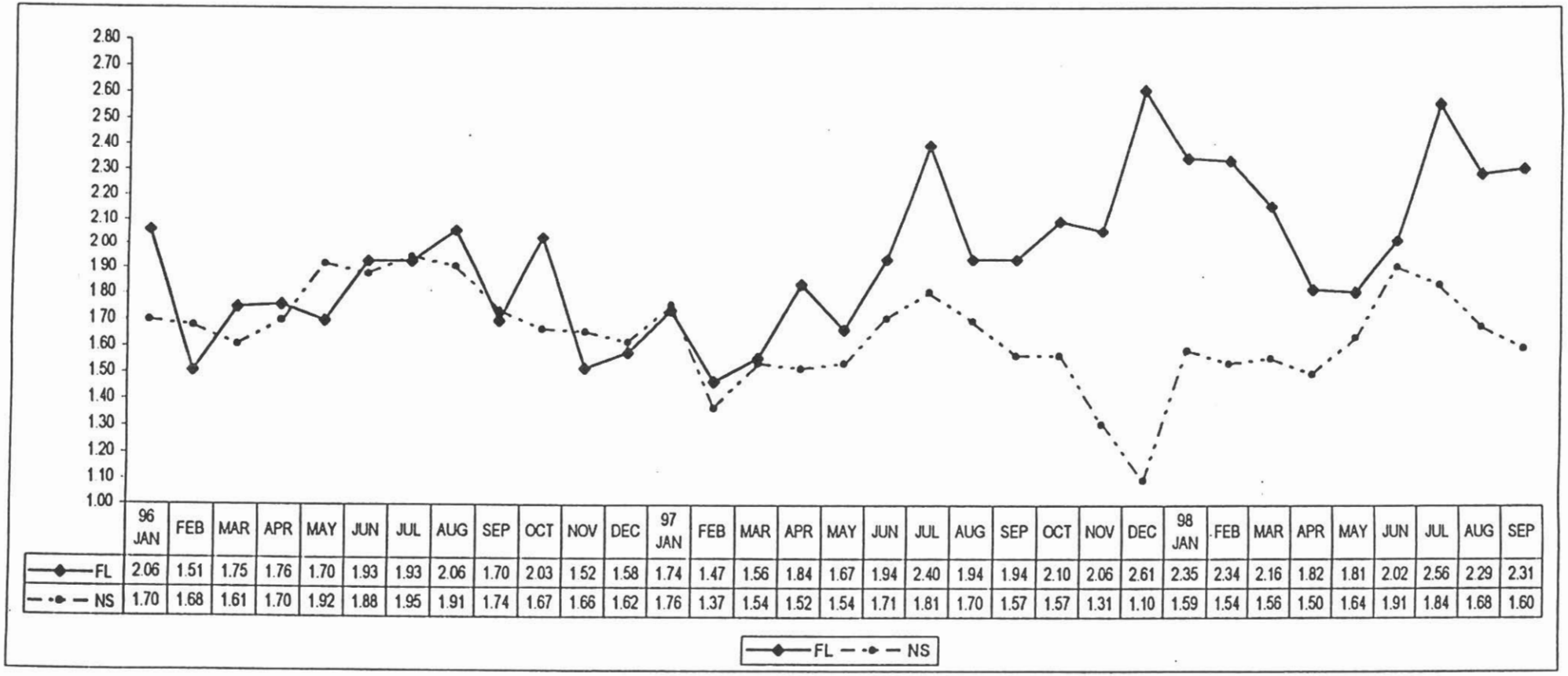
REP EXHIBIT NO. 1

DOCKET NO. 991376-TL

NETWORK TROUBLES PER 100

FLORIDA REGION
Network Troubles per 100
January 1996 - September 1998



	96 JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	97 JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	98 JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
FL	2.06	1.51	1.75	1.76	1.70	1.93	1.93	2.06	1.70	2.03	1.52	1.58	1.74	1.47	1.56	1.84	1.67	1.94	2.40	1.94	1.94	2.10	2.06	2.61	2.35	2.34	2.16	1.82	1.81	2.02	2.56	2.29	2.31
NS	1.70	1.68	1.61	1.70	1.92	1.88	1.95	1.91	1.74	1.67	1.66	1.62	1.76	1.37	1.54	1.52	1.54	1.71	1.81	1.70	1.57	1.57	1.31	1.10	1.59	1.54	1.56	1.50	1.64	1.91	1.84	1.68	1.60

REP EXHIBIT NO. 2

DOCKET NO. 991376-TL

BALANCING COST AND QUALITY

INTRACOMPANY CORRESPONDENCE

GTE Network Services

May 1, 1998

Reply To
FLTC0100 - Tampa, FL

To: John Ferrell - HQE04B57 - Irving, TX

Subject: **FLORIDA PUC MEASUREMENTS**

Per your request, following is an update on the two PUC measurements that Florida has been below objective on for several months. The region failed to meet the % OOS repaired within 24 hours objective (95%) nine of the last ten months and the repair appointments met objective (95%) four out of the last five months.

The good news is that we have seen steady improvements in the numbers in the last two months. In March, the % OOS cleared in 24 hours was 92.5 which was an improvement over our three month average of 89.7%. The goal of 95% will be exceeded in April with a 97.1% met. The repair appointments objective of 95% was met in April at 96.43%. In those months where the objective was missed, we sampled a number of the tickets and the majority (79%) where non out of service which are given a lower priority during high volume times.

The action plans we have had in place to address repair volumes and service results are as follows:

- We began an aggressive preventive maintenance program in February which has, to date, shown a 96% success rate in those areas where action has been taken.

- We established a trouble reduction team that has significant reduction objectives in 1998. We are closely monitoring the actions and results of this team to ensure those objectives are being achieved.

- The region team and CARE are working to reduce the number of tickets coded incorrectly (OOS/NOS). This will improve our % OOS cleared within 24 hours.

- We are aggressively taking the appropriate steps to staff the Florida Region adequately.

- Results and objectives are being reviewed with appropriate action being taken in our weekly ORR.

We have had a difficult time in late 1997 and 1998 meeting the objectives in these two areas. The focus from the region staff has been consistent. Our challenge has been strictly trouble volumes due to the extraordinary rainfall during the last seven months. There has also been a need to balance cost and quality, which again has forced this region to make decisions on prioritizing work activities. We feel confident that we are taking the actions needed to meet these objectives going forward and sustain the results.

Should you have additional questions or concerns please call me.

Peter A. Daks
Regional President-Florida

PAD:jh

c: Susan Onken - HQE04B62 - Irving, TX

REP EXHIBIT NO. 3

DOCKET NO. 991376-TL

ONLY REAL ANSWER....CHANGE REGULATION

CONFIDENTIAL

4-25-98

REDACTED

To: Red Keith

Subject: PUC/PSC Measures

Red:

We have made continuing progress in meeting our PUC/PSC objectives in most of our states. I appreciate the effort that has yielded this result and hope you will reinforce the positives with the Regional Presidents in the areas where we are meeting our goals.

I remain concerned about our performance in Florida, where we have missed the % OOS Repaired Within 24 Hours objective 9 out of the last 10 months and Repair Appointments Met 4 out of the last 5 months. We are at great risk and I expect extraordinary action to achieve sustained performance to objective. I trust you will take the action required.

Also, in we have missed Primary Service Orders Completed in Five Working Days for = Consecutive months. This too is avoidable and unacceptable from the customer perspective. Again, aggressive action is called for.

Finally, in the [redacted], we have missed
% 005 Trouble Cleared in 24 Hours = out of [redacted]
the last [redacted] months in [redacted], and
% 005 Troubles Cleared in 24 Hours for [redacted]
[redacted] months in [redacted].
These measures reflect poor service to end
users as well as below objective performance.

Please take strong action to get these measures
to objective ASAP. I will expect sustained
improvement as well, and the Regional
Presidents in the under performing areas
must make a positive difference quickly.

