REBUTTAL TESTIMONY OF

RONALD H. SHURTER

ON BEHALF OF AT&T COMMUNICATIONS

OF THE SOUTHERN STATES, INC.

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 960847-TP

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. I am Ronald H. Shurter and my business address is 1 Oak Way, Berkeley Heights, New Jersey, 07922-2724.

Q. MR. SHURTER, PLEASE CONFIRM THAT YOU ARE EMPLOYED BY AT&T AND THAT YOU HAVE PREVIOUSLY FILED DIRECT TESTIMONY IN THIS PROCEEDING.

A. That is correct. My direct testimony in this docket was filed, with AT&T's petition, on August 16. In that direct testimony I identified myself, my credentials and background, my work at AT&T, and the purpose of that testimony.

Q. YOU DESCRIBED IN THAT DIRECT TESTIMONY THE LEADERSHIP ROLE YOU PLAYED IN AT&T'S NATIONAL INTERCONNECTION NEGOTIATIONS WITH GTE, THE PROCESSES YOU INITIATED IN THOSE NEGOTIATIONS AND YOUR EXPERIENCE WITH GTE IN THOSE NEGOTIATIONS, DID YOU NOT?

A. Yes, I did. I served with Reed Harrison, the AT&T officer assigned to the national negotiations effort with GTE, as co-leader of the AT&T national team. I directed AT&T's effort and worked to engage GTE in establishing work plans and work processes to facilitate forward movement in those negotiations and to create the optimal environment for the achievement of a comprehensive national agreement. Virtually all initiatives in that effort came from AT&T, from the notion and the development of work plans to the repeated initiation of alternative approaches to resolve issues (e.g., access to GTE pathway facilities, branding issues, the phasing in of the essential electronic interface) on which GTE had adopted a resistant posture, ranging from a negative response to a refusal even to negotiate an issue.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I will address briefly, in the context of my foregoing remarks, the mischaracterization of AT&T conduct and actions in the testimony of GTE witness Seaman. That testimony incorrectly claims an "apparent reversal" of positions on the part of AT&T, and employs that device to support GTE's rigid adherence to its own original positions on virtually all critical issues of interconnection.

Q. WILL YOU ADDRESS OTHER POINTS CONTAINED IN THE TESTIMONY OF MR. SEAMAN OR THE TESTIMONY OF OTHER GTE WITNESSES?

A. I will respond only briefly to some of the other points made by GTE in the Seaman testimony, including services available for resale, unbundled network elements, and pricing. Those issues and the testimonies of other GTE witnesses will be more thoroughly considered in the rebuttal testimony of other AT&T witnesses in this

docket.

I will devote closer attention to GTE statements and misstatements, in the Seaman testimony and, more extensively, in the testimony of GTE witness Rodney Langley, regarding the interactive electronic interface arrangements that are essential to AT&T and other new entrants' entry into GTE's monopoly local markets. This interactive electronic interface, as recognized by the state regulators from California to Illinois to Georgia and beyond, and by the FCC, is absolutely essential if there is to be any real hope of competition in the local exchange.

AT&T has never sought overnight interactive interface, but has throughout the six months since passage of the 1996 Act -- and for several months in California prior to the passage of the 1996 Act -- sought from GTE a commitment to a workplan that would permit the early implementation of very imperfect interim arrangements, with defined movement toward achievement of improved interim electronic arrangements and, finally, achievement of the electronic interactive interface at the earliest practicable date. That's where AT&T has focused its energies, consistent with its clearly stated objective of local market entry. And that's where we hope the Commission will direct GTE to move --to implementation of a committed plan. Without that Commission direction, GTE will continue to accentuate the negative ('it's complicated; it's costly; it's more than we give ourselves,' etc.). in its approach to meeting its obligations.

Rebuttal of Seaman Testimony

Q. LET'S TURN THEN TO MR. SEAMAN'S TESTIMONY REGARDING THE NEGOTIATIONS PROCESS AND HIS CHARACTERIZATION OF AT&T'S DRAFT CONTRACT.

A. The description of the process itself is generally accurate. That process, involving negotiating teams at the Subject Matter Expert or SME level, at a Core level and at an Executive level was initiated at the instance of and under the design proposed by AT&T. Indeed AT&T sought by use of a box score matrix to encourage movement as much as to track it. Notwithstanding those facilitating processes, and our best efforts to overcome GTE resistance, there was in the end only minimal progress with GTE on such critical issues as services available for resale, unbundled network elements and other critical services and capabilities, including pathway access. We have also encountered GTE resistance in our efforts to establish a work plan for the interactive electronic interface that is absolutely essential if AT&T or other ALECs are to have any realistic opportunity to compete in the monopoly local exchange markets of GTE.

