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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Consideration Of BellSouth)
Telecommunications, Inc.'s Entry Into)
InterLATA Services Pursuant To)
Section 271 Of The Telecommunications)
Act Of 1996)
_____)

Docket No. 960786-TL
FILED: July 31, 1997

**REBUTTAL TESTIMONY OF
C. MICHAEL PFAU
ON BEHALF OF
AT&T COMMUNICATIONS
OF THE SOUTHERN STATES, INC.
JULY 31, 1997**

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FPSC-RECORDS/REPORTING

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**
2 A. My name is C. Michael Pfau. My business address is 295 North Maple
3 Avenue, Basking Ridge, New Jersey 07920.
4
5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?**
6 A. I am employed by AT&T Corp., and I serve as Division Manager, Local
7 Services Division Negotiations Support.
8
9 **Q. ARE YOU THE SAME INDIVIDUAL WHO PREVIOUSLY**
10 **SUBMITTED DIRECT TESTIMONY IN THIS DOCKET?**
11 A. Yes.
12
13 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**
14 A. My rebuttal testimony responds to the direct testimony of BellSouth
15 witness Stacy in order to clarify certain issues essential to this
16 Commission's consideration of performance metrics, especially in the
17 context of Issues 3a and 15a. First, I will address statements by Mr. Stacy
18 regarding the status and significance of performance measures agreed
19 upon in Attachment 12 to the Florida BellSouth/AT&T Interconnection
20 Agreement. Mr. Stacy's testimony mischaracterizes the purpose of
21 Attachment 12 as well as its adequacy for monitoring nondiscrimination
22 and parity. Second, I will address BellSouth's proposal to employ

1 Statistical Process Control (SPC) procedures for comparing CLEC and
2 BellSouth performance results. This use of SPC, which was never
3 discussed nor agreed to by AT&T as part of any Interconnection
4 Agreement negotiations within Florida or any of BellSouth's operating
5 territory, will fall woefully short of promptly identifying discriminatory
6 performance on the part of BellSouth. The performance agreement is a
7 good start but simply is not sufficient to allow the Commission to
8 determine that BellSouth is offering or can provide nondiscriminatory
9 interconnection or access.

10

11 **Q. HOW MIGHT THE TESTIMONY OF BELLSOUTH MISLEAD**
12 **THIS COMMISSION WITH RESPECT TO THE STATUS AND**
13 **INTENDED PURPOSE OF ATTACHMENT 12?**

14 A. BellSouth completely mistakes the significance of Attachment 12 to the
15 Interconnection Agreement. The testimony of BellSouth's witness Stacy
16 relating to performance measures, due to the almost exclusive reliance
17 upon Attachment 12, gives the mistaken impression that the Attachment
18 is a comprehensive and complete set of measurements that can be
19 implemented now for the purposes of monitoring nondiscrimination.
20 Quite the contrary is true. Attachment 12 is only a starting point for
21 creating a measurement plan that will satisfy the stringent requirement
22 that BellSouth deliver support for Services Resale, use of Unbundled
23 Network Elements, and access to OSS functionality that is

1 nondiscriminatory, and, at no less than parity, with that delivered to
2 BellSouth's own operations. (See 47 U.S.C § 251(c); First Report and
3 Order, Implementation of the Local Competition Provisions in the
4 Telecommunications Act of 1996, CC Docket No. 96-98 (released August
5 8, 1996) @ ¶ 517, 518, 523, 525; Second Order on Reconsideration,
6 Implementation of the Local Competition Provisions in the
7 Telecommunication Act of 1996, CC Docket No. 96-98 (released
8 December 13, 1996) @ ¶ 2, 9.

9
10 In other testimony, Mr. Stacy recognized that the measures set forth in
11 Attachment 12 are only a starting point, and that further negotiations are
12 necessary. In his direct testimony and cross examination in Georgia in
13 July of this year relating to proposed SGAT performance measures, Mr.
14 Stacy recognized that some performance measures would be discarded
15 and others would be added. The testimony to which I am referring is
16 included as Exhibit CMPR-1 to my rebuttal testimony. The modification
17 process must continue, along the lines I identified in my direct testimony,
18 before the performance measurement plan can be considered adequate to
19 monitor BellSouth's parity and nondiscrimination obligations.