I will expect regular updates from you
concerning our performance and would
like to receive the first one on 5-8-98.

Thanks,
John Appel

REDACTED

CONFIDENTIAL

GTE **Brad M. Krall** 5/22/8

John.

The only Real answer
to this issue is to change
the Regulation in Florida
Sody has been working with
Regulatory affairs and the
Call Center Council.
It was obvious that Regulatory
affairs was reasistant
to pick up the Ball
on this

Brad

5-27-98
Tatiana:
Please schedule a
meeting with Brad,
Doug & Kevin Payne
to discuss our plans for
meeting the FPSC
standards. Will need
30 minutes. Please advise
this andrea only - as discussed
Thanks

003760

REP EXHIBIT NO. 4

DOCKET NO. 991376-TL

CORPORATE STRATEGY TO LOWER STANDARDS

INTRACOMPANY CORRESPONDENCE

GTE Telephone Operations

May 13, 1996

Reply To
FLTC0100
Tampa, FL

To: John C. Appel - HQE04H14 - Irving, Texas

Subject: PUC/PSC MEASURES - FLORIDA REGION

Florida Region is exceeding the majority of PSC service performance standards, however, as of March, we are unfavorable to the following:

- **% Out of Service Cleared in 24 Hours**

  We are working with BellSouth and other major LECs to advocate to the Florida Commission revisions to current service standard rules (reference open Docket 950778-TL). Movement to fewer objectives and less rigid standards is being advocated with emphasis on the marketplace and customer satisfaction being the drivers for service standard objectives. The standard for % OOS Cleared in 24 Hours is being recommended to be lowered from 95% to 90%.

  At the Region level, we have exceeded 92% in all months except January when we had the service emergency. At an Exchange level, which is how the Commission monitors our results, we are falling short of the standard primarily in our less competitive exchanges as we exercise cost controls directing our focus on the extremely competitive markets. After setting new standards, we expect the Commission will take a stronger advocacy role for the less competitive exchanges as the LECs and CAPs battle for the more desirable markets. We believe that, given the expected revisions to the standard, we will be able to meet or exceed the standard in all exchanges.

- **Business Office Answer Time**

  High activity levels, caused by payment arrangement requests after the holidays (January), questions about the AT&T billing takeback, and an internal problem where payments were not posted to customer accounts all contributed to our missing this standard in three of the last six months. The internal problem was corrected and we should be back on track for April results.

As to the issue of inaccurate reporting, we have been unable to comply with Commission requirements for answer times in offices with IVRUs, specifically our Business Offices and CARE Center. It is our understanding, working with Headquarters staff, that software changes required to capture the information have been delayed. This matter has recently been put on hold pending a decision from the Commission on its re-evaluation of all service standards.

Overall, we have been closely working with the PSC and they are not actively pursuing the areas where we are below the standard.

Peter A. Daks
Regional President-Florida

PAD:jh

c: Dave Bowman

CONFIDENTIAL

003838

END

REP EXHIBIT NO. 5

DOCKET NO. 991376-TL

FIND THE DOLLARS TO FIX OUTSIDE PLANT

INTRACOMPANY CORRESPONDENCE

GTE Telephone Operations

Reply To

FLTC0100
Tampa, FL

January 7, 1998

To: M. L. Keith - HQE04B51 - Irving, TX

Subject: **FLORIDA SERVICE EMERGENCIES UPDATE**

Red, as I mentioned yesterday, this note is to give you an update of what we experienced in the form of weather, trouble and service order activity through the holidays. I have already provided you with information on a daily basis from December 12 through December 20, 1997, during our last service emergency. The following is an update of what transpired in the latter part of December.

Rainfall continued to be unusually high and we declared another service emergency on December 26, 1997, in St. Petersburg and region-wide on December 27, that lasted through January 1, 1998, for the region and continued through January 2 in St. Petersburg. On Saturday, December 27, we started the day with scattered rain and 7200 cases of trouble. Trouble counts remained high for several days. To put things in perspective, December is normally our driest month averaging 2.15 inches of rain. During 1997, December was the wettest month of the year (even surpassing our summer months). December 1997 set a record with a total rainfall of 15.57 inches. This rainfall was measured at Tampa International Airport. Higher rainfall was experienced in other parts of our service area, along with serious flooding throughout the operating area. Tuesday, January 6, 1997, President Clinton declared Hillsborough and three other Central Florida counties federal disaster areas in the wake of storms that tore through the region during the Christmas season (see attached newspaper articles). To say the least, the holidays for both our hourly and management teams were long and demanding on everyone.

The total rainfall for 1997 was 67.71 inches compared to 49.41 inches of rain in 1996 (average yearly rainfall is 43.92). This was the third wettest year on record, going back to 1884 (see Attachment #1 for detailed weather statistics). Water is standing in places that we have not seen water in a number of years because the ground is extremely saturated. According to the Southwest Florida Water Management District, the aquifer is at the highest level ever recorded. Trouble counts are high and service order activity remains high with the start of a new year and the first of the month. Rain is expected with a 20 percent chance today and a 40 percent chance tomorrow. It does not appear that we are going to get a break.

Subject: **FLORIDA SERVICE EMERGENCIES UPDATE**

The Florida Region was in a service emergency 15 days out of the 31 days in December. Attached are trouble counts and service order activity for the days that we had declared the latest service emergency (Attachment #2).

During 1997, we declared seven service emergencies related to weather and all seven were declared in the last ninety days of 1997. Without question, those areas that were hardest hit were St. Petersburg and Clearwater.

I know my continued position on this subject may not be popular, but the TAC Focus program presently in place, by itself, does not have sufficient in-depth analysis to provide the maintenance program that we need to fix areas like St. Petersburg and Clearwater. We have got to identify those outside plant issues and find the dollars to fix outside plant and prevent the amount of trouble that we have experienced this year in the future. This is affecting our ability to deliver quality and cost objectives. As we discussed, we have already started working with headquarters and remote operations staff to identify and build business cases to correct these problems.

I have also attached a plan that local remote operations support put together that addresses staffing requirements for the effect of El Nino that up until recently was not accepted as a weather phenomenon (Attachment #3). It is now! These additional contractors will position us to reasonably handle the trouble reports associated with the projected abnormal rainfall. In the event the additional contractors are not required, we will get our capital program completed a little sooner. I don't believe we can lose with this approach.

I'll keep you posted.

