BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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| In re: Petition by Sprint Communications Company Limited Partnership d/b/a Sprint for arbitration with GTE Florida Incorporated concerning interconnection rates, terms, and conditions, pursuant to the Federal Telecommunications Act of 1996. | Docket No. 961173-TP |

**SECOND DAY - MORNING SESSION**

**VOLUME 5**

**PAGES 519 through 663**

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| PROCEEDINGS: | **HEARING** |
| BEFORE: | COMMISSIONER DIANE K. KIESLING<br>COMMISSIONER JOE GARCIA |
| DATE: | Friday, December 6, 1996 |
| PLACE: | Betty Easley Conference Center<br>Room 152<br>4075 Esplanade Way<br>Tallahassee, Florida |
| REPORTED BY: | LISA GIROD JONES, RPR, RMR |

APPEARANCES:

(As heretofore noted.)



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# I N D E X - VOLUME 5

## WITNESSES

EXHIBITS

| NUMBER | IDENTIFIED | ADMITTED |
|---|---|---|
| 15 - (Wellemeyer) DEW-1 & DEW-2 | 524 | 600 |
| 16 - (Wellemeyer) DEW-3 Deposition Transcript | 597 | 600 |
| 17 - (Confidential) (Wellemeyer) Late-filed Depo Exhibits 1-3 | 597 | 600 |

PROCEEDINGS

(Transcript continues in sequence from Volume 4.)

(Hearing recovened at 9:32 a.m.)

COMMISSIONER KIESLING: Call the hearing to order. Are there any preliminary matters that I need to know anything about?

MR. BOYD: Yes, Commissioner. Based on the -- apparently the discussions of the parties in another state yesterday, Sprint is withdrawing Issues 6, 7 and 8 from this proceeding.

COMMISSIONER KIESLING: All right. Anything else?

MR. BOYD: Nothing further.

COMMISSIONER KIESLING: Okay, you're a new witness, and is there -- are there other witnesses that haven't been sworn in?

MS. CASWELL: Yes.

COMMISSIONER KIESLING: Okay, then everybody go ahead and stand up at the same time.

(Witnesses collectively sworn.)

DOUGLAS E. WELLEMEYER

was called as a witness on behalf of GTE Florida, and having been duly sworn, testified as follows:

COMMISSIONER KIESLING: You may proceed.

composite Exhibit 15.

(Exhibit No. 15 marked for identification.)

Q (By Mr. Gillman) Did you also have cause to have prefiled in Docket No. 961173 two pages of rebuttal testimony?

A Yes.

Q Were there any exhibits attached to that rebuttal testimony?

A No, there were not.

Q Was the direct testimony and your rebuttal testimony prepared by you or by someone under your supervision?

A Yes, it was.

Q Do you have any changes that you would like to make to either your direct or rebuttal testimony at this time?

A No, I have no changes to either.

Q If I asked you the same questions which appear in your direct and rebuttal testimony, would your answers here today under oath be the same?

A Yes.

MR. GILLMAN: Commissioner Kiesling, at this time I would ask that the direct testimony of Douglas E. Wellemeyer, as well as his rebuttal testimony filed in this docket, be inserted into the record as though

read.

COMMISSIONER KIESLING: All right, the direct and rebuttal testimony of Douglas E. Wellemeyer will be inserted into the record as though read.

GTE FLORIDA INCORPORATED

DIRECT TESTIMONY OF DOUGLAS E. WELLEMEYER

DOCKET NO. 961173-TP

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Douglas E. Wellemeyer. My business address is 4100 North Roxboro Road, Durham, North Carolina.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am employed by GTE Telephone Operations as Manager - South Area Pricing and Tariffs. I am providing testimony in this proceeding on behalf of GTE.

**Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY.**

A. I graduated from Duke University, Durham, North Carolina in 1976 with a Bachelor of Science degree in Engineering. During 1978, I began graduate study, and in 1980 earned a Masters Degree in Business Administration, also from Duke.

I was employed by General Telephone Company of the Southeast, now GTE South, in 1976 and held various positions in the Network Engineering organization. In 1983, I was named Staff Manager - Network Program Management with GTE Service Corporation of Stamford, Connecticut and in 1985 I was reassigned to the position

of Staff Manager - Separations and Access Costs in Irving, Texas. In both positions, my responsibilities involved development and administration of separations and access cost study procedures used by the domestic GTE telephone operating companies.

In May 1987, I was named Pricing and Tariffs Manager for GTE South, responsible for the development of rates for all products and services offered under tariff, and for preparing and executing GTE South's tariff filings as required by the various state regulatory commissions. In January 1989, I was named Manager - Separations and Access Costs for GTE Telephone Operations, with responsibility for the development of jurisdictional separations and access cost studies in accordance with applicable Federal Communications Commission (FCC) Rules and Regulations, and for the preparation of jurisdictional and access service cost support for various intrastate compensation arrangements and tariff filings in GTE's South Area states. I assumed the responsibilities of my current position in January, 1993.

**Q. WHAT ARE THE RESPONSIBILITIES OF YOUR CURRENT POSITION?**

A. As Manager - South Area Pricing and Tariffs, I am responsible for the development and implementation of pricing and costing policy and procedures, the design of corresponding price structures for toll and local network service offerings, and the design and execution of cost

studies necessary to support certain pricing proposals. I am also responsible for filing tariffs for these services, as well as the intrastate access service tariffs, according to the state commission rules and regulations.

I am responsible for these activities in Alabama, Florida, Kentucky, North Carolina, South Carolina and Virginia, and in other states as the need may arise from time to time.

**Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?**

A. Yes. I have previously testified before the state regulatory commissions in North Carolina, Florida, Georgia, Kentucky, South Carolina, and West Virginia.

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

A. My testimony addresses the development of GTE's proposed wholesale prices for all services offered for resale. In my testimony, I offer and explain two avoided cost studies prepared by GTE in support of the proposed prices. The two studies are provided under Tab 20 of the cost work papers included with GTE's filing in response to Sprint's request for arbitration. Both GTE studies produce avoided cost results that are lower than the FCC's avoided cost discount rates.

The first study is GTE's Avoided Cost Study, where GTE's proposed prices are calculated as the price of the retail offering less costs avoided when service is offered through wholesale, rather than retail, distribution channels. My testimony describes the methodology and results of GTE's analysis of avoided costs.

The second study is a modification of the ARMIS-based avoided cost analysis conducted by MCI, upon which the FCC relied, in part, to establish its default avoided cost discount range. Based on analysis of actual "direct expenses" (i.e., marketing and customer service expenses), GTE has modified the ARMIS model to reflect all costs that can reasonably be expected to be avoided in a manner that conforms with the FCC's proposed avoided cost study criteria. GTE believes that its Avoided Cost Study best reflects the intent of the Act, and offers this Modified Avoided Cost Study based on an ARMIS model as an alternative for use only if the FCC's rules on avoided cost are held to be lawful. Nevertheless, the Modified Avoided Cost Study clearly shows that the FCC's avoided cost discount for GTE is artificially high and economically burdensome.

Finally, my testimony discusses GTE's positions on various issues related to resale service offerings and restrictions.

**Q. HOW IS YOUR TESTIMONY ORGANIZED?**

A Section II of my testimony discusses GTE's methodology for determining avoided retail costs, and discusses the application of that methodology in the GTE Avoided Cost Study. Section III discusses GTE's methodology for determining avoided retail costs under the Modified Avoided Cost study using an ARMIS-based model. Section IV compares the results of the GTE Avoided Cost Study and the Modified Avoided Cost Study to the FCC's rate of 18.81% for GTE overall, and responds to Sprint's position on an appropriate avoided cost discount rate. Section V addresses the resale issues.

**Q. WHY DID GTE PERFORM AVOIDED COST STUDIES?**

A The Telecommunications Act of 1996 (the Act) states that it is the duty of each incumbent local exchange carrier (ILEC) "to offer for resale at wholesale rates any telecommunications service that the carrier provides at retail to subscribers who are not telecommunications carriers" (47 U.S.C. § 251(c)(4) (1996)). The Act further states that for this purpose "a State commission shall determine wholesale rates on the basis of retail rates charged to subscribers for the telecommunications service requested, excluding the portion thereof attributable to any marketing, billing, collection, and other costs that will be avoided by the local exchange carrier" (47 U.S.C. § 252(d)(3) (1996)). To comply with the requirements of the Act, it is necessary to determine avoided retail costs to establish the required wholesale rates for services offered for resale. GTE's Avoided Cost Study was conducted for this purpose.

In addition, the FCC's First Report and Order in CC Docket No. 96-98, released August 8, 1996, provided for the addition of Part 51 Rules governing local interconnection. Subpart G of these Rules defines specific avoided cost study requirements and criteria. GTE prepared its Modified Avoided Cost Studies in conformance with Part 51 Rules, for use if the Rules are determined to be lawful.

**Q. PLEASE SUMMARIZE THE RESULTS OF GTE'S AVOIDED COST STUDY AND THE MODIFIED AVOIDED COST STUDY, AND COMPARE THESE RESULTS TO MCI's PROPOSAL AND TO THE FCC'S DISCOUNT RATE FOR GTE OF 18.81%.**

A. GTE's Avoided Cost Study analyzes avoided costs separately for each of five major service categories. The avoided costs for residential services are $0.83 per line per month; avoided costs for business services are $1.06 per line per month. Since the amount of the avoided costs per line is the same for all rate groups, the effective discount rate varies by rate group. For example, if the monthly residential line rate in a given rate group is $10.00, the avoided cost discount is $0.83, or 8.3%.

For the remaining service categories, the avoided cost discount rates are as follows:

| | |
|---|---|
| Usage Services | 7.1% |
| Vertical Services | |
| Business | 5.5% |

| | |
|---|---|
| Residence | 6 6% |
| Combined | 6 2% |
| Advanced Services | 15 3% |

The Modified Avoided Cost Study determines a single discount rate for each tariff entity. Each single rate is appropriate for application to all retail services offered for resale. The avoided cost discount rates calculated using the ARMIS-based model are as follows:

| | |
|---|---|
| GTE Florida | 11 25% |

In all cases the rates calculated by GTE are lower than the FCC's default avoided cost discount rates.

## II. GTE'S AVOIDED COST STUDY

**Q. HOW ARE AVOIDED COSTS DEFINED FOR THE PURPOSES OF THE GTE AVOIDED COST STUDY?**

A. Avoided retail costs are defined as the difference in total costs with and without the offering of service for resale, i.e., the costs avoided when a service is offered through wholesale, rather than retail, distribution channels.

**Q. WHAT IS THE BASIS FOR THIS DEFINITION OF AVOIDED COSTS?**

A. This definition is consistent with the Act, and properly positions wholesale prices for competitive markets. Setting wholesale prices too high could result in undercutting the ability of resellers to recover a sufficient retail mark up to allow for a viable resale market. On the other hand, if the adjustment for avoided retail costs is too large, the ILECs will not be compensated for their true costs. Moreover, facilities-based competing local exchange carriers (ALECs) could be placed at a competitive disadvantage in pricing their retail service if ALEC resellers are able to purchase wholesale local exchange services below its cost. Finally, appropriately-set wholesale prices will encourage facilities-based competition.

GTE's definition of avoided costs also recognizes the inescapable fact that while some retail costs are avoided for certain activities, a similar activity is often required to offer the same service on a wholesale basis for resale. For example, some incremental retail customer billing activities may be avoided when the service is offered instead for resale, but a wholesale billing function must still be performed. The avoided billing cost is, logically, the difference between the costs of these two activities.

**Q. BASED ON THIS DEFINITION, WOULD YOU PLEASE DEFINE THE COMPONENTS OF AVOIDED RETAIL COSTS AS USED IN THE AVOIDED COST STUDY?**

A. Yes. When a retail service is offered instead on a wholesale basis for resale, the resulting avoided costs can be separated into two components. First, total costs are decreased because it is no longer necessary to provide some incremental retailing functions in support of the service. Second, total costs are increased to the extent that it becomes necessary to provide substitute wholesaling functions in support of the resale service.

Therefore, avoided retail costs are equal to: (1) costs associated with displaced retail activities (affected retail costs) minus (2) added costs associated with replacement wholesale activities (substitute resale costs).

**Q. HOW WAS THE FIRST COMPONENT OF AVOIDED COSTS, THE AFFECTED RETAIL COSTS, QUANTIFIED IN THE AVOIDED COST STUDY?**

A. The first component of avoided costs was calculated by examining all activities involved in the provision of retail services, and identifying the cost of performing those activities that are affected when services are provided on a wholesale, rather than a retail, basis (affected costs). Some activities are required regardless of whether the service is offered on a retail or a wholesale basis, so the associated costs would be unaffected when service is provided on a wholesale, rather than a retail, basis (unaffected costs). These activities were ignored

in the Avoided Cost Study, since none of the associated costs will be avoided.

For example, in the Avoided Cost Study, the total costs of affected activities required to provide residential services were calculated to be $1 36 per line per month This amount for the first component represents the decrease in total costs when a residential basic service is offered on a wholesale basis.

**Q. HOW WAS THE SECOND COMPONENT OF AVOIDED COSTS, THE SUBSTITUTE RESALE COSTS, QUANTIFIED IN THE AVOIDED COST STUDY?**

A. The second component of avoided costs was calculated by first identifying existing wholesale services similar in nature to those in each of the retail service categories. Then, using these services as a proxy for the new wholesale distribution channel, the cost of substitute wholesale activities required when services are offered on a wholesale, rather than a retail, basis was analyzed.

For example, the cost of substitute activities for the residential services category was assumed to be the same as the cost of the same activities currently performed in providing wholesale special access service to interexchange carrier customers. In the Avoided Cost Study, the total costs of affected activities required to provide special access services were calculated to be $0.53 per line per

month. This amount for the second component represents the increase in total costs when a residential basic service is offered on a wholesale basis.

**Q. USING THESE TWO COMPONENTS, HOW ARE THE AVOIDED COSTS CALCULATED FOR YOUR RESIDENTIAL SERVICES EXAMPLE?**

A. Avoided costs are calculated as the first component, affected retail costs, less the second component, substitute resale costs. In the Avoided Cost Study, the costs avoided when residential service is provided on a wholesale basis were calculated as $1.36 minus $0.53, or $0.83 per line per month.

**Q. WHAT DATA WERE USED TO CONDUCT THE AVOIDED COST STUDY?**

A. The Avoided Cost Study was based on actual annual results for GTE Telephone Operations's total domestic telephone operations for 1995. The data are reported in a managerial accounting framework reflecting the results of the business as it is managed, rather than according to traditional financial accounting rules.

**Q. WHY WERE RESULTS FOR GTE'S TOTAL DOMESTIC OPERATIONS USED, RATHER THAN RESULTS SPECIFIC TO THIS STATE?**

A. The necessary data are not recorded on a state specific basis, so data specific to operations in this state are not available from GTE's records. This is because the vast majority of the affected activities are performed on a centralized basis from regional and national service centers located throughout the country. Each of these centers handles one or more specific retailing functions for a number of different states.

For example, the National Customer Contact Support Center located in Tampa, Florida provides nationwide support for the customer contact centers by clearing order entry exceptions and processing customer correspondence. A complete listing and description of these centralized functions is provided as Attachment II (Workcenter Glossary) of the Avoided Cost Study. Because the functions are organized and managed in this way, the associated costs for all affected activities taken together are not meaningful at other than a total GTE Telephone Operations level.

**Q. HOW WERE AFFECTED RETAIL COSTS QUANTIFIED IN THE AVOIDED COST STUDY?**

A. In order to identify the retail costs affected by the offering of services through wholesale rather than retail distribution channels, all of GTE's workcenters were examined to determine which activities would be affected. Resale of existing retail services is defined as the sale of services to a reseller for sale to its end user customers, without any

change in the nature of the product by the reseller. Thus, changes in workcenter costs that result from offering services on a wholesale, rather than a retail, basis arise solely from activities associated with the distribution of services, and not from production activities.

**Q. WOULD YOU PLEASE DEFINE THE TERM "WORKCENTER?"**

A. A workcenter is defined as a collection of activities that exhibit (1) common functions, (2) a common unit measure of demand, (3) a common unit measure of resource consumption, (4) a common geographic uniqueness, and/or (5) a common management structure. Most of the workcenters are defined based on common functions or work activities.

For example, the National Customer Contact Support Center I mentioned earlier performs two specific activities in support of the Customer Contact Centers, clearing order entry errors and processing customer correspondence. These off-line customer contact support functions are organized as a workcenter.

**Q. WERE THE WORKCENTERS ORGANIZED IN A PARTICULAR MANNER SO THAT THE AFFECTED WORKCENTER ACTIVITIES COULD BE IDENTIFIED?**

A. Yes. In general, the affected workcenters are uniquely associated with one of the three lines of business organizations within GTE Telephone Operations. The three lines of business are

Consumer, Business and Carrier. The Consumer line of business organization serves the residence and small business markets, the Business line of business serves the balance of the business market, including national accounts; and the Carrier line of business is responsible for the wholesale relationship with other telecommunications providers. This wholesale relationship currently consists primarily of switched access services, special access services, billing and collection, and operator service agreements.

In addition, as shown in the Workcenter Glossary, workcenters are identified for all Network Operations and Corporate General and Administrative functions. These workcenters were reviewed as well, but are generally not included in the analysis of affected costs because the functions are required for wholesale and retail service provision alike. Finally, Uncollectibles was defined as a workcenter for the purposes of this analysis, and included as such in the Avoided Cost Study.

Once the affected workcenters were identified for study, the total annual costs were determined from the books and records for each affected workcenter. The workcenter costs include labor costs, support and supervision, data processing, training and other employee-related expenses.