I would urge upon the Commission a proper and accurate perspective of the negotiations process. GTE is the giant incumbent LEC; and AT&T has been seeking to obtain from GTE what AT&T needs to enter and compete successfully in local markets long served only on a monopoly basis, and only by GTE. AT&T's only incentive has been forward movement, toward its objective: local market entry. AT&T introduced processes described by Mr. Seaman to facilitate and speed up the achievement of that objective. GTE's incentives have obviously been otherwise.

Q. PLEASE ELABORATE ON YOUR LAST POINT.

A. Reed Harrison and I, for AT&T, sought a win-win business arrangement with GTE

from the outset, emphasizing throughout the negotiations the benefits GTE might derive in its wholesale business. Yes it's true we were proceeding under a federal statute, and under complementary pro-competitive policies of many state commissions, to pursue our rights and enforce GTE's obligations under the new Telecommunications Act. But our focus was not minimalist, for AT&T or for GTE. GTE, unfortunately, took a different and narrower approach, and emphasized from the outset its view that we were coming after their local exchange market share --to take customers away from them. That may well be true, as the Congress contemplated -- and, I believe, mandated -- in the new Act. But we did not come in looking for a lifetime enforcement proceeding against GTE. We believed then as we do now that our interests are best served under a business arrangement that has benefits for both sides. Again, to put matters in a proper and accurate perspective, it was GTE who insisted, as Mr. Seaman confirms, that interconnection, services or network elements sought by AT&T be specifically required by the Act. We were effectively and explicitly advised by GTE that we'd get what the Act plainly required and nothing more. Having underscored that rigid approach to the letter and spirit of the new law, GTE proceeded throughout the negotiations to insist that the Act did not require most of the things we were asking for. Parity, for example, according to GTE, meant we'd be treated equally with other ALECs, certainly not with GTE. That view of the Act has been properly rejected by all responsible regulators who've had it put before them.

Q. MR. SEAMAN ATTACKS AS MISLEADING AT&T'S INCLUSION IN ITS RELEVANT DOCUMENT PACKAGE OF A "JOINT DRAFT" CONTRACT. WOULD YOU COMMENT ON HIS TESTIMONY?

A. AT&T's filing, including its relevant document package, was neither in fact nor by design misleading in any respect. Mr. Seaman's testimony on this point is itself misleading. In fact, during and after a two-and-one-half day negotiating session on July 17-19, 1996 at AT&T's offices in Berkeley Heights, counsel for AT&T and for GTE were instructed to proceed with their efforts to reduce to legal contract language items or issues on which the parties had or believed they had achieved agreement. The efforts of the two lawyers continued at Berkeley Heights throughout the period July 17-19, and continued for a few weeks thereafter at GTE offices in Irving, Texas, then stopped at the instance of GTE. The two lawyers, for those contact provisions on which they had in fact conducted negotiations, employed markings to indicate (i) proposals advanced by AT&T with which GTE disagreed; (ii) proposals advanced by GTE with which AT&T disagreed, and, (iii) for sections covered by their negotiations, unmarked text to indicate areas of agreement. The two lawyers established and fully understood that process, as confirmed in the letter of AT&T counsel to her GTE counterpart, which is attached as Exhibit RSR-1. There can be no legitimate confusion on the part of the GTE negotiators or anyone else on this score. The contract document in question did in fact identify areas of agreement and disagreement between AT&T and GTE, and was therefore a proper relevant document for that purpose.

Q. THEN YOU BELIEVE THERE WAS NO BASIS FOR CONFUSION ON THE PART OF GTE?

A. There was certainly no basis for confusion on GTE's part. AT&T made clear to GTE that the filing of the petition did not close any doors for further negotiations or

discussion. GTE could promptly have called its lawyer or ours for any clarification needed on the forms of contract documents filed with the petition. The fact is that AT&T submitted a draft contract for GTE review at the very beginning of July, then cross-referenced that document to the issue matrix employed by the parties, to make it easier for GTE to review the document, then marked the document as indicated in counsel negotiations to show areas of agreement and disagreement. GTE had plainly, in words and actions, agreed to negotiate on that form of contract with AT&T. But, as noted, the parties did not achieve agreement on a number of fundamental issues, such as services available for resale, unbundled network elements, other capabilities and services needed by AT&T, and pricing for all of the above. So, AT&T filed for arbitration, and included with its petition a form of interconnection agreement which it asked the Commission to order into effect. Obviously, in asking the Commission to order GTE to enter that contract, AT&T was not suggesting that GTE agreed to that contract, in whole or in part, but rather the contrary. The contract accompanying our petition provides all the relief we seek in the petition, namely, the interconnection terms and conditions to which AT&T believes it is entitled under the governing federal act. But we certainly also sought to reflect in that contract exhibit any areas on which we had achieved agreement with GTE. GTE has formally and informally complained to AT&T that our contract exhibit does not reflect some areas on which agreement was reached. When we asked GTE to specify its complaint, its examples were few and, if not inaccurate, really quite insignificant. I can only conclude that this GTE claim about AT&T 's "reversal of positions it took during the negotiations" is offered as an excuse for GTE to move back off its own positions and, even more likely, to get before the Commission GTE's own model contract. The processes we initiated to facilitate and track the intercompany negotiations did not preclude the

occasional mistake or misunderstanding, but it also permitted identification and correction in such cases. AT&T has made clear to GTE our continuing availability to clear up such items.