Peter A. Daks
Regional President-Florida

PAD:bam
Attachment

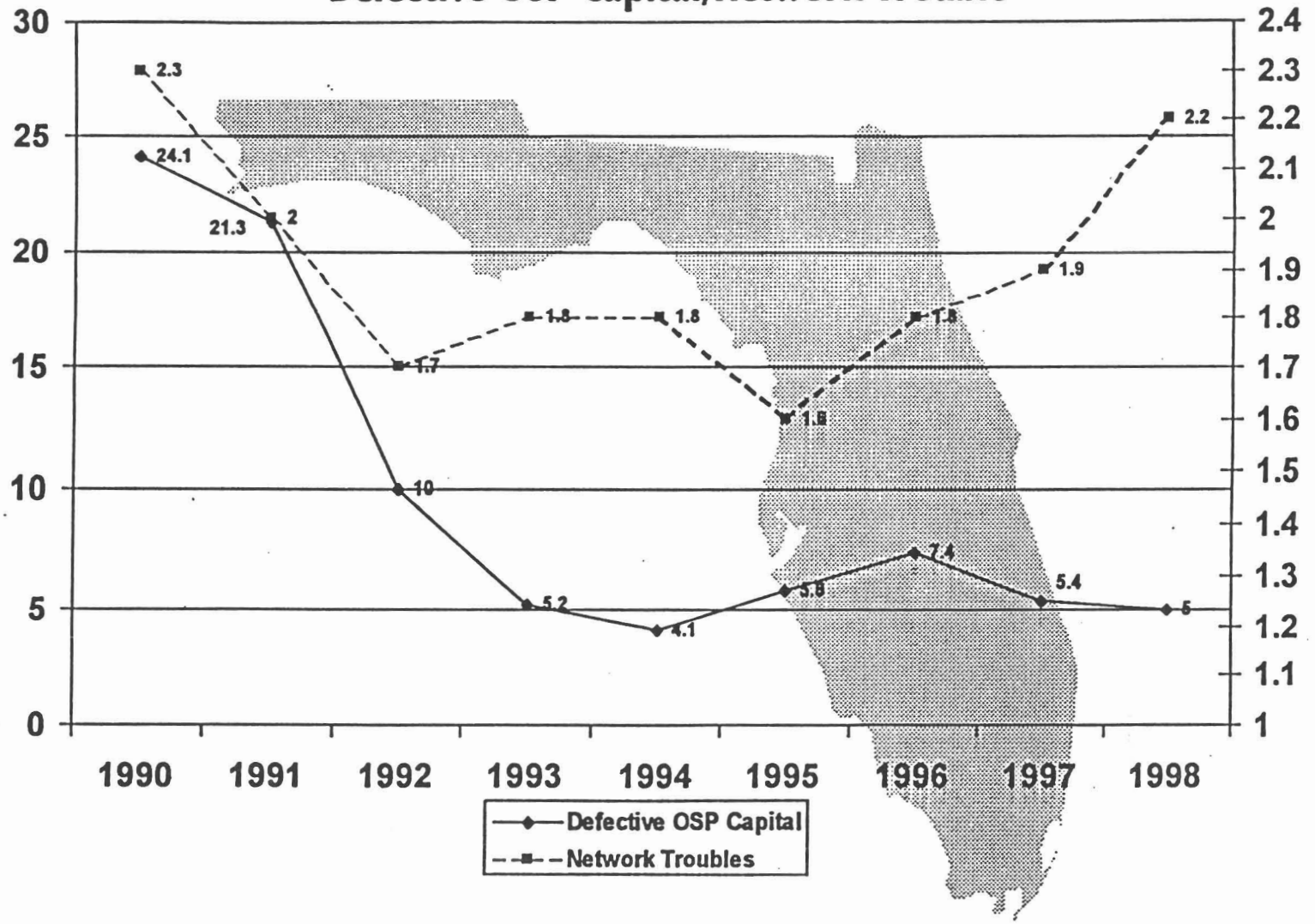
REP EXHIBIT NO. 6

DOCKET NO. 991376-TL

DEFECTIVE OSP EXPENDITURES

FLORIDA TARGETED OPERATIONS REVIEW

Defective OSP Capital/Network Trouble



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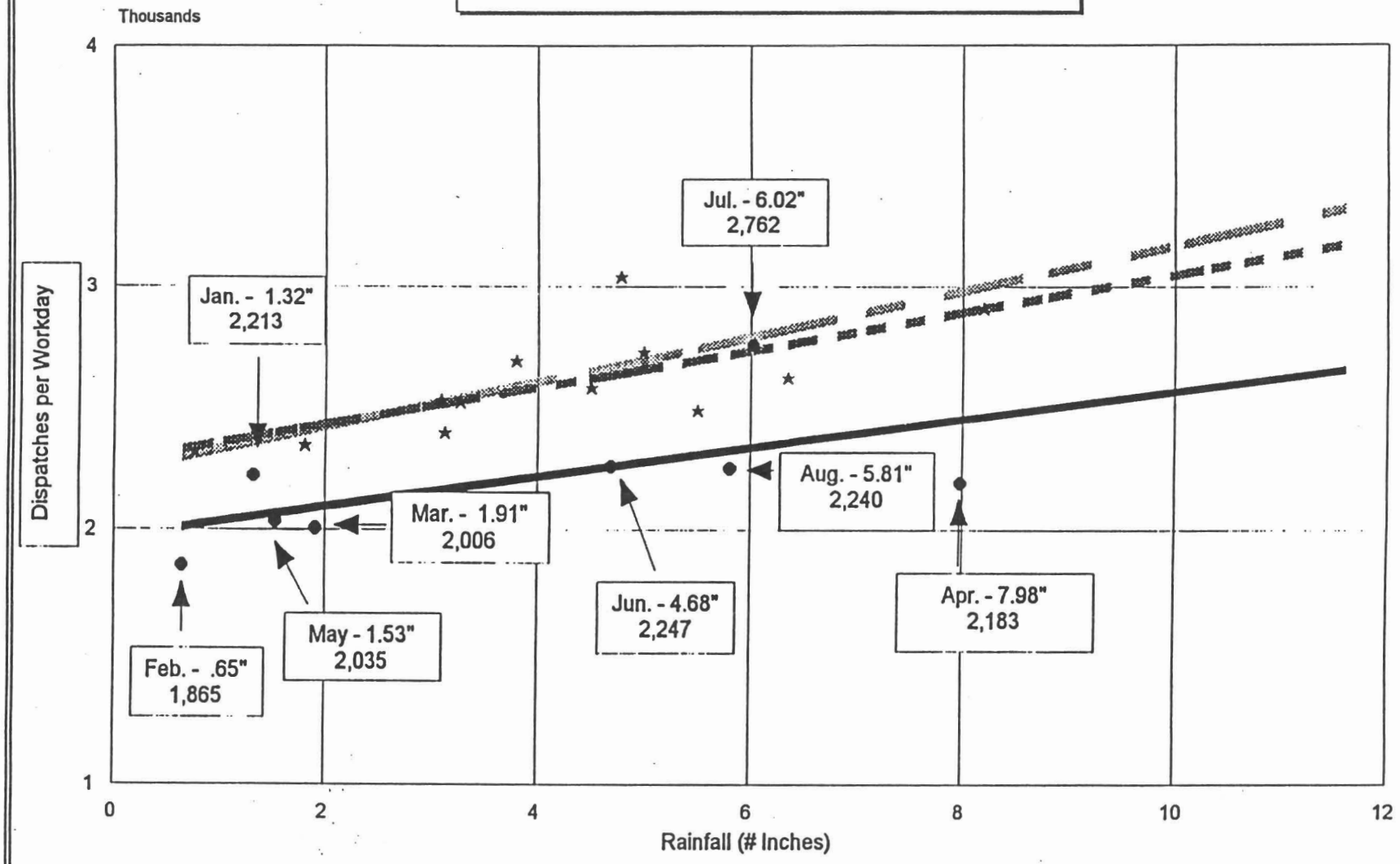
REP EXHIBIT NO. 7