The data processing costs were included net of system development and enhancement costs. Development and enhancement costs are "one-time" costs associated with the design and implementation of systems, and were therefore excluded from the Avoided Cost Study. Likewise, projected development and enhancement costs for systems to support the wholesale distribution channel have also been excluded from the Avoided Cost Study. These costs should be recovered from the ALECs who cause them.

**Q. DID YOU MAKE ANY ADJUSTMENTS TO THE ANNUAL COSTS BY WORKCENTER?**

A. Yes. First of all, the identified workcenter costs were adjusted to include certain payroll overheads not accounted for by workcenter. These costs include health insurance, payroll taxes and management incentives. These costs are recorded and managed separate from the workcenter costs, but are properly included in the Avoided Cost Study, as they would be affected by the offering of resale services in the same way as the related direct labor costs. These adjustments by workcenter are shown in Attachment I of the Avoided Cost Study.

Also, an adjustment was made to workcenter costs to remove any non-recurring costs associated with service ordering activities. The workcenters affected by this adjustment can be identified from the listing provided in Attachment III of the Avoided Cost Study. These costs were identified separately, and not distributed among the

service categories in the Avoided Cost Study. This was done because GTE prepared an independent analysis of service ordering and service connection charges.

**Q. HOW WERE THE WORKCENTER NON-RECURRING COSTS ASSOCIATED WITH SERVICE ORDERING ACTIVITIES SEPARATELY IDENTIFIED?**

A. The identification of these costs is documented in Attachment VI of the Avoided Cost Study. Generally, the calculations were based on workcenter-specific data representing the percentage of a workcenter's activities associated with service orders.

For example, for GTE's Customer Contact Centers, the number of calls for service orders was counted and then multiplied by the average length of a service order call. GTE's Customer Contact Centers accounted for approximately 40 percent of GTE's total costs in workcenters having affected costs associated with consumer services. The resulting total service order time was expressed as a percentage of the total time spent on all calls received by Customer Contact Centers. This percentage was then multiplied by the workcenter's adjusted total costs to obtain NRCs. In this way, $182,924,000 in non-recurring costs was separately identified as part of the workcenter costs for the Customer Contact Center.

Once the non-recurring costs were separately identified, the next step

was to assign the remaining workcenter costs to the service categories. The target retail service categories are Residential, Business, Usage, Vertical, Advanced and "Other." The Other category was further divided among Directory, Customer Premises Equipment (CPE), CALC and Other.

**Q. WHAT SERVICES ARE INCLUDED IN THE FIVE TARGET RETAIL SERVICE CATEGORIES?**

A. Residential and Business are simply local residential and business services, respectively. Residential services include both flat rate and measured rate services, while business services include measured rate services, CentraNet® and PBX. The Usage category includes intraLATA toll, discount calling plans, local measured usage, Zone Usage Measurement (ZUM), and Extended Area Services (EAS). Vertical features include such features as call waiting and last number redial, and are offered to both business and residential customers. The Advanced services category includes such services as ISDN BRI and ISDN PRI, Frame Relay, Digital Channel Service, DS-1, and various other dedicated channel services including private line.

**Q. HOW WERE THE REMAINING RECURRING COSTS ASSIGNED TO THE SPECIFIC CATEGORIES OF RETAIL SERVICES?**

A. For a number of workcenters, sufficient information was available to assign costs directly to specific retail service categories. For

example, all the costs of the Calling Card workcenter could be directly assigned to the Usage category. In other cases, sufficient information was available to directly assign only a portion of costs. In each of the following workcenters, complete or partial direct assignments of affected costs were made.

**National Credit Management Center (NCMC):** Workcenter costs were allocated to services on the basis of each service's share of consumer and business uncollectibles for the services supported by the NCMC.

**Business Sales Center (BSC):** Non-attributed Business service costs were allocated on the basis of business revenues relative to total revenues and the remainder of costs were distributed on the basis of the 1995 sales quotas for the BSC associated with each remaining service.

**Branch Sales, Market Response, Branch Sales Engineering and Business Operations Support:** Costs associated with the sale of CPE products were netted out of non-attributable costs based on time studies for each of these workcenters. The remaining costs were then distributed according to the relative size of the 1995 sales quotas for each of these workcenters.

**Branch Sales Support:** The Branch Sales Support - East (West) workcenter's costs replicated the combined allocation of other East (West) branch service workcenters' costs.

**National Accounts:** The distribution of non-attributable costs replicated the combined allocation of both East and West branch sales service costs.

**Business Data Processing:** The distribution of non-attributable costs replicated the combined allocation of all branch sales services, BSC, National Accounts and Business Operations Support Service costs.

**National Customer Support Center:** Non-attributable costs were allocated according to the relative number of service specific calls received by the workcenter.

Q. **IF SUFFICIENT INFORMATION WAS NOT ALWAYS AVAILABLE TO DIRECTLY ASSIGN THE WORKCENTER'S TOTAL AFFECTED COSTS, HOW WERE THESE COSTS ASSIGNED TO THE SERVICE CATEGORIES?**

A. In such cases, workcenter costs not directly assigned were assigned to the service categories in proportion to the net revenues for the service categories associated with that workcenter. This method of assignment is known as the relative revenue rule (see generally, D.

Spulber, Regulation and Markets Ch 3 (1989)) Attachment III of the Avoided Cost Study identifies the method of assignment used for each workcenter. Attachment V, page 1, displays the results of assigning costs for all workcenters to the retail service categories.

**Q. HOW WAS THIS INFORMATION USED TO CALCULATE THE AFFECTED COSTS PER UNIT FOR RETAIL SALES?**

A. The units for each of the retail service categories are shown on page 2 of Attachment V of the Avoided Cost Study. For local residential, local business, and advanced services, avoided costs were divided by the number of lines. For usage, avoided costs were divided by the number of minutes. Per unit affected costs for vertical services were not calculated, because data for the second component of avoided costs, substitute resale costs, are not available. I will discuss this issue later in my testimony in the context of substitute resale costs. The results of these calculations are also shown on Attachment V, page 2.

**Q. WHAT ARE THE PER UNIT AFFECTED COSTS ASSOCIATED WITH RETAIL SALES FOR EACH SERVICE CATEGORY?**

A. The per unit affected retail costs for each retail service category are:

| | |
|---|---|
| Residential | $1.36 per month per line; |
| Business | $1.60 per month per line; |
| Usage | $0.01006 per minute; and |
| Advanced | $4.30 per month per line. |

**Q. HOW WAS THE SECOND COMPONENT OF AVOIDED RETAIL COSTS, SUBSTITUTE RESALE COSTS, CALCULATED?**

A. Since retail services have not yet been offered for resale for any length of time, their substitute costs cannot be measured directly. Instead, GTE's substitute costs associated with offering service on a wholesale, rather than a retail, basis were calculated by determining the affected costs of an existing wholesale service similar in nature to the services to be offered at resale.

**Q. WHAT EXISTING WHOLESALE SERVICES WERE USED TO CALCULATE SUBSTITUTE RESALE COSTS?**

A. The offering of local residential, local business, and advanced services for resale was assumed to be analogous to the current wholesale provision of special access service. The wholesale offering of retail usage services was assumed to be analogous to the current provision of originating and terminating switched access.

**Q. WHY DID YOU CHOOSE THESE PARTICULAR EXISTING SERVICES AS PROXIES FOR RESALE SERVICES?**

A. Special and switched access services are existing wholesale services provided through a well-established provisioning process. As such, they constitute GTE's most accurate information on the cost of the wholesale provision of line-based and usage-based services. Special access is a logical choice as a proxy for the retail line-based service, because it is also line-based. Likewise, switched access is a logical

choice as a proxy for all usage services.

**Q. WHAT EXISTING WHOLESALE SERVICE DID YOU USE AS A PROXY FOR THE RESALE OF VERTICAL FEATURES?**

A. GTE was not able to identify an existing wholesale service corresponding to the offering of vertical features for resale. Consequently, an alternative approach, which I will describe later, was used to estimate these substitute resale costs.

**Q. WHAT WAS THE FIRST STEP IN CALCULATING SUBSTITUTE RESALE COSTS?**

A. The workcenters were examined to see which ones were applicable. In the case of substitute resale costs, the affected workcenters are organized within the carrier line of business. A workcenter was included in the Avoided Cost Study if it was part of the wholesale access structure.

Once the workcenters applicable to substitute resale costs were determined, the affected costs were distributed among resale service categories using essentially the same methodology I described earlier for the retail workcenters. Sufficient information was not available to assign costs directly to specific service categories. Consequently, the relative revenue rule was used to assign costs according to carrier revenues.

The assignment of substitute resale costs for all included workcenters is displayed along with the retail affected costs in Attachment V, page 1. The Access column contains the affected costs of providing originating and terminating switched access, which serves as a proxy for the costs of offering switched services, such as intraLATA toll service, for resale. The Advanced column contains the affected costs relating to both retail and wholesale workcenters.

**Q. HOW WAS THIS INFORMATION USED TO CALCULATE THE SUBSTITUTE COSTS PER UNIT FOR RESALE SALES?**

A. The units for the Advanced and Access wholesale service categories are shown on page 2 of Attachment V of the Avoided Cost Study. The per unit substitute costs of Advanced services were determined by dividing total substitute costs by the corresponding number of lines. Likewise, the per unit substitute costs for access services are calculated by dividing total substitute costs by the corresponding number of minutes.

**Q. WHAT ARE THE PER UNIT RESALE SUBSTITUTE COSTS FOR EACH OF THE TWO PROXY SERVICE CATEGORIES?**

A. The per unit substitute resale costs for each category are:

| | |
|---|---|
| Access | $0.00414 per minute, and |
| Advanced | $0.53 per month per line. |

Q. **PLEASE EXPLAIN THE DEVELOPMENT OF THE AVOIDED COST RESULTS.**

A. Avoided retail costs are defined as the difference in total costs with and without the offering of service for resale. Thus, avoided retail costs are equivalent to the affected retail costs less the substitute resale costs. Since both of these components were calculated on the same per unit basis, the avoided cost results for each retail service category were simply determined by subtraction. The avoided cost results are:

- GTE's avoided retail costs of providing local residential service for resale are equal to $1.36 (affected retail costs) less $0.53 (substitute resale costs), or $0.83 per line per month.

- GTE's avoided retail costs of providing local business service for resale are equal to $1.60 (affected retail costs) less $0.53 (substitute resale costs), or $1.06 per line per month.

- GTE's avoided retail costs of providing intraLATA toll service for resale are equal to $0.01006 (affected retail costs) less $0.00414 (substitute resale costs), or $0.00592 per minute.

- GTE's avoided retail costs of providing advanced services for resale are equal to $4.30 (affected retail costs) less $0.53 (substitute resale costs), or $3.77 per line per month.

**Q. HOW WAS THE AVOIDED COST DISCOUNT FOR VERTICAL FEATURES DETERMINED?**

A. Since GTE was unable to identify an existing service whose costs would approximate the cost of providing vertical features, it was not possible to calculate avoided costs for vertical features offered for resale. The best alternative available was to apply avoided cost relationships associated with basic exchange services. Thus, the avoided cost discount rates for residential and business basic exchange service were used to approximate the relative avoided costs for vertical features. Consequently,

- the avoided cost discount rate for residential vertical features was set equal to the avoided cost discount of local residential service, 6.6 percent,

- the avoided cost discount rate for business vertical features was set equal to the avoided cost discount of local business service, 5.5 percent; and

- the avoided cost discount rate for vertical features not segregated in the tariff as either residential or business was set equal to the composite avoided cost discount of local residential and business services, 6.2 percent

**Q. WHAT WAS THE BASIS FOR THE CALCULATION OF GTE'S PROPOSED WHOLESALE RATES?**

A. I relied on the pricing rules presented in the testimony of GTE witness Dr. Doane. Generally, the wholesale price for a resale service can be calculated as the retail price for that service less the avoided retail costs.

In the case of basic exchange access services, however, an adjustment to costs should be made to acknowledge the foregone contribution associated with complementary services, such as intraLATA toll service. As explained in Dr. Doane's testimony, the ALEC reseller is very likely to package and self-provision intraLATA toll with the resold local exchange service, rather than purchase intraLATA toll from GTE for resale. Therefore, the "bundle" of services resold includes not only basic exchange access, but also profitable intraLATA toll.

**Q. HAVE YOU DONE ANY ANALYSIS TO QUANTIFY THE OPPORTUNITY COST THAT ARISES FROM TOLL CONTRIBUTION LOSSES WHEN BASIC EXCHANGE ACCESS SERVICES ARE PROVIDED BY GTE TO AN ALEC FOR RESALE?**

A. Yes. In performing the analysis, I first determined the average intraLATA toll revenue and minutes for GTE's current retail customers by type of local service. I then calculated the current level of contribution from intraLATA toll service, based on the cost studies

which have been filed by GTE. I then converted the average toll minutes per customer to access minutes, based on the assumption that in a resale scenario the ALEC reseller would self-provision intraLATA toll and pay switched access to GTE instead. Finally, I calculated the level of contribution that would be provided by the substitute access service, again based on the cost studies filed in this docket.

This analysis is summarized and provided with my testimony as Exhibit No. DEW-1. The resale opportunity cost for each basic exchange access service is calculated as the difference between the current toll margin per line and the access margin per line.

**Q. BASED ON THE PRECEDING DISCUSSION AND ANALYSIS, WHAT ARE YOUR PROPOSED WHOLESALE RATES FOR THE BASIC EXCHANGE ACCESS SERVICES UNDER DISCUSSION?**

A. For all basic local exchange services the proposed wholesale rates should be determined, using the pricing rules proposed by Company witness Doane and the contribution analysis above, as follows:

(1) the retail price,

less (2) the avoided costs per line from the Avoided Cost Study,

plus (4) toll opportunity cost (toll contribution),

less (5) access opportunity gain (access contribution)

**Q. DR. DOANE DISCUSSES TWO EXCEPTIONS THAT MAY AFFECT THE ASSESSMENT OF FOREGONE TOLL CONTRIBUTION UNDER THE RESALE SCENARIO YOU HAVE JUST DISCUSSED. WOULD YOU PLEASE IDENTIFY THEM?**

A. Yes. First, it is possible that an ALEC reseller such as Sprint has self-provided toll service to the end user prior to the time resale was initiated. In this case, GTE would not experience any further foregone toll contribution. Second, the ALEC reseller may not actually self-provision toll service. In this case, GTE would continue to provide intraLATA toll, and again there would be no opportunity loss.

**Q. HAVE YOU ACCOUNTED FOR THESE SITUATIONS IN YOUR ANALYSIS, BOTH OF WHICH WOULD OFFSET GTE'S RESALE OPPORTUNITY LOSSES TO SOME DEGREE?**

A. No, the analysis assumes that the ALEC reseller will self-provide intraLATA toll 100 percent of the time. To properly accommodate these situations, I propose to establish a credit rate equal to the opportunity cost I included in the calculation of the resale price for each basic exchange access service. This "toll provider credit" would be a MRC. Upon certification by the ALEC local reseller that it was the toll provider prior to the authorization of local resale, GTE will apply the toll provider credit rate to the account. Likewise, upon certification that the ALEC local reseller is not also the toll provider for the end user customer, GTE will apply the same toll provider

credit. This procedure is administratively simple for both the ALEC and GTE, and properly addresses both of the exception conditions

**Q. WOULD THE PROPOSED TOLL PROVIDER CREDIT REMAIN CONSTANT OVER TIME, OR WOULD YOU RECOMMEND THAT IT BE ADJUSTED PERIODICALLY?**

A. The toll provider credit should vary over time with changes in the levels of the underlying toll and access contributions. Inasmuch as local, toll and access rates will be rebalanced over time, the toll provider credit should be adjusted whenever toll and access rates are adjusted. Ultimately, the toll provider credit will be replaced entirely by rebalanced rates for both retail and resale services.

**Q. WHAT RATES DO YOU PROPOSE FOR USAGE RELATED SERVICES, INCLUDING MEASURED LOCAL SERVICE, EAS AND INTRALATA TOLL, AND HOW ARE THEY DEVELOPED?**

A. The Usage services category of the Avoided Cost Study includes all of these services. For this category, the results of the Avoided Cost Study are expressed as a discount rate of 7.1 percent to be applied to the various retail prices. As there are no additional opportunity costs associated with offering these usage services for resale, the proposed rates are based on the retail price less avoided costs.

**Q. WHAT ARE YOUR PROPOSED WHOLESALE RATES FOR VERTICAL FEATURES, INCLUDING VERTICAL SERVICES,**

**CENTRANET® BASIC FEATURE PACKAGES, AND COCOT FEATURES, AND HOW ARE THEY DEVELOPED?**

A. The Vertical features category of the Avoided Cost Study includes all of these services. For this category, the results of the Avoided Cost Study are expressed as a set of discount rates to be applied to the respective retail prices.

| | |
|---|---|
| Residential vertical features | 6.6% |
| Business vertical features | 5.5% |
| Composite | 6.2% |

The composite discount rate is applied to vertical feature offerings that are not offered separately in the tariff as either residence or business features. As there are no additional opportunity costs associated with offering vertical features for resale, the proposed rates are based on the retail price less avoided costs.

## III. THE MODIFIED AVOIDED COST STUDY

**Q. DID GTE PERFORM ANOTHER TYPE OF AVOIDED COST STUDY?**

A. Yes. GTE's second study is a modification of the MCI avoided cost study, which the FCC relied upon, in part, to calculate its default avoided cost discount range. GTE has modified certain inputs to the ARMIS-based model used in preparing this study to properly identify avoided costs in accordance with the FCC's proposed avoided cost

criteria. As I discussed above, GTE strongly believes that its Avoided Cost Study best reflects the intent of the Act, and offers this Modified Avoided Cost Study as an alternative to be used only if the FCC's rules on avoided costs are held to be lawful.