20
21 **Q. GIVEN BELLSOUTH'S RECOGNITION THAT ATTACHMENT**
22 **12 IS STILL SUBJECT TO CHANGES, WHAT ARE YOUR**
23 **CONCERNS REGARDING CONSIDERATION OF THE**

1 **ATTACHMENT 12 MEASUREMENTS AS PART OF THIS**
2 **PROCEEDING?**

3 A. As I stated in my direct testimony, my first concern is that Attachment 12
4 currently represents only a subset of measures necessary to monitor the
5 quality of support delivered by BellSouth. In many cases, the measures
6 set forth in Attachment 12 do not permit a meaningful comparison of
7 performance, the definition of measures and computation methodologies
8 contained in Attachment 12 leave much to interpretation, and the
9 proposed statistical tool for comparison of results is inadequate. Beyond
10 that, I am concerned that as this case proceeds, BellSouth continues
11 building a measurement collection and reporting system that reflects
12 neither the industry's input nor decisions by this Commission regarding
13 what measures should be monitored, how they should be defined and how
14 they should be compared and reported. Certainly, when determining the
15 appropriate measures necessary to monitor nondiscrimination, this
16 Commission should disregard any claimed system development costs
17 resulting from BellSouth's unilateral assessment of what is required to
18 monitor nondiscrimination.

19
20 **Q. IF BELLSOUTH AND AT&T NEGOTIATED AND AGREED TO**
21 **ATTACHMENT 12, WHY DO YOU OBJECT TO ITS USE FOR**
22 **MONITORING COMPLIANCE WITH NONDISCRIMINATION**
23 **AND PARITY OBLIGATIONS?**

1 A. AT&T negotiated the interconnection agreement with the understanding
2 that further evolution of the measurements would occur and occur
3 promptly. One of the overriding principles contained within the
4 agreement was that BellSouth would provide parity performance for all
5 measures, that parity would be determined by comparing AT&T's results
6 to the results for BellSouth's own operations, and that data validating this
7 parity performance would be delivered to AT&T on a regular basis.

8
9 Review of the performance measures contained in Attachment 12 will
10 very clearly show that many of the measures only provide a comparison
11 of performance results to a negotiated target. Negotiated targets represent
12 simply what the parties agreed BellSouth would be obligated to deliver in
13 the absence of actual comparative data of BellSouth. Meeting or
14 surpassing a "negotiated" target does not establish parity or
15 nondiscrimination. Accordingly, measures incorporated in Attachment
16 12 reflecting only whether a target is met or exceeded were obviously
17 destined for modification and redefinition to permit parity and
18 nondiscrimination to be directly monitored.

19
20 **Q. WHY WOULD AT&T AGREE TO THE CONTENT OF**
21 **ATTACHMENT 12 IF IT WAS INADEQUATE TO MONITOR**
22 **PARITY AND NONDISCRIMINATION?**

1 A. As I said earlier, AT&T accepted that Attachment 12 would evolve over
2 time and, perhaps naively, anticipated this evolution would be
3 substantially completed before SGAT filings were pursued. As a
4 practical matter, incorporation of negotiated targets allowed AT&T to
5 complete a regionwide interconnection agreement template and begin the
6 process of entering BellSouth's local markets with knowledge of expected
7 minimum levels of performance by BellSouth. Market entry could,
8 therefore, proceed while negotiations continued to refine the measures
9 and procedures appropriate to attaining the longer term goal of
10 monitoring parity and nondiscrimination.

11

12 **Q. THE SECOND PURPOSE OF YOUR REBUTTAL TESTIMONY**
13 **WAS TO ADDRESS BELLSOUTH'S PROPOSAL TO UTILIZE**
14 **STATISTICAL PROCESS CONTROL (SPC) FOR COMPARING**
15 **CLEC AND BELLSOUTH RESULTS. WHAT IS BELLSOUTH'S**
16 **PROPOSAL FOR MONITORING NONDISCRIMINATION AND**
17 **PARITY?**

18 A. BellSouth witness Stacy proposes the use of statistical process control
19 charts that contain upper and lower control levels for performance where
20 BellSouth currently is collecting performance data. (See Stacy Dir. at 17-
21 19.) Unfortunately, the proposed direct comparison to BellSouth's actual
22 results is promised for only eight of the measures. (See Stacy Dir. at 18
23 and Exhibit WNS-B.) From a purely technical standpoint, I do not

1 disagree that process control charts reflect a form of statistical
2 comparison. Mr. Stacy's approach, however, needs clarification and, on
3 the surface, appears inadequate to protect the development of competition
4 in the State of Florida.

5

6 **Q. WHY DO YOU SAY THAT SPC PROCEDURES WILL BE**
7 **INADEQUATE FOR MONITORING PARITY AND**
8 **NONDISCRIMINATION?**

9 A. The SPC approach is inadequate for three primary reasons: (1) The use of
10 SPC in a traditional quality control application presumes a number of key
11 conditions which are not present within the local market situation under
12 consideration here; (2) Even if SPC were appropriate to employ, which I
13 do not believe it is, the defined upper and lower control limits do not
14 adequately detect non-parity or discriminatory performance; and (3) The
15 apparent trigger for investigating potentially discriminatory performance
16 does not promptly initiate action nor does resolution occur with sufficient
17 haste.