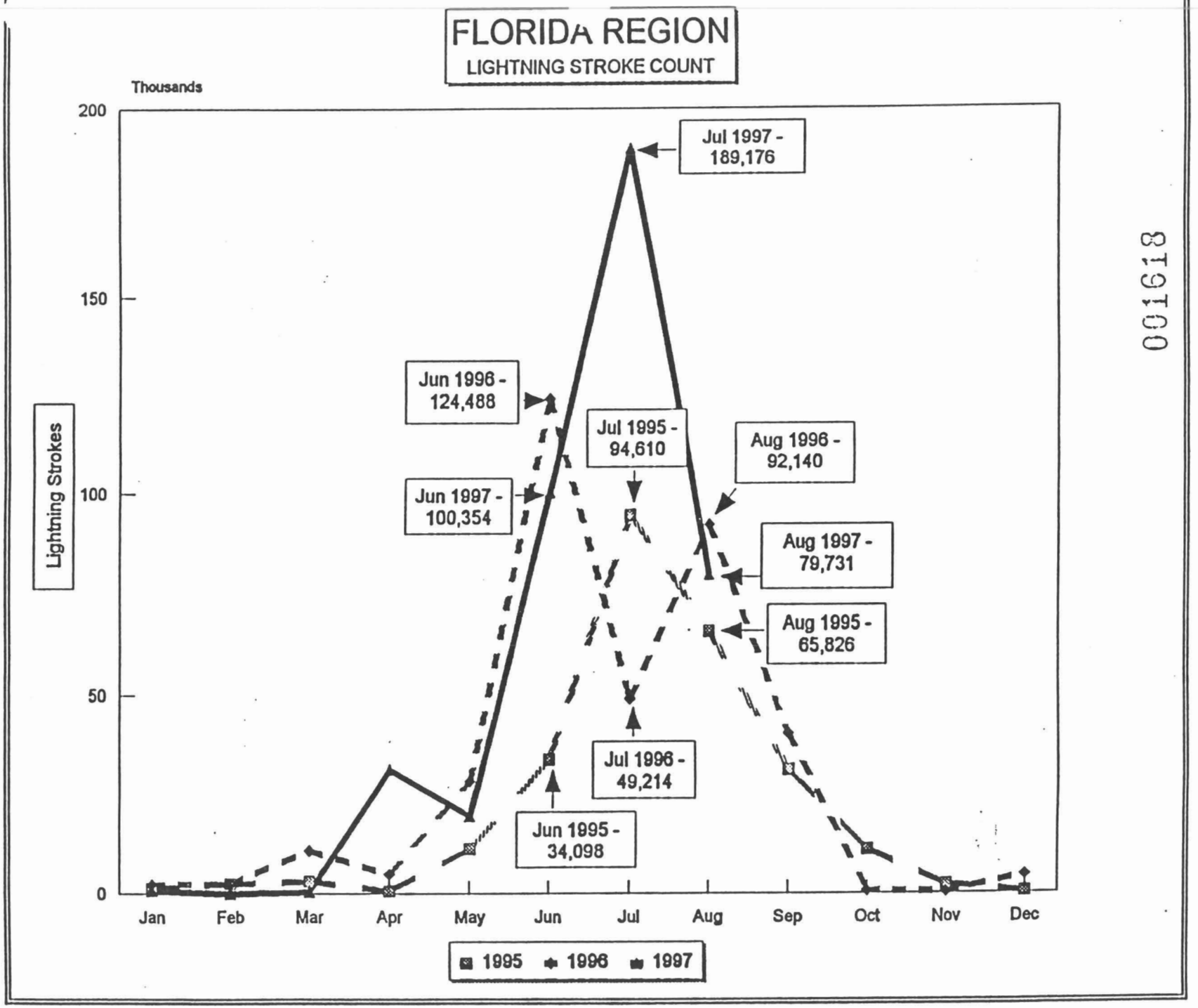
DOCKET NO. 991376-TL

WEATHER - VS TROUBLE LOAD

Florida Region

Analysis of Trouble Dispatches to Rainfall




FLORIDA REGION
LIGHTNING STROKE COUNT
Thousands
200
150
100
50
0
Lightning Strokes
Jul 1997 - 189,176
Jun 1996 - 124,488
Jul 1995 - 94,610
Aug 1996 - 92,140
Jun 1997 - 100,354
Aug 1997 - 79,731
Aug 1995 - 65,826
Jul 1996 - 49,214
Jun 1995 - 34,098
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
1995
1996
1997

001618

REP EXHIBIT NO. 8

DOCKET NO. 991376-TL

INADEQUATELY GROUNDED CROSSBOXES

Lightning Analysis Report

Statistically based study derived from all OSP lightning disposition sub codes in the Florida Region for 1997 and the first three months of 1998

Lightning Analysis Report Statistics

Xbox's Identified by LAR

Inland		Coastal	
Tampa East	44	Bradenton	16
Tampa Central	20	Sarasota	9
Tampa North	72	St.Pete	22
Lakeland	27	Clearwater	9
Winterhaven	80	Tarpon	28
Total Xbox's	243	Total Xbox's	84
Total Trbl	2076	Total Trbl	766

Xbox's Complete as of 6/11/98	Inland = 45	Coastal = 12
Associated Trouble in box	Inland = 700	Coastal = 180
% Xbox's with inadequate ground	Inland = 62%	Coastal = 58%
	Total = 61%	

Note: Status as of 6/11/98

001782

REP EXHIBIT NO. 9

DOCKET NO. 991376-TL

DETERIORATION OF OSP NEVER STOPS

TAC FACTS

28,029 OSP trouble reports analyzed
(200% of 1998 goal)

18,408 trouble reports funded

PMI has addressed less than 1% of the terminated complements

9,623 pending funding

3,600 25-pair complements are being addressed

2,286,865 working lines in Florida

453,791 terminated complements

Deterioration of OSP never stops

REP EXHIBIT NO. 10

DOCKET NO. 991376-TL

UNSATISFACTORY PLANT CONDITIONS

Employee Generated UPC's or FIF's

Designed to respond to employee concerns

Promotes employee involvement

Proactive resolution

Creates a dedicated, positive employee/workforce

UPC's YTD	1306
Completed	238
In Engineering	333
Funding Requested	468
Funding Approved	215
Returned to District For Local Action	52

001778

REP EXHIBIT NO. 11

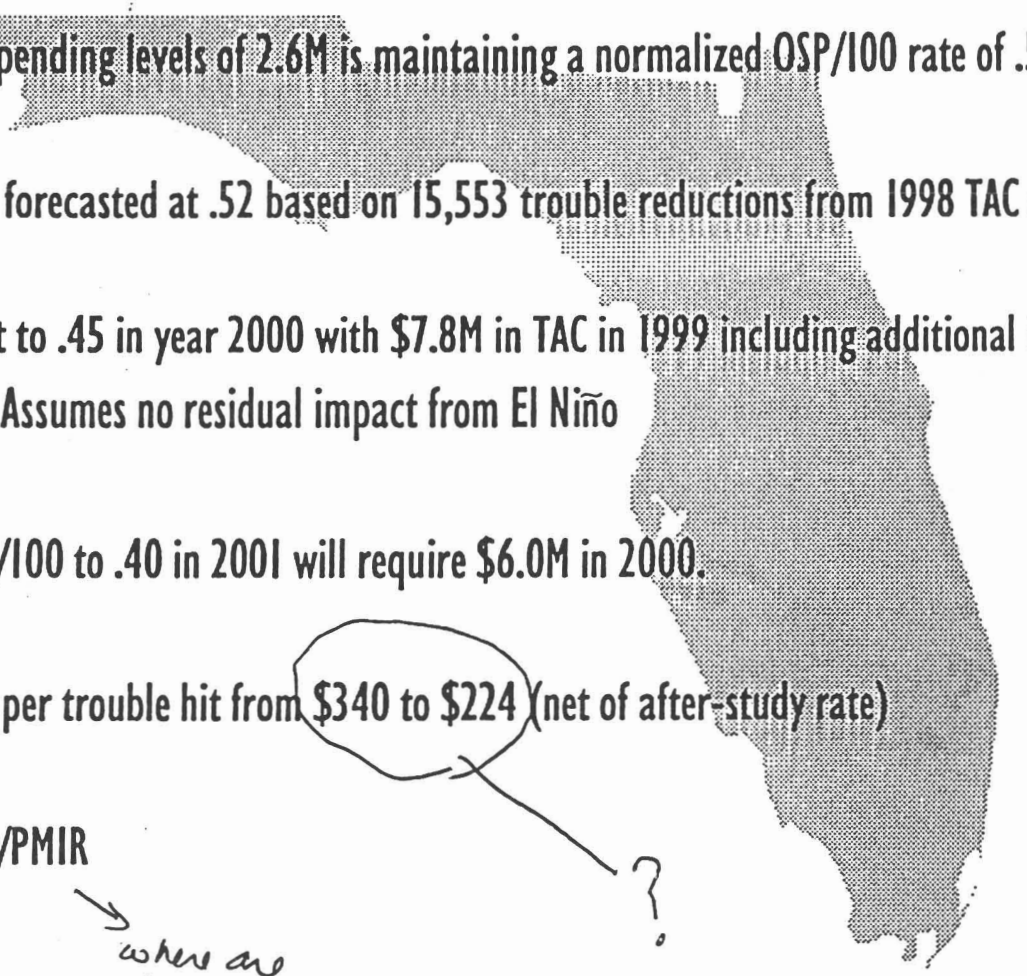
DOCKET NO. 991376-TL

TAC FOCUS SPENDING

TAC FOCUS Trouble Reduction

1999 Reduction: 18,000

- Recent years spending levels of 2.6M is maintaining a normalized OSP/100 rate of .55 (.63 ytd actual)
- 1999 OSP/100 forecasted at .52 based on 15,553 trouble reductions from 1998 TAC activity
- Florida can get to .45 in year 2000 with $7.8M in TAC in 1999 including additional isolators.
  Note: Assumes no residual impact from El Niño
- To reduce OSP/100 to .40 in 2001 will require $6.0M in 2000.
- Improved cost per trouble hit from $340 to $224 (net of after-study rate)
- Business Cases/PMIR