**Q. PLEASE DESCRIBE THE MCI MODEL, AS EMPLOYED BY THE FCC.**

A. Generally speaking, the MCI model is an ARMIS-based model which has been used by the FCC and others to greatly simplify the determination of avoided retail expenses. I refer to the model as "ARMIS-based" because it applies avoided cost factors to ARMIS data as filed with the FCC by the LECs according to established reporting requirements.

In the model, both direct and indirect expense allocations are performed. Direct expenses are those marketing and customer service expenses reported in accounts 6611, 6612, 6613, 6621, 6622 and 6623. In its proposed rules, lacking any specific actual study data, the FCC designated that expenses in accounts 6621 and 6622 would be presumed 100% avoidable, and expenses in the remaining accounts would be presumed 90% avoidable. These were cast by the FCC as rebuttable assumptions.

Indirect expenses generally include support and overhead expenses, which the FCC found to be presumptively avoidable in the same

proportion as direct expenses to total expenses. The model performs the necessary allocations internally, based on the treatment of direct expenses.

**Q. WOULD YOU PLEASE DESCRIBE YOUR PREVIOUS WORK WITH AVOIDED COST STUDY MODELS?**

A. Yes. I have worked with various AT&T and MCI models continuously since June, 1996. AT&T and MCI filed testimony in California supporting their studies; MCI's testimony was later withdrawn *(Rulemaking on the Commission's Own Motion to Govern Open Access to Bottleneck Services and Establish a Framework for Network Architecture Development of Dominant Carrier Networks, R. 93-04-003 and I. 93-04-002)*. MCI's model filed in California was the same model filed by MCI with the FCC in response to the NPRM, which the FCC relied upon for its analysis which is discussed in the First Report and Order. GTE's Modified Avoided Cost Study was designed based in part on this analysis. A comparative analysis between MCI's model and GTE's Modified Avoided Cost Study is included as Exhibit No. DEW-2 with this testimony.

**Q. PLEASE IDENTIFY GTE'S MODIFICATIONS TO THE ARMIS-BASED STUDY MODEL.**

A. Three basic modifications were made to data inputs used in GTE's Modified Avoided Cost Study, the model itself was not altered, and

GTE believes it conforms, as presented, with the FCC's proposed avoided cost criteria

The three principal modifications are as follows:

1) GTE developed allocators for direct expenses in the model, based on analysis of actual costs. These allocators are used in place of the FCC's presumptions of either 90% or 100% avoidable for each of the six direct expense accounts. A detailed study proves the validity of GTE's replacement allocators.

2) Revenues for services to which the avoided cost discount rate is not to be applied were identified and subtracted from operating revenues to determine the appropriate revenue base for calculating the resale discount rate; and

3) Plant-related expenses, return and taxes were identified as attributable to avoidable land and support assets, and included as avoidable costs. These elements were apparently not included in the FCC's analysis using the MCI model

**Q. PLEASE DESCRIBE THE DETAILED STUDY USED BY GTE TO DEVELOP THE DIRECT EXPENSE ALLOCATORS INPUT TO THE ARMIS-BASED MODEL.**

A This study was developed for the purpose of determining an "avoided retail expense" factor to be applied in the ARMIS model to each of the six direct expense accounts. The FCC's preliminary analysis established and applied presumptive factors for this purpose.

The study was based on the same workcenter cost detail used in GTE's Avoided Cost Study. Workcenters were grouped by function to facilitate a determination of activities that could reasonably be expected to be avoided in a resale environment. Generally, the costs for each workcenter were either classified as "all avoided" or "none avoided"; the allocation of "sales" workcenter expenses is the only exception to this general approach. Avoided expenses identified in this way were then summarized by account, and divided by total expenses excluding "General and Administrative" and "Support" workcenter costs to determine the avoided retail percent by account.

**Q. PLEASE IDENTIFY THE KEY AVOIDED COST ASSUMPTIONS UNDERLYING THIS STUDY, AND GIVE THE RATIONALE FOR EACH.**

A. The key assumptions and rationale inherent in the study are as follows:

1) Carrier Access expenses recorded in account 6623 are not avoided costs, since access services are not offered for

resale, and the associated expenses are not included in the retail rates for services that are offered for resale

2) Public Telephone expenses recorded in account 6623 are not avoided costs because they are similar in nature to expenses in Account 6351 discussed in Paragraph 927 of the FCC's First Order and Report. The FCC states that these expenses are not avoided because "they are unrelated to the retail services being discounted." The FCC further explains that it "would not expect these expenses to be included in retail service rates for resold services; but if these expenses were included in retail rates, they would not be avoided when the services are purchased by resellers."

3) Service ordering costs recorded in account 6623 are not avoided costs, because ordering activities will still be required to provide retail services to ALECs for resale. Services will be ordered by ALECs in virtually the same manner as retail services are presently ordered by end user customers. Any efficiencies attributable to the wholesale nature of the ordering process will be nominal, and are offset at least in part by additional ordering activities required as part of the wholesale ordering process.

4) Operator services expenses are not avoided, since there are

separate tariff rates for operator services (i.e., the services are offered on an unbundled basis today), and the associated expenses are not included in the rates for other retail services offered for resale. The FCC erred when they allowed that operator services expense avoidance was somehow dependent upon whether an ALEC uses their own operators. In fact, this option has nothing to do with avoided costs.

5) Product Management expenses are not avoided, since product planning, product development and product rollout activities, which account for the preponderance of expenses recorded in this account, are required regardless of whether the products are offered at retail or wholesale. This assertion is further proven simply by observing that the reseller incurs none of these types of expenses, and so to the extent that product planning, development and introduction occurs, the associated costs will continue to be borne by GTE and will not be avoided.

**Q. WOULD YOU PLEASE ELABORATE ON GTE'S POSITION ON THE TREATMENT OF OPERATOR AND DIRECTORY ASSISTANCE SERVICE COSTS IN THE AVOIDED COST STUDY?**

A. GTE proposes to offer tariffed operator services and directory assistance services for resale on the same terms and at the same rates as the corresponding retail offerings. This position is justified based on the fact that there are no costs that can reasonably be

avoided when the services are offered for resale, the services are offered and provided in the same manner, and require the same activities, whether provided on a wholesale or a retail basis. Except for any DA call allowance bundled with basic exchange service, the costs for these services are recovered through separate rates, and are not included in the rates for other services offered for resale. Therefore, it is appropriate to reflect that none of the costs for operator services can reasonably be avoided. As a further concession, operator services revenues have been removed from the revenue base for the calculation of the avoided cost discount rate in GTE's Modified Avoided Cost Study. The services will be made available for resale, but there is no basis for a wholesale rate that differs from the retail rate, because there are no avoided costs.

**Q. WHY SHOULD OPERATOR COSTS *NOT* BE TREATED AS AVOIDABLE WHEN A REQUESTING CARRIER CLAIMS TO HAVE PLANS TO USE ITS OWN OPERATORS?**

A. Any line of reasoning to the contrary is flawed because it confuses costs of production with retailing costs. The intent of the resale entry option is to permit prospective resellers to buy services on a wholesale basis, and provide their own retailing functions to compete as an end-user service provider. To that end, the FCC has established rules to determine the costs avoided by ILECs when they offer the service on a wholesale basis, and the reseller provides the retailing function. Sprint's witness defines avoidable costs as costs

that the ILEC does not incur when they sell the service on a wholesale basis; the assumption implicit in this definition is that the service is produced by the ILEC in either case, retail or wholesale.

Under the flawed reasoning that operator costs should somehow be considered avoidable, (1) the identification of avoided costs is confounded by including costs incurred by GTE to produce operator services, not retail them, and (2) this artificial inflation of avoided costs is then leveraged into a higher discount rate that will apply to other services the requesting carrier may buy for resale. Sprint may well decide to provide operator services using their own operators, but this would simply mean that they will not purchase any of the separately tariffed operator services offered by GTE. It has nothing at all to do with costs that can reasonably be avoided if GTE offers service on a wholesale basis instead of on a retail basis, which is the definition of avoided costs.

**Q. WOULD YOU NOW PLEASE DESCRIBE EXHIBIT NO. DEW-2?**

A. Yes. This exhibit presents a comparison of the MCI model used by the FCC in their avoided cost analysis, and GTE's Modified Avoided Cost Studies for the GTE Florida tariff entity. The comparison is based on four iterations of an avoided cost study presented side by side so the changes from one iteration to the next can be easily identified.

The first iteration shows the MCI calculations in the form submitted to the FCC, and is included only to help clarify the changes the FCC made when they used MCI's model in their analysis. MCI's submission to the FCC included avoided cost data from four GTE states (Washington, California, Texas and Florida), which when composited together produced the FCC's 18.81% avoided cost estimate for GTE. Page 1 of Exhibit No. DEW-2 displays the summary results of calculations shown on pages 2 through 4, and would result in an avoided cost discount of 26.33% for example.

The second iteration shows the results from MCI's ARMIS model as modified by the FCC, including the FCC's presumptions of avoided costs for each of the ARMIS "direct expense" accounts; these modifications are described in the FCC's First Report and Order. With these changes, the FCC's avoided cost discount for the GTE Florida tariff entity, for example, would be 17.27%.

The third iteration presents the avoided cost calculation based on the FCC's model, and changing *only* the factors applied to the direct expense accounts. Allocation factors resulting from analysis of actual financial records at the necessary level of detail (Part 1 of the Modified Avoided Cost Study) were used in place of the FCC's presumptive factors of either 90% or 100%. This iteration would produce an avoided cost discount of 7.83% for GTE Florida, and

demonstrates the considerable significance of the allocation factors applied to the direct expense accounts.

The final iteration is GTE's Modified Avoided Cost Study as filed in GTE's response to AT&T's request for arbitration. The study makes further changes to address issues discussed by the FCC but not included in their analysis, such as uncollectibles. The study as filed results in an avoided cost discount of 11.25% for the GTE Florida tariff entity. Because of the nature of a number of concessions incorporated in this analysis, this avoided cost study should be viewed as an upper bound on the range of costs GTE can reasonably be expected to avoid when services are offered for resale.

**Q. WHY WOULD IT BE INAPPROPRIATE TO USE THE FCC'S PRESUMPTIVE AVOIDED COST FACTORS?**

A. The FCC created their presumptions about avoided direct expenses for the purpose of establishing a default avoided cost discount range, and nothing more. The FCC made their intent clear when they stated at paragraph 909 of the First Report and Order that "our rules for identifying avoided costs are cast as rebuttable presumptions", and further clarified their expectations at paragraph 917, stating that "(t)hese presumptions regarding accounts 6611-6613 and 6621-6623 may be rebutted if an incumbent LEC proves to the state commission that specific costs in these accounts will be incurred with respect to

services sold at wholesale, or that costs in these accounts are not included in the retail prices of the resold services."

**Q. WHAT IS THE AVOIDED COST DISCOUNT RATE INDICATED BY GTE'S MODIFIED AVOIDED COST STUDY?**

A. The avoided cost discount rates calculated using the ARMIS-based model is as follows

GTE Florida 11.25%

## IV. COMPARISON OF RESULTS

**Q. HAVE YOU PREPARED A COMPARISON OF THE RESULTS OF GTE'S STUDIES WITH FCC'S AVOIDED DISCOUNT RATE FOR GTE OVERALL?**

A. Yes. For the purposes of this comparison, GTE's Avoided Cost Study results by service category are composited together into one discount factor (GTE's study results are not to be applied in this manner; this is done simply to facilitate a comparison of the various avoided cost proposals).

The results are tabulated as follows:

GTE's Avoided Cost Study 7.00%

Modified Avoided Cost Study

GTE Florida 11.25%

| | | | |
|---|---|---|---|
| | | FCC's Estimated Avoided Costs | |
| | | for GTE | 18 81% |

**Q. DO YOU AGREE WITH SPRINT'S CLAIMS THAT GTE HAS NOT PROVIDED AVOIDED COST STUDIES THAT SATISFY THE REQUIREMENTS OF THE ACT AND THE ORDER?**

A No, I do not The studies I have described in this testimony were prepared in direct response to the Act and the FCC's First Report and Order GTE's Avoided Cost Study conforms precisely with the "avoided cost" standard established in the Act Sprint prefers the "avoidable cost" standard created by the FCC, which GTE believes is not in conformance with the Act, either in spirit or in word Nonetheless, GTE's Modified Avoided Cost study was prepared to conform precisely with the FCC's "avoidable cost" requirements, and addresses all of the requirements identified in Sprint's testimony

**Q. HAS SPRINT BEEN PROVIDED ACCESS TO THESE STUDIES?**

A As I stated earlier, both studies were included in the Company's response to Sprint's request for arbitration In addition, it is my understanding that GTE's Avoided Cost Study was provided to Sprint early this past summer, during the course of negotiations

**Q. WHAT AVOIDED COST DISCOUNT RATE HAS SPRINT RECOMMENDED?**

A. Sprint has no specific recommendation for an avoided cost discount rate. Sprint has identified the default discount rates calculated by the FCC in the First Report and Order, but cautions that "the FCC's proxies are to be used only in the interim period while appropriate cost studies are being conducted."

**Q. ARE YOU AWARE OF ANY POSITIONS PREVIOUSLY TAKEN BY SPRINT WITH RESPECT TO SPECIFIC AVOIDED COST DISCOUNT RATES?**

A. Yes, I am. In the California OANAD docket to which I referred earlier in my testimony, Sprint's witness Mr. David S. Brevitz observed that GTE California's avoided cost estimations were consistent with those made in other states, and stated that "United Telephone-Southeast recently filed in Tennessee a detailed avoided cost analysis that indicate net avoided costs of $.91 per month per access line (5.71% of retail revenues) and 10.41% of retail revenues for other services" (Direct testimony at 46). A copy of Mr. Brevitz's testimony is included in GTE's response to Sprint's request for arbitration. Mr. Brevitz further stated that "(r)esale discounts of the size identified by GTEC and the United/Tennessee studies are appropriate for the Commission to adopt" (Direct testimony at 46).

**Q. WHAT AVOIDED COST STUDY, REFERRED TO BY MR. BREVITZ, WAS USED IN SUPPORT OF GTE CALIFORNIA'S PROPOSALS IN THAT DOCKET?**

A. The Avoided Cost Study filed in that docket was GTE's Avoided Cost Study, the same study GTE is recommending be used in this docket to set prices for all services offered at wholesale rates for resale

**Q. SPRINT ALSO RECOMMENDS THAT AVOIDED COST STUDIES SHOULD BE DESIGNED USING AT LEAST FIVE SERVICE CATEGORIES, DESIGNED TO RECOGNIZE THE POTENTIALLY DIFFERENT AVOIDED COST CHARACTERISTICS EXHIBITED BY DIFFERENT TYPES OF SERVICES. DO YOU AGREE?**

A. Yes. In fact, GTE's Avoided Cost Study was designed, for precisely that reason, based on five resale service categories. GTE's five service categories are not defined in precisely the same manner as the five categories Sprint suggests, but they do address the same objective. It should be noted that little flexibility exists to define numerous service categories for study, or to expect that all ILECs could prepare a study using precisely the same categories. The reason for this limitation is simply that the management information necessary to support such a study is not readily available in general from an ILEC's pre-wholesale operations. Therefore the definition and number of service categories is dependent upon how much information is available at that level of detail for use in the avoided cost study.

## V. RESALE

**Q. WHAT IS GTE'S POSITION REGARDING RESALE RESTRICTIONS?**

A. GTE seeks to have several resale restrictions and conditions established in the course of this proceeding in accordance with guidelines and procedures established by the FCC. It is GTE's position that the need for certain resale restrictions is contemplated by the FCC's Part 51 Rules, and authority is reserved to the state commission to permit specific resale restrictions that are reasonable and non-discriminatory. GTE's specific proposals for resale restrictions should, therefore, not be dismissed out of hand based on representations that resale restrictions are prohibited by the FCC's Rules.

GTE will offer for resale at wholesale rates all of the services it currently offers on a retail basis except for: below-cost services, promotional services, services that are already provided on a wholesale basis, non-recurring charge services, pay phone lines, semi public pay phone lines, and COCOT coin and coinless lines. The specific resale restrictions proposed by GTE can be classified into two groups: (1) services that GTE will not agree to offer for resale; and (2) services that GTE will not agree to offer for resale at wholesale rates.

**Q. CAN YOU OFFER A COMPREHENSIVE SUMMARY OF THE PROVISIONS FOR RESALE RESTRICTIONS THAT ARE INCLUDED IN THE FCC'S PART 51 RULES?**

A. Yes. The FCC's Part 51 Rules state that an ILEC shall not impose restriction on resale except as explicitly allowed. The following types of resale restrictions are expressly provided for by the Rules:

(1) Cross-class selling. When purchasing for resale services the ILEC offers only to residential customers (or to a limited class of residential customers) a requesting carrier may be prohibited from offering service to customers not eligible to subscribe to the service from the ILEC;

(2) Withdrawn (grandfathered) services. ILEC services offered only to a limited group of customers who subscribed to such a service in the past must also be offered at wholesale rates to requesting carriers for resale to the same limited group of customers;

(3) Promotions. An ILEC is not required to discount special promotional rates, provided such rates will not be in effect for more than 90 days, and

(4) Otherwise, an ILEC may impose such a restriction by proving to the state commission that the restriction is reasonable and nondiscriminatory

It is important to acknowledge that this fourth provision of the FCC's Part 51 Rules contemplates that further resale restrictions may be required and reserves to the state commission the authority to permit further restrictions that are reasonable and nondiscriminatory

**Q. WHAT SERVICES WILL GTE NOT AGREE TO OFFER FOR RESALE?**

A. GTE will not offer for resale the following services

(1) Services priced below cost. Under GTE's current rates, certain services are priced below cost. These services receive contributions from other services, such as intraLATA toll, access, and vertical and discretionary services, all of which are priced above incremental cost. If GTE were required to offer its below-cost services on a wholesale basis, then other carriers would (1) obtain avoided-cost discounts for both below-cost and above-cost services, and (2) be able to pocket the contributions from the above-cost services that had been used to price the other services below-cost. Accordingly, GTE could not cover its total costs unless these services are

excluded from GTE's wholesale offerings or are repriced to cover their costs.