Q. MR. SEAMAN DEVOTES A SECTION OF HIS TESTIMONY TO THE 1996 ACT AND HIS DISAGREEMENT WITH THE FCC'S RULES CONSTRUING ILEC OBLIGATIONS UNDER THAT ACT. DO YOU HAVE ANY RESPONSE?

A. Throughout his testimony on the 1996 Act and the FCC order, Mr. Seaman advances a host of legal arguments that, I believe, neither he nor I are best qualified to address. In this and in other aspects of his attack on the FCC order, I would urge the Commission to consider the source. And, I urge the Commission as well to consider the selective and hopelessly unbalanced and unfair approach of GTE to the federal act.

I have already emphasized AT&T's objective in its efforts with GTE, namely, to obtain local market entry. I believe that the 1996 Act gives us that right, and that the pro-competitive policies of the FCC and this Commission can be applied --against the ongoing resistance of GTE-- to implement that federal statute and provide AT&T the tools necessary to enter the local market in Florida. I believe that this Commission can adopt and apply as its own the pro-competitive and pro-consumer policies set out by the FCC in its recent order.

I understand that this Commission has concerns or objections relating to some aspects of the FCC's order, and that those will be pursued through judicial review processes.

But that does not alter the pro-competitive, pro-consumer policies of this Commission, nor align it with GTE, whose attack on the FCC order arises from GTE's resistance to those same pro-competitive policies as these are included in the FCC order. GTE doesn't like the FCC order because that order makes clear that GTE's obligations under the 1996 Act are real, and substantial, and that the Act requires, for real, the opening of the GTE local exchange monopoly to competitive entry.

Q. MR. SEAMAN SAYS THAT GTE WILL BE IRREPARABLY HARMED IF THE FLORIDA COMMISSION ESTABLISHES INTERIM DEFAULT PROXY RATES FOR THE INTERCONNECTION, SERVICES AND UNBUNDLED NETWORK ELEMENTS THAT AT&T NEEDS FROM GTE. DO YOU HAVE ANY COMMENT ON HIS CLAIM?

A. GTE has in fact argued its pricing and costs-for-pricing methodologies at great length before the FCC. Its position was rejected by the FCC, as it has been by several state regulators. In California, for example, GTE's cost methodologies and related pricing proposals were rejected by the CPUC, which ordered new studies and indicated its intention --pending those new studies-- to set GTE rates on RBOC-based methodology. What the FCC and the California Commission determined, in fact, was that GTE pricing methodologies and resulting prices are excessive and tend to preclude rather than to promote competitive entry into the local exchange. Those are exactly the effects that would result in Florida from the adoption of Mr. Seaman's and GTE's pricing proposals here. In summary, any harm of the type claimed by GTE has been self-inflicted. It is otherwise remarkable to hear this GTE argument about fairness and irreparable harm in the context of the new federal law.

Q. PLEASE ELABORATE ON YOUR LAST COMMENT.

A. GTE's approach to the new federal law is entirely unbalanced and unfair. Congress has mandated the opening of the local exchange to competitive entry. In its approach to that mandate, GTE urges caution and care and study. What GTE really means is delay of local market entry by new entrants. GTE has apparently no complaint with those provisions of the 1996 Act which permitted it to enter immediately into the intensely competitive long distance markets that are already served by AT&T and literally hundreds of competing carriers. And in that market GTE touts its ability to offer a full range of local and long distance services. For as long as GTE can delay and resist entry into its local market, it will retain the enormous and unfair competitive advantage that its local monopoly provides, and continue to take thousands of customers away from AT&T and other long distance carriers --potential competitors who are locked out of GTE's local monopoly market and thus precluded from offering a local/long distance package in competition with that of GTE. So, they lose customers to GTE. Mr. Seaman insists that it's very hard, or very costly, or both for a firm to win back a customer lost to a competitor. Incredibly, he's talking about GTE which, under its program of resistance and delay, has not to my knowledge yet lost a single such customer.

Q. WHAT IS YOUR RESPONSE TO THE BALANCE OF MR. SEAMAN'S TESTIMONY?

A. All or most of Mr. Seaman's arguments on services available for resale, on unbundled network elements and combinations and on the appropriate pricing of those services and elements have been properly rejected by the FCC and by several state regulators.