001579

REP EXHIBIT NO. 12

DOCKET NO. 991376-TL

ACTUAL VS. PROJECTED PRODUCTIVITY

1997 MAPPS - TOTAL FLORIDA REGION
OUTLOOK vs. ACTUAL - S.O. & REPAIR

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD	ANNUAL
OUTLOOK UNITS														
SO UNITS	34,185	29,820	30,912	26,920	25,310	25,784	25,329	28,339	25,175	23,770	23,071	24,973	323,588	323,588
REPAIR UNITS	55,431	43,148	49,149	44,639	42,765	47,577	44,728	47,748	39,458	49,348	34,210	36,590	534,791	534,791
ACTUAL UNITS														
SO UNITS	35,127	30,005	30,216	29,520	29,148	28,865	28,200	30,750	30,546	29,545	28,976	27,700	358,598	
REPAIR UNITS	47,677	37,302	40,126	48,215	42,726	47,239	60,767	47,393	45,238	49,238	52,513	65,025	583,459	
VARIANCE - FAV/(UNF)														
SO UNITS	**(942)**	**(185)**	**696**	**(2,600)**	**(3,838)**	**(3,081)**	**(2,871)**	**(2,411)**	**(5,371)**	**(5,775)**	**(5,905)**	**(2,727)**	**(35,010)**	
REPAIR UNITS	**7,754**	**5,846**	**9,023**	**(3,576)**	**39**	**338**	**(16,039)**	**355**	**(5,780)**	**110**	**(18,303)**	**(28,435)**	**(48,668)**	
OUTLOOK HOURS														
SO HOURS	72,295	64,956	67,425	58,693	54,931	56,030	54,986	61,553	54,614	52,178	50,564	54,791	703,016	703,016
REPAIR HOURS	91,658	71,330	81,148	75,755	72,550	80,684	75,900	81,065	66,950	83,789	58,100	62,157	901,086	901,086
ACTUAL HOURS														
SO HOURS	77,376	67,988	68,347	66,890	64,636	64,141	64,116	72,581	72,032	68,287	65,609	64,941	816,944	
REPAIR HOURS	82,810	65,088	69,842	85,729	75,532	83,014	110,876	91,614	89,644	96,895	101,109	136,603	1,088,756	
VARIANCE - FAV/(UNF)														
SO HOURS	**(5,081)**	**(3,032)**	**(922)**	**(8,197)**	**(9,705)**	**(8,111)**	**(9,130)**	**(11,028)**	**(17,418)**	**(16,109)**	**(15,045)**	**(10,150)**	**(113,928)**	
REPAIR HOURS	**8,848**	**6,242**	**11,306**	**(9,974)**	**(2,982)**	**(2,330)**	**(34,976)**	**(10,549)**	**(22,694)**	**(13,106)**	**(43,009)**	**(74,446)**	**(187,670)**	
OUTLOOK HPU														
SO HPU	2.115	2.178	2.181	2.180	2.170	2.173	2.171	2.172	2.169	2.195	2.192	2.194	2.173	2.173
REPAIR HPU	1.654	1.653	1.651	1.697	1.696	1.696	1.697	1.698	1.697	1.698	1.698	1.699	1.685	1.685
ACTUAL HPU														
SO HPU	2.203	2.266	2.262	2.266	2.218	2.222	2.274	2.360	2.358	2.311	2.264	2.344	2.278	
REPAIR HPU	1.737	1.745	1.741	1.778	1.768	1.757	1.825	1.933	1.982	1.968	1.925	2.101	1.866	
VARIANCE - FAV/(UNF)														
SO HPU	**(0.088)**	**(0.088)**	**(0.081)**	**(0.086)**	**(0.048)**	**(0.049)**	**(0.103)**	**(0.188)**	**(0.189)**	**(0.116)**	**(0.072)**	**(0.150)**	**(0.105)**	
REPAIR HPU	**(0.083)**	**(0.092)**	**(0.090)**	**(0.081)**	**(0.072)**	**(0.061)**	**(0.128)**	**(0.235)**	**(0.285)**	**(0.270)**	**(0.227)**	**(0.402)**	**(0.181)**	

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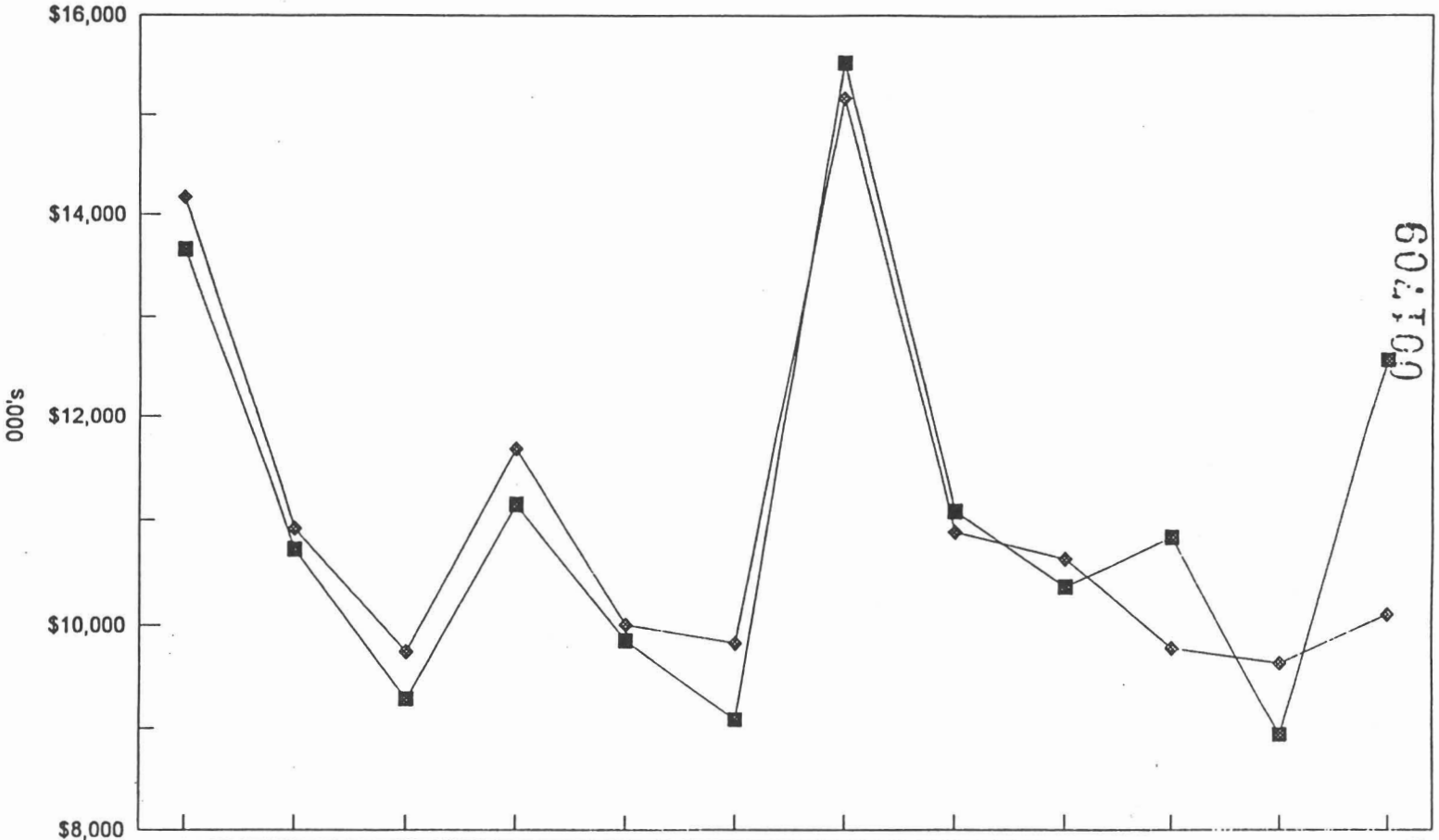
19-Jan-98 p.r.major