It is noteworthy that the FCC "declined to limit" resale offerings to exclude below-cost services, but did not prohibit a resale restriction.

(2) Any promotional offerings. GTE should not be required to offer services such as promotions on a wholesale basis; otherwise, GTE would not be able to differentiate its retail services from those of competing carriers. Put another way, a competitor will be able to offer any service it wants on any terms and conditions it desires to attract new customers, and GTE needs this same flexibility to respond to competition on a retail basis and give its customers more choices.

For example, if GTE offers a special promotion to its customers but is required to provide that same promotion to Sprint on an avoided-cost basis, then GTE could never differentiate its offerings from those of Sprint. Importantly, GTE would have absolutely no incentive to develop additional promotions and other new services that would benefit customers because Sprint could take and use them for its own marketing and economic advantage. In fact, GTE could never differentiate its offerings from Sprint's. This result is contrary

to the purpose of the Act by limiting choices to customers. The Act should be implemented in a manner that allows all carriers to respond to competition, including GTE.

It is noteworthy that if all avoided costs are properly reflected in the wholesale price for the underlying service, then promotional offerings have no anti-competitive implications, regardless of the duration of the offering.

(3) Public pay telephone lines. These are not retail service offerings.

(4) Semi-public pay telephone lines. There are a number of reasons why GTE will not agree to offer these services for resale. The most prominent reason is that GTE will not agree to offer for resale the coin station apparatus essential to the service offering as it is currently defined. In addition, the service is not currently priced to support maintenance and collection activities desired without substantial support from toll collections.

(5) GTE will not agree at this time to offer all future AIN-based services for resale. It is my understanding that issues requiring further discussion involve trigger access to a competing carrier's network platform and services. However,

AIN services that are currently offered in GTE's retail tariffs will be offered for resale at wholesale rates.

**Q. WHAT SERVICES WILL GTE NOT AGREE TO OFFER FOR RESALE AT WHOLESALE RATES?**

A. GTE will offer for resale, but not at wholesale rates, the following services:

(1) Any services already priced at wholesale rates. Such services include special access and private line services tariffed under the special access tariff, and COCOT coin and coinless lines.

(2) Operator services and directory assistance services. Because the provision of these services requires the same activities to be performed whether offered on a retail or a resale basis, there are no avoided costs for these services. As previously discussed, except for the DA call allowance bundled with the basic local service offering, the costs for these services are recovered through separate rates, and are not included in the rates for other services offered for resale.

(3) Non-recurring charge services. There are no associated costs that can reasonably be expected to be avoided for these offerings. Therefore, the rates for primary service ordering and installation should not be based on the application of an

avoided cost discount to the associated retail rate, but rather on an appropriate study reflecting the costs of the wholesale provisioning process.

**Q. ARE THERE ANY OTHER RESALE RESTRICTIONS OR CONDITIONS THAT GTE IS PROPOSING AT THIS TIME?**

A. Yes. A requesting carrier should not be permitted to purchase unbundled loop and unbundled port services in combination at unbundled service rates for the purpose of avoiding a higher resale rate. The FCC certainly did not intend to enable this sort of tariff arbitrage when they stated that the requesting carrier should be able to combine unbundled elements in any way they wish. It is GTE's position that unbundled loop and port services purchased in combination constitutes the purchase of basic local services for resale, and should be priced accordingly.

**Q. WHAT IS GTE'S POSITION WITH RESPECT TO THE OFFERING OF VOICEMAIL AND INSIDE WIRE SERVICES?**

A. These services are not "telecommunications services" as defined in the Telecommunications Act of 1996 (the Act), and GTE is therefore not required to offer them for resale.

**Q. WHAT IS GTE'S POSITION WITH RESPECT TO THE OFFERING OF CONTRACT SERVICES FOR RESALE?**

A. Contract services are offerings that are made, by definition, on an individual case basis. A rational consideration of this issue requires that a distinction be drawn between existing contract services and new contract offers.

Existing contract services are offered under terms and conditions of a standing contract between a retail customer and GTE. Termination liabilities would be defined in the contract as necessary to protect GTE's investment to provide the service, and would apply if GTE's customer should choose to change to a different service provider during the term of the contract. GTE will not agree to offer existing contract services for resale at wholesale rates.

GTE will agree to offer new contract services for resale. Pricing for these services will be established on a nondiscriminatory individual case basis, and will reflect the avoidance of any costs that would only be associated with the retail provision of the same service

**Q. WHAT IS GTE'S POSITION WITH RESPECT TO SUBSCRIBER LINE CHARGES ASSOCIATED WITH RESALE SERVICES?**

A. GTE intends to bill all associated subscriber line charges to the ALEC reseller. GTE assumes the ALEC will, in turn, bill its end-user customer a like amount.

## VI. SUMMARY

**Q. WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY?**

A. Yes. Both of the avoided cost studies prepared by GTE produce results that are lower than the FCC's default avoided cost discount range of 17% to 25%.

Wholesale prices for resale services should be determined based on retail rates less avoided costs, as calculated using GTE's Avoided Cost Studies. The FCC's avoided cost discounts both are artificially high and economically burdensome.

Also considered in developing the resale rates for basic exchange services is the fact that resellers do not generally endeavor to sell only the basic local service, but rather the entire bundle of services currently offered by GTE. GTE loses considerable contribution associated with any complementary services, notably intraLATA toll, and this lost contribution is properly included as an opportunity cost in developing the proposed resale rates.

Finally, I have reviewed GTE's position with respect to various resale issues.

**Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

A. Yes.

GTE FLORIDA INCORPORATED

REBUTTAL TESTIMONY OF DOUGLAS E. WELLEMEYER

DOCKET NO. 961173-TP

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A My name is Douglas E. Wellemeyer. My business address is 4100 North Roxboro Road, Durham, North Carolina.

**Q. DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING?**

A Yes, I did.

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

A My testimony responds to Sprint's position on avoided cost discounts for certain GTE retail services made available for resale.

**Q. SHOULD GTE BE REQUIRED TO OFFER FOR RESALE AT WHOLESALE RATES SERVICES TO THE DISABLED, INCLUDING SPECIAL FEATURES OF THAT SERVICE SUCH AS FREE DIRECTORY ASSISTANCE SERVICE CALLS, IF THAT SERVICE IS PROVIDED BY GTE?**

A No. GTE should not be required to discount retail rates for "means tested services" (e.g., lifeline, tel-assistance, disabled services). These services are the responsibility of all local services providers on behalf of their end users. Further, it is the ALEC's responsibility to verify and document their own customers' status. ALECs may buy

residential services and provide discounts to qualifying end users and participate in subsidy pools with all other service providers. This arrangement would be in parity with GTE's own requirements to provide those services.

**Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

A Yes, it does.

Q (By Mr. Gillman) Do you have your summary of your direct and rebuttal testimony?

A Yes, I do.

Q And Mr. Wellemeyer, would you give it at this time?

A Yes. Thank you. Good morning, Commissioners. My testimony presents GTE's positions on resale and avoided costs, and addresses Issues 3, 4 and 5 in the prehearing order. Issue 3 relates to the need to restrict Sprint's ability to combine unbundled network elements in such a way as to reconstitute basic local service to avoid the resale rate structure.

Issue 4 considers the services GTE should not be required to offer for resale, and in my summary this morning I'll discuss two in particular that have been the subject of considerable debate in arbitration hearings around the country, namely promotions and below-cost residential services.

Issue 5 addresses the rates, terms and conditions for all services offered for resale. GTE recommends the Commission should adopt GTE's Avoided Cost Study for use in setting resale rates in this proceeding, and that resale rates for basic exchange services must also reflect lost contribution from intraLATA toll.

Common among all three of these issues is this Commission's authority and obligation to establish terms, conditions and prices for wholesale services that are just and reasonable and nondiscriminatory. Neither the Telecommunications Act of 1996 nor the FCC's rules limit the Commission's ability to do so.

On Issue 3, this commission must prohibit Sprint from purchasing unbundled loop and switching elements in combination at unbundled service rates so as to avoid a higher resale rate. Such a purchase by Sprint constitutes basic local service for resale and must be priced accordingly. If Sprint and others are not to be prohibited from engaging in this sort of arbitrage, this Commission should wonder why Congress established two different pricing standards in the Act. To permit this form of tariff arbitrage by Sprint and others would disincent any development of facilities-based competition, since competing local carriers would have no need to make investments in their own networks and GTE would have no incentive to invest in support of its existing network.

This outcome is plainly counter to the intent of the Act. Acknowledging the fact that two markedly different pricing standards are established in the Act, one for wholesale prices and one for unbundled network

elements, the Commission should adopt GTE's proposal on this issue as a policy matter to enable the further development of local competition in Florida.

On Issue 4, GTE believes that a number of services should not be offered for resale, including promotional offerings and below-cost residential services. Regarding promotional offerings, GTE must not be required to make these offerings available to competitors for resale, regardless of the duration of the offering. Sprint claims it would otherwise be competitively disadvantaged, but this is not so. Competing carriers such as Sprint have precisely the same opportunity as GTE to forego price contribution to joint and common costs for any promotional offering they may wish to make.

Avoided costs which are supposed to be the basis for wholesale rates are recognized in the price for the underlying service. There are no additional costs that can be avoided for any promotional offering of that service. Excluding GTE's retail promotional offerings from resale is therefore reasonable and it is nondiscriminatory because all carriers like GTE have equal opportunity to sacrifice a part of the overall contribution to joint and common costs by offering their own retail promotions.

On the other hand, requiring GTE to offer any promotion for resale is both unreasonable and discriminatory against GTE. GTE cannot differentiate its retail offerings in the market, and competitors can match or beat any promotion GTE would offer.

Under these circumstances, GTE would have no incentive to offer any promotion that would be used -- that would be available for resale, and it would choose not to do so if it behaved rationally. This is not an outcome that would benefit the consumers of Florida.

Regarding below-cost residential services, GTE will not agree to offer these services for resale until prices are adjusted to cover costs or appropriate support mechanisms are established to allow GTE an opportunity to fully recover its costs. GTE believes and hopes that this will be accomplished in the very near future enabling all consumers in Florida to realize the benefits of a competitive local market at the earliest possible date.

Meanwhile, GTE must not be denied the opportunity to fully recover its reasonable costs, including joint and common costs. Today the cost of residential local service is recovered in part through implicit price contributions from various other services, including, notably, intraLATA toll. Sprint

and others have argued that GTE will be no worse off when it offers the service for resale at a discount since the resale rates reflect avoided costs.

This is a myopic perspective. It implies that GTE will also continue to offer for resale the services that provide that price contribution to support basic local service, and only then would GTE be no worse off. In the case of intraLATA toll, this is not what anyone expects to occur. GTE will not continue to provide intraLATA toll to the reseller, and it will be denied the opportunity to recover costs of basic local service. Now this is not a competitive loss. This is a problem that results from the traditional price structure established by this Commission and by GTE.

The Commission must address this problem before requiring GTE to offer below-cost residential services for resale or it will otherwise deny GTE any means to recover its costs.

Finally, I'll very briefly comment that --

MR. BOYD: Excuse me, Commissioner. I think we've gone close to six minutes on this summary.

COMMISSIONER KIESLING: Yes, we have. And you need to wrap it up. Very quickly.

WITNESS WELLEMEYER: One final comment on Issue 5 dealing with terms and rates for avoided costs.

GTE recommends that its Avoided Cost Study be used to set those rates and that those rates also recognize the resale opportunity costs that are identified in my testimony. Thank you.

MR. GILLMAN: Tender the witness for cross.

CROSS EXAMINATION

BY MS. RODDY:

Q Mr. Wellemeyer, my name is Carolyn Roddy. I'm regulatory counsel for Sprint, and I have a few questions. I'm going to break them down per issue. First, concerning rebundling, did you testify about rebundling in the AT&T/GTE arbitration in Florida?

A Yes, I believe I did.

Q Did you make the same arguments in support of your opposition to rebundling in that case as you've made today?

A Yes.

Q Are you familiar with the PSC's decision on Monday concerning rebundling?

A I'm familiar with the recommendation.

Q Are there any reasons Sprint should not be able to rebundle, as was allowed by AT&T and MCI in the GTE arbitration?

A I don't think Sprint should be treated any differently from AT&T and MCI. I do believe Sprint, as

well as AT&T and MCI, should be prohibited from rebundling unbundled service elements.

Q Okay, thank you. Issue No. 4. Did you testify about services excluded from resale in the -- in the AT&T/GTE arbitration here in Florida earlier?

A Yes.

Q Did you make basically the same arguments there that you're making now?

A Yes, I believe so.

Q And you're familiar with the decision by the PSC?

A Yes, I've read it.

Q Again, are there any reasons that that result should not apply to Sprint?

A I think the same proposals should apply in the case of each of those issues discussed in my testimony to Sprint, AT&T and MCI alike. Let me just say that that's predicated on an assumption that any related terms and conditions in the contracts are also equivalent between Sprint, AT&T and MCI. There are cases where resale restrictions or prices may vary based on other terms and conditions that are unique to a contract between GTE and any one of the competing carriers.

Q But on the services excluded from resale, this

particular issue, are you raising any arguments or making any unique assertions in this case that have not already been discussed at length in the AT&T/GTE arbitration? That can be a yes or no if you want.

A Well, I don't believe I am, no. But as clarification, this is a brand new environment for all of us to try and deal with. And I don't think anyone here would disagree that every time we meet and review these issues again, we all learn something more that we didn't realize before. I'm not advocating that Sprint should be treated any differently from AT&T and MCI with the proposals I'm making in this case. But I would hope that if there is any of that kind of additional learning that occurs as a result of this hearing that influences the considerations that were made previously with respect to those same issues for AT&T and MCI, that there will be an opportunity for all of us to benefit from that learning.

Q Is there any additional learning that you're offering on this particular issue in this case?

A I believe through the opportunity to discuss the issues, again, that that will occur.

Q Moving to Issue No. 5, again, you testified in the GTE/AT&T arbitration on Issue No. 5?

A Yes, I did.

Q Your testimony was roughly the same?

A I believe it was, yes.

Q Any new or unique rationales in support of your position on No. 5 in this case?

A I believe the only thing that was added to my testimony was in support of some proposals that related to some proposals that were made earlier this year by Sprint elsewhere in the country.

Q Do you think that Sprint should be treated any differently than AT&T and MCI under Issue No. 5?

A No. Again, assuming that all of the other related terms and conditions in the contract between Sprint and GTE are the same, then I would think that the same avoided cost discount, the same resale rates and terms and conditions should apply to Sprint.

Q Do you also recognize the value of a level playing field for new market entrants?

A Yes. I recognize that that's a necessity.

MS. RODDY: That's all I have.

COMMISSIONER KIESLING: Staff?

CROSS EXAMINATION

BY MS. BARONE:

Q Good morning, Mr. Wellemeyer. My name is Monica Barone. I'll be asking you questions on behalf of Commission Staff.

A Good morning.

Q Sir, are the cost studies filed in this proceeding, i.e., the recommended Avoided Cost Study and the Modified Avoided Cost Study, the same cost studies that you filed in the 960847 and 960980 proceeding, which is the AT&T/MCI?

A Yes, they are the same cost studies.

Q So nothing has changed between the two studies?

A No.

Q Did you provide the Modified Avoided Cost Study which shows work center costs by USOA accounts other than what is briefly shown on your Exhibit DEW-2, which is attached to your direct testimony?

A Yes. The Modified Avoided Cost Study was provided in entirety with the Company's cost support documentation. It was filed under tab 20 of that documentation.

Q Thank you. Sir, on Page 12 of your direct testimony at Line 1 you state that data for GTE's Preferred Avoided Cost Study is not state-specific. If this is the case, then how can this study reflect GTE Florida's costs?

A What that statement refers to is the fact that work center data were used for the study and the work

center data were collected on a total GTE Telephone Operations basis. The reason that was done is because for the majority of the work centers, at least for a vast number of the work centers, the work activity is conducted from national or regional centers that respond to certain requirements for more than one state. So the financial results, summarized in that way, are really only meaningful at that level of detail. There are certainly ways that those costs could be allocated to try to divide them up among states, but that would not make them more meaningful or more representative of a particular state, such as Florida.

Q On Page 13 at Line 1 of your direct testimony, you state that work center input should be used in the Avoided Cost Study. Why do you believe that should be used instead of ARMIS data?

A The reason is that whatever data we choose to use in the analysis, we have to have sufficient information to make judgments about whether costs for specific activities can be avoided or not. And the way that GTE has done that in its studies is to analyze the particular work functions themselves, and to determine for each activity whether it could be expected that that activity is required in a wholesale environment or not, and then to take the associated costs for that activity

and treat them in whatever way was determined.

Q Sir, on Page 22 you discuss a substitute cost for services that cannot directly be measured. Could you explain why you think it's necessary in this proceeding to use substitute costs?

A Yes. Substitute costs represent what it would require for GTE to perform the work activities that will be necessary to support its wholesale offering to the competing carriers. If those costs are not reflected in the development of wholesale rates, then GTE obviously would not have an opportunity to recover any expenses it incurs to support those wholesale offerings, or it would not be able to provide those services to the competing carrier.