Other AT&T rebuttal witnesses will cover these points in detail. The very tone and content of Mr. Seaman's testimony on these points reflects GTE's head-in-the-sand view of the new federal act, and its desire to maintain the status quo. ("GTE will offer;" "GTE should not be required;" etc.). Quite simply stated, GTE's positions would, if adopted, effectively preclude competition in the local exchange in Florida. That's great for GTE, but not for Florida consumers, and it contradicts the pro-competitive policies of this Commission and of the Congress.

Q. MR. SEAMAN SAYS THAT A FIVE YEAR TERM FOR THE AGREEMENT IS NOT NEEDED BY AT&T AND WOULD PREJUDICE GTE. DO YOU AGREE?

A. I certainly do not agree, and especially not in the case of GTE. In order to enter and compete effectively in the local exchange, AT&T must acquire, configure, service and market services and elements obtained from GTE -- and do so in a market entirely and historically dominated by GTE, with its 100% market share. The challenges and variables associated with that effort are enormous, far beyond anything facing new entrants twenty years ago in the interexchange marketplace. Yet even in that much more receptive or susceptible marketplace, effective competition did not arrive overnight. It took root and grew over time, from resale to facilities-based and other forms. In that context, five years is hardly an excessive term for the local interconnection, services and network elements agreement sought by AT&T. There is no basis for the argumentative counterpoint of GTE, other than their statement that two years is enough. Not so.

Q. FINALLY, MR. SEAMAN ATTACKS AT&T'S DESIRE FOR INDEMNITY

FROM GTE FOR UNBILLED AND UNCOLLECTED REVENUE ASSOCIATED WITH SYSTEM FAULTS. WILL YOU RESPOND ON THAT POINT, PLEASE?

A. For the network elements, interconnection and services, including operations support services, sought by AT&T from GTE in this proceeding, AT&T will pay the appropriate price established or approved by this Commission. The indemnity sought by AT&T is entirely reasonable, and hardly reflects an uncommon or unusual industry practice. The "system faults" to which he refers are GTE system faults. The AT&T proposal would hold GTE liable for GTE's actions in causing or its inaction in preventing such system faults. It's GTE's network, managed and operated by GTE personnel that is the subject of the provision in question.

Operational Support Services

Interactive Electronic Interface

Q. HAVE YOU REVIEWED THE TESTIMONY OF MESSRS. SEAMAN AND LANGLEY FOR GTE ON THE SUBJECT OF OPERATIONAL SUPPORT SERVICES?

A. Yes, I have.

Q. WHAT IS YOUR GENERAL REACTION TO THAT TESTIMONY?

A. In large part, the GTE testimony addresses non-issues never raised by AT&T, strawmen if you will, that GTE raises and then knocks over, with implied or express mischaracterization of AT&T's position. Thus, for example, Mr. Seaman states with respect to operations support systems and services that cost is an issue. AT&T has

never suggested otherwise. Mr. Langley, in very confusing testimony on this subject, says that AT&T seeks operations support systems "not as one of the unbundled elements it seeks to purchase from GTE," but rather "for free." That's just not so.

In the same confusing discussion, at pages 2-3 of his testimony, Mr. Langley says that:

(1) AT&T did not list OSS as an unbundled element;

(2) GTE contends that OSS are not unbundled elements, and AT&T must pay for access to these functions;

(3) AT&T must still pay even if it's determined that OSS are unbundled elements; and

(4) AT&T just refuses to pay for development or anything on OSS.

Again, AT&T has never stated that it would not pay for operational support systems provided by GTE. To suggest that we've sought those systems and services for free is incorrect.

Q. DOES GTE CONTEST THE NEED OR IMPORTANCE OF THE OPERATIONAL SUPPORT SYSTEMS AND SERVICES SOUGHT BY AT&T?

A. I don't think so. But GTE's approach to implementation is one of delay. GTE can't contest the critical need for operational support systems and services for any new entrant in the local exchange. Quite simply put, you can't operate without those systems and services. Rather, GTE has sought to limit and "define down" the nature of the interface requirements of AT&T, and to "trickle down" those systems and

support services on a "just enough to get you started" or "just enough to keep you moving" basis. GTE has complained when AT&T has sought more definition of the interface, and more definite scheduling for the required movement to full interactive electronic interface.