18

19 **Q. WHAT SPECIFIC CONDITIONS DO YOU BELIEVE ARE**
20 **PROBLEMATIC WERE SPC TO BE UTILIZED TO MONITOR**
21 **FOR NONDISCRIMINATION?**

22 A. There are a number of basic constructs which, while fundamental to SPC,
23 are problematic to its use as envisioned by BellSouth. SPC is intended to

1 monitor whether or not a specific process is operating within expected
2 boundaries. The acceptable boundaries of performance are computed
3 using generally accepted statistical analysis techniques reflecting
4 previously observed variations in the performance of a process that is
5 operating in a stable manner. The control limits are established using
6 data generally collected through a sampling process that gathers a fixed
7 number of sample points each month so that the upper and lower control
8 limits can remain static for the comparison.

9

10 The first problem with BellSouth employing traditional SPC techniques is
11 that a single process is not likely to exist. Rather, one process for
12 BellSouth will be monitored and compared to what potentially may be a
13 very different process for the CLECs. For example, BellSouth offers
14 LENS to CLECs for ordering while it utilizes RNS or DOE for its own
15 ordering process. The very real potential exists that the CLEC's and
16 BellSouth's processes will operate differently. Why else would BellSouth
17 create a new ordering system that it does not use for its own operations?

18

19 The second problem with employing SPC is that the processes are not
20 likely to be stable, or in control. At least for CLECs, the systems
21 supporting the processes being monitored are only recently deployed and
22 only partially tested. There is certainly abundant reason to believe that
23 the current operations do not reflect the stability of operation presumed by
24 the SPC technique.

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Third, in order to maintain stable upper and lower control limits and comparability of variance in the CLEC results, BellSouth would need to sample its own operation at the same rate as that of the smallest volume CLEC. Unfortunately, tailoring the sample to conform to the volume of the smallest CLEC is a problem. But, small sample sizes generally are correlated with higher variability in the mean result. Accordingly, no result would be likely to fall outside the control limits unless, of course, the data is collected over such a lengthy period that sufficient data points could be collected for all parties. On the other hand, extending the data collection over a lengthy period will interject delay in determining whether or not discriminatory performance results are evident.

13

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Bottom line, plotting a CLEC's results on a control chart that solely represents BellSouth's performance and BellSouth's expected deviations in performance is not a mechanism likely to provide timely and meaningful comparisons of results.

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Q. WHY ARE TRADITIONAL UPPER AND LOWER CONTROL LIMITS ASSOCIATED WITH SPC INADEQUATE TO DETECT POTENTIALLY DISCRIMINATORY OR NON-PARITY OPERATING RESULTS?

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1 A. It appears the data provided by BellSouth Witness Stacy is only
2 illustrative and fails to identify the parameters that will be used to
3 establish control limits. (See Stacy Dir. at 18.) My concern is that the
4 definition of the upper and lower control limits could be so limiting that
5 only the most blatantly discriminatory performance will fall outside the
6 control limit. (This, of course, assumes that SPC could be adapted to
7 operate in a satisfactory manner for the purpose of monitoring results,
8 which it cannot.) I understand that SPC control limits typically are set so
9 broadly that only a 0.27% probability exists that a data point outside the
10 control limits would erroneously identify unsatisfactory behavior. This
11 means there would be less than a 3 in 1,000 chance that a “false alarm”
12 would occur indicating that BellSouth was operating in a discriminatory
13 manner. In other words, such control limits would “catch” only the most
14 obviously discriminatory behavior, while failing to identify less obvious –
15 but equally objectionable – discriminatory action.

16

17 BellSouth cannot be permitted to stack the deck in its favor through the
18 advantageous and selective use of the statistical tests for difference in
19 results.

20

21 **Q. WHAT IS YOUR CONCERN REGARDING BELL SOUTH'S**
22 **PROPOSED TRIGGER FOR INVESTIGATING POTENTIALLY**
23 **DISCRIMINATORY OR NON-PARITY PERFORMANCE?**

1 A. BellSouth indicates that investigation of non-parity results will be
2 undertaken following three consecutive months of a CLEC's result being
3 either higher or lower than the results for BellSouth. This proposal
4 simply is insufficient to ensure parity. Under the BellSouth approach,
5 unless a single month's result is so exceptionally bad that it falls outside
6 the liberal control limits, CLECs and their customers must receive non-
7 parity performance for three consecutive months before an investigation
8 is undertaken. Even then the CLEC must wait an additional, unspecified
9 amount of time and participate in an undefined joint investigation process
10 before steps are initiated to correct non-parity performance. During this
11 entire period, the CLECs cannot offer services at parity with BellSouth.
12 Few customers have this kind of patience.