An example would be -- I believe I used it in my testimony -- we will have to render a bill to the competing carrier. And so we include substitute costs for billing functions that we believe will be necessary to produce a bill. Admittedly, it would be in an entirely different format and probably be compiled in a more efficient way than what's customarily required for a retail bill to be rendered, but there will still be expenses incurred and still activity required to render a bill, and the substitute costs in this case would be the costs for the activities required to render a bill

to the competing carrier. All of those substitute costs are wholesale provisioning costs. None of those are retail costs that are being added back.

The corresponding component on the retail side would be, in this billing example, any costs that are incurred for any current retail end user billing function. Those are identified in their entirety and identified as avoided.

Q Does GTE Florida's Avoided Cost Study treat uncollectibles as 100 percent avoided?

A No, it doesn't. It treats uncollectibles other than interexchange carrier uncollectibles as avoided if they're attributable to the service categories, the five service categories that were studied.

Q And are those 100 percent avoidable?

A Any portion of the end user uncollectibles that's attributed to the five service categories is treated as avoided in its entirety.

Q Does GTE Florida's Avoided Cost Study treat any indirect costs as avoided?

A It treats costs that were identified or defined by the FCC as expenses in indirect accounts as avoided, yes. To the extent that costs are recorded to those accounts in the work center data that was used as

a basis for the study, those indirect expenses are included in the Avoided Cost Study.

Q Can you be more specific? Are you including things such as general and administrative costs?

A Yes. As an example, I think I remember that there were costs recorded to one of the corporate operations accounts, I think it was 6728, in the consumer product management work centers. Those expenses in the 6728 account were expenses that were later defined by the FCC as indirect expenses. But since they're reported to that work center, they would have been included and treated in the same as all other costs for the work center. So in that way some indirect expenses are included in the Avoided Cost Study.

Q Can you identify any others?

A I don't think I've got the material with me to do that with.

Q Does GTE Florida believe that when it loses a local customer to competition, that it will also lose the opportunity to earn a profit or contribution from the sale of intraLATA toll service to that customer?

A Yes, a contribution. The reason is that we will no longer be the toll provider for those customers as a rule. The competing carrier, once they have succeeded in competing successfully for the local

service customer's local account, will in general become their toll provider. So GTE will not be providing toll service anymore and therefore it will not be able to receive the support that's inherent in the current toll price structure. That contribution will be foregone.

Q You believe that only -- rather, you believe that if you lose a local customer, you automatically lose their toll?

A I believe that will happen in the vast majority of cases, yes. That's because this is what customers have stated that their preferences are, and this is the way that all carriers have indicated that they intend to market service to customers. It will be marketed on a combined basis and they will try to be the one stop for all the customer's telecommunications shopping.

Q So based on that, do you think that the resale discount should be reduced in order for GTE Florida to recover some of the lost contribution from intraLATA toll?

A No. The inclusion of this contribution component is independent of the avoided cost study or the avoided cost discount calculation. It's a step that needs to be taken in developing resale rates, but it doesn't directly affect the avoided cost discount. It's

an independent analysis.

Q Does GTE Florida believe that public telephone services should not be available for resale at discount -- at a discount?

A Yes, that's discussed in my testimony. The reason for that is simply that we don't currently offer a public telephone line as a retail offering. So there is no line to be able to offer it to a competing carrier. For public telephone service what we offer is a local call, or the ability to make a call from a company pay station.

Q Sir, can we clarify with you something you stated earlier? I believe you stated that the Modified Avoided Cost Study was under tab 20, but we looked at that, and it appears that the Preferred Avoided Cost Study is under tab 20.

A Both the studies are included there. And they're filed -- I believe the first one you would find under that tab is in fact GTE's Avoided Cost Study, and I don't think they're tabbed separately. In the back you should find the Modified Avoided Cost Study.

MS. BARONE: That's all I have, but I do have one other item that I would like to take up with this witness, Commissioner. The parties have agreed to stipulate Mr. Wellemeyer's deposition transcript.

COMMISSIONER KIESLING: All right.

MS. BARONE: From Docket 960847 taken on September 30th, 1996. I believe you have that before you. We would like to mark that for identification, as well as his confidential late-filed deposition Exhibits 1 through 13 attached to that deposition. Those are confidential exhibits, 1 through 3.

COMMISSIONER KIESLING: I'll number them separately so that confidential ones don't get mixed in.

MS. BARONE: Thank you.

COMMISSIONER KIESLING: I'll mark DEW-3, which is the deposition transcript, as Exhibit 16, and the late-filed deposition Exhibits 1 through 3 as Exhibit 17.

MS. BARONE: Thank you.

MR. BOYD: Excuse me, Commissioner. Can we arrange to get a copy of those confidential exhibits?

MR. GILLMAN: Yes. I can make arrangements for that.

MR. BOYL: Okay, thank you, Tony.

(Exhibit Nos. 16 and 17 marked for identification.)

MS. BARONE: Thank you. That's all I have.

COMMISSIONER KIESLING: Any questions?

COMMISSIONER GARCIA: No, thank you.

COMMISSIONER KIESLING: Any redirect?

MR. GILLMAN: Yes, Commissioner Kiesling.

REDIRECT EXAMINATION

BY MR. GILLMAN:

Q Mr. Wellemeyer, Sprint counsel asked you whether in your opinion there should be a level playing field for market entrants. In your opinion, should there be a level playing field between the market entrants and the incumbent?

A Yes. I think the level playing field should apply to all market participants, including the incumbent.

Q In your opinion, a policy of allowing the combination of unbundled elements to replicate a resold service, would that create a level playing field between the market entrants and GTE?

A No, it would not. GTE would be significantly disadvantaged in a competitive sense if such practices were allowed.

Q Explain how they would be at a competitive disadvantage?

A Well, GTE presently recovers joint and common costs through its rate structure in total, and it also recovers costs for specific services, one from another in some cases, where rates have traditionally been set

to meet certain public policy objectives. An example that we're all familiar with is that residential service is typically priced lower than it otherwise would be. And the support for contribution to joint and common costs that might otherwise have been provided by that service are sought through other services.

If the resale rate structure, which would reflect the vast majority of that price structure, if the resale rate structure is going to be subverted through permission to arbitrage the rate structure and take instead unbundled elements and reconstitute the same services, then essentially competing carriers are permitted to take advantage of the TELRIC pricing standard which is supposed to apply to unbundled elements and produces rates that are substantially lower, and the contributions that are necessary to provide recovery for GTE's joint and common costs, and also for some residual costs for those services that are priced below cost, would be eliminated. There would be no opportunity to receive that contribution that's necessary to recover costs, because the TELRIC standard, while it does provide a portion, a contribution to joint and common costs as a part of each of those prices, is not a make-whole pricing structure and it does not address any implicit support mechanisms that exist in

GTE's retail rate structure.

Q Do you think there would be a level playing field if GTE is required to resell services below cost?

A No, I don't. Essentially the same reasoning.

MR. GILLMAN: That's all I have. Thanks.

COMMISSIONER KIESLING: All right, exhibits?

MR. GILLMAN: I move for the admission -- I forget the number -- of exhibits --

COMMISSIONER KIESLING: 15.

MR. GILLMAN: -- whatever number they were marked.

COMMISSIONER KIESLING: Exhibit 15.

MR. GILLMAN: Thank you.

MS. BARONE: Staff moves 16 and 17.

COMMISSIONER KIESLING: All right, without objection those exhibits are admitted.

(Exhibit Nos. 15, 16 and 17 received into evidence.)

COMMISSIONER KIESLING: Witness free to go? Excused?

MR. GILLMAN: Excused.

WITNESS WELLEMEYER: Thank you.

(Witness Wellemeyer excused.)

* * *

MIKE DREW

was called as a witness on behalf of GTE Florida, and having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MS. CASWELL:

Q Please state your name and business address.

A My name is Mike Drew. My business address is 600 Hidden Ridge Drive, Irving, Texas.

Q By whom are you employed and in what position?

A I'm employed by GTE Telephone Operations. I am Group Product Manager-Network Interconnection.

Q Did you cause to be filed direct testimony in this proceeding?

A Yes, I did.

Q Do you have any changes to that testimony?

A Yes, I do.

Q Would you please give those to us?

A Yes. In my direct testimony I would like to make a typing correction on Page 19. It's contained within the cite on Line 20, the subparagraph indicated in parens as 29 should be changed to 45.

Also I have other portions of the testimony that I desire to strike. Those areas are Page 22, Line 19, through Page 23, Line 3. Also, Page 24, Lines 3 through 18, also Page 41, Line 22 through Page 43, Line

7. And I would also --

COMMISSIONER KIESLING: I'm sorry, would you repeat that?

WITNESS DREW: Yes, Page 41, Line 22, through 43, Line 7. And I would also like to withdraw the two exhibits identified as MD-1 and MD-2.

Q (By Ms. Caswell) And those were attached to your direct testimony?

A Yes, they were.

Q And with those changes, if I asked you the same questions in your testimony today, would your answers remain the same?

A Yes, they would.

Q Mr. Drew, did you also file rebuttal testimony in this proceeding?

A Yes, I did.

Q Do you have any changes to that testimony?

A No, I don't.

Q So that if I asked you those same questions today, your answers would remain the same?

A Yes.

MS. CASWELL: Commissioner Kiesling, at this time I would like to ask that Mike Drew's testimony be inserted into the record as though read.

COMMISSIONER KIESLING: The direct and

rebuttal of Mike Drew will be inserted into the record as though read.

MS. CASWELL: Thank you.

GTE FLORIDA INCORPORATED

DIRECT TESTIMONY OF MIKE DREW

DOCKET NO. 961173-TP

**Q. PLEASE STATE YOUR NAME AND YOUR BUSINESS ADDRESS.**

A My name is Mike Drew. My business address is 600 Hidden Ridge, Irving, TX 75038.

**Q. BY WHOM ARE YOU EMPLOYED, AND WHAT IS YOUR POSITION?**

A I am employed by GTE Telephone Operations as a Group Product Manager-Interconnection. I am currently responsible for the continued compliance with the FCC and State PUC ONA Orders as well as the planning and implementation of the FCC's Operations Support System access requirements of the Interconnection Order in Docket 96-98. In addition, I am the GTE representative in various industry ONA forums such as the Information Industry Liaison Committee ("IILC"). As such, I am very familiar with the FCC's previous OSS access requirements under the ONA Orders and the issues worked at the IILC regarding access to OSS functionality for enhanced service providers.

**Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND WORK EXPERIENCE.**

A I graduated from Harding University with a Bachelor of Science

degree in Business Administration in 1972. I was employed by General Telephone Company of Illinois as part time student help in the Outside Plant Engineering, Traffic Engineering, and Market Forecasting departments for three summers while I was completing my undergraduate degree. Upon completion of my undergraduate degree I joined General Telephone Company of Illinois in the Market Forecasting department where I was responsible for central office equipment and outside plant facility forecasts for an assigned geographical area. While in the capacity of Market Forecaster, I was relocated from Kewanee, Illinois to a remote office in Streator, Illinois in October, 1974 and another remote office in Belvidere, Illinois in October, 1976 with consolidation of my old and new geographical areas of responsibility.

In March, 1981, I was promoted to Senior Market Forecaster and relocated to Bloomington, Illinois where I was responsible for training new forecasting personnel, econometric modeling, computer programming, and central office equipment and outside plant facility forecasts for the Bloomington metropolitan area. In January, 1984, I was promoted to Administrator - Business Assessment at GTE's Midwestern Telephone Operations Headquarters in Westfield, Indiana which involved the assessment of potential business opportunities within the ten state telephone operating area.

In October, 1986, I was promoted to Product Development Manager - Telecommunication Services for GTE Service Corporation in Carmel, Indiana where I was responsible for the development of new telecommunication and information services to be implemented by the seven telephone companies of GTE. In October, 1987, I was promoted to Product Manager - Information Services and relocated to Irving, Texas. In this capacity, I was responsible for the development and life cycle management of new information services to be offered within the seven telephone companies of GTE.

In November, 1988, I was named Group Product Manager - Advanced Intermediary Services for the new consolidated GTE Telephone Operations. In this capacity I was responsible for supervising a group that performed life cycle management of new advanced network services, which also incorporated the information services products of my previous position.

In October, 1989, I was appointed to the position of Group Product Manager - ONA Implementation. In this capacity I was responsible for supervising a group that supported the planning and implementation of GTE's ONA requirements of the FCC and State Public Utility Commissions in the states in which GTE operates.

In August, 1993, I was appointed to my current position of Group Product Manager - Network Interconnection.

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

A My testimony focuses on how GTE will provide operations support systems to Sprint and its affiliates ("Sprint"). GTE has many arbitration proceedings underway at this time and GTE requests that it be permitted, if necessary, to substitute a witness for my testimony.

**Q. HOW IS YOUR TESTIMONY ORGANIZED?**

A My testimony is presented in the following sections. Section A provides a general overview of operations support systems. Section B sets out the relevant requirements of the Act and FCC's Order. Section C provides a listing of the disputed issues presented for arbitration and a summary of the parties' respective positions. Section D presents GTE's position in detail, and Section E presents a brief summary.

## SECTION A: OPERATIONS SUPPORT SYSTEMS - AN OVERVIEW

**Q. WHAT ARE OPERATIONS SUPPORT SYSTEMS?**

A Overall, there are approximately 40 different operations support systems related to ordering, provisioning, usage, billing and repair for GTE's local exchange service. While it is not practical or necessary to discuss each one here, a number of the more important ones will be referenced in the following discussion to illustrate the technical complexity of both the various systems and their integration.

**Q. HAS SPRINT REQUESTED ACCESS TO GTE'S OPERATIONS SUPPORT SYSTEMS AS ONE OF THE UNBUNDLED ELEMENTS IT SEEKS FROM GTE?**

A Yes. Sprint is seeking access to GTE's Operations Support Systems, including all systems used in preordering, ordering, provisioning, maintenance and repair, billing, telephone number assignment, service interval information, and maintenance history, including any gateway system. Access to OSS via an electronic gateway is intended to be deployed once industry standards are developed.

**Q. HOW WILL GTE'S OPERATIONS SUPPORT SYSTEMS BE USED FOR SPRINT?**

A Generally, GTE will process Sprint orders for these items using the same systems GTE uses for its own local services. Thus, for example, the ordering and provisioning of resold services as well as billing and maintenance will be provisioned using GTE's data centers and the many operations support systems GTE uses for its own service. It is not technically feasible at this time to provide the variety of electronic interfaces or interconnection points that Sprint requests. GTE is willing to explore the possibility for future development of specific types of multi-level "electronic bonding" to its systems functions that may become technically feasible. However, any necessary electronic bonding can be accomplished only if the costs associated with such interfaces are properly recovered from the Competing Local Exchange Carriers ("CLECs") and if the operation

and security of the system and data within it, especially GTE's proprietary customer data, is not compromised.

**Q. HOW WILL GTE PROVIDE OPERATIONS SUPPORT TO SPRINT FOR SERVICE ORDERING, PROVISIONING AND BILLING SYSTEMS?**

A. There appears to be no significant controversy between the parties regarding whether GTE's operations support systems functions will be used for Sprint on a nondiscriminatory basis and as they are used for GTE. These systems are the same operations support systems GTE uses to provide its own local services. GTE's use of these operations support systems for Sprint's resold services and unbundled elements will be the same as for GTE's services.

The discussion which follows will describe the operations support systems that GTE will use and the related functions that are available in the short term to Sprint under GTE's contract for service ordering, service provisioning and billing. Trunk-side interconnection support systems will be discussed first, followed by a review of support systems for line side interconnection. The various GTE systems discussed below are depicted in the attached Exhibit No. MD-1 to my testimony.

**Q. WHAT GTE SYSTEMS WILL SUPPORT SPRINT'S ORDERS FOR TRUNK-SIDE INTERCONNECTION?**

A. Sprint will be able to order trunk-side interconnection services from GTE through a direct electronic interface over the GTE Network Data Mover ("NDM") in a nondiscriminatory manner just as it does today for access services. In fact, the systems that GTE will use to process trunk-side interconnection orders are the same systems that Sprint and other IXCs use today for the purchase of access services from GTE. Requests for switched and special access are processed routinely today and the parties are very familiar with the process. The system has proved to be operationally sound over the years. Orders for trunk-side interconnection will be initiated by an Access Service Request ("ASR") sent electronically by Sprint over the NDM. Again, this is the same data delivery vehicle that Sprint currently uses to order access services. ASRs for trunk-side interconnection will be entered electronically into GTE's Customer Access Management System ("CAMS") to validate the request, identify any errors, and resolve any errors back to Sprint. CAMS is a family of GTE systems comprised of EXACT/TUF, SOG/SOP, and CABS. See Exhibit No. MD-1.

The use of CAMS to support Sprint's requests for trunk-side interconnection will operate in the following manner. GTE will route the ASR through its data center to one of two National Access Ordering Centers ("NAOC"). The ASR order will be entered electronically into the EXACT/TUF system for validation and correction of errors. Errors will be referred back to Sprint. Sprint then

will correct any errors that GTE has identified and resubmit the request to GTE electronically through a supplemental ASR. GTE then will translate the ASR into a service order for provisioning and billing. In order to convert the ASR into a service order, GTE personnel must apply the necessary elements to provision the service and include the billable elements necessary for GTE to bill Sprint for the services provided. This application also requires a determination of the access tandem to end office relationships with the service requested.

At the next system level, translated service orders will be distributed electronically through the SOG/SOP systems to several destinations. The SOG/SOP system will begin the actual provisioning of the service for Sprint. Other GTE provisioning systems are CNAS and ACES. The GTE Database Administrative group ("DBA") and the Special Services Control Center ("SSCC") will be the two most important destinations at this level. The DBA location will identify codes for the appropriate GTE switch in order to provide the functions required by the ASR. The SSCC will provide the engineering for the facilities over which the services will be handled. Information from these two groups (and others) then will be transmitted electronically to GTE's field service personnel (Customer Zone Technicians or "CZTs") who will establish the trunks and facilities, thus connecting the GTE facilities to a connecting company, if one is required, and to Sprint. GTE's CZTs also will contact Sprint directly to perform testing, and

upon acceptance by Sprint, will make the necessary entries into the GTE system to complete the order. The competed orders then will pass to GTE's Carrier Access Billing System ("CABS") which will generate the bill to Sprint. The billing process under CABS requires coordination with several other systems.