Q. WHAT DO YOU MEAN WHEN YOU SAY "REQUIRED" ?

A. I mean required from a business and operations perspective, as well as a legal one. The law requires the full electronic interface sought by AT&T, to enable AT&T and other ALECs to compete realistically in GTE's monopoly local markets. We must be able to offer a customer experience equal to that of the embedded or new GTE customer. From a business and operations perspective, this need is fully described in other direct testimony filed by AT&T in this docket. From a legal perspective, it has been recognized by a number of state commissions, and by the FCC, that full electronic interface is critical for the service/systems support parity to which requesting carriers are entitled under the new federal Act. The law appears simply to recognize the business reality, that you can't have competition without, at minimum, a parity experience in the pre-ordering, ordering, provisioning, billing and maintenance functions.

Q. MR. LANGLEY TESTIFIES FOR GTE THAT AT&T WANTS "IMMEDIATE" ACCESS, TECHNICALLY INFEASIBLE ACCESS, MORE ACCESS THAN GTE PROVIDES ITSELF, AND MORE THAN THE LAW REQUIRES. IS HE CORRECT?

A. He is not. His testimony is again more confusing than misleading. Thus, for example, on the issue of "immediate" access (page 3), he proceeds (at page 5) to

emphasize that "AT&T appears to recognize that all the electronic bonding it seeks cannot be developed for some time." In fact, AT&T seeks full interactive electronic interface at the earliest practicable date in 1997, as GTE well knows from our extended discussion of this issue with them at all levels (SME, Core and Executive). We know we can't have it overnight, and haven't asked for that. On the other hand, Mr. Langley's use of the term "for some time" is a matter of proper concern for AT&T and for the Commission. That's far too indefinite, and identifies the type of response AT&T has encountered throughout in its effort to nail down with GTE a work plan that provides the needed operational interface and that supports local market entry.

As for the balance of Mr. Langley's mischaracterizations, we obviously don't seek more than the law requires, just as we don't seek anything for free. The FCC has made clear that we can ask for more than GTE provides itself in this area, as long as we're willing to pay the appropriate price for that system or service. And there may be times when we want more than GTE provides to itself.

Q. MR. LANGLEY GOES BEYOND COST/PRICE AND TIMING ISSUES AND RAISES CONCERNS WHICH, HE SAYS, AT PAGE 4 AND ELSEWHERE IN HIS TESTIMONY, GO TO THE SECURITY AND INTEGRITY OF GTE'S SYSTEMS AND NETWORK AND TO THE CONFIDENTIALITY OF GTE'S AND ITS CUSTOMERS' PROPRIETARY NETWORK INFORMATION (CPNI). WHAT IS YOUR RESPONSE TO THAT TESTIMONY?

A. Mr. Langley is really addressing important parity issues in his focus on what GTE is

willing and unwilling to do. This is not a question of requiring GTE to "cede unrestricted control" of its network or operational systems to AT&T or anyone else. It is a matter of enabling AT&T to provide a customer experience comparable to that which GTE provides to its own customers. And when Mr. Langley uses the term "nondiscriminatory" in the course of this strawman exercise, AT&T is properly concerned. GTE's definition of nondiscrimination, it emphasized repeatedly throughout the negotiations process, means no discrimination by GTE among requesting carriers or ALECs; it does not --GTE emphasized in negotiations-- imply equality or parity with GTE. Here again, AT&T has asked for no more than the law provides, and AT&T remains willing to pay the appropriate price for what it's requested.

Q. WHAT ABOUT MR. LANGLEY'S CPNI CONCERN?

A. This has been a particularly galling aspect of the negotiations with GTE, which has raised the holy grail of CPNI to resist a perfectly proper and sensible customer-on-line/change-as-is ordering process requested by AT&T. For those customers who want to change from GTE to AT&T and continue with AT&T all the services they received from GTE, AT&T requested a blanket letter of authorization process, similar or identical to that used in the interexchange PIC process, to enable GTE to identify the customer's services to AT&T so that AT&T might efficiently continue and maintain the same. GTE insists on a written authorization from the individual customer, and thus introduces a very real, very substantial and very unnecessary barrier to local competition. To the doubtful extent that CPNI is even involved, the blanket letter of authorization should be adequate to address any legitimate concerns for customer privacy and approval. GTE acknowledged in the course of our

negotiations that the blanket letter process proposed by AT&T was consistent with the practice employed in the interexchange PIC area, and otherwise plainly the sensible business approach to the matter. GTE's insistence on an individual written customer authorization in this situation serves only to frustrate a new local market entrant's ability to attract and win new customers. GTE's self-serving privacy concerns are plainly anti- not pro-competitive. And they are inconsistent with GTE's otherwise meritless argument that it should be permitted to make PIC changes for AT&T local customers upon request by other IXCs or their customers, without referral to AT&T. GTE's argument for the latter course is that it's "more efficient and less cumbersome." (Langley testimony, p. 38).

Q. WHY DOESN'T AT&T WANT TO ALLOW GTE TO COMPLETE THOSE PIC CHANGES FOR AT&T CUSTOMERS WITHOUT REFERRAL OF THE IXC OR CUSTOMER IN QUESTION TO AT&T?