REP EXHIBIT NO. 13

DOCKET NO. 991376-TL

1997 RESULTS VS. BUDGET

1997 ACTUAL vs. OUTLOOK NORMALIZED EXPENSE *
Total Florida Region



■ Actual	$13,664	$10,724	$9,296	$11,149	$9,863	$9,088	$15,528	$11,093	$10,370	$10,845	$8,939	$12,581
◆ Outlook	$14,169	$10,920	$9,754	$11,672	$10,009	$9,835	$15,177	$10,894	$10,640	$9,786	$9,646	$10,109

December YTD Variance: ($528) Unfavorable
Annual Outlook: $132,612

** Adjusted for YTD Drop Capitalization Reclass.*

GTE Florida

1997 New Primary Service within 3 days and Out of Service Restoral within 24 hours (Percentage of Exchanges Failing Standards) ***Schedules 2 & 11***

	Jan-1997	Feb-1997	Mar-1997	Apr-1997	May-1997	Jun-1997	Jul-1997	Aug-1997	Sep-1997	Oct-1997	Nov-1997	Dec-1997
New Primary Service	0.0%	0.0%	0.0%	4.2%	0.0%	0.0%	4.2%	4.2%	0.0%	0.0%	25.0%	16.7%
Out of Service w 24	0.0%	0.0%	0.0%	16.7%	0.0%	58.3%	62.5%	41.7%	45.8%	91.7%	100.0%	100.0%

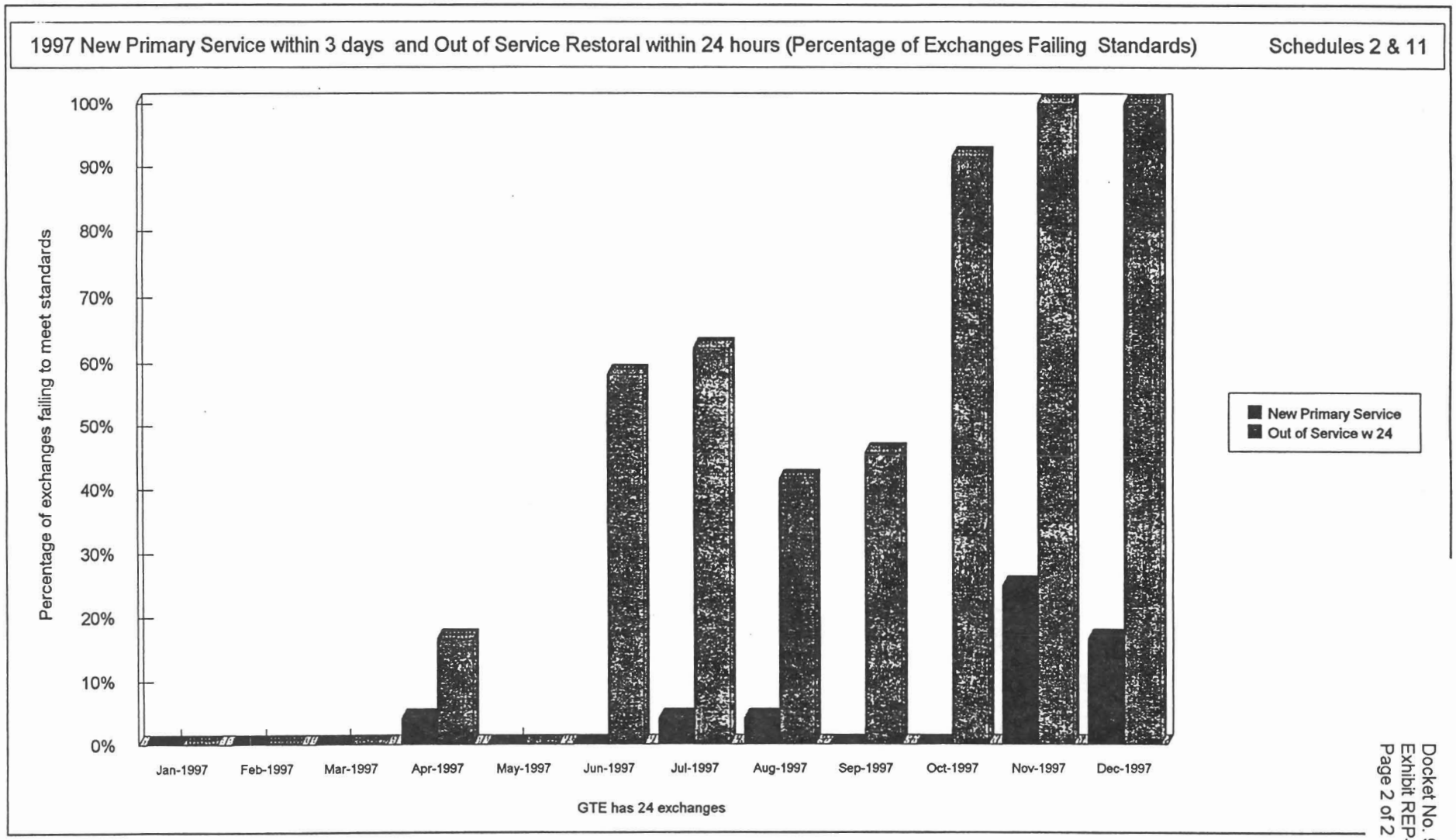


Exhibit DBM-4 (Page 1 of 1)

Docket No. 991376-TL
Exhibit REP-13
Page 2 of 2

REP EXHIBIT NO. 14

DOCKET NO. 991376-TL

BUDGET REDUCTION - 1998

CONFIDENTIAL

GTE Florida
1998 Incurred Expense Budget
Recap

1998 Target Development

- 1997 Baseline	$145,475
- Inflation	3,811
- Growth	8,012
- Adjustments	(3,636)
- Enablers/Stretch	(7,963)
- 1998 Target	145,699
- % Reduction	5.5%

Reduction Actions *($7,963)*

- Trouble Reductions (59,500)	$2,563
- S. O. Reductions (23,000)	1,589
- Overtime Reductions	1,696
- New Hire Training/Tools	(722)
- S.O. via 301 LG	578
- Preventive Hours - Inland	645
- Other Facility/Training/Meetings - Inland	529
- Pending Order Inquiry	333
- Employee Expense/Material/Other	150
- Hourly Training (8 hours)	(585)
- Sunday Coverage	(377)
- Test Equipment	(357)
- Capital Reduction - M/C Ratio	822
- Absorb Growth - Productivity	1,099

Employee Levels

Hrly:	Budget	3,028	Mgmt:	Budget	541
	Oct. 1997	2,689		Oct. 1997	477
	Under/(Over)	339		Under/(Over)	64

Overtime Levels

Average Annual Overtime by Selected Labor Group:

LG 112	Construction - Splicers	10.0%
LG 201	Installer/Maintainers	10.4%
LG 301	Service Installers	10.3%
LG 211	Switching Technicians	3.1%
LG 241	Assignment Techs	8.8%
LG 221	Business Zone Tech I	10.4%
LG 341	Business Zone Tech II	10.3%

Productivity Levels

REP EXHIBIT NO. 15

DOCKET NO. 991376-TL

BUDGET REDUCTIONS - 1999

To: Chuck Lindner@BA.NTWKOPS@TXIRV
From: Russ Diamond@BA.NTWKOPS
Cc: John Ferrell@TCC.EXEC,Larry Yost@NOS.REGOPSFL,Ricki Lindsay@BUSNSALES.TMPA
Bcc:
Subject: 1999 Florida Expense Budget
Attachment:
Date: 12/22/98 11:27 AM

·046

Docket No. 991376-TL
Exhibit REP-15
Page 1 of 1

Chuck,

We have submitted the 1999 Florida Region expense budget into SAP. Please be advised that it was submitted on the target amount of $139.4M, however does include an unidentified stretch of $14.1M. This stretch was placed in the last nine months of the budget year.