Billing cannot be accomplished without call records from GTE's central office switches. Records of usage will be generated at GTE's end office switches or the access tandems. Call usage records will be transmitted electronically from GTE's switches through GTE's Billing Intermediate Processor ("BIP"). This system will collect the call records, perform limited manipulations to the record and transfer them to a centralized data center where they will be processed through the Universal Measurement System ("UMS") to determine the validity and accuracy of the records. UMS also will sort the records and send them to the CABS billing system, from which GTE will produce a bill and send it to Sprint.

**Q. WHAT GTE SYSTEMS WILL SUPPORT SPRINT'S ORDERS FOR LINE-SIDE INTERCONNECTION?**

A. Sprint will also be able to order line-side services directly from GTE through an electronic interface. Line-side services include resale, unbundled loop, unbundled port and interim number portability. To initiate an order for these services, Sprint will submit a Local Service Request ("LSR") from its data center to GTE's Data Center using the

same electronic NDM interface used for trunk-side interconnection. Thus, the same transport process and existing physical interconnections between the carriers can be used. For new entrants that elect not to interface electronically, GTE will accommodate submission of LSR orders by facsimile, E-mail, internet or a dial NDM arrangement. An LSR is very similar to an ASR, except that it will be used exclusively for line-side interconnection requests. GTE will transfer LSRs to GTE's NOMC centralized service order processing center electronically. For CLECs who decide not to use an electronic interface to reach GTE's data center, or who do not have data centers similar to Sprint's, GTE will accept requests for service through other forms or media directly to the NOMC.

Most LSRs will be used either to transfer an existing GTE customer to Sprint or to request service for a new customer who is not an existing GTE customer. Depending on the situation, different information will be required on the LSR. LSRs for a conversion of a GTE local customer to Sprint must include information relating to all existing, new and disconnected services for that customer, including the customer's name, type of service desired, location of service and features or options the customer desires.

While Sprint would have its own customer information and the SAG/GTE products on tape from GTE, Sprint would not have the due date or new telephone number for new customers since that

information is contained in GTE's systems. Therefore, a process is required to provide this information to Sprint. GTE itself does not have uniform access to this information electronically. Until there is agreement on electronic interfaces, Sprint has agreed that an 800 number is the method that will be used. The 800 telephone number will connect Sprint directly to GTE's NOMC service representatives. When Sprint receives a request for service from a new local service customer, Sprint will call GTE's NOMC through the 800 number, and, while the new customer is on hold, GTE will provide the due date for service and the new telephone number for that customer. At the same time, Sprint will give GTE the new customer's name, service address and type of requested service (e.g., R1, B1, etc.). GTE will enter that information into its SORCES or SOLAR service ordering systems to be held in suspense until Sprint sends the confirming LSR. Sprint will then return to its customer on hold and provide the due date and new telephone number.

After concluding the telephone call with the new customer, Sprint will complete a confirming LSR for the new service and send it electronically to GTE's data center for processing. Upon receipt, GTE will match the LSR with the service order suspended in GTE's system, and if there is a match, GTE will process the LSR. After the LSR is processed, GTE will transmit confirmation electronically to Sprint through the NDM that the LSR has been processed, providing a record of the telephone number and due date. Of course, GTE

cannot hold the LSR in suspension forever. Thus, Sprint will be required to submit the confirming LSR by 12:00 p.m. each day local time, as defined by the location of the service address. If Sprint fails to submit the LSR in a timely manner, the suspended LSR will be considered in jeopardy, at which time GTE will assign a new due date upon receipt of the delayed LSR for such customer requests and notify Sprint of the change.

Number assignments and due date schedules for services other than single line service will be assigned using the standard Firm Order Confirmation ("FOC") report sent electronically to Sprint over the NDM, thereby providing a record of the newly established due date. An exception would be a multi-line hunt group, for which the pilot number first will be provided by the 800 number. The other numbers then will be provided through the normal electronic confirmation process.

The processing of specifically requested telephone numbers (called "vanity numbers") also has been discussed. If a number solution can be established expeditiously, it will be done while the customer is still on the line. If extensive time will be required to find a solution, GTE service representatives will work with Sprint representatives off line as GTE would for its own customers. For all of this, of course, the basic tariff guidelines for providing telephone numbers will be followed.

Once the order for line-side interconnection service is established, it is moved for provisioning to the next system level. Here, GTE will validate and process the LSR to establish an account for Sprint and, if GTE continues to provide some residual services to the customer, GTE will maintain a GTE account. In GTE's system, GTE's account is called the Residual Account and Sprint's account is referred to as the CLEC Account. If any engineering for the service is necessary, the account would be distributed to the SSCC. Otherwise, it will be distributed for facility assignment.

With the account established and any engineering and facility assignment complete, GTE then will transmit electronically a record to GTE's CZT field personnel if physical interconnection or similar activity is required. The CZTs will provision the service and then electronically confirm such provision in the SOLAR/SORCES system when completed. The accounts then will be transmitted to GTE's Customer Billing Services System ("CBSS"). Call records for actual service provided to Sprint's customers on GTE facilities will be transmitted from GTE's switches through some usage rating systems (BIP, UMS), screened and eventually delivered to CBSS for the generation of bills.

CBSS is a different system than CABS, and it is the one that GTE will utilize to produce the required bills for line-side interconnection services. GTE is working to enhance CABS to handle both trunk-side

and line-side billing. For now, CBSS will create a bill to Sprint for resold services and unbundled elements along with a summary bill master. Daily unrated records on Sprint's accounts also will be generated and transmitted electronically to Sprint. CBSS is the same system that generates GTE's own end-user bill for GTE local and residual services so that Sprint will have system use parity with GTE. GTE residual services are those services GTE continues to provide to Sprint or other CLEC local service customers that are not subject to resale.

In addition to the LSR delivery process, Sprint will distribute directory assistance and directory listing information (together sometimes referred to hereafter as "DA/DL information") to GTE's Data Center over the NDM. GTE will sort the data containing this information and process it to GTE's directory publication company and its directory assistance bureaus.

**Q. WHAT GTE SYSTEMS WILL SUPPORT THE MAINTENANCE OF SPRINT'S RESOLD GTE SERVICE?**

A. The maintenance operations support systems and procedures discussed below are depicted in the attached Exhibit No. MD-2.

There is no dispute that Sprint requests for repair will have access to GTE's service maintenance support systems functions. Again, the maintenance operations support systems which GTE will use for

Sprint are essentially the same as those GTE uses to provide its own local repair service. If Sprint requires maintenance for its local service customers, Sprint will initiate a request for repair (sometimes referred to as a "trouble report") by calling GTE's Customer Care Repair Center. If a Sprint end-user contacts GTE's repair center directly, GTE will provide a telephone number and refer the customer to Sprint for origination of the repair report. Sprint would do the same for GTE customers. During this call, GTE service representatives will verify that the end-user is a Sprint customer and will then obtain the necessary information from Sprint to process the trouble report. While the Sprint representatives are still on the line, GTE personnel will perform an initial analysis of the problem and remote line testing for resale services. If engineered services are involved, the call will be made to the GTE SSCC for handling. If no engineering is required and the line testing reveals that the trouble can be repaired remotely, GTE personnel will correct the problem and close the trouble report while Sprint representatives are still on the line. If on-line resolution is not possible, GTE personnel will provide Sprint representatives a commitment time for repair and a trouble ticket number, and the GTE personnel then will enter the trouble ticket into the GTE service dispatch queue. Sprint's repair service commitment times will be within the same intervals as GTE provides to its own end-users.

Repair calls to the SSCC for engineered services will be processed in essentially the same manner as those by the GTE Customer Care

Center. GTE personnel will analyze the problem, provide the Sprint representative with a commitment time while they are still on the line, and then place the trouble ticket in the dispatch queue.

GTE then will process all Sprint trouble reports in the dispatch queue along with GTE trouble reports in the order they were filed (first in, first out), with priority given to out-of-service conditions. If, at any time, GTE would determine that a commitment time given to Sprint becomes in jeopardy, GTE service representatives will contact Sprint by telephone to advise of the jeopardy condition and provide a new commitment time.

Trouble reports in the dispatch queue will be transmitted electronically to GTE CZT service technicians who will repair the service problems and clear the trouble reports. For cleared Sprint trouble reports, GTE service technicians will make a telephone call to Sprint directly to clear the trouble ticket. GTE service technicians will make the confirmation call to the telephone number provided by Sprint. If Sprint is unable to process the call or places the GTE technician on hold, the call will be terminated. To avoid disconnect, Sprint may develop an answering system, such as voice mail, to handle the confirmation calls expeditiously.

Sprint has also requested on-line access to GTE's maintenance support systems to "status" a trouble ticket and close it. An electronic

interface would need to be developed for this which would take years to create at significant cost

GTE will resolve repair requests by or for Sprint local service customers using GTE's existing repair system in parity with repair requests by GTE customers GTE will respond to service requests for Sprint using the same time parameters and procedures that GTE uses The only difference is that, until electronic interfaces between GTE and Sprint can be developed, GTE customers would call the GTE Customer Care Center directly, while Sprint customers would be required to call Sprint Sprint then would call GTE's Customer Care Center or SSCC while the customers were on hold This difference, however, is not material and would be transparent to the customer

## SECTION B: OS SYSTEMS AND THE "ACT"

**Q. WHAT ACCESS TO GTE'S OPERATIONS SUPPORT SYSTEMS IS REQUIRED BY THE ACT?**

A The Act imposes a number of obligations upon Incumbent Local Exchange Carriers ("ILECs") Section 251 prescribes duties of interconnection, resale, number portability, dialing parity, access to right-of-way, reciprocal compensation, negotiation, unbundled access, notice of changes, and collocation However, the duty of "operation system creation" is not listed Section 251(c)(2) requires GTE to interconnect with the equipment and facilities of Sprint, and

Section 251(c)(3) of the Act requires GTE to provide certain unbundled network elements to Sprint. Although the FCC has required ILECs to complete such "modifications" as are necessary to accommodate CLEC access. Order (¶ 524), GTE is not required to create Sprint's equipment and facilities. Nor must GTE develop new systems or enhancements to its own systems (other than access capabilities) merely because Sprint may desire it. This is not to say that a telecommunications carrier could not contract with GTE to develop various operational systems. Such an agreement, however, would be beyond the scope of any requirements of the Act.

The Act imposes a duty upon ILECs to interconnect their networks to the equipment and facilities of requesting new local market entrants. Section 251(c)(2) of the Act provides:

> (2) INTERCONNECTION -The duty to provide, for the facilities and equipment of any requesting telecommunications carrier, interconnection with the local exchange carrier's network -
>
> (A) for the transmission and routing of telephone exchange service and exchange access.
>
> (B) at any technically feasible point within the carrier's network

> (C) that is a least equal in quality to that provided by the local exchange carrier to itself or to any subsidiary, affiliate, or any other party to which the carrier provides interconnection, and
>
> (D) on rates, terms, and conditions that are just, reasonable, and nondiscriminatory, in accordance with the terms and conditions of the agreement and the requirements of this section and section 252

47 U.S.C. § 251 (c)(2)(A)-(D) (1996) (emphasis added)

In addition, Section 251(c)(3) of the Act requires ILECs to provide nondiscriminatory access to network elements. "Network Element" is defined in the Act as a "facility or equipment used in the provision of a telecommunications service. This term also includes features, functions, and capabilities that are provided by means of such facility or equipment, including subscriber numbers, databases, signaling systems, and information sufficient for billing and collection or used in the transmission, routing, or other provision of a telecommunications service." 47 U.S.C. § 153(29) (1996). FCC regulations identify operations support systems and information as one of seven network elements. Order, ¶ 504. Section 251(c)(3) provides, in relevant part:

> UNBUNDLED ACCESS - The duty to provide, to any requesting telecommunications carrier for

> the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point on rates, terms, and conditions that are just, reasonable, and nondiscriminatory in accordance with the terms and conditions of the agreement and the requirements of this section and section 252.

47 U.S.C. § 251(c)(3) (1996).

Section 251(b)(1) of the Act imposes a duty on ILECs not to impose unreasonable and discriminatory conditions or limitations on the resale of telecommunications services.

**Q. DID THE FCC ADDRESS ACCESS TO OPERATIONS SUPPORT SYSTEMS?**

A The recent FCC interconnection order issuing regulations for the Act further explained these statutory requirements. In its decision, the FCC stated that "operational support systems and the information they contain fall squarely within the definitions of 'network element' and must be unbundled upon request under 251(c)(3)." Order, ¶ 265. It also concluded that "competing carriers must be able to perform the functions of pre-ordering, ordering provisioning, maintenance and repair, and billing for network elements and resale

services in substantially the same time and manner that an incumbent can for itself." Id. ¶ 266 (emphasis added). Thus, the FCC concluded that ILECs must provide nondiscriminatory access to their operations support system functions, including the ILEC electronic interfaces it has created for its own access to these systems. According to the FCC, this access "includes access to the functionality of any internal gateway systems the incumbent employs in performing the above functions for its own customers." Id. ¶ 269.

Under the proposed Order, Sprint may develop and create its own operational systems, or it may acquire access to GTE's operational support systems functions. Such access, however, need not be provided at each and every point that Sprint requests. It need only be nondiscriminatory access and only at technically feasible points. Further, the access is to a single package of GTE's operations support systems, not to various sub-element versions or parts of such GTE systems. Equally important, such access is not free. It is to be provided on rates, terms and conditions that are just, reasonable and nondiscriminatory and that ensure full cost recovery for GTE.

In summary, GTE's obligation is to provide Sprint nondiscriminatory access to its operations support systems functions for pre-ordering, ordering, provisioning, maintenance and repair, and billing. To the extent Sprint requests use of GTE's operational systems functions instead of Sprint's own, GTE will provide Sprint such access as

required by the Act. If technically feasible, GTE does not oppose the creation of additional real time electronic interfaces to its system at other points on rates, terms and conditions that are just, reasonable and nondiscriminatory. However, GTE does oppose creating such systems if not properly compensated.

## SECTION C: UNRESOLVED ISSUES

**Q. WHAT ARE THE UNRESOLVED ISSUES BETWEEN GTE AND SPRINT RELATED TO OPERATIONS SUPPORT SYSTEMS?**

A There is generally no dispute that Sprint will have access to GTE's operations support systems functions for its competing local telephone service. Sprint as co-chair of the OBF ad hoc committee charged with OSS standard development to which GTE also belongs, should be very aware of the complexity of OSS issues.

These unresolved issues are:

(1) *Should GTE's operations support systems be accessed as an unbundled element?*

**Sprint Position**: Yes. GTE should unbundle the operations support systems as identified in the FCC order.

**GTE Position**: GTE contends that operation support systems are not an unbundled element. If the Commission determines that

Operations Support Systems should be provided as an unbundled element then the new entrant must pay the costs associated with the unbundling.

(2) *Should Sprint have nondiscriminatory access to GTE's operations support systems?*

**Sprint's Position**: Electronic Interfaces should be established to provide access to GTE's systems with read/write or real time availability.

**GTE's Position**: GTE will provide nondiscriminatory access to GTE's operations support systems functions available to GTE, but it should not be required to provide "on-line" access to such GTE systems themselves. Any on-line access should at least wait until national standards are developed, tested and implemented.

(3) *Should GTE have dedicated service centers available for ALECS?*

**Sprint Position**: GTE should work toward dedicated service centers, available 7 days a week, 24 hours a day, and in the interim, GTE must handle Sprint calls in a nondiscriminatory manner.

**GTE's Position**: GTE will not dedicate centers to a particular ALEC. GTE will treat Sprint calls in a nondiscriminatory manner and the Repair Centers are open on a 7x24 basis.

## SECTION D. GTE'S POSITION

**Q. DOES GTE BELIEVE THAT OPERATIONS SUPPORT SYSTEMS ARE AN UNBUNDLED ELEMENT?**

A. GTE contends that operations support systems are not an unbundled element and that Sprint is required to pay for access to their functions. If it is determined that they are an unbundled element, Sprint must still pay for access to their functions. If GTE is required to create electronic interfaces for Sprint, then Sprint should be required to pay the development and operational costs. Any schedule for such new systems must relate to tasks and time necessary to build them. GTE is not required under the Act to create electronic interfaces that are superior to GTE's own access to its systems or that are not otherwise necessary under the Act. Some interfaces may not be technically feasible, and GTE reserves the right to maintain that the FCC's definition of "technically feasible" as applied to operations support systems electronic interfaces is incorrect.

**Q. HAVE THE NEGOTIATIONS BETWEEN SPRINT AND GTE ADDRESSED OPERATIONS SUPPORT SYSTEMS?**

A. Negotiations to provide Sprint nondiscriminatory access to GTE's operations support systems have generated a number of disputed issues that the parties have not yet resolved. These issues center on the extent to which GTE must develop entirely new operations

support systems for Sprint. Sprint is requesting that it be provided access to GTE's systems in many different ways and at different points, a number of which are neither available nor technically feasible today. GTE contends that Sprint's proposal for access to GTE's operational support systems goes beyond the Act's requirements to permit access to these functions of GTE's systems.