A. Mr. Langley's question on this point (at page 5 of his testimony) answers itself. It is AT&T's right and responsibility to care for its local customers. It is neither necessary nor appropriate for the embedded LEC to come between AT&T and its customer. The very suggestion that GTE should handle those changes without referral to AT&T is indicative of the residual paternalism of the monopoly local carrier ("we know what's best") which appears to lack any perception of the importance --in competitive markets-- of the customer facing relationship. This same paternalism and lack of awareness are evident in Mr. Langley's insistence that GTE employees should work under GTE's brand, even when they're performing work for AT&T --work that's paid for by AT&T. I urge the Commission to consider this GTE testimony as indicative of the depth of the problems encountered by AT&T in its effort to bring GTE around to

the notion of competition in the local exchange. The GTE mindset is out of sync with federal law and with the pro-competitive policies of this Commission.

Q. DO YOU OBSERVE THAT MINDSET ELSEWHERE IN MR. LANGLEY'S TESTIMONY?

A. Yes. Mr. Langley gives an extended presentation on operational support systems, for example, beginning at page 6 of his testimony. And, right off the bat, his focus is on "the technical complexity of both the various systems and their integration." AT&T has never questioned the complexity of the operational support systems and support that it seeks from GTE. Like most telecommunications operating systems, there are elements of complexity. They are real and must be dealt with. But they are hardly overwhelming. If GTE were a manufacturer of designer dinnerware, I might be more receptive to their "Boy, this stuff is complicated," approach to operational interface required by AT&T and other ALECs. But GTE is a giant telephone company, populated with engineers and systems designers trained in dealing with just such "complex" telecommunications issues.

AT&T has not sought instant solutions. But it is entitled under the Act to a lot more than repeated and paternalistic lectures by GTE on the complexity of the systems and support services it has requested. And certainly more than the type of scare tactics employed in Mr. Langley's "electronic anarchy" scenario at page 29 of his testimony. To the extent that real problems exist, then obviously they must be addressed. The thing to do is to get started, and get started now as AT&T has repeatedly requested. Ultimately, Mr. Langley laments (page 18) that the interactive electronic interface that AT&T desires "would take years to create" and cost a lot. AT&T's response is

and has been that we should staff and assign joint AT&T-GTE work teams now:

(1) to get started;

(2) to set a specific target date and work program to accomplish an initial interim approach;

(3) to set a specific target date and work program to accomplish an improved, second-stage interim approach (see, Langley testimony at page 13, lines 15-17, where he appears to be identifying a phase II interim system); and

(4) to set a specific target date and work program to move from the interim interface arrangements to the full interactive electronic interface.

The approach we have urged upon GTE and are still negotiating with GTE is reflected in the summary sheet which is attached and marked **RSR-2**. GTE can identify and advance cost/price proposals or cost recovery proposals which can be either agreed upon among the parties or submitted for decision by the Commission or under contractual Alternative Dispute Resolution provisions.

Q. WILL GTE AGREE TO YOUR APPROACH?

A. I am concerned that GTE's "complexity" and cost recovery concerns have been and may continue to be employed by GTE to delay progress on the essential interface. In a letter dated July 8, 1996, GTE announced its refusal to proceed with the assignment of human and other resources to the interface project, pending an agreement by AT&T on a host of cost/price issues. Cost recovery is again the focus in the Seaman and Langley testimony.

The FCC has directed GTE and other incumbent LECs to implement the interactive electronic interface sought by GTE, and has identified appropriate pricing or cost recovery methods. Under its own pro-consumer/pro-competition policies this Commission can direct the same actions. It is time to get the AT&T and GTE implementation teams assigned and working on a definite schedule. That's what we hope to accomplish with GTE in **RSR-2.**

Q. DO YOU AGREE WITH MESSRS. SEAMAN AND LANGLEY THAT FOR CERTAIN OSS FUNCTIONS AT&T SHOULD BEAR THE FULL COST?

A. No. I do not. The benefit of the systems and support services requested by AT&T would not only benefit and be available to benefit other ALECs and carriers, but would be available obviously to GTE itself, to improve its position in its wholesale business and other operations. A reasonable cost recovery mechanism would cover all such beneficiaries.

Q. MR. LANGLEY SUGGESTS THAT GTE CAN PROVIDE AT&T WITH LESS THAN AT&T HAS REQUESTED IN THE WAY OF ELECTRONIC INTERFACE, AND THAT AT&T WOULD SUFFER NO RESULTING HARM IN THE MARKETPLACE. DO YOU AGREE?