Florida has put together a plan that balances very aggressive cost reductions with the need to maintain or improve service levels and meet minimum PSC standards. The planned expense level of $153.5M is $12.0M below the 1998 spending level, or effectively 16.0M below 1998 which negates the effect of El Nino at $12.0M and the impact of inflation at another $4.0M. This level, which is behind schedule due to delays in staffing, also reduces the cost per switched access line to $62.30 or $1.30 below the 1997 actual.

Florida will continue to look for ways to reduce costs and balance service levels. Should any enablers become available, Florida is very willing to use them to reduce costs.

Chuck, I want you to know where Florida is at this time. We will be making every effort to achieve the planned level with a continual eye on potential further cost reductions as we get into the new year.

Thanks,

RBD

REP EXHIBIT NO. 16

DOCKET NO. 991376-TL

NEGATIVE IMPACT - BUDGET REDUCTIONS

From: Alice Collins@REGOPS.NETREL
Cc: Alice Collins@REGOPS.NETREL,Richard Pelham@REGOPS.NETREL
Bcc:
Subject: BUDGET REDUCTION
Attachment:
Date: 6/21/99 3:57 PM

Docket No. 991376-TL
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uss:

lorida Region has reduced 41 labor group 211 equipment technicians for 1998 o 1999 in budget reduction efforts. The results are listed below.

tems at Risk

TTR -- Reduced CO coverage requires callout after hours, increasing MTTR. educed manpower in Carrier Maintenance does not provide enough resources or peak trouble periods, increasing MTTR.

outines -- CO/CMG only performing priority routines at 90% and non-priority outines when possible.

OTS Repair & Installation -- Reduced CO coverage increases repair time and issed due dates.

he only action that can be taken to aid in making the new budget stretch is o remove 14 contractors and not replace them. This action exacerbates hose items listed already. It would be impossible to provide proper CO overage in the Coastal division, even with overtime.

o make my new budget target for Network Reliability, I will hold headcount eplacements with minimum impact.

egards,

ichard H. Pelham
eneral Manager-
etwork Reliability

$14 \times 6\text{mo} \times 160\text{hours} \times \$22.00 = \$295{,}000$

HP:mac

000136

REP EXHIBIT NO. 17

DOCKET NO. 991376-TL

HEADCOUNT REDUCTIONS - 1999

Key Performance Indicators cont'd

Employee Count

Employee levels decreased by 37 in February to 3,462, which are 144 below February budget, current projected YE budget is 3,419.

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REP EXHIBIT NO. 18

DOCKET NO. 991376-TL

HEADCOUNT - 1998

Incurred Expense

- December current month incurred expense results were unfavorable $156K, and YTD results were unfavorable by $20,556K. The YTD variance is due to increased repair dispatches resulting from continued heavy rainfall and flooding early in year. December YTD TAS repair dispatches are 49% higher than budget. Productivity is unfavorable to budget primarily due to the utilization of contractors and the loaning of IP employees to Customer Operations to meet the demand activity.

Net Constructed Additions

- December YTD Net Constructed Additions were $12.9K unfavorable to budget primarily due to SAP labor rate loading and distribution issues, Hi-Cap activity exceeding forecast (1.7K), defective COE (1.4K), TAC/Focus overruns (2.4K), demand-based Programs (4.4K total), Support Asset booking errors (1.0K).

Employee Count

- Employee levels increased by 1 in December to 3,510, which is 5 below the year-end-target and 59 below budget. The favorability to budget is primarily in Infrastructure Provisioning and Coastal Division and is currently offset with contractors where appropriate.

REP EXHIBIT NO. 19

DOCKET NO. 991376-TL

CAPITAL SPENDING REDUCTIONS - 1999

NETWORK SERVICES - 1998 vs. 1999 COMPARISON

Domestic Telcos

Growth - Net Constructed Additions by Region ($ in Millions)

REGION:	1998 Approved View	1999 Approved View	Annual Reduction	% Annual Reduction
California				
Florida	256,451.0	138,183.0	(118,268.0)	-46.1
Hawaii				
Midwest				
North				
Northeast				
Northwest				
South				
Texas/New Mexico				
Virginia				
Total Network Operations				
Total Network Operations without Florida				

REDACTED

CONFIDENTIAL

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REP EXHIBIT NO. 20

DOCKET NO. 991376-TL

FLORIDA APPEALS BUDGET CUTS

NETWORK SERVICES - MARCH 1999 RESULTS

Domestic Telcos

Growth - Net Constructed Additions by Region ($ in Millions)

REGION:	YTD ACTUAL	YTD APPROVED VIEW	YTD FAV/(UNFAV) VARIANCE	ANNUAL APPROVED VIEW	ANNUAL PROJECTION	YTD % OF ANNUAL VIEW
California						
Florida	66,098.9	65,907.0	(191.9)	138,183.0	138,410.4	47.8 %
Hawaii						
Midwest						
North						
Northeast						
Northwest						
South						
Texas/New Mexico						
Virginia						
Total Network Operations						

REDACTED

CONFIDENTIAL

Chuck,

I am very concerned about the Florida spending levels ~~---~~ March (47.8%). The contractors have been released and detailed work order reviews have been underway for the past couple months.

Upon review, I am also concerned over the 1998 to 1999 reduction Florida is trying to achieve as compared to the other regions (46.1% vs 20.8%). Given the growth and inward activity in Florida, this does not seem in-line. Even with the $33.1M risk amount communicated earlier, the Florida reduction would still be the highest at 33%. Let's talk about this issue. 4/20/99 cc: John F.

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REP EXHIBIT NO. 21

DOCKET NO. 991376-TL

COMPETITIVE STRATEGY

Flo. a Region
Summary of Other Key Performance Indicators
December, 1997

SERVICE ASSURANCE - REPAIR AND RELIABILITY	Month Actual	3 Mo Avg Actual	YTD Actual	1997 Obj	1996 Actual
Repair Clearing Intervals - Business Composite	11.4	10.9	9.6	7.6	7.5
» Extremely Competitive	11.1	10.7	9.5	7.6	7.3
» Highly Competitive	14.0	13.2	10.4	8.7	8.5
» Moderately Competitive	15.2	13.2	11.0	9.5	9.4
Repair Clearing Intervals - Residence Composite	35.8	26.3	17.7	12.0	18.4
» Extremely Competitive	36.2	26.5	17.8	12.0	17.4
» Highly Competitive	33.4	25.0	17.6	12.5	27.3
» Moderately Competitive	30.5	23.7	17.2	12.6	24.1
Mean Time to Restore (Fnd Trbl Only) - Carrier					
Composite:	3.2	2.8	3.0	3.4	4.0
» Extremely Competitive	2.7	2.7	2.9	3.3	3.9
» Highly Competitive	11.8	6.5	4.4	3.5	4.2
» Moderately Competitive	3.8	2.5	3.6	5.0	6.9
Mean Time to Restore (Fnd Trbl Only) - Business					
Composite:	3.7	3.4	4.2	4.4	8.8
Extremely Competitive	3.7	3.4	4.2	4.0	8.9
Highly Competitive	1.4	4.5	4.6	4.5	6.0
Moderately Competitive	5.8	6.7	5.4	5.5	12.9
Sw Access Netwk Reliab (Blocked Calls/Mo):					
» Extremely Competitive	0	1885	1819	2300	1147
» Highly Competitive	0	0	0	30	-
» Moderately Competitive	0	769	192	30	-
Special Access Failure Freq - Carrier					
Composite	2.08	2.28	2.07	1.55	1.93
» Extremely Competitive	2.03	2.30	2.09	1.56	1.95
» Highly Competitive	3.46	3.16	3.11	2.29	3.08
» Moderately Competitive	2.56	0.92	0.74	0.96	0.82
Repeat Failure Rate w/i 30 Days - Business					
» Composite	7.2	6.6	6.1	4.0	5.6