Assuming that GTE were willing or required to provide any or all of the new systems and capabilities sought by Sprint, the parties also have not reached agreement on who must pay for the cost of such enhancements or systems. As the FCC recently confirmed, CLECs such as Sprint must pay all costs associated with the provision of access to unbundled elements that they request. Related issues which likewise must be addressed in such circumstances are (1) the timing of the availability of any new systems or enhancements, (2) the establishment of mechanisms to ensure the security and integrity of GTE's systems and network, and (3) the confidentiality of GTE's and its customers' proprietary and other information.

In brief, GTE will not cede control of its operational systems to Sprint and the Act does not require it. GTE will interconnect its equipment and facilities to those of Sprint and to other competing local carriers on a nondiscriminatory basis. GTE will give Sprint access to GTE operations support systems functions necessary to process Sprint's orders for resold local service and unbundled network elements.

**Q. WILL GTE'S OPERATIONS SUPPORT SYSTEMS PROCESS SPRINT'S LOCAL SERVICE IN A NONDISCRIMINATORY MANNER?**

A The access to GTE's ordering, service provisioning and billing systems functions described above allows in a nondiscriminatory manner use of GTE's local service support systems functions by Sprint. However, Sprint wants more than this. Sprint requests unlimited real time access to GTE's operating systems themselves through electronic bonding at various levels. Sprint requests, for example, that GTE develop new systems that would allow Sprint to interface GTE's various operations support systems that track service availability, dispatch GTE service technicians, manage GTE facility capacity, track service completion, track service order status, track trouble reports, monitor GTE's network, and provide remote testing of the service for Sprint's customers. The parties have agreed, and Sprint has acknowledged in its petition, that the creation of such new systems is not technically feasible in the near future.

GTE will provide Sprint access to GTE's operations support systems functions required by the Act, but not to the systems themselves. Access directly to GTE's systems is not required by the Act. GTE's operational support systems were designed for a single ILEC environment. Thus, they have no partitioning capability to protect proprietary data. Without partitioning, every CLEC that accesses the GTE systems could manipulate the systems making them impossible

to manage. Further, such manipulation would compromise the integrity of the systems. The result would be electronic anarchy. Without the ability to partition or "firewall" the data elements within GTE's systems, GTE, Sprint and any other CLEC would be able to access each other's data, thereby compromising the privacy rights of all end users. More importantly, the Act and the FCC's Order require access only as to system functions and not as to the systems themselves.

The system function access GTE provides Sprint to process and provision its service with GTE's operations support systems does provide system usage parity with GTE. This process described above gives Sprint the ability to interface with GTE systems and for GTE to provision Sprint service orders in parity with GTE.

**Q. WILL GTE PROVIDE SPRINT NONDISCRIMINATORY ACCESS TO GTE'S OPERATIONS SUPPORT SYSTEMS FUNCTIONS?**

A. GTE does not oppose providing Sprint access to GTE operations support systems functions in substantially the same time and manner GTE does for itself, and on terms that are just, reasonable, and nondiscriminatory according to the Act. GTE does not agree, however, nor is it required by the Act, to provide its operations support systems functions to Sprint at different terms and manner than it does for itself.

For example, assume that an CLEC requests that GTE provide customer usage data electronically for the CLECs local exchange customers on a daily basis. The CLEC may seek information such as call record detail, number of attempts customers have made to place a call, statistics on call completions, call termination points, high usage and similar customer call detail information. GTE does not generally collect all this type of information for its own local service. Thus, the CLEC is not seeking the same information GTE uses in order to be at parity with GTE. Rather the CLEC wants more information than GTE collects for itself. This is not required under the Act. GTE will provide the type of customer call detail information that the CLEC seeks to the extent any such information is collected and used by GTE to bill its own customers. GTE also will explore possible enhancements to its existing operations support systems that would generate the information the CLEC seeks if the CLEC commits to pay the associated costs. However, none of this can be accomplished overnight. In the interim, the CLEC must accept the call detail information which GTE collects for its own customers.

Sprint seeks an electronic access to telephone numbers and due dates for preparation of LSRs. GTE itself does not maintain a pool of numbers from one data base. The same is true for due date management. GTE itself does not have electronic access uniformly to this information. Thus, the electronic interfaces Sprint seeks for this would be superior to GTE's own access to this information.

GTE is willing to explore electronic bonding for such administrative functions as due date scheduling, number administration, identification of line options, street address verification, service dispatch, rejection orders, and installation appointment scheduling. Certainly, the determination of who will pay for the costs to develop the new systems that Sprint wants, as well as the development of a way to partition the systems to prevent unrestricted access to propriety information or manipulation of data, first must be resolved satisfactorily. The cost will be substantial.

The FCC recognizes that industry standards are required for the development and operation of electronic interfaces. Without them, GTE will likely be facing multiple, redundant interfaces to accommodate the standards of the various CLECs. Thus, standards must be implemented. However, the Commission should not require GTE to create unique electronic interfaces especially for Sprint within the next few months and then create additional industry standard electronic interfaces later. The interfaces should be created once and incorporate the industry standards.

**Q. WHEN SHOULD THE ADDITIONAL ELECTRONIC INTERFACES TO GTE'S SYSTEMS BE SCHEDULED?**

A. A significant amount of work is required to develop the electronic interfaces that Sprint requests. GTE's operations support systems are complex and integrated. GTE has begun the initial analysis to

determine exactly which systems will be affected and what work must be accomplished to accomplish electronic bonding. At the present time, however, it is unclear what detailed requirements must be met to create the various interfaces. However, GTE has been able to determine that, at minimum, numerous systems will be affected and a significant amount of work must be accomplished before the interfaces can be created.

For example, to partition access to GTE accounts which are not resold or provided to individual CLECs will require the establishment of CLEC identification codes and the creation of front end processors to the various GTE systems in order to exchange information, convert protocol, edit input/output, reject transactions, etc. Further, the process and procedures involving GTE's systems are not uniform throughout the country. In some locations, GTE uses printed documents, desk top references, and general knowledge of personnel to perform such functions as due date assignment or telephone number assignment. The development of front-end processors in such cases actually would provide Sprint superior access to functions than GTE itself has today. Finally, security codes must be established to determine availability of read and/or write access to GTE's systems, as well as the level of access allowed. The creation and administration of vast numbers of security codes will be required.

GTE has analyzed at a high level the operations support systems which will be affected if they are to provide all of the required electronic bonding that Sprint requests. It appears that almost every system will be impacted in some way. For example, GTE's trouble analysis system ("TAS") likely will be accessed by Sprint through GTE's ACG/EB system. Updates and additional changes will be required to the systems. Several restrictions must be incorporated into the systems to accommodate the interface with Sprint. The systems must be modified to limit Sprint trouble ticket creation and trouble history information only to Sprint end users. The EB system, for example, must be modified to capture system usage for billing purposes that is time and access sensitive. At least another 20 or more systems likely will be impacted and will require modification. Before any schedule is set to accomplish the required electronic bonding that Sprint demands, it is only reasonable first to determine what work actually will be required.

GTE should not be required to create electronic interfaces not required by the Act that provide Sprint superior access to GTE's operations support systems. GTE should also not be required to develop electronic interfaces in a time frame that fails to consider the necessary work and the time period within which such work reasonably can be accomplished. Consideration should also be given to the industry standards that will be implemented for these interfaces. GTE should be allowed a reasonable time to determine

exactly what must be done to develop the electronic interfaces Sprint should be aware the complexities involved in developing these interfaces due to their OBF responsibilities Once this determination is made, GTE then should be permitted to present for approval a report of the necessary work, the cost and GTE's implementation plan

**Q. SHOULD SPRINT PAY FOR THE ELECTRONIC INTERFACES IT DEMANDS?**

A As discussed above Sprint desires electronic interfaces to certain GTE operational systems that would provide "real time" access to these systems GTE will offer to develop appropriate electronic interfaces to access necessary operations support systems functions when available However, GTE will require that Sprint pay for them

The Act does not require GTE to absorb the costs of electronic interface development Such capital investment would be made at the request of Sprint Such new systems would inure completely to the benefit of Sprint There would be no benefit to GTE at all

The electronic operations support systems interfaces that Sprint wants are requested only by Sprint Unlike other unbundled elements that also have been used by GTE for its local service, GTE itself will have no use for the electronic interfaces These development costs are nonrecurring costs and should be structured within the pricing of

the total operations system network element pricing (that would also include usage) so as to be recovered by GTE within three years.

Indeed, Sprint could evaluate and specify exactly what interfaces it can afford to purchase. While Sprint may wish to have many electronic interfaces, Sprint will have to revaluate its interface requirements once the cost for such development has been calculated. A cost/benefit analysis must be performed before the parties decide what interface systems should be developed and what the time frame for this development should be.

**Q. SHOULD GTE BE REQUIRED TO PROVIDE SERVICES THAT EXCEED BOTH INDUSTRY AND COMMISSION STANDARDS OF QUALITY?**

A. No. The FCC Order does not require that GTE provide services at a different quality than it provides for itself or its customers. GTE abides by the Commission's quality requirements and will provide the services in a nondiscriminatory manner.

**Q. WILL GTE PROVIDE ACCESS TO THE SAME ORDERING PROCEDURES AND FUNCTIONS AS IT PROVIDES TO ITSELF?**

A. Yes. As described in my testimony, GTE has established a dedicated National Open Market Center (NOMC) to place Sprint orders in to the same ordering and provisioning system that GTE uses for itself and its customers. For simple service orders, the NOMC representative

will provide Sprint the customer's telephone number and installation due date while Sprint is on-line with its customer. Service orders, using the standardized Local Service Request (LSR) form developed by the industry at the Ordering and Billing Forum (OBF), can be transmitted by Sprint to the NOMC via an electronic interface using Network Data Mover (NDM) protocol. The LSR information is entered into the ordering system and completed via current GTE processes.

For complex orders, the NOMC representative will provide the telephone number(s) and due date to Sprint via the firm order confirmation (FOC). This is the same process that GTE provides for itself and its customers for complex orders.

**Q. SPRINT IMPLIES THAT REAL-TIME DIRECT ACCESS TO GTE'S SYSTEMS IS REQUIRED TO PERFORM THIS ORDERING FUNCTION. IS THAT TRUE?**

A. No. The Sprint representative will interact with the Sprint customer in the same way a GTE customer interacts with the GTE customer representative. Direct access to GTE's systems is not required to take an order from a customer.

**Q. WILL GTE PROVIDE EFFICIENT ORDERING AND PROVISIONING SYSTEMS IF IT DOES NOT PROVIDE REAL-TIME DIRECT ELECTRONIC INTERFACES TO ITS ORDERING AND PROVISIONING SYSTEMS?**

A Yes The fact that Sprint is in a middle step in the process is not a serious threat to efficiency There is a requirement for the Sprint representative to interact with the NOMC representative to establish the customer account, obtain a telephone number assignment, and due date assignment Any time required for the Sprint representative to place the customer on hold while conversing with the NOMC representative will be insignificant to the Sprint customer In fact, there are times that the GTE representative must place its own customer on hold when contacting facility assignment to obtain telephone number and due date assignment when systems cannot provide the information The GTE representative will create an account for the Sprint customer's order in the system and will initiate provisioning once a valid Local Service Request (LSR) is received from Sprint

**Q. DOES GTE ALSO PLACE ITS CUSTOMERS ON HOLD WHEN DETERMINING TELEPHONE NUMBER ASSIGNMENT AND DUE DATE ASSIGNMENT?**

A Sometimes These pre-ordering functions are not mechanized in all areas of GTE and GTE must place the customer on hold while these assignments are determined through manual processes Also, in the areas where these pre-ordering functions are mechanized, at times there is a requirement to place the customer on hold and contact manual processes because the telephone number database is exhausted, the customer wants a "vanity" telephone number, or there

are unique circumstances that alter the automated due date assignment process.

**Q. WHAT WOULD BE THE IMPACT OF AN ELECTRONIC INTERFACE ON THE DUE DATE ASSIGNMENT PROCESS?**

A. There is no indication that Sprint will receive an earlier due date using an electronic interface. The availability of manpower to meet work load will continue to determine the next available due date.

**Q. UNDER WHAT CONDITIONS WILL A CALL BACK BE REQUIRED TO PROVIDE A SPRINT CUSTOMER WITH A NEW TELEPHONE NUMBER ASSIGNMENT?**

A. If a specific vanity number is requested, or if multiple searches are required to provide an acceptable telephone number, GTE will call back Sprint to provide the telephone number. This is the same process used currently for vanity number assignment.

**Q. DOES GTE RESERVE BLOCKS OF TELEPHONE NUMBERS?**

A. No. Telephone numbers are only reserved upon the entry of end user customer name and address information. Telephone numbers are held in reserve for 30 days pending receipt of the LSR at which time the number would be available for reassignment.

**Q. WHAT WOULD THE IMPACT OF AN ELECTRONIC INTERFACE BE ON VANITY NUMBERS AND ASSIGNMENT OF BLOCKS OF TELEPHONE NUMBER ASSIGNMENT PROCESS?**

A. Sprint would be required to provide end user name and address information to establish and reserve the telephone number. Sprint would have access to the next available number, and could not reserve blocks of numbers without entering end user information.

**Q. WHAT IS GTE DOING TO ADDRESS IMPROVEMENTS IN EFFICIENCY FOR PRE-ORDERING?**

A. GTE is currently investigating the expansion of its mechanized capabilities for telephone number assignment and due date assignment nationwide. GTE is also investigating access to these mechanized capabilities by alternative local exchange carriers.

**Q. WOULD THIS MECHANIZATION ELIMINATE THE NEED FOR A SPRINT REPRESENTATIVE TO SPEAK WITH A NOMC REPRESENTATIVE TO OBTAIN TELEPHONE NUMBER ASSIGNMENTS AND DUE DATE ASSIGNMENTS?**

A. No. These mechanized processes are only effective for simple single-line services and will not work for complex services. For complex services, Sprint will be required to submit a valid LSR and customer (end-user) data sheet. GTE will provide telephone numbers and due date on the FOC.

**Q. SPRINT IMPLIES THAT GTE SHOULD BE REQUIRED TO TRANSFER A GTE CUSTOMER'S ACCOUNT TO SPRINT "AS-IS". DOES GTE AGREE WITH THIS PROPOSAL?**

A. No. GTE believes that the customer should be in control of their GTE account information and that Sprint should work with their new customer to determine the services they desire from Sprint. GTE will not compromise the customer's privacy and will only provide the customer's account information to Sprint upon written authorization from the customer.

**Q. IS THE SWITCH OVER OF CUSTOMERS FOR LOCAL SERVICE AS SIMPLE AS THE SWITCH OF END USERS BETWEEN INTEREXCHANGE CARRIERS (I.E., PIC CHANGE)?**

A. No. A PIC change is controlled through a separate operation support system than local services and only involves a change in the switch to route the customer's outgoing interexchange calls to the proper interexchange carrier's network and the billing information. The change of a customer's local exchange service is more complicated and involves several GTE operation support systems to assign local outside plant facilities, make multiple changes in the switching database, and changes in the billing system.

**Q. WILL GTE ALLOW NON-GTE ACCESS TO ITS PROVISIONING SYSTEMS, PRIOR TO THE DEVELOPMENT OF A SYSTEM-TO-SYSTEM STANDARD GATEWAY?**

A No. The FCC Order did not relinquish control of the network to alternative local exchange carriers. GTE is responsible for the provision of its network facilities. GTE will not provide network control functionality through a system-to-system standard gateway, but may provide access to installation information if requested and paid for by Sprint.

**Q. IS A NEW REPORTING REQUIREMENT NECESSARY TO PROVE NONDISCRIMINATION IN PROVISIONING?**

A No. GTE's provisioning processes for single-line services are highly automated with little opportunity for human intervention in the process. This automation precludes the opportunity for discriminatory activity and GTE should not be required to develop non-existing reports to prove non-discrimination. GTE does not process orders based on customer identity and GTE will process Sprint's orders in the same manner as it does for itself or its customers.

**Q. WILL GTE ALLOW A NON-GTE COMPANY TO HAVE ACCESS TO ITS NETWORK VIA REPAIR SYSTEMS?**

A No. GTE cannot compromise the security of its network or its proprietary customer information by allowing access by companies other than GTE to the network via GTE's repair systems. The FCC Order did not relinquish control of the network to alternative local exchange carriers.

**Q. WILL GTE ALLOW A NON-GTE COMPANY TO HAVE REAL-TIME DIRECT ACCESS TO ITS MAINTENANCE AND REPAIR SYSTEMS?**

A No. The FCC Order did not relinquish control of the network to alternative local exchange carriers. GTE is responsible for the repair of its network facilities. GTE will not provide repair control functionality through a system-to-system standard gateway, but may provide access to repair status information if requested and paid for by Sprint.

**Q. IS A NEW GTE REPORTING REQUIREMENT NECESSARY TO PROVE NONDISCRIMINATION IN MAINTENANCE AND REPAIR?**

A No. GTE does not process repair tickets based on customer identity and GTE will process Sprint's tickets in the same manner as it does for itself or its customers. GTE's processes preclude the opportunity for discriminatory activity and GTE should not be required to develop non-existing reports to prove non-discrimination.

**Q. WILL GTE USE A CABS-LIKE BILLING SYSTEM FOR CHANGES ORDERED BY SPRINT?**

A No. GTE will provide billing to Sprint via the CBSS system which is the same system used by GTE to bill its customers for local services. GTE will create a bill to Sprint for resold services and unbundled elements along with a summary bill master. GTE is working to

provide a CABS/CABS-like solution to handle both trunk-side and line-side billing.