A. Obviously not. Right in his own answer to this question (on page 19, at lines 6-19), Mr. Langley describes important differences in the customer experience that would plainly be harmful to AT&T in the marketplace. The differences are real. If Mr. Langley is confident of his view that the time to process the respective GTE and AT&T repair calls would "not be qualitatively different from the perception of its

customers," he should be willing (even employing his system on an interim-only basis) to provide customer specific monthly data reports that would validate his point.

Q. ELSEWHERE IN HIS TESTIMONY, MR. LANGLEY COMPLAINS THAT AT&T WANTS MORE IN THE WAY OF SERVICE STANDARDS THAN GTE MAKES AVAILABLE TO ITSELF. WHAT IS YOUR RESPONSE?

A. First, I suppose, I welcome the progress evident in Mr. Langley's testimony that GTE must provide interconnection services and elements to AT&T under the Act "at the same quality standards" applicable to what it provides itself. Certainly, state commissions and the FCC have confirmed that this minimum level of parity is required under the Act. It has also been made clear that if AT&T wants more than that minimum parity, it may request and must pay for it. Finally, we see here again the somewhat paternalistic view that if something is enough for GTE it ought to be enough for AT&T. That is, respectfully, spoken like a true incumbent monopolist. AT&T may want more than the minimum parity prescribed by the Act and in the state and federal orders interpreting that parity obligation. It may wish to differentiate its services from those available from the incumbent, and not limit itself to that level of service. This form of differentiation is obviously critical to a new entrant in a monopoly local market. GTE's resistance on this point again evidences either the erection of more barriers to entry, or a comforting and self-serving ignorance of competitive markets.

Q. DO THESE SAME CONSIDERATIONS APPLY TO YOUR NEED FOR LIQUIDATED DAMAGES OR OTHER SWIFT REMEDIES FOR SERVICE STANDARD FAILURES ON THE PART OF GTE?

A. Yes. When we enter GTE's market, with a 0% share, facing GTE with its 100% share, we will count heavily on the AT&T brand and its reputation for quality and excellence. We need to guard against any degradation of that service and have both deterrents and corrective actions readily available. We have no residual market share "cushion" on which to fall back while we attempt to correct service quality failures.

Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY ON THE ELECTRONIC INTERFACE NEEDS OF AT&T.

A. My colleagues and I have engaged in continuing negotiations on this issue with GTE, and some significant progress appears to have been made, along the lines indicated in **RSR-2.** My emphasis remains one of getting started, and getting in place the human and other resources needed to insure concrete, planned movement from interim to advanced interim solutions, and then on to a final interactive interface. It's hard work, but essential and doable. And it will never get done if it doesn't get started --under a committed plan that sets milestones and implementation deadlines..

Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.

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TRANSMITTED BY FAX

September 13, 1996

Connie E. Nicholas, Esq.
GTE Telephone Operations
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Irving, Texas 75015-2092

Dear Connie:

I appreciated your telephone call yesterday, and the opportunity to discuss with you some of the issues and concerns that have arisen with regard to contract exhibits and documents filed with AT&T petitions in the twenty states where we filed for arbitration on August 15-19.

To the extent that we can generate more light and less heat on this subject the exercise is no doubt worthwhile. Here are the facts regarding those contract documents:

1. The governing federal statute provides for the filing, with the arbitration petition of relevant documentation concerning the parties' positions, resolved and unresolved issues, etc.

2. With its relevant document packages in many or most of our jurisdictions, AT&T filed (i) the original contract proposal forwarded to you by Joyce Beasley on July 2; (ii) my July 10 transmittal marching the (7/2) contract language to the issue matrices; and (iii) the marked up contract that you and I were working on during the period following the July 17-19 meetings in Berkeley Heights. You will of course recall that our practice in this exchange, to the extent we covered an area of the contract, involved:

a. **Bold text** for positions advanced by AT&T and not agreed to by GTE

b <u>Double underscoring</u> for positions advanced by GTE and not agreed to by AT&T.

c. Unadorned text for areas of agreement, limited to those sections of the contract which we were negotiating.

For these other, uncovered or non-negotiated areas of the contract, unadorned text was maintained. If any of my state-based colleagues mistook the import of the unadorned text in category (c), I have taken steps to clear this up for you and them. You may have already seen a copy of the certificate which I furnished to our California counsel.

I am concerned with GTE's references to the AT&T petition or contract language that, according to GTE, fails to reflect matters on which agreement was reached, or otherwise misstates or ignores the agreement. The only specifics I have seen are in John Peterson's recent letter to Rasul Damji. I have reviewed this letter and could not identify significant discrepancies between what you and I negotiated and the contract language cited.