OTHER SUPPORT	Month Actual	3 Mo Avg Actual	YTD Actual	1997 Obj	1996 Actual
Customer Survey - Due Dates Met:					
» Small Business	75.2	71.4	73.6	72.4	71.6
» Consumer	81.6	82.1	84.4	82.8	83.9
Service Reliability - % Excellent:					
» Large	100.0	69.2	54.1	67.0	61.0
» Medium	50.0	61.8	55.0	74.0	69.4
» Small	27.4	25.8	28.5	31.0	29.1
» B1	32.8	29.4	30.4	33.0	32.8
Service Quality - % Excellent:					
» Large	100.0	76.9	84.2	95.0	95.1
» Medium	100.0	94.1	90.2	98.0	98.4
» Small	76.5	77.8	78.0	84.0	81.5
» B1	80.8	81.0	82.4	84.0	83.0
Telcel	81.4	79.7	83.6	85.0	85.4
Dependable - % Excellent					
Tel Cel	30.3	31.1	29.0	32.0	31.4
Employee Communication Survey					
Support Business Direction *	70.0	60.0	53.0	49.0	48.0
Products & Services Knowledge *	42.0	39.0	35.0	35.0	33.0

* Results are one month in arrears

» *These measures have also been ranked and trended. See accompanying pages*

Objective Not Met

C:\EXCEL\[1297ORRA.XLS]Service Assurance Repair&Reliab

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Florida Region
Summary of Other Key Performance Indicators
December, 1997

SERVICE FULLFILLMENT	Month Actual	3 Mo Avg Actual	YTD Actual	1997 Obj	1996 Actual
Cust Des'd Due Date % Met - Composite:					
Composite	95.7	94.8	93.9	92.0	91.2
» Extremely Competitive	95.7	94.8	94.0	92.0	91.2
» Highly Competitive	77.8	93.2	94.0	92.7	92.3
» Moderately Competitive	175.0	100.0	90.9	84.8	84.5
Cust Desired Due Date % Met - DDS:					
Composite	93.5	81.1	90.9	93.0	91.0
» Extremely Competitive	93.2	80.3	90.7	93.0	86.3
» Highly Competitive	100.0	100.0	95.2	90.0	83.9
» Moderately Competitive	100.0	100.0	94.1	89.0	85.0
Cust Desired Due Date % Met - HiCap:					
Composite	97.8	96.4	96.1	93.0	91.5
» Extremely Competitive	97.8	96.5	96.1	93.0	91.2
» Highly Competitive	100.0	92.3	94.4	90.0	100.0
» Moderately Competitive	100.0	100.0	97.0	89.0	95.2
Committed Due Date - Carrier - Composite:					
Composite:	97.2	96.0	95.2	-	93.8
» Extremely Competitive	97.1	96.0	95.2	93.6	93.9
» Highly Competitive	100.0	95.5	94.4	93.3	92.7
» Moderately Competitive	100.0	100.0	90.9	91.3	89.7
Committed Due Date - Business - Composite:					
Composite:	91.8	89.9	93.4	90.0	79.3
Extremely Competitive	91.7	92.1	94.2	90.0	79.8
Highly Competitive	100.0	58.6	84.7	88.0	73.7
Moderately Competitive	91.7	85.5	87.6	84.0	63.5

SERVICE FULLFILLMENT	Month Actual	3 Mo Avg Actual	YTD Actual	1997 Obj	1996 Actual
New Circuit Failure Rate w/i 30 Days - Carrier					
Composite	4.60	3.96	3.70	-	-
» Extremely Competitive	4.57	3.91	3.70	3.16	3.73
» Highly Competitive	6.67	4.88	2.65	3.83	4.41
» Moderately Competitive	0.00	10.00	6.78	9.52	9.46
New Circuit Failure Rate w/i 30 Days - Business					
Composite	1.16	1.68	1.38	-	-
» Extremely Competitive	1.06	1.64	1.37	0.53	0.53
» Highly Competitive	0.00	1.23	1.08	0.40	0.40
» Moderately Competitive	3.60	2.65	2.19	1.92	1.92
Avg Days to Install - Business:					
» Extremely Competitive	4.2	4.1	4.0	4.2	3.9
» Highly Competitive	5.3	5.6	4.0	4.5	3.7
» Moderately Competitive	3.6	4.2	3.8	5.3	3.7
Avg Days to Install - Residence:					
» Extremely Competitive	4.0	4.6	2.8	2.3	2.4
» Highly Competitive	4.6	5.3	2.9	2.7	2.3
» Moderately Competitive	5.7	5.9	3.2	2.8	2.5

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* *Results are one month in arrears*

» *These measures have also been ranked and trended. See accompanying pages*

1/19/98 s.shepherd

COMPENSABLE MEASUREMENTS ARE IN BOLD LETTERING

Objective Not Met

Florida Region
Key Performance Indicators
Ranking by Region
December YTD 1997

Issue Date: 19-Jan-98

Repair Clearing Interval (# Hours) - Business

Extremely Competitive		
Northeast	8.4	*
Virginia	8.6	
Northwest	9.2	
Florida	**9.5**	
North	9.6	*
Domestic	***9.9***	
Midwest	10.1	
California	10.1	
South	10.5	
Texas/NM	10.5	
Hawaii	12.2	*

Highly Competitive		
Virginia	7.6	*
Midwest	8.0	*
North	8.4	*
Northwest	8.8	*
Northeast	9.5	
Domestic	***9.6***	*
South	9.8	*
Hawaii	9.9	*
Florida	**10.4**	
Texas/NM	10.9	*
California	11.7	

Moderately Competitive		
Virginia	6.8	*
Midwest	8.0	*
North	8.9	*
Northeast	9.8	
Domestic	***10.0***	*
Florida	**11.0**	
Northwest	11.0	
South	11.1	*
Texas/NM	11.2	*
Hawaii	12.1	*
California	13.9	

Repair Clearing Interval (# Hours) - Residence

Extremely Competitive		
Virginia	11.2	
Texas/NM	11.8	
Hawaii	11.8	*
Northwest	12.9	*
South	13.9	*
Midwest	14.5	
Northeast	14.8	
California	15.0	*
Domestic	***15.7***	
Florida	**17.8**	
North	23.9	

Highly Competitive		
Hawaii	8.8	*
Virginia	11.8	*
Northwest	12.7	*
Midwest	12.9	*
South	13.2	*
California	14.4	
Domestic	***14.5***	*
Texas/NM	14.5	*
North	15.6	*
Northeast	15.7	
Florida	**17.6**	

Moderately Competitive		
Virginia	10.5	*
Hawaii	12.5	*
Midwest	13.3	*
South	14.1	*
North	14.2	*
Northwest	14.5	*
Domestic	***14.7***	*
Texas/NM	15.1	*
Northeast	16.1	
Florida	**17.2**	
California	17.6	

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NOTES: * *indicates objective achieved*