13

14 The BellSouth process offers no definitive steps or time limits for
15 correcting non-parity performance. The process also creates incentives to
16 manage to a pattern of "two bad months--one good month" with respect to
17 results delivered to CLECs. This Commission cannot expect robust
18 competition to develop when BellSouth has literally months to identify
19 and correct non-parity performance. The Act does not say that
20 discrimination exists only after three consecutive months of non-parity
21 performance – immediate identification, investigation, and remediation
22 are necessary when the quality of support delivered to a CLEC is less than
23 that delivered to BellSouth.

24

1 **Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

2 A. In response to Issues 3(a) and 15(a), the Commission should find that
3 BellSouth has failed to develop performance standards and measurements
4 capable of reliably measuring whether it can provide nondiscriminatory
5 access to network elements or services for resale. Without reliable
6 performance standards and measurements, this Commission is left with
7 only BellSouth's unverifiable promise that it intends to provide
8 nondiscriminatory access and interconnection. The direct testimony filed
9 by BellSouth with respect to performance measures demonstrates that too
10 many questions are yet unanswered and too many details are yet to be
11 documented for this Commission to move forward with confidence that
12 the development of competition will be adequately protected.

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

15 A. Yes.

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**Excerpts of BellSouth Witness Stacy Testimony in Dockets Nos. 6863-U and
7253-U before the Georgia Public Service Commission (7/16/97)**

Q. What regulatory action is needed to facilitate parity measurement
implementation?

A. BST continues to believe that the Commission should allow the parties to
work through the negotiations process to define and implement
performance standards.

Reference: Stacy Direct Testimony @ pp. 24-25.

“You will hear our opponents suggest in their testimony that these
proposed measures are just a starting point, and I agree with that.”

Reference: Stacy Opening Statement, Transcript @ p. 4066.

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6 **Excerpts of BellSouth Witness Stacy Testimony in Dockets Nos. 6863-U and**
7 **7253-U before the Georgia Public Service Commission (7/16/97)**

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9 Q. But there could be additional measures for pre-ordering and ordering?

10

11 A. As I said in my testimony, we both agreed that this set of measures was a
12 place to start and that further negotiations would continue discarding
13 some of these measures and adding additional measures.

14

15 Reference: Cross-examination by AT&T (Rhodes) @ pp. 4076-4077.

16

17 Q. We'll move on then. So you've stated several times today that what we
18 have here in attachment 12 and in the SGAT is a starting point and you're
19 comfortable with that description of what this is?

20

21 A. Yes, we have both recognized in signing the agreement that this is the
22 point to begin and that that will evolve and change over time.

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24 Reference: Cross-examination by American Communications Services of
25 Columbus, Inc. (Rice) @ p. 4090.



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**Excerpts of BellSouth Witness Stacy Testimony in Dockets Nos. 6863-U and
7253-U before the Georgia Public Service Commission (7/16/97)**

Q. And just referencing back to the different steps we've talked about there
are still perhaps some other things we might want to measure.

A.. There are other things we might want to measure. There are parts of these
measures we may want to discard and there are different ways of
measuring the things that we've agreed to. I believe over time all those
will evolve and change.

Reference: Cross-examination by American Communications Services of
Columbus, Inc. (Rice) @ p. 4090.

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6 **Excerpts of BellSouth Witness Stacy Testimony in Dockets Nos. 6863-U and**
7 **7253-U before the Georgia Public Service Commission (7/16/97)**

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9 Q. Now, I want to briefly just make sure I understand BellSouth's view of its
10 agreement with AT&T on performance standards. You agree it is not a
11 final agreement, is that correct?

12

13 A. I agree that it has some sections of the agreement that are subject to
14 further work. It is a final agreement in the sense that it was concluded by
15 both parties and filed with the Commission.

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17 Reference: Cross-examination by MCI Telecommunications, Inc.
18 (Adleman), Transcript @ p. 4103.

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**Excerpts of BellSouth Witness Stacy Testimony in Dockets Nos. 6863-U and
7253-U before the Georgia Public Service Commission (7/16/97)**

Q. Your final recommendation is that, with regard to performance
measurements, the Commission should tell the parties to go out and
continue to negotiate, is that correct?
Isn't that where you end up on this thing?

A. In general that is -- that is correct. That the parties who have negotiated
interconnection agreements should continue to meet and discuss that and
that the terms in the SGAT are available to other carriers who desire
them.

Reference Reference: Cross-examination by MCI Telecommunications,
Inc. (Adleman), Transcript @ p. 4134.