The major contract point cited in his letter was on the subject of DMOQs. You explained yesterday that you prepared that contract critique included with John's letter, based on your review of the agreement attached by AT&T to its arbitration filing in Michigan. GTE maintains that on July 19, the parties reached an agreement on DMOQs. When you and I were handed the annexed piece of paper on July 19, we were asked to construct appropriate legal contract language addressing the matters addressed in the paper, which was then further described as an agreement to take those matters out of the interconnection agreement and to make them the subject of a separate agreement. In brief, we had described to us that afternoon, explicitly, an agreement to agree. I am reciting and referring to the advice provided at that time by Reed Harrison, because no GTE representative had a word to say about it at the time.

In sum, AT&T's understanding on this item, on and after July 19, was that we had reached an agreement to agree. In some of my subsequent discussion of this issue with you, I recall your emphasis was on excluding the issue from the interconnection agreement itself, not on any suggestion that the issue had been resolved. If GTE had or has a different understanding of the July 19 discussions and agreements than that of AT&T, that is unfortunate and reflects misunderstanding and a failure of the parties to achieve a meeting of the minds on the question --and nothing more.

When almost a month later we were approaching day 160 and our arbitration filing deadline, we were left with a number of critical and unresolved issues. And, because unresolved matters not identified in the arbitration process might otherwise fall through the cracks, Reed proposed to Don McLeod in his August 15, 1996 letter that the parties attempt to resolve the DMOQ issues by September 1, or otherwise incorporate them into the arbitration process.

AT&T's Michigan petition and the agreement annexed to that petition as exhibit A do incorrectly suggest that AT&T and GTE agreed to a September 1 date or deadline for their agreement to agree on quality standards, DMOQs, etc. AT&T certainly cited the

need to conclude (or submit to arbitration) an agreement to agree, and otherwise proposed in Reed Harrison's August 15 letter to Don McLeod that they reach that agreement by September 1. The Michigan petition and its exhibit A form of agreement do, however, otherwise acknowledge an agreement to agree and incorporate proposed standards in the event that agreement is not reached. I understand that the governing procedure in Michigan discourages or precludes post-filing additions to the list of unresolved issues. Thus, the approach taken by AT&T in that filing, consistent with the concern expressed by Reed Harrison in his August 15 letter, was simply one of avoiding the disappearance of the issue in question.

Meanwhile, Messrs. Shurter and Compton have exchanged letters on the DMOQ issue, and their positions appear far apart indeed. The pending arbitration proceeedings do not preclude their continuing effort to resolve those issues. I am more concerned, frankly, as I mentioned yesterday, by GTE's submission of a new contract and the "back to square one" posture adopted in the accompanying testimony of Meade Seaman. This approach does not appear to bode well for any positive outlook on further negotiations.

As clarified for you yesterday, in every jurisdiction except California, where the regulatory rules prevented a contract from being filed with the arbitration petition, we filed the same form of the agreement that you had agreed to negotiate, that we had provided to you electronically, that we had taken the time and effort to cross-reference to negotiations issues and that we were, in fact, in the throes of negotiating when you effectively stopped the process by your August 5 call to me.

I remain responsible for negotiating and concluding an agreement with GTE. To that end I am in the process of adding a new Part IV to the agreement to cover your concerns that we had not adequately covered mutual interconnection requirements and I am reviewing the entire document to ensure that it complies with the August 8 FCC order. You will receive these revisions next week by fax and, as always, I would appreciate your review and comment on these.

Sincerely,

Bonnie J. Watson

Cc: J. Beasley
P. Walsh
R. Harrison
R. Shurter

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Law Division Fax Cover Sheet

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AT&T

GTE Electronic Interface

PHASE I - INTERIM ELECTRONIC INTERFACE NATIONAL AGREEMENT, SRT BY DEC. '96/JAN. '97

- Telephone # and Due Date Assignment Via 800 Number
- Street Address Guide Via Magnetic Tape
- Ordering Firm Order Confirmation through NDM Transport
- Jeopardies and Service Activation by Fax or E-Mail
- Maintenance Via 800 Number
- Billing Usage Data Via NDM

PHASE II - INTERIM ELECTRONIC INTERFACE ENHANCEMENT TO BE INCORPORATED INTO NATIONAL AGREEMENT, SRT BY APR. '97 TO AUTOMATE INTERFACE FOR

- Telephone & Due Date Date Assignment
- Street Address Guide
- Jeopardies and Service Activation
- Features & Services Recap

PHASE III - INTERACTIVE ELECTRONIC INTERFACE PROPOSAL FOR ACTIVATION BASED ON 8/8 FCC ORDER, SRT BY EARLIEST PRACTICABLE DATE IN 1997

- Direct Access to GTE Systems for Pre-Ordering, Provision and Maintenance
- Direct Input to GTE Systems for Ordering, Provisioning and Maintenance
- Automated Notification by GTE to AT&T for Ordering, Provisioning and Maintenance
- Billing Usage Data Via EDI
- Wholesale Billing in CABS Format