**Q. WILL GTE PROVIDE END USER BILLING INFORMATION IN A TIMELY MANNER AS REQUESTED BY SPRINT?**

A. Yes. Daily file records on Sprint's accounts will be generated and transmitted electronically to Sprint.

**Q. WILL GTE PROVIDE ITS SERVICES TO SPRINT CUSTOMERS ON A NONDISCRIMINATORY BASIS?**

A. The Act does not mandate any particular service standards for ILECs with respect to resold services or interconnection generally. Section 251(c)(2) requires that an ILEC provide interconnection to a CLEC at the same quality standards applicable to the ILEC. Resold services must not impose unreasonable or discriminatory conditions or limitations. 47 U.S.C. § 251(c)(4)(B) (1996). GTE is not required to meet different standards for Sprint and every other competing local exchange carrier interconnecting with GTE. GTE will provide the services it is required to offer Sprint in a nondiscriminatory manner and at the same quality standards applicable to its own customers.

**Q. SHOULD GTE'S BRAND APPLY TO ITS CUSTOMER CARE CENTERS AND TO ITS EMPLOYEES?**

A. GTE will provide repair services for the interconnection services it provides Sprint. Such services will be the same in quality and

response time as those GTE provides for its own customers. GTE will continue to provide its own repair service from its Customer Care Centers. Such services are GTE services and are provided by GTE employees. It is unreasonable not to allow GTE to identify the Customer Care Centers as GTE offices. The Sprint representatives will interact with GTE's Customer Care centers, not Sprint's end-users, therefore branding should not be an issue.

GTE should be able to maintain repair centers that can be identified as GTE's own. Sprint will be able to have its own repair center along with its own discrete telephone number which can be identified as belonging to Sprint. While it is possible that Sprint customers could call GTE repair centers by mistake, such a possibility is no reason for GTE to stop using its brand for its Customer Care Centers (any more than it is reasonable for Sprint to cease using its brand because of the possibility that a GTE customer might call an Sprint repair center by mistake). GTE should be allowed to continue to use its brand for its own repair centers. Should an Sprint customer misdirect a call to GTE's Customer Care Center, GTE will provide that customer with the telephone number of Sprint's repair centers.

In a related matter, GTE service personnel providing repair service to Sprint customers are GTE employees. If GTE employees were required to carry Sprint branded material, GTE undoubtedly would be asked to do the same for other similarly situated CLECs. GTE

service personnel ultimately would be spending inordinate amounts of time trying to determine for whom they were working and coordinating the branding of their various competing carriers. Not only would this create an administrative nightmare, it would have a deleterious effect on productivity and service delivery. GTE is, however, willing to use an unbranded no access door-hanger when providing repair services to Sprint and other CLEC customers.

**Q. SHOULD CUSTOMER AUTHORIZATION BE REQUIRED BEFORE GTE CUSTOMER ACCOUNT INFORMATION IS RELEASED TO A CLEC?**

A. Yes. GTE obtains certain data from its customers when service is initiated with GTE. This data includes, for example, the customer name, address and telephone numbers and the services the customer ordered. This is the same information that Sprint will obtain directly from any new customer it might serve. Sprint proposes, however, that it not be required to obtain this information directly from its customer as GTE must do. It proposes that for any GTE customer that agrees to obtain some type of service from Sprint, GTE must automatically transfer that customer's entire local service account to Sprint.

Sprint does not specify the type of "Sprint service" request that would trigger the automatic transfer of GTE's entire local service account information. Sprint is also a toll service provider. Presumably, a request for toll service would not trigger the automatic transfer of

GTE's local service account to Sprint. The purchase of a B-1 line or one special circuit would not trigger a business account transfer. Clearly, transfers should not occur without customer approval. Customer consent must be clearly and unmistakenly obtained. "Slamming" has been a significant problem in the long distance business, and should not be permitted for local customers. GTE will require a letter of authorization for all services they elect to transfer to a CLEC.

More importantly, Sprint does not need access to GTE for information for ordering, provisioning, billing or maintenance of its local service. All required information can be obtained directly from its customers or from GTE with customer authorization. Sprint claims electronic access to this information is required because of the time it takes to complete a service order. However, such electronic access to "on-line" would allow Sprint to track GTE customers and, based on their level of service with GTE, target them for marketing of its own local or toll services. GTE will not have similar access to Sprint's customer account information, which would give Sprint a competitive marketing advantage.

Unrestricted or unauthorized access to GTE's customer account information also raises the issue of customer proprietary information protection. Clearly, if Sprint were able to access directly all GTE customer accounts, the proprietary nature of the information

contained in the accounts would be compromised. Section 222 of the Act protects such "Customer Proprietary Network Information." GTE may not disclose this information without the customer's approval. While section 222(d) of the Act does allow all carriers to use such information for purposes related to serving their own customers, it does not permit release of the information to another carrier to serve that customer. Sprint cannot be given electronic access to GTE's customer accounts information. Additionally, there is an FCC NPRM in process (Docket CC 96-115) that will be used to determine the rules for sharing customer information in the local competition environment. It is premature for this Commission to finalize any rules that would compromise customer privacy.

**Q. SHOULD GTE BE REQUIRED TO IMPLEMENT A PROCESS AND STANDARDS THAT WILL ENSURE THAT SPRINT RECEIVES SERVICES THAT ARE AT LEAST EQUAL IN QUALITY TO THAT WHICH GTE PROVIDES ITSELF?**

A. GTE plans to provide service quality that is non-discriminatory and equal to that which GTE provides to itself and its affiliates. However, Sprint goes beyond that in wanting to set its own quality standards on an individualized basis for service they obtain from GTE. In response, GTE believes that it should not be required to adhere to different CLECs' service quality standards. This would be onerous, particularly when multiple CLECs begin to operate in this market. It is already difficult enough to address differing quality standards

among the 28 states given different approaches taken by the various commissions. To divide up that measurement process and standards levels further among various CLECs would be totally unworkable and impose a tremendous and useless burden on GTE. Further, it would not benefit the CLECs, for GTE already is committed to providing non-discriminatory treatment with respect to the quality standards set in the public interest by this Commission.

**Q. WHO WILL BILL FOR THIRD-PARTY INFORMATION SERVICE CHARGES INCURRED BY SPRINT CUSTOMERS?**

A GTE may provide such third-party information service provider billing for Sprint if Sprint will provide its customer account information necessary to bill Sprint customers to GTE.

**Q. SHOULD SPRINT BE PERMITTED ACCESS TO GTE'S CUSTOMER ACCOUNT INFORMATION WITHOUT AUTHORIZATION?**

A GTE customer account information is "Customer Proprietary Network Information" under the Act and cannot be disclosed without customer authorization.

## SECTION E: SUMMARY

**Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

A GTE is willing to provide access to its operations support systems

functions without discrimination as required by the Act. However, such access will require the creation of certain electronic interfaces. These interfaces can be created, but Sprint and the CLECS must pay for them. Further, ample time must be allowed for this development depending on the amount of work which will be required.

GTE should not be required to meet different standards for service quality, nor should it be required to remove its brand on its repair centers or for its repair employees. Sprint should be required to provide GTE the billing information for its customers if Sprint desires GTE to bill for the third-party information service calls made by Sprint's local customers. Finally, GTE's customer account information is proprietary under the Act, and should not be disclosed to Sprint without the proper authorization.

**Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

A Yes.

GTE FLORIDA INCORPORATED

REBUTTAL TESTIMONY OF MIKE DREW

DOCKET NO. 961173-TP

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A My name is Mike Drew. My business address is 600 Hidden Ridge Drive, Irving, Texas.

**Q. DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING?**

A Yes, I did.

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

A I will address the operator services, directory assistance, and misdirected call issues raised by Sprint's witness Tony H. Key.

**Q. DOES GTE ASSIGN BLOCKS OF TELEPHONE NUMBERS WITHOUT HAVING CUSTOMER NAME AND ADDRESS INFORMATION?**

A No. Telephone numbers (TN) are geographically assigned and require customer name and address information to be reserved. A Block TN assignment process would have to be non-discriminatory and available to Sprint and every ALEC that enters the market. Such a process would rapidly deplete available TNs, create unacceptably duplicated TN assignments, and complicate and limit the opportunity to investigate TNs for vanity number assignment. For these reasons,

GTE is unable even to preassign a sufficient quantity of numbers based on Sprint's short-term projected demand. GTE simply must receive customer name and address information in order to preassign TNs.

**Q. HOW SHOULD GTE AND SPRINT INTERACT ON RESTORING CRITICAL SERVICES?**

A. GTE, as an ILEC, complies with Telecommunication Service Priority service provisioning and restoration guidelines. GTE assumes that Sprint, as an ALEC, will also share this responsibility and use the existing process to identify critical services for priority restoral. Sprint's concern about isolated end offices can only be resolved by redundant and self-healing network design--not by requiring that GTE develop a new restoration process.

**Q. SHOULD GTE AUTOMATICALLY UPDATE DIRECTORY RECORDS AND DIRECTORY ASSISTANCE DATABASES FROM ITS CUSTOMER RECORDS FOR SPRINT RESOLD CUSTOMERS?**

A. No. GTE removes the GTE Directory Assistance/Directory Listing (DA/DL) from the end user residual account record to avoid conflicts with Sprint's DA/DL that they will provide for their new customer. As a local service provider, Sprint has the opportunity and obligation to discuss directly with the end user its DA and DL information, and must forward this information to GTE on the corresponding Local Service Request.

**Q. SHOULD GTE BE REQUIRED TO PROVIDE REAL TIME MONITORING WHENEVER THE FLORIDA PUBLIC SERVICE COMMISSION REQUIRES REAL-TIME TOLL MONITORING?**

A. No. GTE provides high toll monitoring and fraud detection in selective states via tariff. Advanced Credit Management (ACM) was developed based on GTE-specific criteria for an end user scoring system based on credit and payment behaviors. ACM is a mechanized process and can only be provisioned for end users billed through GTE's billing system.

**Q. DO THE DIALING PARITY REQUIREMENTS IN THE TELECOMMUNICATIONS ACT OF 1996 MANDATE THAT GTE MOVE FROM N11 DIALING PATTERNS FOR BUSINESS OFFICES AND SERVICE CENTERS, WHEN SUCH DIALING IS NOT ALSO AVAILABLE TO ALL OTHER ALECs?**

A. The Act does not require GTE to forgo current N11 dialing arrangements. Florida has previously ruled on the utilization of N11 dialing arrangements and GTE will, of course, continue to comply with those rules. In addition, GTE expects that ALECs will list their contact numbers in the appropriate telephone directory or directories. In any case, N11 dialing is not used in Florida for accessing business offices and service centers. "800"-numbers are used instead.

**Q. HOW WILL GTE HANDLE MISDIRECTED SERVICE CALLS?**

A. If a Sprint customer mistakenly calls GTE for service, GTE will refer him to the Sprint service number. GTE would expect Sprint to do the same with regard to GTE customers who misdial Sprint for service.

**Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

A. Yes, it does.

Q (By Ms. Caswell) Mr. Drew, do you have a summary of your direct and rebuttal testimony?

A Yes, I do.

Q Would you please give that to us now?

A Yes. Good morning, Commissioners. GTE and Sprint have been able to reach agreement on several issues surrounding access to GTE's operations support system functions for the purpose of local interconnection and competition. GTE and Sprint continue to disagree on the handling of a customer's account information prior to the placement of a local service request by Sprint. GTE requests that this Commission prohibit Sprint from accessing GTE's or any other CLEC's customer record information prior to placing an order or transferring their account as is without the customer's written permission. This would compromise the customer's privacy and could easily promote slamming opportunities. As this Commission is aware, slamming is a serious problems in the IXC market for something as simple as a PIC change. The change of a customer's local service is much more complex than a PIC change.

This should be considered when taking control away from a customer. GTE believes that this does not disadvantage a CLEC, like Sprint, from taking an order

from a new customer, just as GTE has to do for a new customer. GTE cannot currently provide direct access to its databases that contain customer account information since the current database access capabilities would allow Sprint to access other GTE CPNI beyond the customer with which Sprint may be discussing local service.

Paragraph 284 of the FCC's order in CC Docket 96-98 allows GTE to prohibit access to such databases, and GTE will have to supply any requested CPNI in a means other than direct access.

Also, GTE would like to remind this Commission that rules regarding the provision of customer record information for local competition are currently being developed in pending FCC Docket No. 96-115. And that concludes my summary. Thank you.

MS. CASWELL: Mr. Drew is available for cross examination.

CROSS EXAMINATION

BY MS. RODDY:

Q Mr. Drew, my name is Carolyn Roddy. I work for Sprint as regulatory counsel. I have just a couple matters. First concerning Issues 6, 7 and 8, you participated in the settlement of those issues?

A Yes, I did.

Q And do you desire the Commission to disregard the portions of your testimony involving those issues?

A I believe that would be appropriate. It would take some time for me to identify that.

Q Right. Now the one issue remaining is Issue No. 9 concerning customer service records.

A Yes.

Q Now, you testified in the GTE arbitration with AT&T and MCI before the Florida Public Service Commission earlier on that issue; did you not?

A Yes, I did.

Q Are your arguments the same as the arguments that you made in that proceeding?

A Yes, they are.

Q Is there any reason that Sprint should have a different rule applied under your analysis than is applied concerning customer service records of AT&T and MCI?

A No. I think our position is the same for all competing exchange carriers that want to interface to our systems and databases.

MS. RODDY: That's all I have.

COMMISSIONER KIESLING: Staff?

CROSS EXAMINATION

BY MR. PELLEGRINI:

Q Good morning, Mr. Drew. I'm Charlie Pellegrini appearing with questions on behalf of Staff.

A Good morning.

Q Referring you to Page 38 of your direct testimony.

A Yes.

Q At Lines 6 through 9, you make a statement that GTE will not compromise the customer's privacy and will only provide customer's account information to Sprint upon written authorization from the customer, correct?

A Yes.

Q Do you believe that such a system would represent a delay in the switchover of a customer to Sprint?

A I don't know that it would represent a delay. It would allow the customer to be in total control as to exactly what services that they desire from Sprint. One example that I might give is that a customer, in dealing with new entrants into local competition, might want to only obtain an additional service, like an additional line from one of the new entrants, versus just transferring their entire account. If the other CLECs have capabilities where they can easily access customer account information prior to an order being placed, or

making a simple request to transfer the entire account as is, then GTE would not be able to understand or know that the customer only desired a single service from Sprint and not the transfer of the entire account. So I think it's incumbent upon GTE to protect the customer's information and respond to a Sprint request for service, whether it be for all of the services that a customer may currently have or just a single service in addition to what they may have currently from GTE.

Q But notwithstanding that explanation, and focusing again on the point of whether or not there would be a delay, comparing the situations in which Sprint would access CPNI by means of a letter of authorization, as opposed to what you propose on -- that is on the basis of affirmative written authorization.

A Correct.

Q Comparing those two situations, would there not be a delay if a written authorization of the customer were required?

A That potential exists.

Q And would that delay represent a competitive disadvantage to Sprint, or rather, let me put it the other way, would it represent a competitive advantage to GTE?

A I don't know that it represents a competitive

advantage. It just puts the control back in the customer's hands on how they want their information handled. It would not delay the ability of a customer to change their service. I mean, the time to obtain information is going to be very quick. We just want to know that that's what the customer wants to do with their information that we have.

Q You stated in your introductory remarks that -- or rather you reminded the Commission in those remarks that the FCC has a notice of proposed rulemaking relative to this issue.

A Correct.

Q Have you some idea of when the FCC is intending to issue its report and order in that docket?

A No. We had anticipated that it would be out by the end of this year, but we have not heard any word recently as to when that may be issued.

Q Then you don't -- you don't still have that anticipation that it will be available by the end of this year?

A I don't know anything otherwise than that.

Q Just one final question, Mr. Drew. You're familiar with the AT&T and MCI/GTE proceedings?

A Yes.

Q And in those proceedings, Issue 9 -- Issue 9

also dealt with the type of customer authorization required to access CPNI.

A Yes.

Q Is that the same issue as the issue -- as Issue 9 in this docket?

MS. CASWELL: I'm sorry, Mr. Pellegrini, I don't think he has a copy of Issue 9 from the former proceeding. Maybe if you read it to him and then we could give him a copy of the current prehearing statement so he could compare the two. Thank you.

Q (By Mr. Pellegrini) Do you have issues of both proceedings before you now?

A Yes, I do.

Q Are there any significant differences in the two positions, or in the two issues?

A No. I believe this deals, in both instances, with access to customer account information prior to an order being placed by a CLEC. I believe that's what's being discussed in both issues.

Q Then you don't believe there are significant differences in the statements of both issues?

A Well, Issue 9, and what was the other issue that you were talking about?

Q Well, it turns out --

A Issue 9 in both of them?

Q Yes.

A Well, Issue 9 in the AT&T and MCI instance also deal with the transfer of as is and access prior to an order, just as Issue 9 in this proceeding. So I believe they are similar.

Q All right, but strictly with reference to access to CPNI information.

A Well, both instances are contained within the issue statement, in the preordering aspect, as well as how an order would be processed, which is the as is capability.

Q All right. I have no further questions.

COMMISSIONER KIESLING: Any redirect?

MS. CASWELL: I have just one question.

REDIRECT EXAMINATION

BY MS. CASWELL:

Q Mr. Drew, do you agree with the decision regarding access to customer records that the Commission made in the AT&T/MCI arbitration?

A No, I don't agree with it. One of the reasons is that we cannot currently provide direct access to a database that contains that information. If a company such as Sprint had direct access today, then they would be able to go into the database and look at any account information that is in there, which includes other GTE

customers or other CLEC customers. So that capability is not technically feasible today. We also disagree that a customer's account information should be accessed very easily. That way the customer's privacy would be jeopardized. We would have to give it to anybody that requested it, without authorization.

MS. CASWELL: Thank you. That's all I have.

COMMISSIONER KIESLING: Witness is excused?

MS. CASWELL: Yes, ma'am.

COMMISSIONER KIESLING: You may step down.

(Witness Drew excused.)

* * *

(Transcript continues in sequence in Volume 6.)